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EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
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In 2012 all ECB publications feature a motif taken from the €50 banknote.

Address
Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

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

Fax
+49 69 1344 6000

This Bulletin was produced under the responsibility of the Executive Board of the ECB. Translations are prepared and published by the national central banks.

The cut-off date for the statistics included in this issue was 7 March 2012.

ISSN 1561-0136 (print)
ISSN 1725-2822 (online)

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ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE	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 decided at its meeting on 8 March 2012 to keep the key ECB interest rates unchanged. The information that has become available since the beginning of February has confirmed the Governing Council's previous assessment of the outlook for economic activity. Available survey indicators confirm signs of a stabilisation in the euro area economy. However, the economic outlook is still subject to downside risks. Owing to rises in energy prices and indirect taxes, inflation rates are now likely to stay above 2% in 2012, with upside risks prevailing. Nevertheless, the Governing Council expects price developments to remain in line with price stability over the policy-relevant horizon. The underlying pace of monetary expansion remains subdued, consistent with contained inflationary pressures over the medium term. Looking ahead, the Governing Council is firmly committed to maintaining price stability in the euro area, in line with its mandate. To this end, the continued firm anchoring of inflation expectations – in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term – is of the essence.

Over recent months a wide range of additional non-standard monetary policy measures has been implemented by the Eurosystem. These measures, including in particular the two three-year longer-term refinancing operations, were decided upon against the background of exceptional circumstances in the last quarter of 2011. The first impact of these measures has been positive. Together with fiscal consolidation and stepped-up structural reforms in several euro area countries, as well as progress towards a stronger euro area economic governance framework, they have contributed to a significant improvement in the financial environment over recent months. The Governing Council expects that the three-year longer-term refinancing operations will provide further support for the ongoing stabilisation in financial markets and, in particular, for lending activity in the euro area. All the non-standard monetary policy measures are temporary in nature. Furthermore, all the necessary tools to address potential upside risks to medium-term price stability are fully available.

With regard to the economic analysis, real GDP contracted by 0.3% in the euro area in the fourth quarter of 2011. According to recent survey data, there are signs of a stabilisation in economic activity, albeit still at a low level. Looking ahead, the Governing Council expects the euro area economy to recover gradually in the course of this year. The outlook for economic activity should be supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning of the euro area financial sector. However, the remaining tensions in euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors, are expected to continue to dampen the underlying growth momentum.

This assessment is also reflected in the March 2012 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between -0.5% and 0.3% in 2012 and between 0.0% and 2.2% in 2013. Compared with the December 2011 Eurosystem staff macroeconomic projections, the ranges have been shifted slightly downwards. This outlook remains subject to downside risks. They notably relate to a renewed intensification of tensions in euro area debt markets and their potential spillover to the euro area real economy. Downside risks also relate to further increases in commodity prices.

Euro area annual HICP inflation was 2.7% in February 2012, according to Eurostat's flash estimate, slightly up from 2.6% in January. Looking ahead, inflation is now likely to stay above 2% in 2012, mainly owing to recent increases in energy prices, as well as recently announced increases in indirect taxes. On the basis of current futures prices for commodities, annual inflation rates should fall again to below 2% in early 2013. Looking further ahead, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited.

The March 2012 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.1% and 2.7% in 2012 and between 0.9% and 2.3% in 2013. In comparison with the December 2011 Eurosystem staff macroeconomic projections, the ranges for HICP inflation have been shifted upwards, notably the range for 2012. Risks to projected HICP inflation rates in the coming years are seen to be still broadly balanced, with upside risks in the near term mainly stemming from higher than expected oil prices and indirect tax increases. However, downside risks continue to exist owing to weaker than expected developments in economic activity.

The monetary analysis indicates that the underlying pace of monetary expansion remains subdued. The annual growth rate of M3 was 2.5% in January 2012, up from 1.5% in December 2011. Loan growth to the private sector also remains subdued. However, its annual rate (adjusted for loan sales and securitisation) picked up slightly in January to 1.5% year on year from 1.2% in December. The annual growth rates of loans to non-financial corporations and loans to households (adjusted for loan sales and securitisation) stood at 0.8% and 2.1% respectively in January. The volume of MFI loans to non-financial corporations declined only slightly in January, following the pronounced decline in December. By contrast, the flow of loans to households in January was positive. Following the signs of improvement in the financial environment, it is essential for banks to strengthen their resilience further, including by retaining earnings. The soundness of banks' balance sheets will be a key factor in facilitating an appropriate provision of credit to the economy.

To sum up, the economic analysis indicates that price developments should remain in line with price stability over the medium term. A cross-check with the signals from the monetary analysis confirms this picture.

Looking ahead, in order to deliver a favourable environment for sustainable growth and to support confidence and competitiveness, the Governing Council stresses the urgent need for governments to make further progress towards restoring sound fiscal positions and implementing the structural reform agenda. Regarding fiscal consolidation, many governments in the euro area are making progress. Continuing with comprehensive fiscal consolidation and complying with all commitments remain essential. In this respect, the 2012 European Semester should be used to enforce rigorously the reinforced fiscal surveillance mechanism. Equally important are structural reforms to increase the adjustment capacity and competitiveness of euro area countries and to strengthen growth prospects and job creation. In this area, more progress is desirable. The Governing Council strongly welcomes the European Commission's Alert Mechanism Report on macroeconomic imbalances and expects the proposed in-depth country reviews to actively support the reform processes under way in euro area countries.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

In an environment of improving financial market conditions, survey indicators confirm further signs of a stabilisation in global economic activity. While growth has been dampened by structural impediments in advanced economies, in emerging markets it remains solid. Inflationary dynamics in advanced economies have remained relatively contained over recent months. In emerging economies, inflation rates have declined lately, although inflationary pressures persist.

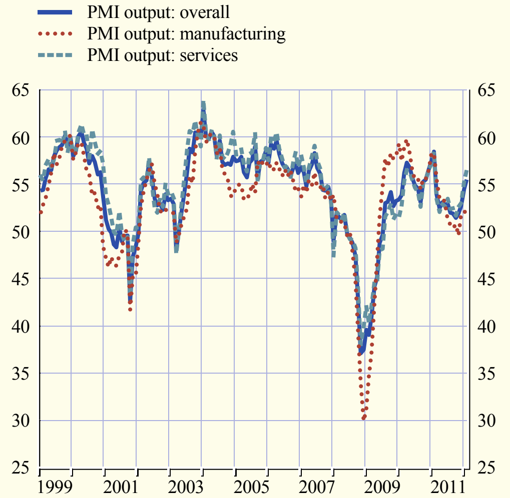
1.1 DEVELOPMENTS IN THE WORLD ECONOMY

In the fourth quarter of 2011 GDP growth in the OECD area slowed down to 0.1%, quarter on quarter, from 0.6% in the third quarter, with growth patterns across countries diverging considerably. Towards the end of 2011 signs of a stabilisation in global economic activity began to emerge, with the latest data suggesting that this has continued in the first quarter of this year. Nevertheless, structural impediments are expected to continue to restrain the pace of growth in the global economy over the medium term. These impediments mainly relate to weaknesses in the labour and housing markets in some major advanced economies, as well as to the need for further repairs to both public and private sector balance sheets. In relation to the latter, while some progress has been made on rebalancing, the debt levels of households remain elevated in a number of major advanced economies.

In an environment of improving financial markets, both business and consumer sentiment have shown signs of improvement. The Purchasing Managers' Index (PMI) for global all-industry output continued to increase, reaching 55.5 in February (see Chart 1). The improvement in business conditions was broadly based across sectors and countries. In addition, the more forward-looking PMI for new orders has provided positive signals for the near-term global economic outlook. On the consumer side, indicators of consumer confidence have likewise tended to improve across countries. For advanced economies, however, these indicators remain below historical averages.

Chart 1 Global PMI output

(diffusion index; seasonally adjusted; monthly data)



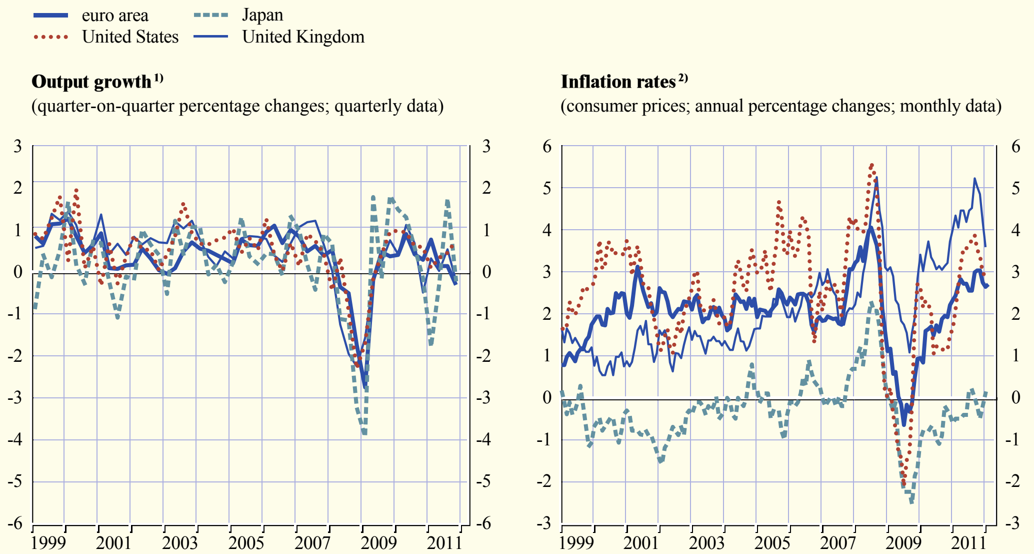
Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)

Source: OECD.

Chart 3 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.
2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

Data on global trade for the last quarter of 2011 point to weak dynamics, broadly consistent with subdued global activity. According to data from CPB Netherlands Bureau for Economic Policy Analysis, world trade in goods increased by 0.3% compared with the previous quarter. The weakness of global imports largely reflected a sharp decline in imports by the euro area and other European economies, while imports by the United States, Japan and the emerging markets held up better. As regards the near-term outlook, the global PMI for new export orders rose to above the expansion-contraction threshold of 50 in January and February 2012. While remaining below its long-term average, it points towards a gradual recovery in the momentum of global trade.

After peaking at 3.3% in September, inflation in the OECD countries declined modestly to 2.8% in January, mainly reflecting lower growth in energy prices (see Chart 2). Inflation excluding food and energy declined marginally to 1.9% in January, compared with 2.0% in December. In the advanced economies, ample spare capacity and well-anchored inflation expectations helped to mitigate price pressures. In emerging economies, inflation rates also declined. However, underlying price pressures persist on account of limited spare capacity, wage indexation policies, as well as rather low real interest rates. Annual inflation rates remained above 6% in Brazil and 4% in China.

UNITED STATES

In the United States, economic activity continued to gradually gain momentum in the fourth quarter of 2011, after being subdued in the first half of the year (see Chart 3). According to the second estimate by the Bureau of Economic Analysis, real GDP increased by 3.0% in annualised terms in the fourth quarter of 2011 (0.7% on a quarter-on-quarter basis), up from 1.8% in the previous quarter. The expansion in the fourth quarter was driven primarily by consumer spending and the change in private inventories. Residential investment picked up strongly, while net exports and government expenditure contributed negatively to growth. Real disposable personal income growth strengthened in the second half of 2011, but remained below real private consumption growth.

As regards price developments, annual CPI inflation declined to 2.9% in January 2012, from 3.0% in the previous month and 3.9% at its peak in September 2011. A decrease in both food and energy price inflation contributed to this decline. CPI inflation excluding food and energy, however, has been more persistent. It increased at an annual rate of 2.3% in January 2012, compared with 2.2% in the previous month. The strength in core inflation has been sustained lately by increases in the prices of medical care, recreation, education and communication, despite a moderation in the cost of transportation and housing.

Looking ahead, the recovery in 2012 is expected to proceed at a more robust pace than previously anticipated, given that the latest monthly data have surprised mainly on the upside and point to a continued economic expansion in the first quarter of 2012. US non-farm payrolls were better than expected in January, and employment growth was widespread in the private sector, including the construction industry. Moreover, jobless claims continued to decline in February, indicating a more resilient labour market in the first quarter. According to several housing market indicators, housing activity, which collapsed during the recession, appears to be bottoming out. In February 2012 the US Congress passed a bipartisan bill for an overall amount of USD 150 billion to extend until the end of 2012 payroll tax cuts and longer payment of unemployment benefits. This is expected to support private consumption growth in 2012, but its reversal next year will weigh on growth. As regards prices, although commodity prices have picked up again in recent weeks, the slack in product and labour markets should limit upward price pressures and contribute to further reducing headline inflation in 2012.

On 25 January 2012 the Federal Open Market Committee (FOMC) stated that, notwithstanding some slowing in global growth, recent indicators point to a moderate expansion of economic activity and a further improvement in overall labour market conditions. The FOMC kept its target range for the federal funds rate at 0.0% to 0.25% and anticipated that economic conditions are likely to warrant exceptionally low federal funds rate levels until at least late 2014.

JAPAN

In Japan, the latest data releases confirmed that economic activity was relatively weak at the end of 2011, following the rebound observed in the third quarter. According to the second preliminary release by the Cabinet Office, in the final quarter of 2011 real GDP in Japan contracted by 0.2%, quarter on quarter, compared with an increase of 1.7% in the preceding quarter. This was largely driven by negative contributions from net exports and private inventories. Weaker external demand, the persistent strength of the Japanese yen and supply disruptions related to the floods in Thailand contributed to a sharp decline in Japanese exports of goods and services, while imports of goods and services continued to expand. Public investment unexpectedly declined for the second consecutive quarter, signalling some delay in the implementation of reconstruction plans. On the other hand, corporate investment expanded significantly in the last quarter of 2011, while private consumption grew at a more moderate pace. Overall, this implies that annual real GDP declined by 0.7% in 2011, compared with growth of 4.4% in 2010. Higher energy imports, together with a more subdued export performance, resulted in the re-emergence of a trade deficit in 2011. Looking ahead, economic activity is expected to return to moderate growth in 2012, particularly as a result of reconstruction-related expenditure.

Where price developments are concerned, annual headline CPI inflation stood at 0.1% in January 2012, up from -0.2% in the previous month, partly on account of increases in prices of food. Excluding fresh food, annual CPI inflation remained unchanged at -0.1% in January, while annual CPI excluding food and energy declined at a slower pace (-0.8%) compared with December 2011 (-1.1%). At its latest monetary policy meeting on 14 February 2012, the Bank of Japan decided to maintain its target for the uncollateralised overnight call rate at around 0% to 0.1%. Moreover, it also announced that it would expand its Asset Purchase Program by JPY 10 trillion, through increased purchases of Japanese government bonds. Finally, it also decided to introduce a price stability goal in the medium to long term, which has been set (for the time being) at 1% in terms of the annual change in the CPI.

UNITED KINGDOM

In the United Kingdom, economic activity appears to be bottoming out. In the fourth quarter of 2011 real GDP declined by 0.2%, quarter on quarter, but monthly data since November 2011 have generally been favourable. Industrial production and the volume of retail sales, as well as most business and household survey indicators, point to an improvement in economic activity in the first quarter of 2012. The labour market situation has remained weak amid some signs of stabilisation, while the main money and credit aggregates contracted by approximately 2%-3%, year on year, in December and January. Looking ahead, domestic demand growth is expected to remain constrained by tight credit conditions, households' ongoing balance sheet adjustments and a substantial tightening of fiscal policy, while the outlook for external demand is likely to dampen export growth.

Inflation has continued to ease as a result of the gradual waning of the impact of certain temporary factors (past energy price increases and the increase in the rate of VAT in January 2011), but the rate of inflation remains relatively high. Annual CPI inflation declined to 3.6% in January 2012, from 4.2% in December 2011, while CPI inflation excluding energy and unprocessed food declined by 0.5 percentage point to 2.9%. Inflation is likely to continue to ease in the near term, while the existence of ample spare capacity, together with the sluggish recovery of economic activity, should help contain inflationary pressures over the longer term. On 9 February 2012 the Bank of England's Monetary Policy Committee maintained the official Bank Rate paid on commercial bank reserves at 0.5%, but decided to increase the stock of asset purchases financed by the issuance of central bank reserves by GBP 50 billion to GBP 325 billion in total.

OTHER EU MEMBER STATES

In the other non-euro area EU Member States, aggregate growth is expected to be relatively slow in the near term, with some countries at risk of a recession. However, some countries still achieved robust GDP growth rates in the third quarter of 2011.

In Sweden and Denmark, the outlook for economic activity has become more subdued. However, in the fourth quarter of 2011, growth and especially external trade dynamics were very diverse in the two economies. In Denmark, strength in exports and household consumption helped real GDP to increase by 0.2% quarter on quarter, while in Sweden, real GDP decreased by 1.1% owing to weak exports. In January 2012 annual HICP inflation in Denmark and Sweden stood at 2.8% and 0.7% respectively.

In the largest central and eastern European (CEE) countries, economic recovery has slowed down. Looking ahead, the outlook has deteriorated as a result of weaker external demand, but also on account of decreasing domestic demand. This partly reflects financial sector deleveraging needs in many EU countries, which are likely to have an adverse effect on credit growth and external financing conditions in many CEE countries. In the fourth quarter of 2011 real GDP in Romania and the Czech Republic declined by 0.2% and 0.3% respectively compared with the previous quarter, while it increased by 0.3% in Hungary, largely as a result of temporary factors. In Poland, quarter-on-quarter growth in real GDP continued at a relatively robust rate of 1.1% in the fourth quarter of 2011. Overall, short-term survey indicators point to a weakening of business and household sentiment in these countries.

Annual HICP inflation continued to ease in Poland and Romania (to 4.1% and 2.8% respectively in January), partly reflecting favourable base effects related to energy prices. By contrast, inflation increased considerably in Hungary and the Czech Republic (to 5.6% and 3.8% respectively). This mainly reflects increases in indirect taxes and administered prices.

In the smaller CEE countries, the recovery in economic activity has continued, but the outlook has deteriorated primarily on account of the weaker external environment. Quarter-on-quarter growth in real GDP slowed down to 0.8% in Latvia and 1.0% in Lithuania in the fourth quarter of 2011. In Lithuania, survey-based indicators point to weakening sentiment, while these indicators have shown more resilience in Bulgaria and Latvia. In the Baltic countries, unemployment remained high despite some signs of improvement. Inflation continued to decline in January 2012, reaching 3.4% in both Latvia and Lithuania, and 1.9% in Bulgaria.

OTHER EUROPEAN COUNTRIES

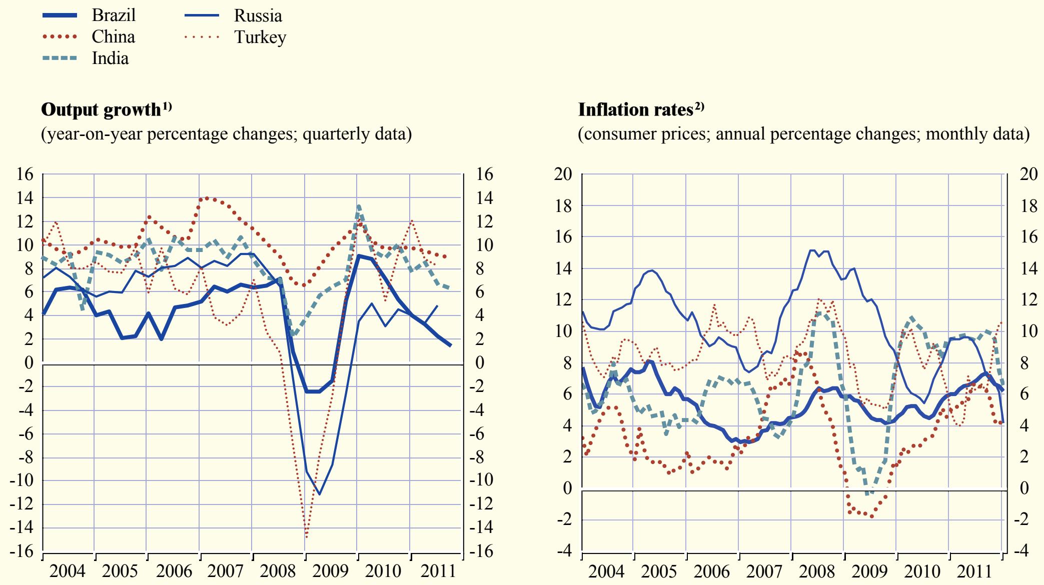
In Turkey, economic activity remained strong, with real GDP growing by 8.2%, year on year, in the third quarter of 2011. Data for that quarter point towards a moderate rebalancing of growth from domestic demand towards net exports, which made a positive contribution to growth for the first time in two years. Inflation continued to rise, standing at 10.4% year on year in February 2012, driven by the pass-through of the depreciation of the Turkish lira in 2011, increases in unprocessed food prices and in taxes on tobacco products. Since August 2011 the central bank has kept the key policy rate unchanged and intervened in the foreign exchange market in order to limit depreciation pressures of the Turkish lira. Looking ahead, tighter external financial conditions coupled with weaker euro area demand are expected to dampen GDP growth in the course of 2012.

In Russia, according to the preliminary annual estimate, real GDP expanded by 4.3% in 2011, unchanged from the revised 2010 figure. Growth was driven mainly by domestic demand. Industrial production continued to expand moderately at the beginning of the year, growing by 3.8%, year on year, in January 2012. Aided by, inter alia, the postponement to mid-year of the usual January hike in administrative prices, annual inflation decelerated rapidly to 3.8% in February from 4.2% in January 2012, reaching the lowest rate ever recorded in the post-transition era. At the end of 2011 the Bank of Russia raised the rate on its deposit operations by 25 basis points to 4% and lowered the main refinancing rate by 25 basis points to 8%, thereby narrowing its interest rate corridor further so as to limit the volatility of interbank market rates. In addition, it also adopted further measures to enhance exchange rate flexibility. Looking ahead, commodity prices are expected to remain supportive of economic activity, keeping GDP growth close to that of last year.

EMERGING ASIA

In emerging Asia, economic growth held up well in the fourth quarter of 2011, despite worsening global economic conditions. Export growth slowed significantly in the last quarter of 2011, partly on account of a drop in global demand, while investment remained weak as a result of a heightened volatility of capital flows and the lagged effects of a tightening of domestic monetary policies.

Chart 4 Main developments in major emerging economies



Source: Haver Analytics.
1) Seasonally adjusted data for Brazil and China. Non-seasonally adjusted data for India, Russia and Turkey. Last observation: fourth quarter of 2011 (Russia and Turkey: third quarter of 2011).
2) WPI inflation for India. Last observation: January 2012.

By contrast, private consumption remained strong. Annual inflation rates moderated further in the last quarter as prices of key commodities, in particular food, continued to show a tendency to decline. In the light of easing inflationary pressures and downside risks to the economic outlook, some central banks in the region took accommodative policy measures.

In China, economic growth has continued to decelerate in recent months. Weaker external demand caused export growth to decline to 13%, year on year, by the end of 2011. External imbalances declined, with China's current account surplus falling to 2.7% of GDP in 2011, from 5.1% in 2010. Foreign exchange reserves remained very high, but decreased slightly in the last quarter of 2011, ending the year at USD 3.2 trillion. Domestic demand has thus far remained largely resilient to external shocks. The property sector is cooling off only gradually, given that construction activity continues to be supported by the authorities' social housing programmes. Inflationary pressures have eased significantly since mid-2011, owing to a slowdown in economic activity and the past stabilisation of global commodity prices. Although annual CPI inflation rose to 4.5% in January 2012, from 4.1% in the previous month, this was due mainly to a temporary increase in food prices during the Chinese New Year. Against the background of abating risks of overheating, the People's Bank of China cut its reserve requirement ratio by 50 basis points in February, bringing the average ratio to 20%.

In India, in the fourth quarter of 2011 real GDP growth decreased to 6.3%, year on year, from 6.7% in the third quarter, driven mainly by a decline in investment and export growth. Annual wholesale price inflation – the Reserve Bank of India's preferred measure of inflation – dropped to 7.5% in December 2011 and to 6.6% in January 2012, owing to low price increases in both manufactured products and commodities. Consequently, the Reserve Bank of India cut the reserve cash ratio by 50 basis points in January 2012, while keeping its key policy rate at 8.5%.

In Korea, real GDP growth moderated slightly to 3.4%, year on year, in the fourth quarter of 2011, compared with 3.5% in the third quarter. The contribution of private consumption was smaller than in the previous quarter, while investment growth rebounded to 3.0% year on year. Annual CPI inflation fell from 4.2% in December 2011 to 3.0% in February 2012, i.e. within the Bank of Korea's target band of 2% to 4%. The Bank of Korea has maintained its policy rate at 3.25% since June 2011.

Within the group of the ASEAN-5 countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand), Indonesia's economy continued to grow strongly (by 6.5%, year on year, in the fourth quarter of 2011), driven by both investment and private consumption. In Malaysia, GDP growth picked up in the fourth quarter, mainly on account of strong domestic demand, while Singapore's GDP growth fell as a result of weaker manufacturing activity, particularly in the biomedical sector. Thailand experienced the worst floods in more than 50 years, leading to a significant negative impact on economic activity. Real GDP in Thailand contracted by 9.0%, year on year, in the fourth quarter of 2011.

Looking ahead, emerging Asia's economic growth is expected to remain resilient, with weak external demand being compensated for by relatively robust private consumption. Inflationary pressures are likely to decrease further owing to diminishing overheating risks. The main downside risks to economic activity relate to stronger spillovers from major advanced economies, as well as to a rapid unwinding of imbalances in some sectors in the region.

MIDDLE EAST AND AFRICA

In the fourth quarter of 2011 oil-exporting countries in the Middle East and Africa continued to benefit from high oil prices and resilient demand, in particular from emerging market countries. Consumer price inflation in the last quarter of 2011 remained largely stable compared with that in the previous three-month period.

Saudi Arabia maintained buoyant oil production in the final quarter of 2011, while Libyan oil output was rapidly being restored. Although there are indications that growth in consumer spending in Saudi Arabia declined once the impact of the bonus for public sector workers had receded, overall domestic economic performance remained strong. In the fourth quarter of 2011 consumer price inflation increased to 5.2%, year on year, from 5.0% in the previous quarter, mainly as a result of domestic factors.

Political instability and security challenges continue to impede economic growth in several oil-importing countries in the Middle East and northern Africa. In most oil-importing countries, high inflationary pressures subsided towards the end of 2011. Looking ahead, the slowdown of external demand is expected to have a negative effect on the economic outlook for both the Middle East and Africa mainly through the trade channel. At the same time, raw material prices are expected to remain supportive of growth in the commodity-exporting countries of the region.

LATIN AMERICA

In Latin America, the expansion of economic activity continued to moderate in most countries in the fourth quarter of 2011. The pace of growth slowed down on account of the lagged effects of policy tightening and the deterioration in external conditions. At the same time, inflationary pressures eased across most countries in the region, although they remained at rather elevated levels.

In Brazil, economic activity cooled down in the second half of 2011. The slowdown was particularly pronounced in the manufacturing sector, with industrial production contracting 1.7% on average in the final quarter of 2011. Although there are clear signs of a slowdown in the growth momentum, inflationary pressures remain elevated, with annual inflation standing at 6.7% in the fourth quarter of 2011. In Argentina, indicators of economic activity also showed increasing signs of a slowdown after the exceptionally high growth rates recorded over the past two years. Industrial production expanded at an annual rate of 3.2% in the final quarter of 2011, after having increased at a rate of 8.0% and 5.8% in the second and third quarters respectively. At the same time, annual CPI inflation remained close to double-digit levels. In Mexico, economic growth remained rather resilient, with real GDP expanding by 4.7% in the fourth quarter of 2011, compared with 3.2% in the previous quarter. Growth in the fourth quarter was supported by external demand from the United States and the limited exposure of the domestic financial system to global risks. Annual consumer price inflation stood somewhat higher than in the preceding quarters, averaging 3.5% in the fourth quarter of 2011.

Looking ahead, an improvement in the global environment, coupled with the lagged effects of the more accommodative policies, should help to support growth dynamics. Domestic demand is expected to be the main driver of growth, while export growth should benefit from strong demand in other emerging market economies.

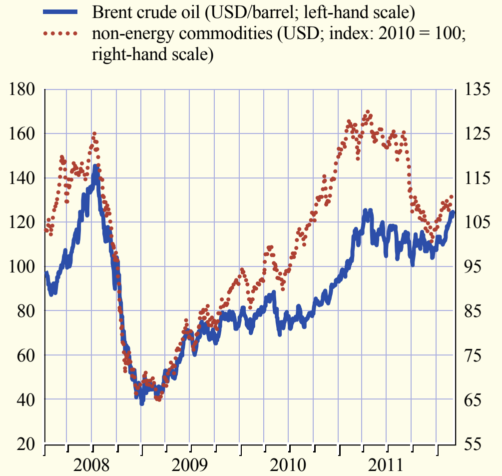
1.2 COMMODITY MARKETS

Oil prices rose sharply in January and February 2012, reversing a downward trend that had prevailed throughout the second half of 2011 (see Chart 5). Brent crude oil prices stood at USD 122.7 per barrel on 7 March 2012, i.e. 32% higher than at the beginning of 2011 and 14% higher than at the beginning of 2012. Looking ahead, market participants expect lower oil prices over the medium term, with futures contracts for December 2013 trading at USD 111 per barrel.

Over the past two months oil prices have been sustained by a combination of supply concerns, a spell of unusually cold weather in Northern Europe in early February and an improvement in sentiment regarding macroeconomic conditions. In particular, the rapid escalation of tensions between Iran and Western nations, including the agreement reached on an EU embargo on oil imports from Iran and retaliatory threats by Iran, has pushed prices higher since late December. Looking at the fundamentals, while the International Energy Agency has not only repeatedly revised downwards its actual and projected demand for 2011 and 2012, but has also revised its supply data upwards, OECD inventory levels remain well below their historical five-year average. This, together with concerns about a major supply disruption from Iran, is likely to maintain upward pressure on prices.

Chart 5 Main developments in commodity prices

(daily data)



Sources: Bloomberg and HWWI.

Prices of non-energy commodities also rose over the past two months, partially reversing the sharp declines recorded since September 2011. As in the case of oil, a general improvement in market sentiment was partly responsible for these recent increases. In addition, metal prices were boosted further by strong imports from emerging economies, while dry weather conditions, particularly in South America, supported prices of grains and soybeans. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 9% lower in early March 2012 than at the beginning of 2011, and 7% higher than at the beginning of the year.

1.3 EXCHANGE RATES

EFFECTIVE EXCHANGE RATE OF THE EURO

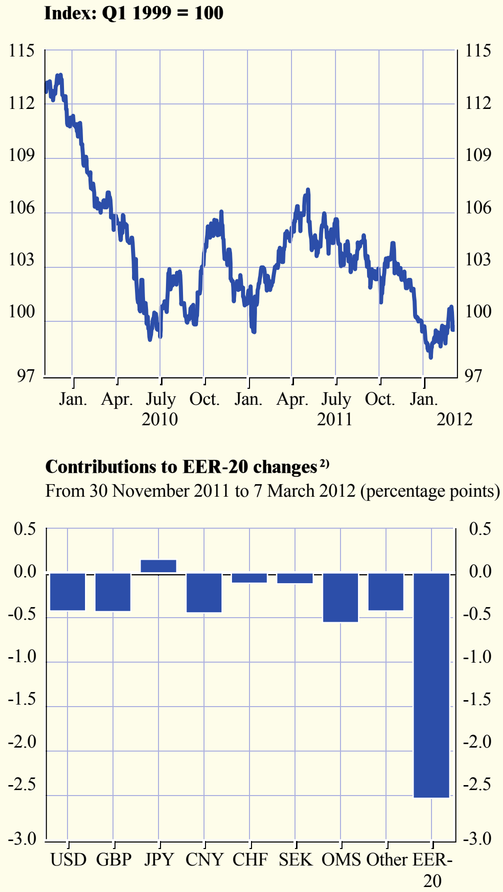
Since late November 2011 the euro has generally depreciated in an environment of declining volatility. On 7 March 2012 the euro exchange rate – expressed in nominal effective terms, as measured against the currencies of 20 of the euro area's most important trading partners – stood 2.5% below its level at the end of November 2011 and about 3.7% below its average level last year (see Table 1 and Chart 6).

Since late November 2011 movements in the euro exchange rate have continued to be largely related to changing market perceptions regarding the fiscal and economic prospects of euro area countries relative to those of other major economies, as well as to developments in expected yield differentials between the euro area and other advanced economies. Between early December 2011 and mid-January this year, the depreciation of the euro in nominal effective terms continued to reflect persistent concerns about the fiscal outlook for some euro area countries. This trend started to reverse amid improving financial market sentiment in mid-January. As a result, between mid-January and early March the single currency appreciated markedly, in particular against the US dollar and the Japanese yen, while it depreciated primarily vis-à-vis other European currencies.

With regard to indicators of the international price and cost competitiveness of the euro area, in February 2012 the real effective exchange rate of the euro based on consumer prices (as measured against the currencies of 20 of the euro area's most important trading partners)

Chart 6 Euro effective exchange rate (EER-20) and its decomposition[1)]

(daily data)

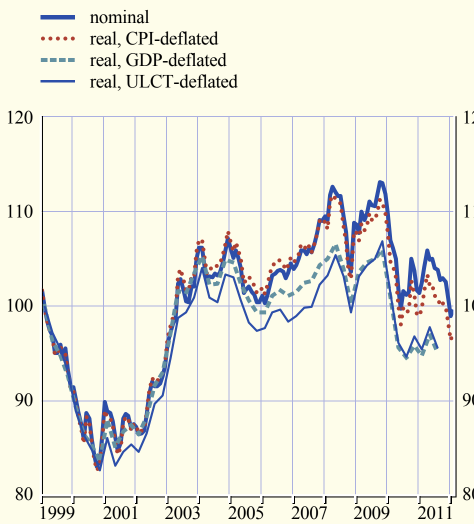


Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).
2) Contributions to EER-20 changes are displayed individually for the currencies 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 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.

was 3.6% below its average level in 2011 (see Chart 7). This largely reflected the nominal depreciation of the euro, while consumer price inflation in the euro area was comparable to that in its main trading partner countries. In the light of global economic integration and the changing pattern of the euro area's trade, Box 1 reviews the revised trade weights for the effective exchange rates of the euro.

Chart 7 Euro nominal and real effective exchange rates (EER-20)[1)]

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



Source: ECB.
1) An upward movement of the EER-20 indices represents an appreciation of the euro. The latest observations for monthly data are for February 2012. In the case of the GDP and ULCT-based real EER-20, the latest observation is for the 3rd quarter of 2011 and is partly based on estimates.

BILATERAL EXCHANGE RATES

Since early December 2011 the single currency has depreciated against the US dollar. From 30 November 2011 to 7 March 2012, the euro weakened by 2.2% vis-à-vis the US dollar, thus trading 5.7% below its 2011 average (see Table 1). This reflected a marked depreciation between early December and mid-January, which was largely reversed thereafter. As mentioned earlier, the main factors behind these developments were changes in the perception of the sustainability of public finances in some euro area countries and movements in yield differentials between the two economies.

Over the period under review the euro generally appreciated against the Japanese yen. On 7 March 2012 the euro traded 1.9% higher than the level recorded at the end of November and 4.5% below the average level in 2011. Between early December 2011 and mid-January 2012, the euro depreciated against the yen, to stand at the lowest level recorded in 11 years on 16 January. Thereafter it more than recovered the previous losses amid improving financial market

Table 1 Euro exchange rate developments[1)]

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

	Weight in EER-20	Level on 7 March 2012	Appreciation(+)/Depreciation(-) of the euro as at 7 March 2012 since: 30 November 2011	since: 3 January 2011	compared with: average for 2011
US dollar	19.4	1.312	-2.2	-1.7	-5.7
Pound sterling	17.8	0.835	-2.4	-3.1	-3.8
Chinese renminbi	13.6	8.286	-3.2	-5.8	-7.9
Japanese yen	8.3	106.0	1.9	-2.5	-4.5
Swiss franc	6.4	1.205	-1.7	-3.3	-2.2
Polish zloty	4.9	4.164	-7.6	5.2	1.1
Swedish krona	4.9	8.924	-2.4	-0.1	-1.2
Czech koruna	4.1	24.87	-1.8	-0.9	1.1
Korean won	3.9	1,477	-3.5	-1.6	-4.2
Hungarian forint	3.1	296.3	-3.7	6.4	6.1
NEER[2)]		99.5	-2.5	-2.0	-3.7

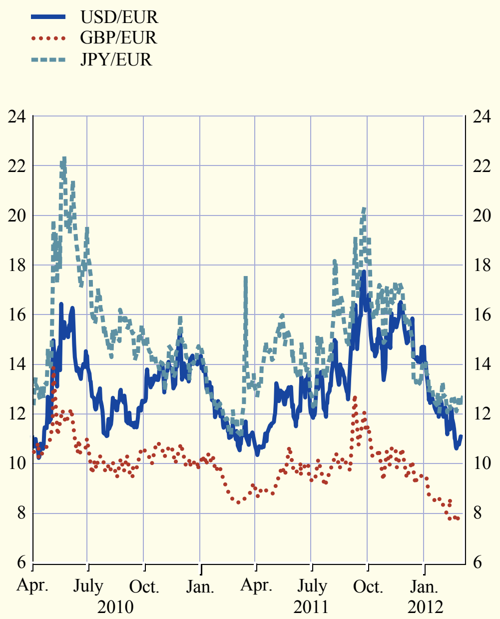
Source: ECB.
1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.
2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).

sentiment with respect to the fiscal situation in some euro area countries and Japanese authorities' continued commitment to contain the appreciation of the Japanese yen.

As regards other currencies, the exchange rate of the euro against the pound sterling followed a pattern similar to that against other major currencies, depreciating until mid-January and making up for some of the losses thereafter. On 7 March 2012 the euro exchange rate vis-à-vis the pound sterling was 2.4% below the level recorded at the end of November 2011 and 3.8% below the average level in 2011 (see Table 1). Over the period under review the euro also weakened against the Swiss franc, by 1.7%, and was trading 2.2% lower than the average level of 2011 on 7 March 2012. The euro also depreciated against some other European currencies, most notably against the Czech koruna (by 1.8%), the Hungarian forint (by 3.7%), and the Polish zloty (by 7.6%), amid an improvement in financial market sentiment with respect to the region since the beginning of the year.

Chart 8 Implied volatilities of selected bilateral exchange rates

(daily data)



Source: Bloomberg.

Volatility in the euro foreign exchange market continued to decline, and thus returned to its historical average. The implied volatility of the bilateral exchange rates of the euro vis-à-vis the US dollar and the Japanese yen, as well as the pound sterling, declined markedly over all maturities in December 2011 and early January 2012 and stabilised around their respective historical averages (see Chart 8).

Over the period under review the currencies participating in ERM II have remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats traded on the stronger side of its central rate within the unilaterally set fluctuation band of ±1%.

Box 1

THE EFFECTIVE EXCHANGE RATES OF THE EURO – REVISED TRADE WEIGHTS IN THE LIGHT OF GLOBAL ECONOMIC INTEGRATION

In recent years the geographical composition of euro area trade has undergone significant change, which is also reflected in the trade weights of the effective exchange rates (EERs) of the euro calculated by the ECB. In particular, the growing importance of emerging economies and the steadily intensifying integration of economies in Europe are increasingly shaping the trade linkages of the euro area. This box summarises these developments in the context of the recent update of the trade weights underlying the euro area's EERs.

The trade weights are revised and updated every three years to provide an accurate picture of trade patterns. Owing to limitations of data availability, the calculations occur with a time lag. In the most recent update carried out in January 2012, trade weights were added for the period from 2007 to 2009.[1]

The EERs are constructed by applying the weights to the bilateral nominal exchange rates of the euro against the currencies of selected trading partners. Real EER indices are derived by adjusting the nominal indices for relative price and cost developments between the euro area and its trading partners.[2] The trade weights combine information on exports and imports, excluding intra-euro area trade. Import weights consist of each trading partner's simple share in total euro area imports. Export weights, on the other hand, are double-weighted to account for "third-market effects". Specifically, they capture the effect of competition faced by euro area exporters in foreign markets not only from domestic producers, but also from exporters from third countries. The overall weight of each partner country is obtained as the weighted average of the export and import weights.[3]

The table presents the trade weights over all available periods for each of the countries included in the broad EER-40 (listed in the order of their average trade weight over all periods).[4] Advanced economies continue to account for a sizeable share of euro area trade, although the weight of the largest advanced economies in the EER-40 of the euro has been declining over time. Between 1995 and 2009 the two individual countries with the largest weights were, on average, the United States and the United Kingdom, which together accounted for almost a third of the EER-40. These countries, together with Japan, were also the three largest individual trading partners of the euro area in the period 1995-2000, with a combined weight of, on average, around 45% of the EER-40 basket. However, for the period 2007-09 their combined share in the basket of the EER-40 declined to around 30%.

The decrease in the share of the largest advanced economies in the EER-40 basket is not due to a decline in trade with the euro area, but instead reflects the rising importance of other regions, in particular emerging market economies, in the global economy. As a consequence, the combined weight of trading partners from emerging Asia in the EER-40 rose from below 19% in the period 1995-97 to above 27% in the period 2007-09. This rise resulted mainly from a substantial increase in the weight of China, which became the euro area's largest individual trading partner in the period 2007-09. The share of other emerging Asian economies has remained broadly unchanged over time, as can be seen in Chart A, which presents developments in the trade weights of major regions of the world economy, as well as of some of the euro area's largest individual trading partners.

1 The weights are based on bilateral trade data on manufactured goods, as defined in Sections 5-8 of the Standard International Trade Classification for the periods 1995-97, 1998-2000, 2001-03, 2004-06 and 2007-09. Manufacturing goods are chosen as the trade basis for the weights as these are typically most responsive to changes in competitiveness.

2 The real EERs are calculated on the basis of consumer price indices, producer price indices, GDP deflators and unit labour cost indices – the latter for the total economy as well as the manufacturing sector.

3 See Buldorini, L., Makrydakis, S. and Thimann, C., "The effective exchange rates of the euro", *Occasional Paper Series*, No 2, ECB, 2002.

4 The ECB publishes nominal and real EERs of the euro against three groups of trading partners: the EER-12, comprising Australia, Canada, Denmark, Hong Kong, Japan, Norway, Singapore, South Korea, Sweden, Switzerland, the United Kingdom and the United States; the EER-20, consisting of the EER-12 plus China and the seven non-euro area EU Member States not included in the EER-12; and the EER-40, comprising the EER-20 plus 20 additional relevant trading partners (see the table for the complete list). The trade weights are calculated for the EER-40 group of trading partners. For the EER-12 and EER-20 groups, they are obtained by proportionally rescaling the corresponding countries' trade weights in such a way that they add up to 100.

Trade weights for the EER-40

(percentages)

Country	Period					
	1995-1997	1998-2000	2001-2003	2004-2006	2007-2009	Average
United States	16.9	19.4	18.6	15.5	13.5	16.8
United Kingdom	18.3	17.7	16.7	14.2	11.9	15.8
China	4.4	5.3	7.6	11.4	15.0	8.7
Japan	9.7	8.8	7.6	6.7	5.8	7.7
Switzerland	6.6	5.9	5.7	5.2	5.2	5.7
Sweden	4.7	4.3	3.8	4.0	3.7	4.1
Poland	2.4	2.8	3.3	3.9	4.9	3.4
Czech Republic	2.2	2.4	3.0	3.4	4.0	3.0
Korea	2.9	2.7	2.8	3.2	3.1	2.9
Turkey	2.1	2.2	2.3	3.0	3.1	2.6
Russia	2.4	1.8	2.2	2.9	3.4	2.6
Denmark	2.6	2.3	2.3	2.2	2.1	2.3
Hungary	1.5	2.2	2.5	2.6	2.6	2.3
Taiwan	2.3	2.4	2.1	1.8	1.4	2.0
India	1.5	1.3	1.5	1.8	2.1	1.6
Hong Kong	2.0	1.7	1.5	1.5	1.3	1.6
Canada	1.5	1.6	1.6	1.4	1.3	1.5
Singapore	1.8	1.6	1.4	1.4	1.2	1.5
Brazil	1.5	1.4	1.2	1.2	1.4	1.3
Mexico	0.9	1.2	1.3	1.2	1.2	1.2
Malaysia	1.2	1.1	1.2	1.1	1.0	1.1
Norway	1.3	1.2	1.0	1.1	1.1	1.1
Romania	0.7	0.8	1.1	1.4	1.6	1.1
Thailand	1.2	1.0	1.0	1.0	1.1	1.1
South Africa	0.9	0.9	0.9	1.0	1.0	0.9
Israel	1.0	1.0	0.9	0.7	0.7	0.9
Australia	0.8	0.8	0.8	0.8	0.8	0.8
Indonesia	1.0	0.8	0.7	0.6	0.6	0.7
Morocco	0.6	0.6	0.6	0.6	0.6	0.6
Croatia	0.5	0.4	0.5	0.5	0.5	0.5
Philippines	0.4	0.5	0.5	0.4	0.3	0.4
Bulgaria	0.3	0.3	0.4	0.4	0.5	0.4
Argentina	0.6	0.5	0.3	0.3	0.3	0.4
Chile	0.3	0.3	0.3	0.4	0.4	0.4
Algeria	0.3	0.3	0.3	0.3	0.4	0.3
Lithuania	0.2	0.2	0.2	0.3	0.3	0.2
Venezuela	0.2	0.2	0.2	0.2	0.2	0.2
Latvia	0.1	0.1	0.1	0.2	0.2	0.1
New Zealand	0.1	0.1	0.1	0.1	0.1	0.1
Iceland	0.0	0.1	0.1	0.1	0.1	0.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

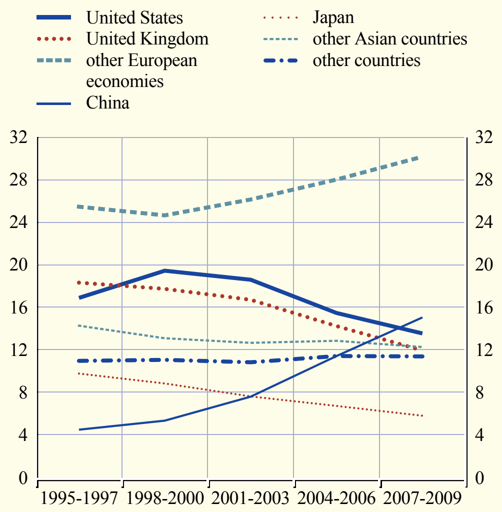
Source: ECB.
Note: Trade weights for the EER-20 and EER-12 can be obtained by proportionally rescaling the corresponding countries' trade weights in such a way that they add up to 100.

The historically largest group of trading partners in terms of their combined weight in the EER 40 of the euro consists of "other European economies",[5] the weight of which rose steadily from slightly above 25% in the period 1995-97 to above 30% in the period 2007-09. The growing importance of the other European economies as major trading partners reflects the geographical proximity and increasing economic integration within Europe. In fact, the increase in the weight

5 Other European economies as referred to in this box include Croatia, Iceland, Norway, Russia, Switzerland and the non-euro area EU Member States, with the exception of the United Kingdom; other Asian countries include Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand; other countries include Algeria, Argentina, Australia, Brazil, Canada, Chile, Israel, Mexico, Morocco, New Zealand, South Africa, Turkey and Venezuela.

Chart A Evolution of trade weights in the EER-40

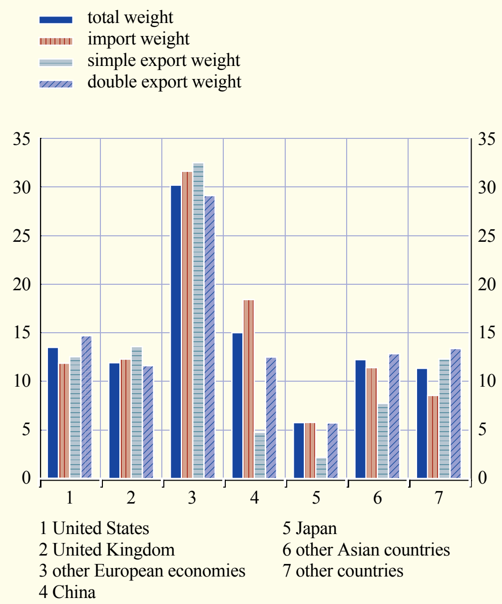
(percentages)



Source: ECB.
Note: Country groups are defined in footnote 5.

Chart B Comparison of trade weights for the EER-40 group of trading partners

(percentages)

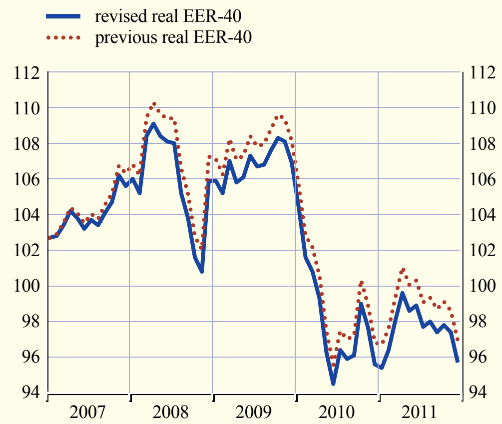


Source: ECB.
Note: Country groups are defined in footnote 5.

of this group of countries is largely accounted for by non-euro area Member States that have joined the European Union since 2004. Since the period 1995-97 their combined weight has doubled to above 14% of the EER-40 basket, which corresponds to more than eight times their combined share in world GDP and thus underlines the particular importance of trade linkages between these countries and the euro area.

Geographical characteristics are also reflected in the composition of trade weights in terms of the contribution of import and export weights. Chart B shows a comparison of total trade weights with import weights, as well as with the double export weights and the simple export weights of the euro area's major trading partners. In the case of major advanced and other European economies, the simple export weight generally exceeds the import weight on account of the bilateral trade surpluses of the euro area with these countries. The opposite holds true for economies in emerging Asia with which the euro area has an aggregate bilateral trade deficit, as a reflection of the strong export orientation of these economies. At the same time, accounting for third-market effects leads

Chart C Previous and revised real EER-40 (CPI deflated; index 100 = Q1 1999)



Source: ECB.

to some adjustment in the overall trade weights through the double export weights. In particular, in the case of China, as well as Japan and other Asian economies, competition between euro area and Asian exporters in third countries results in a significant increase in the overall trade weight beyond the levels implied by direct export linkages.

The recent update of the trade weights leads to a revision of the nominal and real EERs of the euro from 2007. Chart C shows the previous and the revised real EER-40 indices (deflated by consumer prices). In December 2011 the revised EER-40 had a value of 95.7 and thus stood 6.8% below its level at the beginning of 2007. Based on the previous weighting scheme, the index would have reached a value of 96.9 and would thus have been 5.6% lower than in January 2007. The update of the trade weights therefore reveals that the increase in competitiveness of the euro area owing to the real depreciation of the single currency since 2007 was slightly more pronounced if changes in the geographical composition of euro area trade are taken into account.

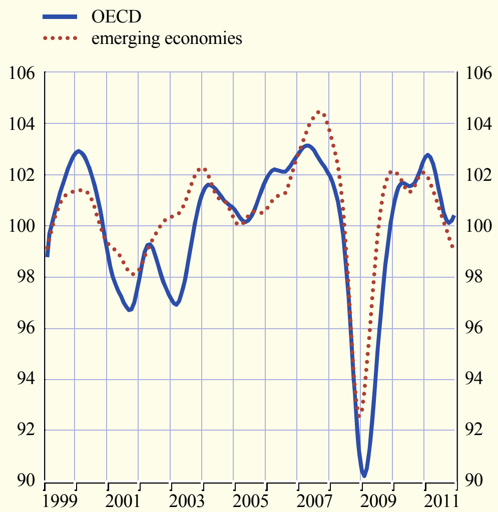
1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead and notwithstanding the improved short-term outlook, medium-term global growth prospects are expected to remain subdued as advanced economies are expected to continue to face significant growth impediments. In December 2011 the OECD's composite leading indicator increased for the second successive month, suggesting a positive change in momentum for the OECD area as a whole (see Chart 9). This was driven primarily by the United States and Japan, but similar signs are beginning to emerge in a number of other developed economies. After having fallen for two successive quarters, the Ifo indicator for the world economic climate rose very slightly in the first quarter of this year.

Against this background, the March 2012 ECB staff macroeconomic projections broadly confirmed the global growth profile depicted in the December 2011 projections, in which the global growth momentum was expected to gradually pick up (see Box 10). Downside risks to the outlook for global economic activity relate to a renewed intensification of global financial market tensions and further increases in commodity prices.

Chart 9 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 rate of M3 increased substantially in January 2012 on account of a sizeable monthly inflow, which more than offset the strong reduction observed in December 2011. This strengthening in broad money growth was visible in all main components and in all sectors. The annual growth rate of loans to the private sector adjusted for sales and securitisation also increased significantly in January 2012, reflecting not only strong lending to non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs), but also a moderate inflow for loans to the non-financial private sector, thereby partly reversing the reduction observed in December 2011. Nonetheless, the pace of underlying money and credit growth remains subdued. Together, these developments suggest that the non-standard measures adopted on 8 December 2011 – particularly the three-year longer-term refinancing operations (LTROs) – have alleviated funding pressures on euro area credit institutions, thereby helping to reduce the risk of disorderly deleveraging by the banking sector. At the same time, these measures cannot yet be expected to have a visible impact on lending to the private sector, as such an impact will materialise only with a lag.

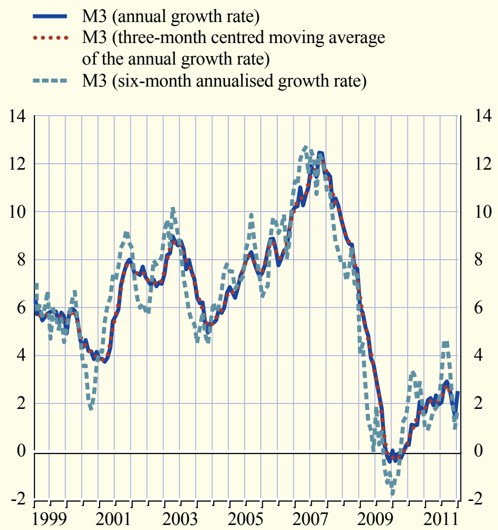
THE BROAD MONETARY AGGREGATE M3

The annual growth rate of M3 stood at 2.5% in January 2012, broadly unchanged from the levels observed in the second half of 2011 (see Chart 10). However, this masks a substantial decline in the annual growth rate of M3 between September and December 2011, when it fell from 2.9% to 1.5%, reflecting three sizeable monthly outflows for monetary instruments. These outflows were largely reversed in January 2012, resulting in a strong recovery in the annual growth rate of M3. These flows (both in the fourth quarter and in January) were, to a substantial extent, related to secured interbank transactions conducted via central counterparties (CCPs) located inside the euro area. At the same time, when the impact of these transactions is adjusted for, the profile of the flows remains similar, albeit the decline and recovery in the annual growth rate of M3 become less pronounced (with rates of 1.8% in September, 1.5% in December and 2.0% in January). Overall, these developments reflect the intensification of the sovereign debt crisis in the second half of 2011, which exacerbated economic and financial market uncertainty, as well as funding pressures on banks, in the fourth quarter of 2011. The subsequent recovery observed in monetary data in January reflects the unwinding of end-of-year operations, partly mirroring the initial impact of the first three-year LTRO conducted by the Eurosystem in December.

On the component side, the variation seen in flows in the fourth quarter of 2011 and January 2012 was fairly broad-based, reflecting developments in all of the main components of M3 and all money-holding sectors. Thus,

Chart 10 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

it was not restricted to the aforementioned variation in repurchase agreements traded via CCPs. Indeed, households and non-financial corporations – and, to a lesser extent, non-monetary financial intermediaries – significantly reduced their holdings of overnight or other short-term deposits in the fourth quarter of 2011. This partly reflected the money-holding sectors shifting their funds outside the euro area, and potentially acquiring government bonds that are considered safe havens. The inflow observed for monetary assets in January was, in turn, largely explained by the non-financial private sector considerably increasing its holdings of short-term deposits other than overnight deposits.

On the counterpart side, the outflows recorded for M3 in the fourth quarter of 2011 primarily reflected the deterioration seen in the net external asset position of euro area MFIs in October and November (which was attributable largely to the aforementioned shifting of funds abroad). The outflows in December were driven primarily by substantial net redemptions of loans to the non-financial private sector, which were concentrated largely in lending to non-financial corporations. In turn, the strong inflow observed for M3 in January mainly reflected increases in government debt securities held by MFIs other than central banks.

The main assets held by euro area MFIs (excluding the Eurosystem) contracted substantially in the three months to December 2011, before recovering strongly in January 2012. The initial decline was driven mainly by marked reductions in interbank lending and external assets and, to a lesser extent, a contraction in loans to the non-financial private sector. In this respect, banks' deleveraging behaviour in the fourth quarter of 2011 followed a "pecking order", whereby banks shed their most liquid assets and those less relevant for their primary activities before assets constituting the banks' core business. The increase seen in January in MFIs' main assets largely reflected increases both in holdings of securities issued by euro area governments and the non-MFI private sector and in loans to OFIs. These were, in part, purchased using funds obtained from the first three-year LTRO.

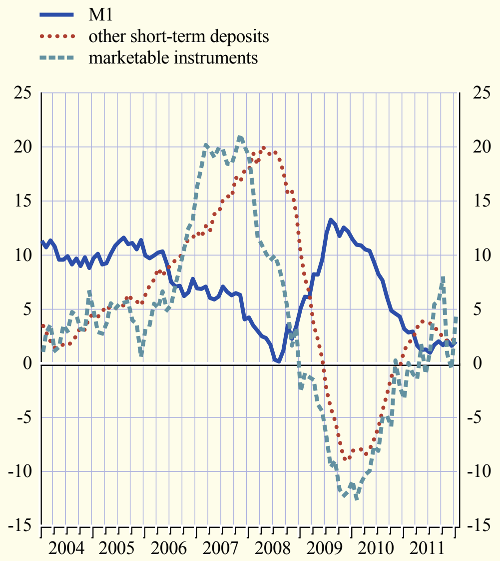
Overall, data for the period to January suggest that the first three-year LTRO and the other non-standard measures announced in December are likely to have helped to avert the risk of disorderly deleveraging by euro area credit institutions. Indeed, January saw only a modest reduction in loans to non-financial corporations and an increase in loans to households, following the sizeable reductions seen in both categories in the previous month. Nevertheless, lending to the non-financial private sector remained weak. The non-standard measures' full impact on lending activity is likely to materialise only with a lag.

MAIN COMPONENTS OF M3

The muted developments observed in the annual growth rate of M3 in the fourth quarter of 2011 mask the fact that developments in the annual growth rates of the main components of M3 largely offset one another (see Chart 11). Outflows were, however, seen for all of the main components of M3 in the fourth quarter,

Chart 11 Main components of M3

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



Source: ECB.

with the largest being observed for marketable instruments. Similarly, the inflows seen for M3 in January 2012 also reflected developments in all of the main components. This pattern points to a common factor having a dominant influence on recent short-term dynamics in monetary instruments. This common factor relates to the tense financial market landscape, which has had a marked impact on money-holders' attitudes towards the liabilities of euro area MFIs.

The annual growth rate of M1 increased to 1.9% in the fourth quarter of 2011 and 2.0% in January 2012, up from 1.4% in the third quarter of 2011 (see Table 2). The fourth quarter of 2011 saw a quarterly inflow for currency in circulation. However, this was not extraordinary in size and does not, therefore, point to generalised concerns regarding the euro area banking sector. By contrast, overnight deposits were drawn down in the fourth quarter of 2011, mainly as a result of a decline in the holdings of the household sector. This development continued in January 2012, when households were joined by OFIs in shedding overnight deposits. In the case of households, this partly reflects portfolio reallocation within M3, with funds being shifted mainly to short-term time deposits (i.e. deposits with an agreed maturity of up to two years) and, to a lesser extent, short-term savings deposits (i.e. deposits redeemable at notice of up to three months). These shifts occurred in the context of increased spreads between the remuneration of these types of deposit and that of overnight deposits. The increase observed in such spreads since the beginning of 2011 reflects, in turn, the higher levels of remuneration offered for these less liquid types of deposit, which are more stable than overnight deposits as a source of funding for banks. The increases observed in spreads towards the end of the year were, in part, caused by MFIs in a number of euro area countries seeking to attract and retain such deposits.

Table 2 Summary table of monetary variables

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

	Outstanding amounts as a percentage of M3[1]	Annual growth rates					
		2011 Q1	2011 Q2	2011 Q3	2011 Q4	2011 Dec.	2012 Jan.
M1	**49.0**	**3.2**	**1.7**	**1.4**	**1.9**	**1.6**	**2.0**
Currency in circulation	8.7	4.9	4.2	4.5	6.2	6.1	6.2
Overnight deposits	40.3	2.9	1.2	0.8	1.0	0.7	1.2
M2-M1 (= other short-term deposits)	39.3	1.3	3.4	3.4	2.3	1.9	2.6
Deposits with an agreed maturity of up to two years	19.2	-2.7	2.3	3.2	2.0	2.0	3.4
Deposits redeemable at notice of up to three months	20.1	5.4	4.5	3.7	2.6	1.9	1.9
M2	**88.3**	**2.4**	**2.4**	**2.3**	**2.1**	**1.8**	**2.3**
M3-M2 (= marketable instruments)	11.7	-1.6	-0.3	3.0	3.7	-0.5	4.3
M3	**100.0**	**1.9**	**2.1**	**2.4**	**2.3**	**1.5**	**2.5**
Credit to euro area residents		**3.7**	**3.1**	**2.4**	**1.3**	**1.0**	**1.4**
Credit to general government		10.9	6.5	5.1	1.4	3.5	4.8
Loans to general government		17.7	10.7	7.0	-2.2	-4.7	-4.7
Credit to the private sector		2.1	2.3	1.7	1.3	0.4	0.7
Loans to the private sector		2.4	2.6	2.5	2.0	1.0	1.1
Loans to the private sector adjusted for sales and securitisation[2]		2.8	2.8	2.7	2.3	1.2	1.5
Longer-term financial liabilities (excluding capital and reserves)		**2.8**	**3.4**	**3.6**	**2.7**	**1.6**	**1.1**

Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.
2) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

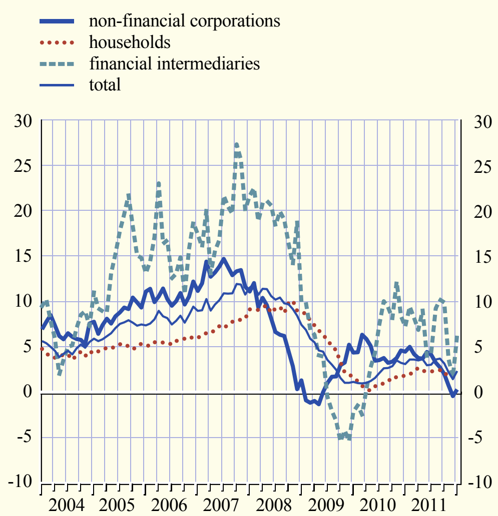
Despite the portfolio reallocation by households during the fourth quarter of 2011, which favoured short-term deposits other than overnight deposits, the overall quarterly flow for this component was negative, as both financial and non-financial corporations substantially reduced their holdings of such deposits. As a result, the annual growth rate of short-term deposits other than overnight deposits fell to 2.3% in the fourth quarter of 2011, down from 3.4% in the previous quarter. In the case of non-financial corporations, this could reflect the use of previously accumulated cash buffers in order to finance working capital in the face of tighter financing conditions. In the case of financial corporations, the outflows were largely related to OFIs, suggesting that the shrinking of investment fund portfolios was a major driver of the reduction observed in holdings of short-term deposits other than overnight deposits. In January 2012, however, the corporate sector joined households in increasing holdings of short-term deposits other than overnight deposits – mainly short-term time deposits – with the result that the annual growth rate of this component increased to 2.6%.

The annual growth rate of marketable instruments increased further in the fourth quarter of 2011 – to 3.7%, up from 3.0% in the third quarter – masking pronounced outflows throughout the quarter. As in previous quarters, developments in marketable instruments were driven primarily by developments in repurchase agreements traded via CCPs, which largely reflect secured interbank transactions. In sharp contrast to the previous quarter, when these transactions increased substantially, the fourth quarter saw large outflows. There are indications that this was related to growing apprehension regarding specific collateral contained in standardised baskets, which reduced the supply of funds via such repurchase agreements and increased the cost of using them to obtain liquidity. The inflow registered in January points tentatively to a reversal of this pattern. Developments in other marketable instruments were muted and generally the mirror image of the pattern observed for repurchase agreements. Holdings of both short-term MFI debt securities (i.e. debt securities with a maturity of up to two years) and money market fund shares/units registered positive flows in the fourth quarter of 2011, which were then partially reversed in January 2012.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available at a sectoral level – declined to 2.5% in the fourth quarter of 2011, down from 3.2% in the previous quarter (see Chart 12). This reflects the sizeable outflows recorded in that quarter, which were broadly based across sectors but most pronounced in the case of OFIs. While the reduction in OFIs' holdings of M3 deposits largely reflects developments in repurchase agreements traded via CCPs, even abstracting from this factor, OFIs reduced their holdings of M3 deposits in the context of the downsizing of investment funds' balance sheets in the face of large redemptions. January 2012 saw a sizeable increase in holdings of M3 deposits, which partly reversed the outflow observed in the fourth quarter of 2011. This was also broadly based across sectors, but in this case, non-financial private sectors were the main drivers.

Chart 12 Short-term deposits and repurchase agreements

(annual percentage changes; not adjusted for seasonal or calendar effects)



Source: ECB.
Note: MFI sector excluding the Eurosystem.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents declined strongly in the fourth quarter of 2011 – falling to 1.3%, down from 2.4% in the previous quarter – before increasing marginally to stand at 1.4% in January 2012 (see Table 2). Both the initial decline and the subsequent increase were driven largely by developments in the annual growth rate of credit to general government.

The decline observed in MFI lending to general government in the fourth quarter of 2011 was attributable to a base effect relating to asset transfers from MFIs to "bad bank" schemes in the fourth quarter of 2010. However, MFIs have recently been increasing credit to general government by acquiring debt securities, a trend which continued in January. While in the fourth quarter of 2011 these purchases were carried out by the Eurosystem in the context of the Securities Markets Programme, those performed in January 2012 were conducted by MFIs other than central banks. This is likely to reflect the ample liquidity held by these institutions following the first three-year LTRO in December.

The annual growth rate of MFI credit to the private sector declined to 1.3% in the fourth quarter of 2011 on account of a substantial quarterly outflow, down from 1.7% in the previous quarter. An annual growth rate of 0.7% was then recorded in January 2012. However, January saw a sizeable monthly inflow, which largely offset the strong monthly outflow registered in December. Developments in credit to the private sector mask conflicting developments in the annual growth rates of its two main components – namely loans and securities other than shares – despite them registering similar monthly flows.

The annual growth rate of loans to the private sector (adjusted for loan sales and securitisation) declined to 2.3% in the fourth quarter of 2011, down from 2.7% in the previous quarter (see Table 2). This reflected sizeable net redemptions, which were concentrated largely in December 2011 and particularly affected loans to non-financial corporations. January 2012 then saw an increase in the annual growth rate of loans to the private sector relative to December 2011. This was, however, driven mainly by an increase in secured interbank lending (conducted via CCPs) following the first three-year LTRO in December. Such lending activity had contracted strongly in the course of the fourth quarter, reflecting increases in haircuts and a deterioration in the collateral available to market participants.

The annual growth rate of MFI loans to households adjusted for loan sales and securitisation declined to 2.3% in the fourth quarter of 2011, down from 2.7% in the previous quarter. This was probably a reflection mainly of the deterioration of economic and housing market prospects, as well as the need for balance sheet adjustment in some countries. The annual growth rate of loans to households increased slightly in January 2012 (standing at 2.1%, up from 1.9% in December 2011) on account of a significant monthly inflow. Lending for house purchase remains the main factor driving MFI loans to households. Data adjusted for securitisation point to a slight increase in the quarterly flow for housing loans in the fourth quarter of 2011, while the quarterly flow for consumer credit remained marginally negative. January 2012 saw monthly inflows for all types of loan to households (see Section 2.7 for more details).

The annual growth rate of MFI loans to non-financial corporations (adjusted for loan sales and securitisation) declined to 1.9% in the fourth quarter of 2011, down from 2.2% in the previous quarter. This reflected strong net redemptions, which were concentrated mainly in two large euro area countries towards the end of the quarter. The annual growth rate of loans to non-financial corporations declined further to stand at 0.8% in January. The fact that the strong net redemptions seen in December were not repeated in January is consistent with the view that the threat of credit being curtailed has diminished against the backdrop of the non-standard measures adopted by the Eurosystem.

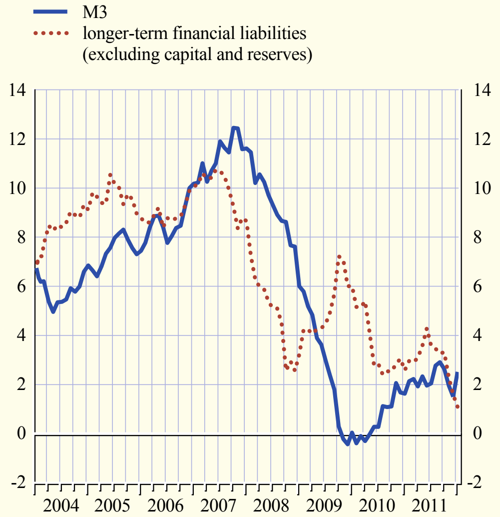
Overall, data on euro area lending continue to display significant cross-country heterogeneity in terms of both the levels and the dynamics of the annual growth rates of loans to households and non-financial corporations. These are likely primarily to reflect differences in the countries' economic and housing market prospects, as well as their sectoral debt levels.

Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) declined to 1.1% in January 2012, down from 2.7% in the fourth quarter of 2011 and 3.6% in the third quarter (see Chart 13). This mainly reflected the moderation seen in the annual growth rate of longer-term MFI debt securities (i.e. those with an original maturity of over two years), which registered substantial outflows in the fourth quarter of 2011 and January 2012. This reflected considerable genuine net redemptions, as well as increases in MFIs' holdings of these instruments. These developments suggest that the funding of MFIs via longer-term bond markets remains impaired, which is associated with the difficulties that most MFIs are having in accessing market-based funding. The annual growth rate of longer-term time deposits (i.e. deposits with an agreed maturity of over two years) has largely reflected non-derecognised securitisation activity. Accordingly, it increased strongly in October 2011 (reaching 4.5%), before decreasing thereafter (standing at 2.5% in January 2012), as securitisation activity remained weak.

The deterioration in the net external asset position of euro area MFIs explained a substantial part of the outflow observed for M3 in the fourth quarter of 2011 and dampened the monthly inflow recorded for M3 in January 2012 (see Chart 14).

Chart 13 M3 and MFI longer-term financial liabilities

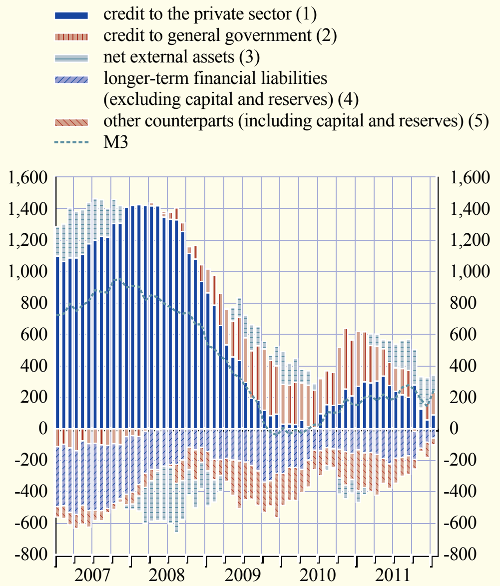
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 14 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.

These developments reflected the net acquisition of foreign assets by the money-holding sector, with those purchases being financed using funds which had been placed in M3 instruments. This is also consistent with the reduction observed since the third quarter of 2011 in the net issuance of investment fund shares/units. (For further details, see Box 2 below.)

Box 2

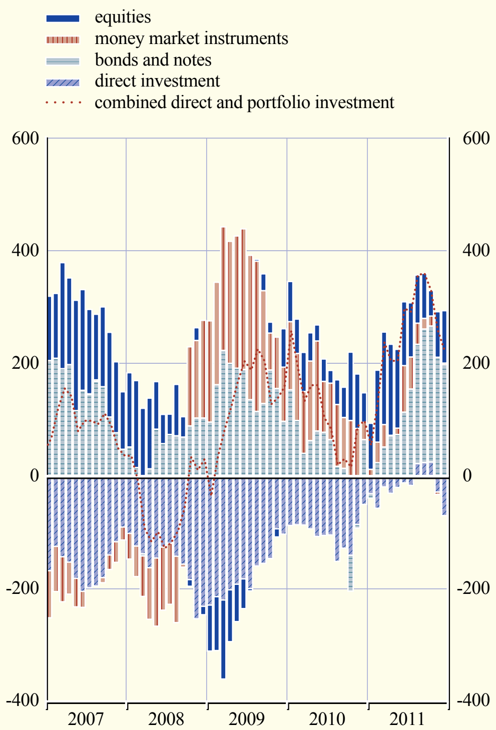
RECENT DEVELOPMENTS IN THE FINANCIAL ACCOUNT OF THE EURO AREA BALANCE OF PAYMENTS

This box analyses recent developments in the financial account of the euro area balance of payments. Net inflows in combined net direct and portfolio investment increased to €223.7 billion in 2011, up from €98.1 billion a year earlier, and were broadly offset by larger net outflows in other investment (see table and chart). After the exceptionally large net inflows in portfolio investment that were recorded in the first half of 2011, net inflows decreased substantially in the second half of the year. At the same time, a two-way repatriation process began, whereby foreign investors withdrew funds previously invested in euro area securities, while euro area investors became net sellers of foreign securities. More recently, however, in December, some signs of a normalisation have emerged in portfolio investment patterns.

Net inflows in combined net direct and portfolio investment increased in 2011, mainly supported by larger net inflows in portfolio investment. Despite the overall increase vis-à-vis the previous year, developments in portfolio investment were rather volatile, with abrupt changes in investment patterns following shifts in market sentiment and investor behaviour. In the first half of 2011, net inflows in portfolio investment increased substantially, mainly reflecting foreign investors' sizeable purchases of euro area securities issued by both the MFI and non-MFI sectors. With regard to the non-MFI sector, foreign demand for the more liquid and highly rated debt securities was particularly elevated in the second quarter of 2011, probably reflecting safe-haven flows in a context of high volatility and heightened financial market tensions. In the third quarter of 2011, by contrast, net inflows in debt securities declined considerably, while there was a shift from net outflows to net inflows in equity securities. This masked a liquidation process, whereby euro area investors repatriated funds previously invested in foreign securities and non-residents moved out of euro area securities.

Main items in the financial account

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



Source: ECB.

Main items in the financial account of the euro area balance of payments

(EUR billions; non-seasonally adjusted data)

	2011		Three-month cumulated figures 2011				12-month cumulated figures	
	Nov.	Dec.	Mar.	June	Sep.	Dec.	2010 Dec.	2011 Dec.
Financial account [1]	-6.7	-23.0	15.7	18.4	9.8	-34.7	44.1	9.3
Combined net direct and portfolio investment	-6.5	3.2	118.7	121.2	21.1	-37.4	98.1	223.7
Net direct investment	-8.0	1.3	-9.9	-29.0	-16.5	-14.4	-49.9	-69.8
Net portfolio investment	1.5	2.0	128.5	150.2	37.7	-23.0	148.0	293.4
Equities	8.3	14.9	89.2	-38.1	22.0	19.7	52.4	92.9
Debt instruments	-6.8	-12.9	39.3	188.3	15.6	-42.6	95.7	200.5
Bonds and notes	9.6	20.1	16.8	147.2	30.9	3.1	64.9	198.0
Money market instruments	-16.5	-33.1	22.5	41.1	-15.3	-45.8	30.7	2.5
Net other investment	-0.5	-13.7	-89.1	-108.9	0.3	16.8	-61.2	-180.9
Of which: money-holding sector [2]								
Net direct investment	-9.2	2.1	-5.3	-22.4	-16.4	-14.5	-35.8	-58.6
Net portfolio investment	-26.3	12.5	61.5	77.7	18.4	-46.2	-98.4	111.5
Equities	-2.2	18.0	82.3	-27.5	20.5	6.8	72.2	82.1
Debt instruments	-24.1	-5.5	-20.8	105.3	-2.0	-53.0	-170.6	29.4
Net other investment	-9.7	19.6	31.1	-32.8	29.0	6.3	-53.8	33.6

Source: ECB.
Notes: Figures may not add up, owing to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow).
2) General government and other sectors of the balance of payments.

In the fourth quarter of 2011, both euro area and foreign investors continued reducing their cross-border holdings of securities. Net outflows were recorded for portfolio investment as the disinvestment by foreign residents was larger than that by euro area residents. Whereas in the euro area both the MFI and the private non-MFI sectors repatriated funds, the repatriation by foreign investors mainly concerned securities issued by the private non-MFI sector. Looking at securities issued by the euro area general government sector, net purchases were recorded in the third quarter of 2011, notwithstanding a sharp decrease in foreign inflows. The emergence of this two-way repatriation process should be seen against the backdrop of mounting financial market tensions, as well as volatile and declining equity prices at the global level. These factors seem to have weighed on market sentiment amid increasing concerns about the global economic outlook and heightened risk aversion. Moreover, the decrease in net portfolio investment inflows to the euro area non-MFI sector contributed negatively to the liquidity available in the euro area and is partly reflected in the evolution of the broad monetary aggregate M3. In fact, as can be seen from the monetary presentation of the balance of payments, these transactions involving the money-holding sector are a mirror image of the overall decrease observed in the MFI net external asset position in October and November 2011.[1]

More recent data for December, however, provide tentative signs of apparent normalisation in portfolio investment patterns. Both euro area investment in foreign securities and foreign investment in euro area securities seem to have resumed somewhat, although still at low levels. In addition, net portfolio investment inflows to the non-MFI sectors were recorded, which is also

1 To the extent that they are settled via resident banks, transactions carried out by the money-holding sector have an impact on the external assets and liabilities of the banking sector, which is one of the counterparts of the M3. The money-holding sector comprises households, non-financial corporations, non-MFI financial intermediaries and general government other than central government. For more information on the monetary presentation of the balance of payments, see Duc, L. B., Mayerlen, F. and Sola, P., "The monetary presentation of the euro area balance of payments", *Occasional Paper Series*, No 96, ECB, 2008. See also "The external dimension of monetary analysis", *Monthly Bulletin*, ECB, August 2008.

consistent with the slight resumption of inflows seen in the MFI net external asset position in this month. This resumption is probably related to some improvement in market sentiment close to the end of the year, reflecting, inter alia, not only the introduction of the ECB's unconventional liquidity measures, but also the coordinated interventions by the ECB and five other central banks – in the form of reciprocal currency arrangements (swap lines) – aimed at providing liquidity to the global financial system.

Turning to the MFI sector, euro area banks stepped up their net sales of foreign securities in the fourth quarter of 2011. This increase probably relates to a combination of two factors. The first is the ongoing process of balance sheet restructuring on account of the tightening capital requirements in the euro area. The necessary deleveraging process is usually particularly pronounced for non-core assets, in particular foreign securities, as is clearly visible in the reporting period. The second is the need to mobilise funds in a context of funding pressures, which are not only reflected in the foreign sales of securities issued by euro area banks in the last two quarters of the year, but also in the reduction of MFIs' other investment liabilities, indicating difficulties in rolling over maturing short-term deposits and loans associated with the high costs of funding in foreign currency. The disinvestment from euro area MFI securities was related, in part, to concerns among foreign investors regarding the stability of banking systems in selected euro area countries. Nonetheless, the decrease in MFIs' other investment liabilities was partly offset by the increase in the Eurosystem's other investment liabilities, on account of the aforementioned swap lines between the ECB and other central banks.

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

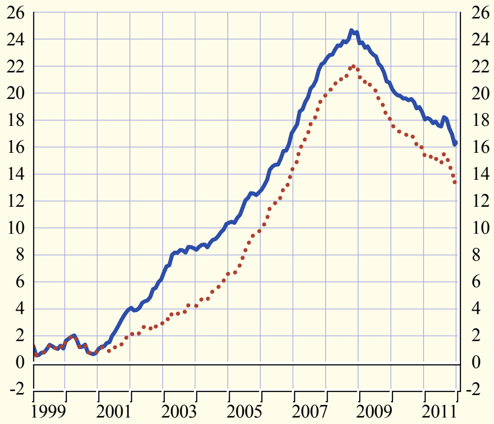
The substantial outflows observed for monetary instruments in the fourth quarter of 2011 resulted in the continued absorption of the monetary liquidity accumulated prior to the financial crisis (see Charts 15 and 16). The acceleration of M3 growth in January 2012 brought this development to a halt. While the set of indicators of excess liquidity continue broadly to point to the presence of excess liquidity, some measures indicate that excess liquidity has declined over the past three years to reach fairly low levels. Nevertheless, it should be recalled that these kinds of liquidity measure need to be interpreted with caution, as they rely on the assessment of equilibrium money holdings, which is surrounded by considerable uncertainty.

Overall, the pace of underlying money and credit growth remains subdued. At the same time, the latest data show that the considerable decline observed in money growth in the fourth quarter of 2011 – especially in December – was reversed in January. Likewise, on the loan side, the strong net redemptions observed towards the end of 2011 did not continue in January. This combination of developments suggests that the non-standard measures adopted on 8 December 2011 – particularly the three-year LTROs – have alleviated funding pressures on euro area credit institutions and helped to avert the risk of disorderly deleveraging by the banking sector. At the same time, these non-standard measures cannot yet be expected to have a visible impact on lending to the private sector, as such an impact will materialise only with a lag.

Chart 15 Estimates of the nominal money gap[1)]

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

- nominal money gap based on official M3
- nominal money gap based on M3 corrected for the estimated impact of portfolio shifts[2)]

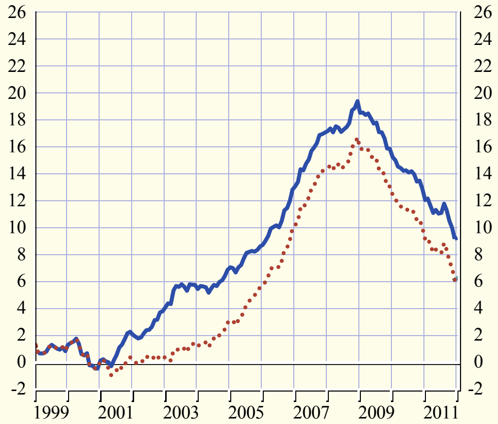


Source: ECB.
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

Chart 16 Estimates of the real money gap[1)]

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

- real money gap based on official M3
- real money gap based on M3 corrected for the estimated impact of portfolio shifts[2)]



Source: ECB.
1) The real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time", *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

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

The annual growth rate of financial investment by the non-financial sectors remained unchanged in the third quarter of 2011, partly reflecting moderating growth in household income and a low savings ratio by historical standards. The annual growth rate of financial investment by insurance corporations and pension funds was also unchanged, mirroring households' modest investment in insurance technical reserves. The heightened tensions in financial markets in the fourth quarter of 2011 led to further sizeable net redemptions for all major types of investment fund.

NON-FINANCIAL SECTORS

In the third quarter of 2011 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors was unchanged at 3.4%, thereby stabilising at a relatively low level by historical standards (see Table 3). Were it not for the effect of asset transfers from MFIs to "bad bank" schemes classified as part of the general government sector, the annual growth rate of financial investment by the non-financial sectors would still be at levels close to the trough recorded between late 2009 and early 2010. The moderate developments observed in the third quarter of 2011 mask differing dynamics across the individual instruments. In particular, the contributions of investment in quoted shares and other accounts receivable (which includes trade credit) increased relative to the previous quarter. By contrast, the contributions of investment in currency and deposits, insurance technical reserves and mutual fund shares

Table 3 Financial investment of the euro area non-financial sectors

	Outstanding amount as a percentage of financial assets [1]	Annual growth rates									
		2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
Financial investment	**100**	**3.7**	**3.5**	**2.6**	**2.6**	**2.6**	**2.6**	**3.4**	**3.2**	**3.4**	**3.4**
Currency and deposits	24	6.9	6.0	3.3	1.9	1.5	2.1	3.0	3.4	3.8	3.1
Debt securities, excluding financial derivatives	6	0.6	-0.5	-2.6	-2.5	-2.6	-2.9	4.7	7.7	8.6	8.6
of which: short-term	0	-22.8	-33.0	-35.7	-27.2	-22.1	-7.0	-4.4	3.9	7.7	0.2
of which: long-term	5	4.2	4.4	2.6	0.8	-0.4	-2.5	5.5	8.1	8.7	9.4
Shares and other equity, excluding mutual fund shares	28	4.7	4.4	3.0	2.7	2.4	2.3	2.5	2.0	2.2	2.5
of which: quoted shares	5	5.4	5.0	4.6	4.7	3.5	2.4	3.4	1.1	0.8	2.9
of which: unquoted shares and other equity	22	4.5	4.2	2.7	2.3	2.1	2.2	2.3	2.3	2.5	2.4
Mutual fund shares	5	-3.9	-1.0	2.2	0.2	-1.4	-2.1	-2.8	-3.4	-2.5	-4.5
Insurance technical reserves	16	3.1	3.6	4.4	5.0	4.7	4.6	4.2	3.5	3.2	2.7
Other [2]	22	1.9	1.6	1.6	3.6	4.8	5.0	5.5	4.8	4.9	6.2
M3 [3]		**3.6**	**1.8**	**-0.4**	**-0.1**	**0.3**	**1.1**	**1.7**	**2.2**	**2.0**	**2.9**

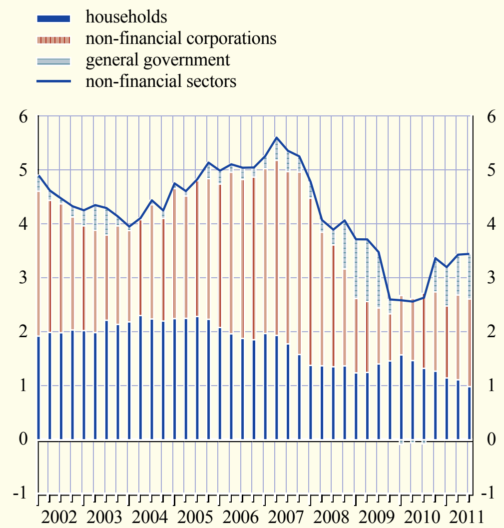
Source: ECB.
1) As at the end of the last quarter available. Figures may not add up due to rounding.
2) Other financial assets comprise loans and other accounts receivable, which in turn include trade credit granted by non-financial corporations.
3) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sectors and non-monetary financial intermediaries) with euro area MFIs and central government.

declined or became more negative. The quarterly inflow observed for instruments issued by MFIs was larger than that seen for other instruments, the first time this had occurred since end-2008, pointing to some portfolio adjustment in favour of bank liabilities. However, information available from MFI balance sheet statistics suggests that this adjustment was temporary and was reversed somewhat in the fourth quarter.

From a sectoral perspective, the fact that the annual growth rate of total financial investment by the non-financial sectors was unchanged in the third quarter of 2011 reflected further slight increases in the contributions of non-financial corporations and general government, which were offset by somewhat weaker financial investment by households (see Chart 17). The slower accumulation of financial assets by households reflects the continued shedding of mutual fund shares and reduced investment in insurance technical reserves in the context of stalling growth in nominal disposable income and a low savings ratio by historical standards. Information from investment fund statistics suggests that households further reduced their holdings of mutual fund shares towards the end of the year, particularly for equity and mixed funds.

Chart 17 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



Source: ECB.

The annual growth rate of financial investment by the general government sector strengthened considerably in the third quarter from what were already high levels. The acceleration observed in annual growth reflected strong growth in other accounts receivable, which was largely offset by a sizeable reduction in deposits held by general government. The rise in other accounts receivable in the third quarter was probably related to previous tax arrears being recorded on balance sheets. The particularly strong growth in financial investment by the general government sector remained attributable mainly to the continued impact of asset transfers from MFIs to "bad bank" schemes in the fourth quarter of 2010.

The slightly faster accumulation of financial assets by non-financial corporations in the third quarter was driven mainly by increased purchases of quoted shares and a rise in other accounts receivable. The former was potentially related to merger and acquisition activity, while the latter was attributable to an increase in trade credit. The rise in trade credit is likely to reflect both firms and government agencies postponing payment for purchased goods and services in the context of the prevailing uncertainty and tight financing conditions, as well as further robust export growth. More detailed information on developments in financial flows and the balance sheets of the non-financial private sectors is provided in Sections 2.6 and 2.7. Information can also be found – for all institutional sectors – in the box entitled "Integrated euro area accounts for the third quarter of 2011" in the February 2012 issue of the Monthly Bulletin.

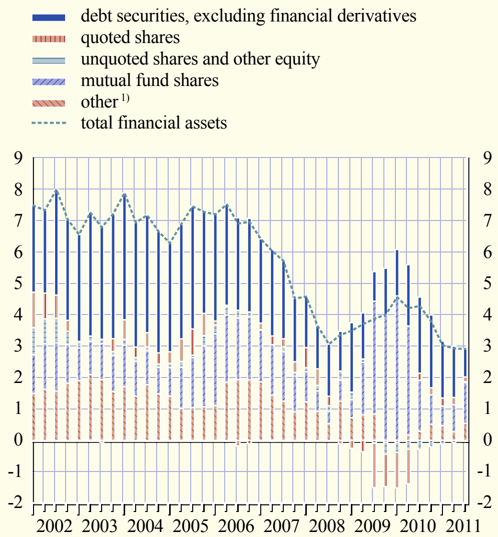
INSTITUTIONAL INVESTORS

The continued slow pace of households' investment in insurance technical reserves, the main factor determining the funds that can be invested by insurance corporations and pension funds, explains why the annual growth rate of financial investment by insurance corporations and pension funds remained unchanged at 2.9% in the third quarter of 2011 (the most recent quarter for which data are available from the euro area integrated accounts; see Chart 18). This was the lowest rate of growth since 1999. From an instrument perspective, mutual fund shares became the most important contributor to the annual growth rate of financial investment by insurance corporations and pension funds. This reflected their preference for investing funds – obtained from new investment by households in life insurance and pension-type products, as well as the sale of directly held debt securities – largely in mutual funds, rather than investing directly in securities. At the same time, insurance corporations and pension funds also significantly increased their currency and deposit holdings, potentially reflecting the uncertainty in financial markets.

The annual inflow for investment fund shares/units (excluding money market funds) declined to €43 billion in the fourth quarter of 2011, down from €171 billion in the previous

Chart 18 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)

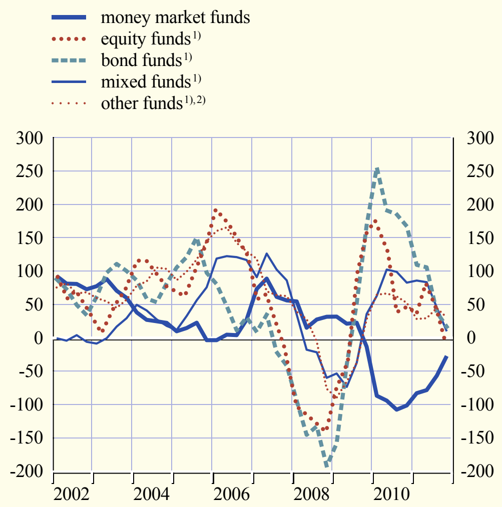


Source: ECB.
1) Includes loans, deposits, insurance technical reserves and other accounts receivable.

quarter. The annual growth rate moderated strongly further to stand at 0.7%, down from 3.0% in the third quarter. Annual inflows declined for all three major investment fund types (i.e. equity, bond and mixed funds), with the annual flow for equity funds turning slightly negative (see Chart 19). These developments reflected a general tendency to shun riskier assets in the context of heightened economic and financial market uncertainty and, in part, the shifting of funds outside the euro area in the fourth quarter. By contrast, money market funds benefited from the uncertain financial market environment, with modest inflows being recorded in the fourth quarter, as these are often used to temporarily host funds withdrawn from other types of fund. These inflows could not, however, compensate for the outflows seen in previous quarters (which were probably related to the relatively limited returns offered by these funds). As a result, annual outflows continued to be observed for money market fund shares/units in the quarter under review, albeit these were markedly smaller than in the previous quarter.

Chart 19 Net annual flows into money market and investment funds

(EUR billions)



Sources: ECB and EFAMA.
1) Prior to the first quarter of 2009, estimates of quarterly flows are derived from non-harmonised ECB investment fund statistics, ECB calculations based on national data provided by EFAMA, and ECB estimates.
2) Includes real estate funds, hedge funds and funds not classified elsewhere.

Looking specifically at developments in the fourth quarter of 2011, when tensions in sovereign debt markets intensified further, an outflow of €47 billion was observed for investment fund shares/units (excluding money market funds) on the basis of non-seasonally adjusted data. This was the second quarterly outflow in a row, although both outflows were considerably smaller than those recorded in the aftermath of the collapse of Lehman Brothers. Net redemptions were observed for all three major investment fund types, with these concentrated mainly in October and November. The largest outflows were observed for equity funds and mixed funds, which accounted for more than two-thirds of total outflows during the quarter. However, the fourth quarter of 2011 saw a 4.5% quarter-on-quarter increase in outstanding shares/units issued by euro area investment funds other than money market funds, despite the further sizeable withdrawals seen in recent months. This was attributable mainly to the increases observed in asset prices since end-November and, to a lesser extent, the statistical reclassification of some money market funds as bond funds in December (with the amount involved totalling more than €100 billion). The net redemptions experienced by investment funds were mirrored on the asset side of the balance sheet by the broad-based disposal of shares and other equity, securities other than shares, and investment fund shares, as well as a decline in deposit holdings.

2.3 MONEY MARKET INTEREST RATES

Money market interest rates generally declined between 7 December 2011 and 7 March 2012. This decline reflects the downward revision of short-term interest rate expectations and the Governing Council's decision on 8 December 2011 to reduce the key ECB interest rates by 25 basis *points. This decision took effect with the main refinancing operation settled on 14 December 2011. Volatility in money market interest rates decreased, with the EONIA stabilising at low levels since the beginning of the year, reflecting large amounts of excess liquidity.*

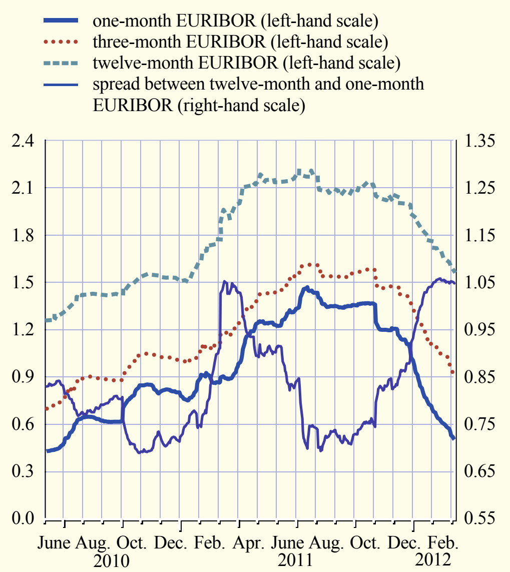
Unsecured money market interest rates decreased between 7 December 2011 and 7 March 2012. On 7 March 2012 the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.50%, 0.91%, 1.22% and 1.55% respectively – i.e. 70, 56, 48 and 49 basis points lower than the levels observed on 7 December 2011. The spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – increased by 21 basis points over that period and stood at 105 basis points on 7 March (see Chart 20).

Secured money market interest rates have stabilised at very low levels since the beginning of the year (see Chart 21). The interest rate on the three-month overnight index swap stood at 0.34% on 7 March, around 13 basis points lower than on 7 December. As the corresponding unsecured EURIBOR decreased even more markedly, the spread between these two rates decreased from 101 basis points on 7 December to 57 basis points on 7 March.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in March, June and September 2012 stood at 0.83%, 0.69% and 0.67% respectively on 7 March, representing decreases of 21, 28 and 29 basis points by comparison with the levels observed on 7 December, partly reflecting expectations of lower key ECB interest rates (see Chart 22). Implied volatilities with constant maturities of three, six, nine and twelve months derived from options on three-month EURIBOR futures contracts have all declined markedly over the past three months (see Chart 23).

Chart 20 Money market interest rates

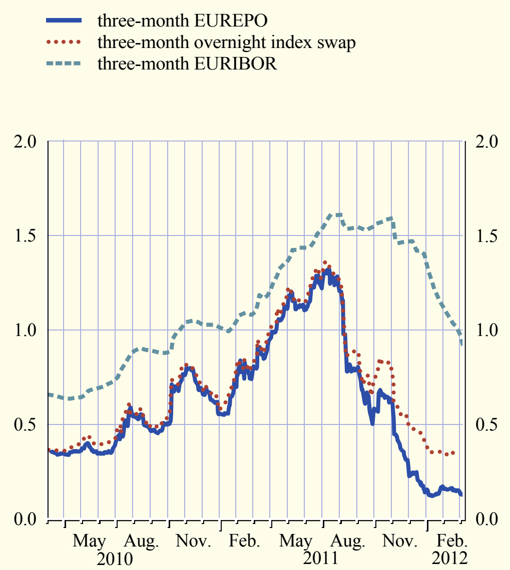
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

Chart 21 Three-month EUREPO, EURIBOR and overnight index swap

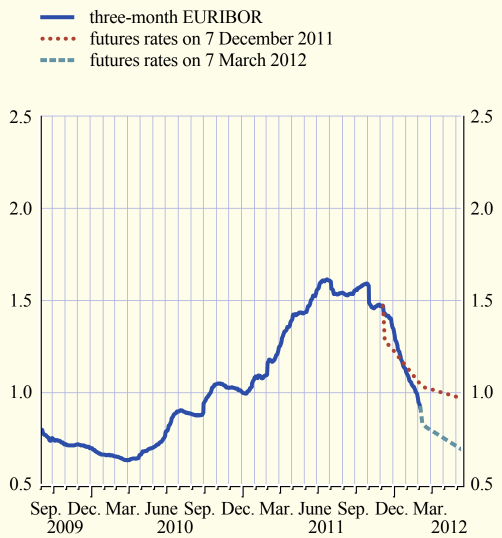
(percentages per annum; daily data)



Sources: ECB, Bloomberg and Thomson Reuters.

Chart 22 Three-month interest rates and futures rates in the euro area

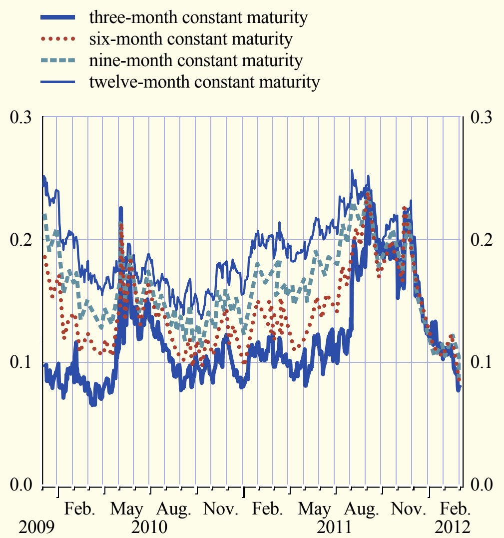
(percentages per annum; daily data)



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

Chart 23 Implied volatilities with constant maturities derived from options on three-month EURIBOR futures

(percentages per annum; daily data)



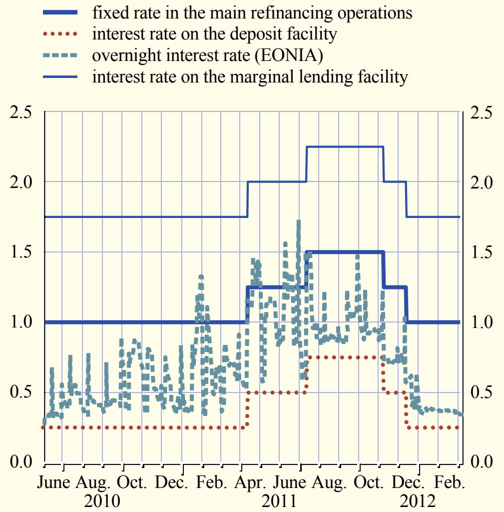
Sources: Thomson Reuters and ECB calculations.
Notes: This measure is calculated in two stages. First, implied volatilities derived from options on three-month EURIBOR futures are converted by expressing them in terms of logged prices instead of logged yields. Second, the resulting implied volatilities, which have a constant maturity date, are transformed into data with a constant time to maturity.

Looking at the overnight maturity, the EONIA remained relatively volatile until the first week of January, but then stabilised. As a result of the renewed tensions in financial markets, banks' recourse to Eurosystem liquidity operations increased markedly over the review period. Consequently, the amount of excess liquidity in the system increased, as reflected by strong recourse to the deposit facility. Thus, the spread between the EONIA and the main refinancing rate remained negative throughout the review period.

On 8 December the Governing Council reduced the key ECB interest rates by 25 basis points, reducing the rate on the deposit facility to 0.25% and the rates on the main refinancing operations and the marginal lending facility to 1.00% and 1.75% respectively. The EONIA mirrored that reduction and stood at 0.355% on 7 March (see Chart 24).

Chart 24 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

The review period saw the ECB continue to provide support to money markets by means of liquidity-providing operations with maturities of one week, one maintenance period and three months. All of these operations were conducted as fixed rate tender procedures with full allotment. Given the tensions in euro area financial markets, the Governing Council also decided to reduce the reserve ratio from 2% to 1% and to provide liquidity via two supplementary longer-term refinancing operations – also by means of fixed rate tender procedures with full allotment – with a maturity of approximately three years. The first of the two operations was conducted on 21 December, and the second was conducted on 29 February (see also Box 3 below).

Box 3

IMPACT OF THE TWO THREE-YEAR LONGER-TERM REFINANCING OPERATIONS

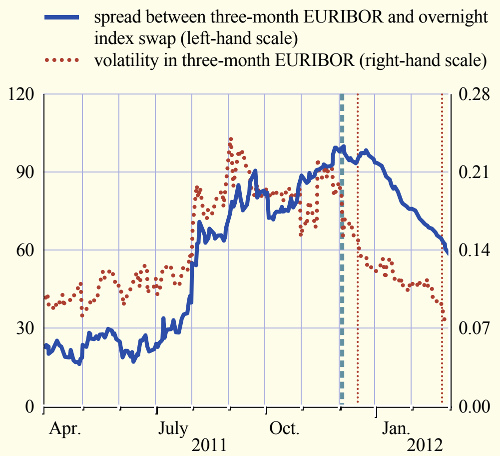
The intensification of the stress in sovereign debt markets in the second half of 2011 in the presence of high levels of uncertainty increasingly hampered euro area banks' access to market-based funding. Such impairment risked curtailing lending by credit institutions to euro area households and non-financial corporations. Chart A shows the increased tensions in euro area money markets as of July 2011, as reflected in higher levels of money market volatility and increases in credit risk premia.

To help to forestall such curtailment of credit and ensure that the ECB's monetary policy continues to be transmitted effectively to the real economy, and thereby safeguard price stability in the euro area, the Governing Council of the ECB decided on 8 December 2011 to implement additional non-standard monetary policy measures. The agreed package of measures included two longer-term refinancing operations (LTROs) with a maturity of three years and the option of early repayment.

The first such operation, which took place on 21 December 2011, provided €489.2 billion to 523 credit institutions. This included €45.7 billion transferred from the 12-month LTRO allotted in October 2011 and resulted in a net liquidity injection of €210.0 billion in that week. The second operation took place on 29 February 2012 and saw the allotment of €529.5 billion to 800 credit institutions, in addition to the €6.5 billion allotted in the regular three-month LTRO on that date. When the €29.5 billion allotted in the weekly main refinancing operation is also taken into account, the Eurosystem provided €565.5 billion in these three liquidity-providing operations. This should be seen in the context of the operations maturing in that week, which had a total value of €254.9 billion.

Chart A A euro area money market spread and volatility

(basis points; percentages)



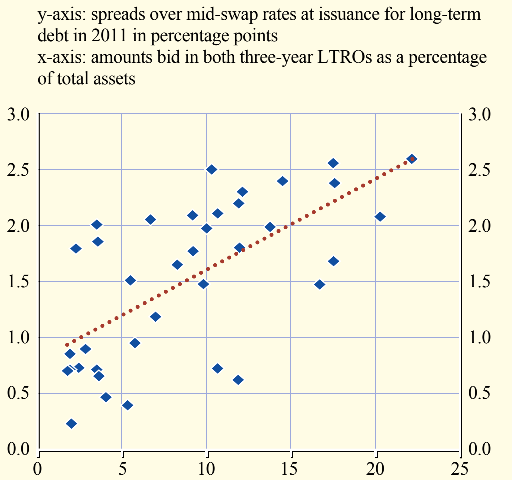
Sources: ECB, Bloomberg and Thomson Reuters.
Notes: The vertical green line denotes the announcement on 8 December 2011 of the two three-year LTROs. The two vertical red lines mark the allotment of the two LTROs on 21 December 2011 and 29 February 2012 respectively.

Analysis, combined with anecdotal information provided by banks, suggests that funding considerations played a major role in banks' bidding behaviour in the three-year LTROs.[1] Chart B shows a positive relationship between spreads on bank bonds at issuance (considering both secured and unsecured bonds) and the amounts bid by banks in both three-year LTROs as a percentage of their total assets. However, a substantial number of banks bidding in the three-year LTROs did not issue debt securities in 2011. The chart suggests that even if a bank had been able to obtain longer-term funds in the bond market, it could still have had a strong incentive to borrow from the Eurosystem owing to the lower cost involved. At the same time, these financing conditions render banks' investment and lending opportunities more attractive. This supports the Governing Council's view that these measures will help to remove impediments to the accessing of finance by the real economy.

By improving funding conditions for banks, the ECB may have avoided the disorderly shedding of assets, which would have placed certain financial market sectors under pressure. The three-year LTROs may also have helped to contain spillovers from the sovereign debt crisis to credit and broader financial markets. Moreover, they have improved market sentiment for a broad range of assets and helped to gradually reopen some previously closed market sectors. Chart C illustrates the general narrowing of credit risk premia in debt markets, as measured by spreads for credit default swaps (CDSs), after the LTROs. However, this also needs to be seen in the context of fiscal consolidation in the euro area and recent signs of economic stabilisation.

1 For analysis of the first operation, see Box 4, entitled "The impact of the first three-year longer-term refinancing operation", *Monthly Bulletin*, ECB, January 2012.

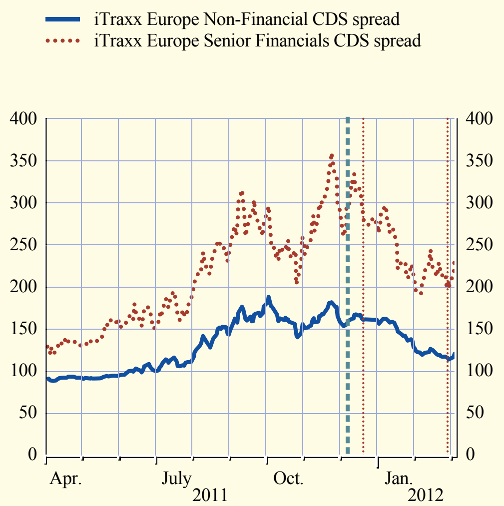
Chart B Banks' risk premia and bidding behaviour (for banks with market access in 2011)



Sources: ECB, Fitch Ratings and DCM Dealogic.

Chart C Credit default swap spreads for financial and non-financial corporations

(basis points)



Sources: JP Morgan and ECB calculations.
Notes: The vertical green line denotes the announcement on 8 December 2011 of the two three-year LTROs. The two vertical red lines mark the allotment of the two LTROs on 21 December 2011 and 29 February 2012 respectively. The credit default swap spreads are on five-year on-the-run securities.

It may take several months for the full supportive impact on banks' lending to households and non-financial corporations to become visible in the monetary data. Thus, money and credit growth may remain subdued for some time, before strengthening as a result of these three-year LTROs (albeit recent data on money and credit growth also need to be seen in the context of the current subdued economic activity).

The ECB has at its disposal all of the means necessary to ensure that the conduct of its monetary policy leads to price stability in the euro area. Moreover, in order to manage the implications, in terms of risk, stemming from the corresponding expansion of its balance sheet, the Eurosystem continually reviews the eligibility of collateral and its risk control framework. Furthermore, the application of conservative risk control measures, such as haircuts, in all monetary policy operations ensures that the financial position of the Eurosystem remains sound.

The ECB also conducted weekly one-week liquidity-absorbing operations with a variable rate tender procedure and maximum bid rates of 1% in the twelfth maintenance period of 2011 and the first and second maintenance periods of 2012. With these liquidity-absorbing operations, the ECB offered to absorb an amount up to the value of the purchases made under the Securities Markets Programme, which totalled €217.8 billion on 7 March.

The review period was characterised by high levels of excess liquidity, with average daily recourse to the deposit facility over the three reserve maintenance periods in question (i.e. the twelfth maintenance period of 2011 and the first and second maintenance periods of 2012) standing at €462 billion. By comparison, average daily recourse to the deposit facility totalled €204 billion in the three previous maintenance periods (see also Box 4 below).

Box 4

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 9 NOVEMBER 2011 TO 14 FEBRUARY 2012

This box describes the ECB's open market operations during the reserve maintenance periods ending on 13 December 2011, 17 January 2012 and 14 February 2012. Throughout the period under review, all euro refinancing operations continued to be conducted by means of fixed rate tender procedures with full allotment.

On 8 December 2011 the Governing Council decided on additional enhanced credit support measures to support bank lending and liquidity in the euro area money market. In particular, it decided:

– to conduct two supplementary liquidity-providing longer-term refinancing operations with a maturity of approximately three years and the option of early repayment after one year – the first such operation was allotted on 21 December 2011 (replacing the 13-month longer-term refinancing operation that was scheduled to be allotted on that date and had been announced on 6 October 2011) and the second operation was allotted on 29 February 2012;

– to reduce the reserve ratio from 2% to 1%, as of the reserve maintenance period starting on 18 January 2012;

– to discontinue the fine-tuning operations carried out on the last day of each maintenance period, as of the maintenance period starting on 14 December 2011; and

– to take measures to increase the availability of collateral.

In addition, in view of the maturity dates of other operations close to the start of the two three-year longer-term refinancing operations, the Governing Council decided to conduct two one-day liquidity-providing fine-tuning operations on 20 December 2011 and on 28 February 2012.

Finally, during the period under review, the ECB's key policy rates were reduced by 25 basis points on two occasions following decisions by the Governing Council.

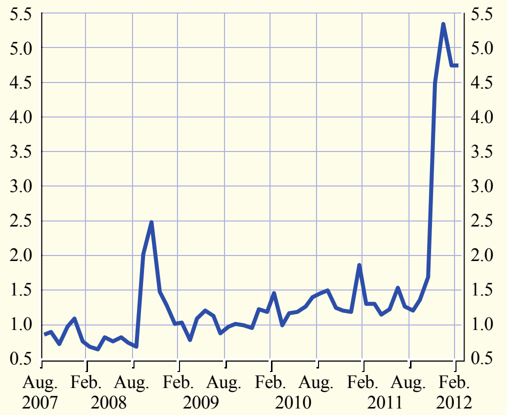
Liquidity needs of the banking system

In the period under review, the banking system's aggregate daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – averaged €433.5 billion. This amount was €18.9 billion lower than the daily average recorded in the previous three maintenance periods (i.e. the period from 10 August 2011 to 8 November 2011).

The decline in liquidity needs stemmed mainly from a decrease in reserve requirements. Until 17 January 2012 the daily level of reserve requirements was €207.0 billion. In the last maintenance period under review, the daily level of reserve requirements decreased to €103.3 billion, reflecting the aforementioned decision to reduce the reserve ratio from 2% to 1%. During the period under review, the average value of autonomous factors increased by €5.1 billion to €251.0 billion. Moreover, daily excess reserves averaged €4.8 billion, up from €2.5 billion in the previous three maintenance periods (see Chart A).[1]

Chart A Banks' current account holdings in excess of reserve requirements

(EUR billions; average level in each maintenance period)



Source: ECB.

Liquidity supply

In the period under review, total net liquidity supplied by means of open market operations averaged €802.0 billion. This amount was €186.7 billion higher than in the previous three maintenance periods. Tender operations[2] provided an average of €530.3 billion,

1 For further information on the factors that influence excess reserves, see the box entitled "Excess reserves and the ECB's implementation of monetary policy", *Monthly Bulletin*, ECB, October 2005.

2 Tender operations include main refinancing operations, longer-term refinancing operations and fine-tuning operations, the last of which can be either liquidity-providing or liquidity-absorbing.

Liquidity-providing operations from 9 November 2011 to 14 February 2012

Liquidity-providing operations	Main refinancing operations	Special-term refinancing operations	Three-month longer-term refinancing operations	Six-month longer-term refinancing operations	One-year longer-term refinancing operations	Three-year longer-term refinancing operations
Daily average (EUR billions)	179.9	45.6	157.4	49.4	11.2	489.2

Source: ECB.

€121.8 billion more than in the previous review period, mainly as a result of the increase in liquidity provided through longer-term refinancing operations.

The average liquidity provided by special-term refinancing operations with a maturity of one maintenance period and by three-month longer-term refinancing operations decreased by €18.4 billion and €104.2 billion respectively in comparison with the previous review period. By contrast, the average liquidity supplied by one-week main refinancing operations increased by €8.3 billion. There was only one outstanding 12-month longer-term refinancing operation (€11.2 billion) during the review period. Finally, a significant sum of €489.2 billion was provided through the three-year longer-term refinancing operation that settled on 22 December 2011 (see the table).

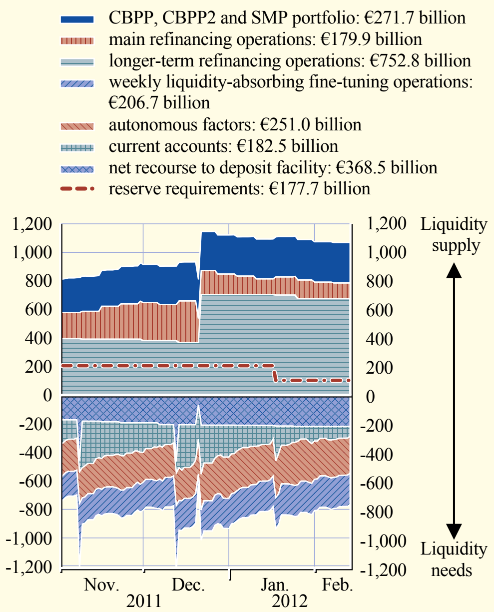
Together, the two covered bond purchase programmes (CBPP and CBPP2) and the Securities Markets Programme (SMP) resulted in liquidity that averaged €271.7 billion in the period under review, compared with an average of €206.7 billion in the previous three maintenance periods.

The liquidity provided through the CBPP, under which the last purchases were on 30 June 2010, stood at €57.6 billion on 14 February 2012, down marginally from the level of €59.4 billion in the previous review period on account of maturing amounts. On 14 February 2012 settled purchases under CBPP2 reached a level of €5.8 billion, while the net value of settled purchases under the SMP stood at €219.3 billion, compared with €185.3 billion on 8 November 2011. In parallel, weekly operations neutralised all the liquidity provided through the SMP, absorbing an average of €206.7 billion in the period under review.

In accordance with the aforementioned decision to discontinue end-of-maintenance-period fine-tuning operations, the last such operation took place on 13 December 2011. This operation absorbed an amount of €258.0 billion (see Chart B). In addition,

Chart B Liquidity needs of the banking system and liquidity supply

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



Source: ECB.

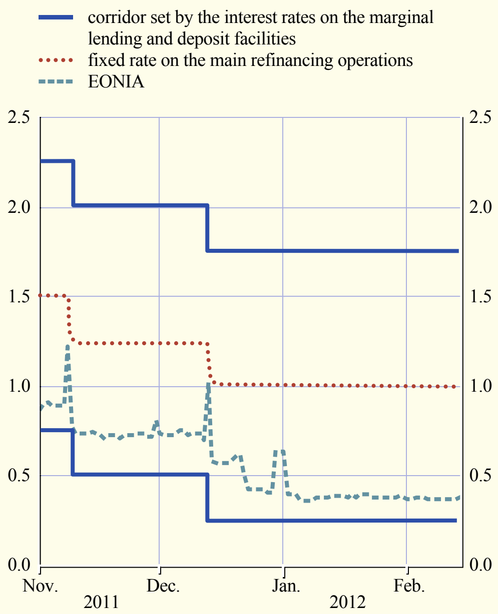
as mentioned above, a one-day liquidity-providing fine-tuning operation was conducted on 20 December 2011, providing €141.9 billion.

Use of standing facilities

Overall, the increase in the supply of liquidity, combined with the marginal decrease in liquidity needs, caused the average excess liquidity to rise to €373.4 billion in the period under review (up from €164.3 billion in the previous review period). Recourse to the marginal lending facility increased from, on average, €1.4 billion in the previous three maintenance periods to an average of €4.4 billion in this period. This increase was more pronounced in the second of the three maintenance periods under review here (in which it averaged €6.0 billion). At the same time, in line with prevailing ample liquidity conditions, average recourse to the deposit facility increased to €372.9 billion, up from €161.7 billion in the previous review period. Average net recourse[3] to the deposit facility amounted to €368.5 billion. The increase was particularly substantial in the last of the maintenance periods under consideration.

Chart C The EONIA and ECB interest rates

(daily interest rates in percentages)



Source: ECB.

Interest rates

During the period under review, the rates on the main refinancing operations, the deposit facility and the marginal lending facility were reduced by 25 basis points each on 9 November 2011 and by a further 25 basis points on 14 December 2011. The period under review ended with the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility standing at 1%, 1.75% and 0.25% respectively.

With liquidity remaining ample in the period under review, the EONIA and other very short-term money market rates remained broadly stable and well below the main refinancing rate (see Chart C). The EONIA averaged 0.53% in the period under review, fluctuating in the range of 0.35% to 1.01%.

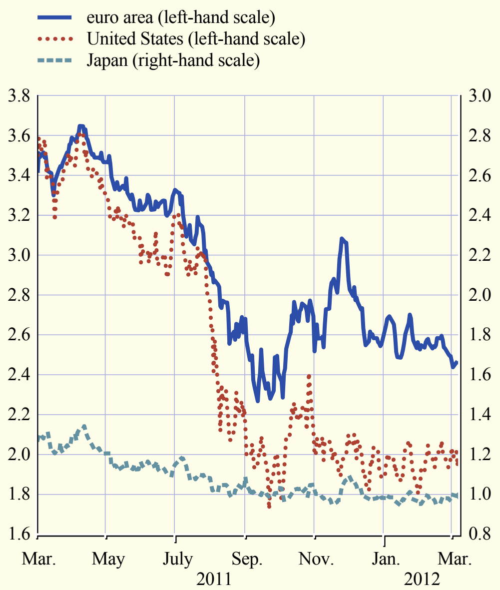
3 Net recourse to the deposit facility is calculated as recourse to the deposit facility minus recourse to the marginal lending facility over the period, including weekends.

2.4 BOND MARKETS

Between the end of November 2011 and early March 2012, AAA-rated long-term euro area government bond yields dropped significantly, while yields on comparable US government securities decreased only slightly. Developments in government bond markets over this period appear to reflect a variety of factors. In the euro area, bond yields fell amid positive policy steps *towards the resolution of the sovereign debt crisis. Mixed economic and financial news, including the credit rating downgrades of several euro area sovereigns, appears not to have weighed significantly on market sentiment. In the United States, positive market sentiment reflected generally better than expected macroeconomic data. Uncertainty about future bond market developments, as measured by implied bond market volatility, moderated significantly over the period under review, especially in the euro area. Market-based indicators suggest that inflation expectations remain fully consistent with price stability*

Chart 25 Long-term government bond yields

(percentages per annum; daily data)



Sources: EuroMTS, ECB, Bloomberg and Thomson Reuters.
Notes: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity. "Euro area" refers to the ten-year par yield based on AAA-rated euro area central government bonds. For more information, see http://www.ecb.europa.eu/stats/money/yc/html/index.en.html.

Between the end of November 2011 and 7 March 2012, AAA-rated long-term euro area government bond yields declined by 50 basis points to stand at 2.5% at the end of the period. The decline was broadly spread across AAA-rated euro area sovereigns. Long-term bond yields in the United States decreased slightly by 9 basis points over the same period to stand at 2.0% on 7 March (see Chart 25). The nominal interest rate differential between ten-year government bond yields in the euro area and those in the United States thus narrowed by 41 basis points over the period under review. In Japan, ten-year government bond yields dropped by 9 basis points over the same period to stand at 1.0% on 7 March.

Developments in government bond markets over this period appear to reflect a range of factors. In the United States, positive market sentiment reflected generally better than expected macroeconomic data releases. However, the announcement by the Federal Open Market Committee (FOMC) at the end of January that economic conditions are likely to warrant exceptionally low levels for federal funds rates up to at least late 2014 may have dampened upward pressure on long-term government bond yields. In the euro area, mixed economic and financial news, including the ratings downgrade of several euro area sovereigns, does not appear to have noticeably dented bond market sentiment. Instead, throughout the period under review euro bond markets appear to have focused on what have been perceived as positive policy steps towards the resolution of the sovereign debt crisis. The decisions taken at the meeting of Heads of State or Government of euro area countries on 30 January appear to have been instrumental in this, including as regards the establishment of a "fiscal compact", the bringing-forward of the euro area's permanent crisis management mechanism and the agreement on a new multilateral adjustment programme for Greece which included sovereign debt restructuring. Bond market sentiment in the euro area in the period under review also appears to have been supported by the Eurosystem's three-year longer-term refinancing operations of December 2011 and February 2012.

As a consequence of the developments outlined above, investor uncertainty about near-term bond market developments, as measured by option-implied volatility, was considerably reduced in the period under review. This was particularly the case for the euro area, with option-implied volatility dropping by around 40% in the period between the end of November 2011 and early March 2012, thereby falling to levels last seen in mid-2011.

Euro area sovereign bond yield spreads vis-à-vis German sovereign bonds exhibited mixed performance in the period under review. This was partly because demand for "safe-haven" assets (as proxied by high liquidity premia on German government bonds relative to those on agency bonds) remained elevated, thus exerting a significant downward pressure on German sovereign bond yields over the period (see also Box 5). Developments in yield spreads of other AAA-rated sovereigns relative to Germany were mixed. Yield spreads of non-AAA-rated sovereigns relative to Germany exhibited a more discernable pattern, tending to narrow for most countries, except Greece. During the period under review, several euro area sovereigns saw their perceived creditworthiness downgraded by one or more of the three major rating agencies. Notable in this regard are the loss by France and Austria of their of AAA ratings from S&P and the fact that, following an S&P downgrade in January, all three major credit rating agencies now consider Portugal's sovereign debt to be below investment grade. Greece's planned bond exchange offer, aimed at reducing its sovereign debt burden, also triggered downgrades of Greek sovereign bonds by the three major rating agencies. However, with the exception of Greece, the various ratings actions do not seem to have had a sustained upward effect on sovereign bond yield spreads. In fact, Italy had the largest narrowing of sovereign bond yield spreads among euro area countries (-166 basis points) in spite of its downgrading by the three major rating agencies. Portugal saw a rise in its sovereign bond yield spread following the S&P action, which, coupled with negative spillovers from Greece, pushed sovereign bond yields to record highs at the end of January 2012. However, most of this upward movement has since been reversed, and Portuguese sovereign bond yield spreads relative to Germany on 7 March were only marginally above those at the end of November 2011. In addition, anecdotal market reports suggest that demand for sovereign bonds of some euro area countries was robust in anticipation of the Eurosystem's second three-year longer-term refinancing operation, which also contributed to favourable bond market developments in the countries concerned.

Box 5

DEVELOPMENTS IN THE ISSUANCE AND YIELD SPREADS OF EURO AREA GOVERNMENT DEBT SECURITIES

This box briefly reviews developments in debt issuance by euro area governments and government bond yield spreads in 2011. The annual growth rate of the amount outstanding of debt securities issued by the general government sector in the euro area declined to 5.4% in 2011 from 7.5% in 2010 and 11.1% in 2009 (see Table A). The fall in the annual growth rate of securities issued reflects consolidation efforts in the euro area and limited long-term issuance by countries under EU/IMF adjustment programmes. Looking at the composition of issuance in 2011, the growth rate of short-term government debt securities remained negative, standing at -9.1% in 2011, compared with -11.1% in 2010 and 23.0% in 2009. As regards long-term debt securities, the growth rate of issuance for floating rate debt securities remained high at 17.7% in 2011, owing mainly to special developments in Germany.

Table A Annual growth rates of debt securities issued by euro area governments

(percentages; end of period)

	2006	2007	2008	2009	2010	2011
Total general government	2.5	2.8	8.1	11.1	7.5	5.4
Long-term	*3.4*	*2.3*	*3.7*	*9.7*	*10.4*	*7.3*
Fixed rate	3.4	2.0	3.5	9.7	9.7	6.4
Floating rate	3.4	5.4	5.1	6.4	17.8	17.7
Short-term	*-8.8*	*9.6*	*61.9*	*23.0*	*-11.1*	*-9.1*

Source: ECB.

Table B Structure of amounts outstanding of debt securities issued by euro area governments

(percentages of total debt securities issued by general government; end of period)

	2006	2007	2008	2009	2010	2011
Long-term	*92.9*	*92.5*	*88.8*	*87.3*	*88.0*	*89.6*
Fixed rate	83.9	83.2	79.7	78.3	78.2	79.0
Floating rate	8.0	8.2	8.1	7.8	8.5	9.5
Short-term	*7.1*	*7.5*	*11.2*	*12.7*	*12.0*	*10.4*
Total general government in EUR billions	4,710.7	4,841.8	5,266.2	5,887.1	6,485.5	6,840.6

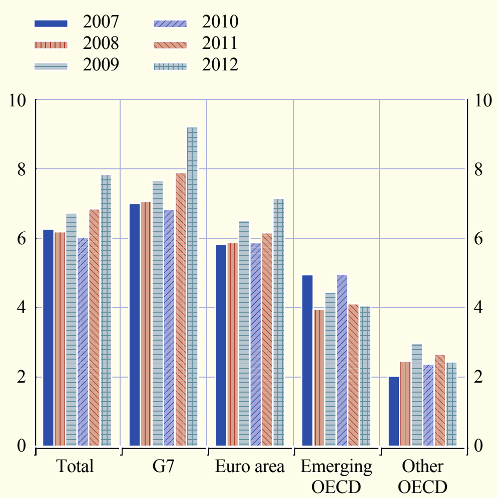
Source: ECB.

Governments in the euro area faced unprecedented funding challenges in 2011, and the three countries under EU/IMF adjustment programmes had little access to market-based funding. Despite the challenging market, governments in most euro area countries managed to issue long-term securities without strong pressures to increase their recourse to short-term funding. Long-term issuance, however, took place under very different conditions from country to country. The share of long-term fixed rate debt securities remained broadly unchanged, standing at 79.0% at the end of 2011. The share of short-term debt declined, and stood at 10.4% at the end of 2011 (see Table B). Governments have increased their focus on reducing refinancing risks during the crisis. This entails a lengthening of the time to maturity of new issues and limiting the use of short-term debt.

Redemption of medium and long-term debt has remained fairly low and stable since the start of the crisis (see Chart A). Looking ahead, redemptions will increase in the euro area and in most developed countries in 2012. The elevated level of issuance activity observed since 2008 is expected to persist, owing to the increasing refinancing burden from maturing debt combined with continued deficits. Therefore it is important that governments continue to focus on reducing refinancing risks and adhere to their consolidation strategies in order to lastingly correct excessive deficits and restore financial market confidence.

Chart A Redemptions of medium and long-term central government debt

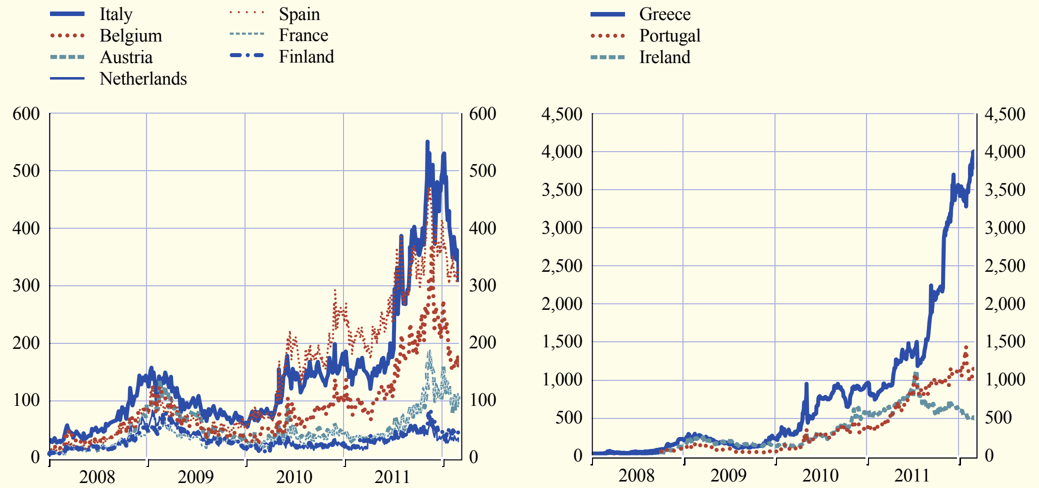
(as a percentage of GDP)



Source: OECD Sovereign Borrowing Outlook 2012.
Note: Based on surveys of central government debt managers.

Chart B Government bond yield spreads vis-à-vis German government bonds

(daily data; basis points)



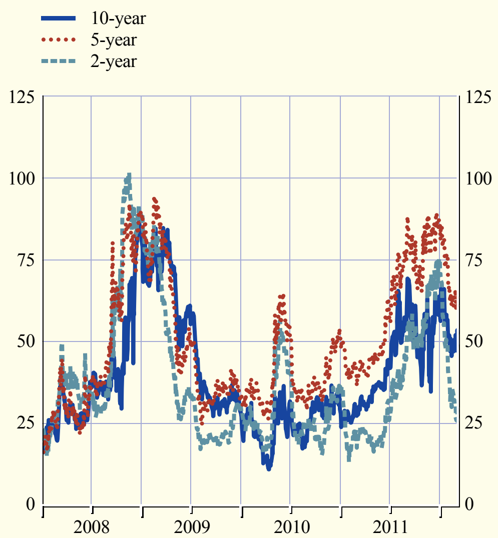
Sources: Bloomberg, Thomson Reuters and ECB calculations.
Note: Data refer to government bonds with a ten-year maturity.

The spreads between the yields on long-term government bonds of euro area countries and those on corresponding German bonds widened significantly in 2011. This is illustrated in Chart B, which shows the spreads vis-à-vis Germany. Spreads were at their highest in November 2011, and have contracted for most countries since then. However, spreads for a number of countries remain high, indicating continued risk and uncertainty.

The differences between government bond yields across euro area countries ultimately reflect differences in credit risk and liquidity premia. German bonds are generally regarded as the most liquid of all the euro area government bonds. Consequently, they attract considerable demand from investors seeking high-quality liquid assets in times of heightened uncertainty and market tensions. This partly explains why sovereign spreads vis-à-vis Germany have widened even for countries perceived to have similar fiscal fundamentals. This factor is also demonstrated by a substantial increase in the liquidity premia that depress yields on German government bonds vis-à-vis yields on debt issued under German government guarantees (see Chart C). Since early 2012 liquidity premia have started to come down amid lower market tensions.

Chart C Liquidity premia for German government bonds

(daily data; basis points)



Sources: Bloomberg and ECB calculations.
Note: Data refer to zero-coupon spreads between yields on bonds issued by a government-guaranteed agency (Kreditanstalt für Wiederaufbau) and government bonds.

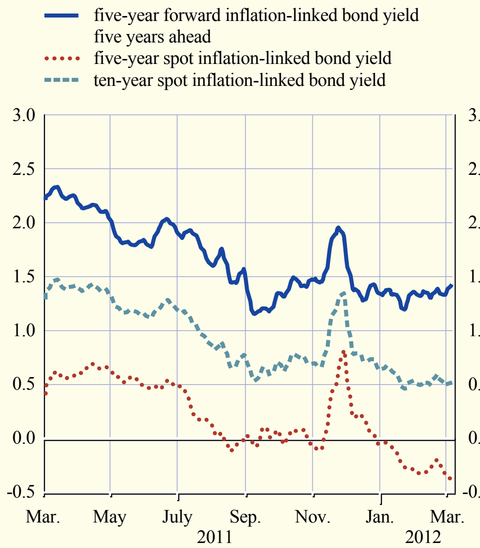
Summing up, government bond yield spreads vis-à-vis Germany, albeit having declined recently, remain high for a number of countries, indicating continued risk and market uncertainty. Securities issuance by euro area governments has been rising since the outbreak of the financial crisis, especially for short-term issuance. In the last two years governments have started to substitute short-term debt with long-term debt. However, the risk associated with refinancing of debt remains high, and it is important that governments continue to adhere to their consolidation strategies in order to firmly correct excessive deficits and restore financial market confidence.

As regards market-based measures of inflation expectations, yields on five-year inflation-linked euro area government bonds have decreased since the end of November 2011 and stood in negative territory in early March 2012, while yields on ten-year inflation-linked bonds also trended downwards over the same period (see Chart 26). Five and ten-year spot real yields stood at around -0.4% and 0.6% respectively on 7 March. Implied forward inflation swap rates (five-year forward five years ahead) in the euro area increased moderately in the period under review, edging up by 8 basis points to stand at 2.4% on 7 March (see Chart 27). In the same period, break-even inflation rates at the same time horizon dropped by 38 basis points to stand at 2.2% on 7 March.

Break-even inflation rates have fluctuated markedly in recent months, reflecting both the high volatility of government bond markets and the existence of sizeable liquidity premia. Inflation expectations inferred from bond markets have thus been less reliable than those based on the signals received from

Chart 26 Euro area zero coupon inflation-linked bond yields

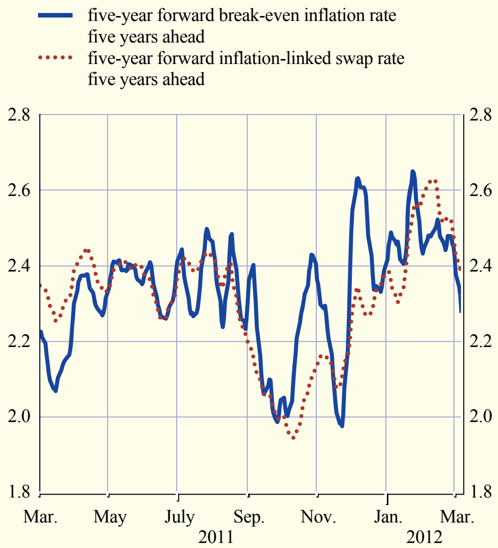
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011 real rates have been computed as a GDP-weighted average of separate real rates for France and Germany. Before that date, real rates were computed by estimating a combined real yield curve for France and Germany.

Chart 27 Euro area zero coupon break-even inflation rates and inflation-linked swap rates

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



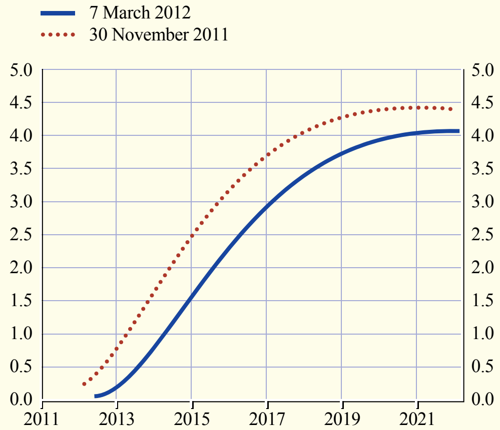
Sources: Thomson Reuters and ECB calculations.
Notes: Since the end of August 2011 break-even inflation rates have been computed as a GDP weighted average of separately estimated break-even rates for France and Germany. Before that date, break-even inflation rates were computed by comparing yields from the nominal yield curve of AAA-rated euro area government bonds with a combined real yield curve derived from French and German inflation-linked government bonds.

the inflation swap markets. Although relatively more stable, swap rate markets have not been immune to market tensions, and the increase in inflation swap rates recorded in recent months (especially in the segment five-year forward five years ahead) partly reflects rising inflation risk premia. Overall, taking into account not only market volatility and distortions amid high liquidity premia, but also inflation risk premia, market-based indicators suggest that inflation expectations remain fully consistent with price stability.

The general pattern of AAA-rated long-term euro area bond yields can be decomposed into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 28). Compared with the end of November, the term structure of short-term forward rates has shifted downwards across all maturity horizons, reflecting adjustments to yield expectations and the outlooks for economic activity and inflation.

Chart 28 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.

Spreads on investment-grade corporate bonds issued by euro area non-financial corporations declined moderately over the period under review. By comparison, spreads on investment-grade corporate bonds issued by euro area financial corporations declined far more sharply, especially at the lower end of the investment-grade rating scale. For example, the spread on BBB-rated financial corporate bonds almost halved in the period under review, declining by 558 basis points to stand at 589 basis points on 7 March. The marked compression of spreads may have reflected a combination of factors, including lower risk aversion, as proxied by the spread of BBB-rated corporate bond yields vis-à-vis AAA-rated corporate bond yields, and reduced funding pressures on financial institutions following the Eurosystem's longer-term refinancing operations. The prospect of more limited spillovers emanating from sovereigns following the decisions taken by euro area Heads of State or Government at their meeting on 30 January may have been a further contributing factor in this regard.

2.5 EQUITY MARKETS

Between the end of November 2011 and early March 2012, stock prices rose sharply in both the euro area and the United States. Positive market sentiment appears to have been supported by generally better than expected macroeconomic data releases in the United States and renewed hopes of a durable solution to the sovereign debt crisis in the euro area. An easing of funding conditions owing to the Eurosystem's longer-term refinancing operations also seems to have supported equity market developments in the euro area, especially insofar as the strong performance of financial stocks is concerned. Stock market uncertainty, as measured by implied volatility, decreased over the period under review to levels last seen in mid-2011.

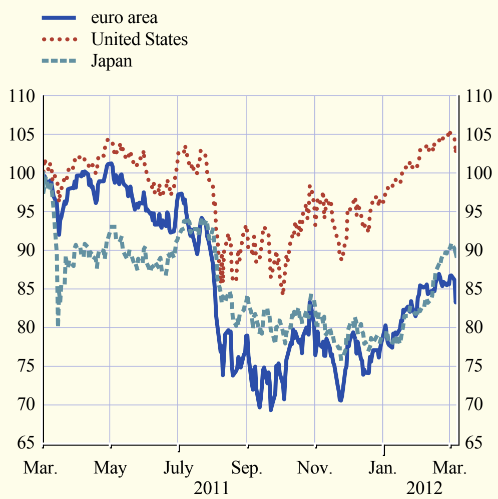
Between the end of November 2011 and 7 March 2012, stock prices rose sharply in both the euro area and the United States. Euro area stock prices, as measured by the broad-based Dow Jones EURO STOXX index, increased by 7.3% over the period under review. In the United States, the Standard and Poor's 500 index rose by 8.5% over the same period (see Chart 29). Stock price developments in Japan were also favourable, with the Nikkei 225 index increasing by 13.5%.

Equity market sentiment in the United States was supported by generally better than expected macroeconomic data releases, with tentative signs of positive growth momentum continuing into the first months of 2012. By comparison, data releases in the euro area during the period under review were mixed, including as regards the near-term outlook for economic activity. Moreover, several euro area sovereigns and key financial entities saw their creditworthiness downgraded by major rating agencies over this period, while earnings reports were generally weak. However, these developments do not appear to have weighed significantly on market sentiment.

Instead, euro area equity markets struck a positive tone amid renewed hope that a durable solution to the sovereign debt crisis in the euro area would be found. In this regard, euro area equity market developments were especially favourable in the run-up to the meeting of the Heads of State or Government of euro area countries on 30 January 2012. Coupled with increased prospects that a disorderly debt restructuring might be avoided in Greece, the decisions taken at this meeting to strengthen the fiscal and crisis management framework of the euro area were generally seen in a positive light by market participants. In addition, eased funding pressures on euro area financial entities following the three-year refinancing operations conducted by the Eurosystem in December 2011 and February 2012 also seem to have supported euro area equity markets in the period under review.

Chart 29 Stock price indices

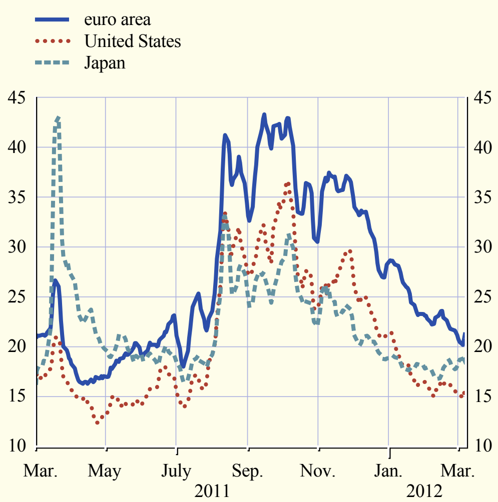
(index: 1 March 2011 = 100; daily data)



Source: Thomson Reuters.
Note: The indices used are the Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.

Chart 30 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.

Table 4 Price changes in the Dow Jones EURO STOXX economic sector indices

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communi-cations	Utility
Share of sector in market capitalisation *(end-of-period data)*	100.0	10.3	6.6	17.1	8.3	20.5	5.4	14.3	4.8	5.6	7.1
Price changes *(end-of-period data)*											
Q4 2010	3.8	16.3	0.7	9.0	7.9	-7.0	-1.1	13.3	10.2	-4.7	2.9
Q1 2011	3.6	-0.3	-1.8	-3.2	8.4	8.5	4.8	4.4	5.0	6.0	3.5
Q2 2011	-1.7	3.0	-2.9	7.0	-6.2	-5.0	11.5	-1.3	-8.8	-6.5	-6.8
Q3 2011	-23.1	-28.9	-17.4	-20.0	-19.1	-30.9	-9.2	-27.4	-15.9	-14.4	-18.5
Q4 2011	5.1	13.1	5.6	9.1	18.6	-1.8	11.3	6.5	1.9	-3.6	-4.3
Jan. 2012	5.3	8.1	2.7	7.2	2.1	9.3	1.5	6.7	8.3	-3.5	-0.9
Feb. 2012	4.3	6.2	2.8	5.5	3.5	4.9	-1.1	5.7	8.7	-0.8	2.4
30 Nov. 11 - 7 Mar. 12	7.3	10.5	1.5	11.8	7.1	11.6	8.4	9.4	10.5	-10.6	-2.6

Sources: Thomson Reuters and ECB calculations.

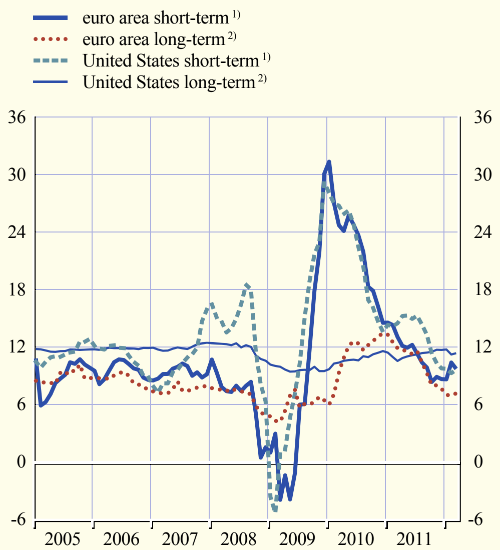
Stock market uncertainty decreased markedly in both the euro area and the United States in the period under review, with implied stock market volatilities falling to levels last seen in mid-2011 (see Chart 30). This decline is consistent with the positive developments outlined above, as well as with the associated reduction in investor risk aversion.

Euro area equity market developments at the sectoral level were generally robust in the period under review, with the exception of telecommunications and utilities stocks (see Table 4). Strong gains in financial share prices were seemingly supported by the prospect of reduced funding constraints on banks owing to the two three-year refinancing operations conducted by the Eurosystem. The prospect of more limited negative spillovers from sovereigns to the financial sector balance sheet following the agreement on a fiscal compact in the euro area also appears to have been a factor in this regard, while credit rating downgrades for some euro area banks and generally weak earnings reports do not seem to have weighed significantly on market sentiment. In the United States, financial stock prices also achieved robust gains over the period under review, with the relative increase in this sectoral component exceeding that of the overall index.

For euro area corporations that are included in the Dow Jones EURO STOXX index, data on corporate earnings show an increase in the negative growth of actual annual earnings

Chart 31 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Reuters and ECB calculations.
Notes: Expected earnings growth of corporations on the Dow Jones EURO STOXX index for the euro area and on the Standard & Poor's 500 index for the United States.
1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).
2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

per share over the period, to -7.4% in March 2012 from -2.2% in December 2011. Nevertheless, the growth in earnings per share projected by market participants for the period 12 months ahead increased to 9.7% in March 2012 from 8.7% in December 2011 (see Chart 31). In contrast, long-term expected growth in earnings per share dropped slightly over the same period, to 7.2% in March 2012 from 7.7% in December 2011.

2.6 FINANCIAL FLOWS AND THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

Between October 2011 and January 2012 the real cost of financing for euro area non-financial corporations declined, reflecting broad-based declines across most sub-categories, but particularly in long-term lending rates. With regard to financial flows, the annual growth of lending to non-financial corporations moderated to 1.1% in the fourth quarter of 2011. The subdued loan dynamics appear broadly in line with still weak economic conditions in the euro area. Debt securities issuance by non-financial corporations increased slightly in the fourth quarter of 2011.

FINANCING CONDITIONS

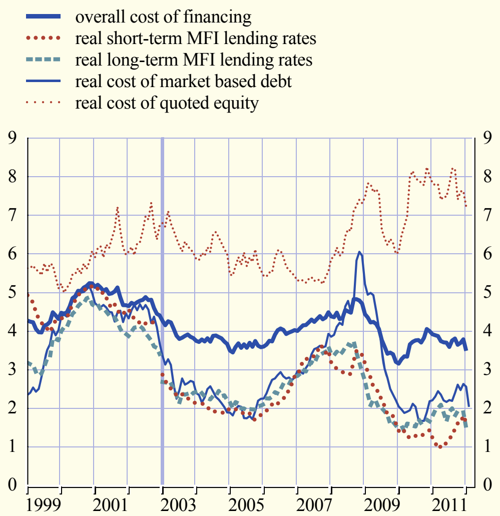
The real cost of external financing for euro area non-financial corporations – as calculated by weighting the costs of different sources of financing on the basis of their outstanding amounts, corrected for valuation effects – declined by 16 basis points between October 2011 and January 2012, to stand at 3.5% in January 2012 (see Chart 32).

The decline in the overall cost of financing was broadly based across most sub-categories, although particularly pronounced in the case of the real cost of long-term borrowing. Real long-term lending rates decreased by 44 basis points to 1.5% over the period, while real short-term lending rates remained broadly unchanged at about 1.6%. The real cost of market-based debt and quoted equity declined by about 5 and 20 basis points respectively to 2.6% and 7.2%. More recent data up to the beginning of March indicate a sharp decline of 49 basis points in the real cost of market-based debt, owing to the fall in corporate bond spreads. By contrast, the real cost of quoted equity remained broadly unchanged. Taking a longer-term perspective, the overall real cost of financing for euro area non-financial corporations in January continued to be below its historical average. This applies to all sources of financing, with the exception of the real cost of equity.

In the period between October 2011 and January 2012, nominal MFI interest rates on

Chart 32 Real cost of the external financing of euro area non-financial corporations

(percentages per annum; monthly data)



Sources: ECB, Thomson Reuters, Merrill Lynch and Consensus Economics Forecasts.
Notes: The real cost of external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (See Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series. 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).

Table 5 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points)

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Dec. 2011	Jan. 2012	Change in basis points up to January 2012[1)] Oct. 2010	Oct. 2011	Dec. 2011
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	3.86	4.01	4.27	4.40	4.47	4.46	63	0	-1
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.50	3.69	3.94	4.18	4.47	4.36	91	9	-11
with an initial rate fixation of over five years	3.86	4.19	4.39	4.19	4.17	4.20	38	-3	3
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.59	2.63	2.92	2.92	3.15	2.80	48	-25	-35
with an initial rate fixation of over five years	3.50	3.84	3.29	3.69	3.74	2.97	-49	-68	-77
Memo items									
Three-month money market interest rate	1.01	1.24	1.55	1.55	1.36	1.13	8	-46	-23
Two-year government bond yield	2.25	2.91	3.61	5.47	10.98	12.65	1091	599	167
Seven-year government bond yield	2.71	3.19	2.89	1.96	2.08	1.98	-34	-19	-10

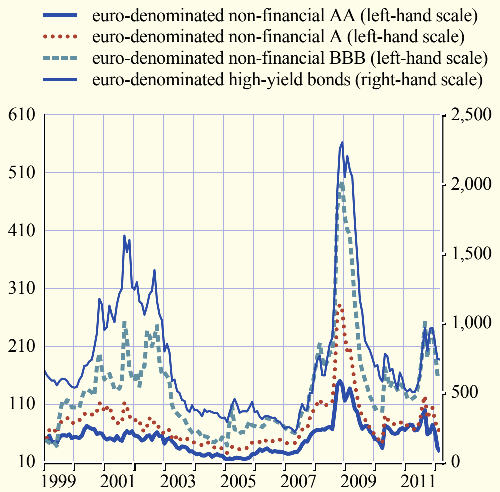
Source: ECB.
1) Figures may not add up due to rounding.

new loans to non-financial corporations tended to decline across most loan sizes and maturities (see Table 5). More specifically, short-term interest rates declined by 25 basis points for large loans (over €1 million), but rose by 9 basis points for small loans (up to €1 million). Long-term MFI interest rates on large loans decreased by 68 basis points, and those on small loans decreased by 3 basis points. The overall decline in lending rates to non-financial corporations reflects to some extent the pass-through of the recent cuts in ECB key interest rates and the effectiveness of the ECB's most recent non-standard measures in addressing bank funding constraints. However, the increased divergence between bank lending rates for large and small loans may point to some degree of discrimination by banks against small firms, in particular in some jurisdictions. In the period under review, seven-year government bond yields fell by 20 basis points for the euro area.

Spreads between non-financial corporate bond yields and government bond yields were volatile between October 2011 and January 2012. Corporate bond spreads increased up to December 2011, in particular on corporate bonds

Chart 33 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



Sources: Thomson Reuters and ECB calculations.
Note: Non-financial bond spreads are calculated against AAA-rated government bond yields.

of intermediate and lower ratings, reflecting market tensions related to the euro area sovereign debt crisis and the negative spillover effects on larger and higher-rated countries. More specifically, spreads on BBB-rated corporate bonds widened by about 47 basis points between October and December, while those on high-yield bonds widened by more than 160 basis points (see Chart 33). Market sentiment has improved somewhat since the end of 2011, resulting in lower spreads for all rating categories. In February 2012 corporate bond spreads were between 15 and 75 basis points below those prevailing in October 2011.

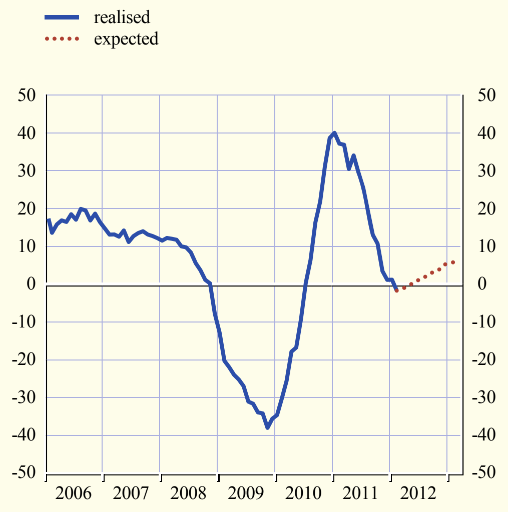
FINANCIAL FLOWS

Indicators of the profitability of euro area non-financial corporations point to a still positive performance in the fourth quarter of 2011. At the same time, the annual growth rate of earnings per share for listed non-financial corporations in the euro area slowed down from about 11% in October last year to about 1.2% in January 2012. A further deterioration has been reported for February 2012, with a negative growth rate (of -1.5%) for the first time since the summer of 2010 (see Chart 34). Looking ahead, market participants expect a smooth recovery over the coming months.

With regard to external financing, the recovery in MFI lending to non-financial corporations observed since 2010 lost momentum in the fourth quarter of 2011. The decline in MFI lending to non-financial corporations was concomitant with a slight increase in issuance activity of debt securities over the same period (see Chart 35). The slightly more buoyant issuance activity of non-financial corporations was mainly driven by issuance of long-term fixed rate debt securities, while issuance of short-term debt securities made only a very small contribution. In contrast, issuance of long-term floating rate securities continued to decline. In the same period, the annual growth rate of issuance of quoted shares by non-financial corporations increased somewhat, driven

Chart 34 Earnings per share of listed non-financial corporations in the euro area

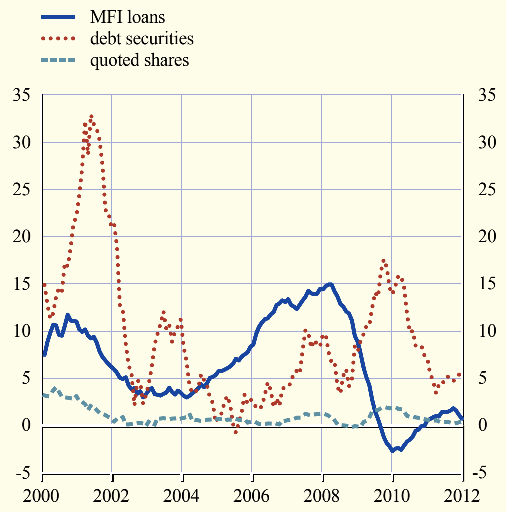
(annual percentage changes; monthly data)



Sources: Thomson Reuters and ECB calculations.

Chart 35 External financing of non-financial corporations broken down by instrument

(annual percentage changes)



Source: ECB.
Note: Quoted shares are euro-denominated.

Table 6 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates				
	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
MFI loans	**-0.1**	**0.9**	**1.4**	**1.6**	**1.1**
Up to one year	-3.2	0.0	4.2	4.1	1.9
Over one and up to five years	-2.8	-2.3	-3.7	-3.7	-3.0
Over five years	2.4	2.4	2.0	2.3	2.1
Debt securities issued	**7.5**	**4.8**	**4.3**	**4.8**	**5.4**
Short-term	-5.4	-4.2	2.9	19.4	17.2
Long-term, *of which:* 1)	8.7	5.7	4.4	3.4	4.4
Fixed rate	11.0	7.3	5.4	4.3	5.0
Variable rate	-0.6	-0.9	-1.9	-3.7	-1.0
Quoted shares issued	**0.7**	**0.5**	**0.4**	**0.3**	**0.4**
Memo items 2)					
Total financing	2.2	2.2	2.5	2.4	-
Loans to non-financial corporations	1.7	2.4	3.1	2.5	-
Insurance technical reserves 3)	1.1	0.9	0.9	0.7	-

Sources: ECB, Eurostat and ECB calculations.
Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as result of differences in valuation methods.
1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero-coupon long-term debt securities, which include valuation effects, are not shown.
2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance technical reserves, other accounts payble and financial derivatives.
3) Includes pension fund reserves.

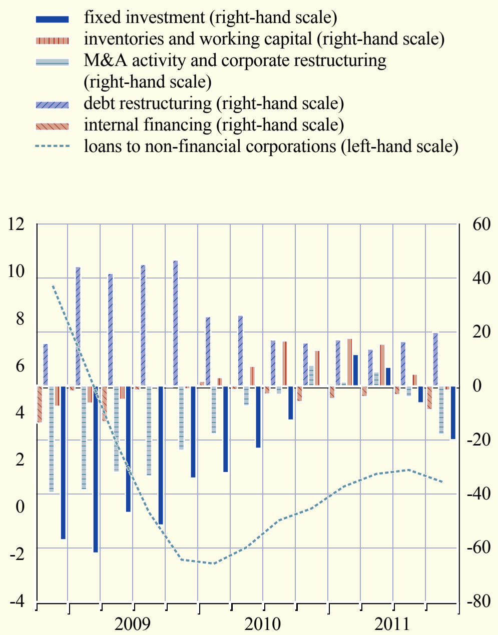
by the decline in the cost of quoted equity. According to data provided by market participants, issuance activity in the last quarter of 2011 was mainly related to companies in the industrial and consumer products and services sectors.

The annual growth rate of bank lending to non-financial corporations slowed to 1.1% in the fourth quarter of 2011 (see Table 6), reflecting a significant decline in the annual growth rate of short-term lending (with maturities of up to one year) and a moderate decline in the annual growth rate of long-term lending (with maturities of over five years). Apart from the very weak figures for December 2011, the subdued dynamics of loans to non-financial corporations can still be considered broadly in line with developments in real economic activity and in the cost of borrowing.

The results of the bank lending survey for the euro area for the fourth quarter of 2011 show a net decline in demand for loans to non-financial corporations, albeit at a somewhat slower pace than in the previous quarter. This decline was driven by a sharp fall in the financing needs of firms for fixed investment and to a lesser extent for inventories and working capital amid a moderation in the pace of economic activity (see Chart 36). More importantly, banks indicated a sharp fall in the financing needs of firms for fixed investment. According to banks, the decline in net demand for loans was more pronounced for small and medium-sized companies than for large firms. Furthermore, euro area banks tightened their credit standards on loans to non-financial corporations significantly in the fourth quarter of 2011. The net tightening of credit standards reflected the adverse combination of a weakening economic outlook and the euro area sovereign debt crisis, which, overall, continued to undermine the banking sector's financial position. Looking ahead, banks expect a further tightening of credit standards and a continuing decline in the demand for loans from non-financial corporations.

Chart 36 Loan growth and factors contributing to non-financial corporations' demand for loans

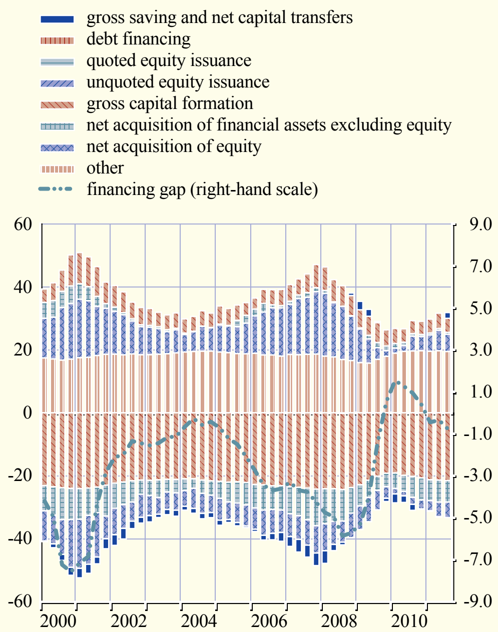
(annual percentage changes; net percentages)



Source: ECB.
Notes: The net percentages refer to 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 decrease.

Chart 37 Savings, financing and investment of non-financial corporations

(four-quarter moving totals; percentages of gross value added)



Source: Euro area accounts.
Notes: "Debt financing" includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable netted out and adjustments. Inter-company loans are netted out. The financing gap is the net lending/net borrowing position, which is broadly the difference between gross saving and gross capital formation.

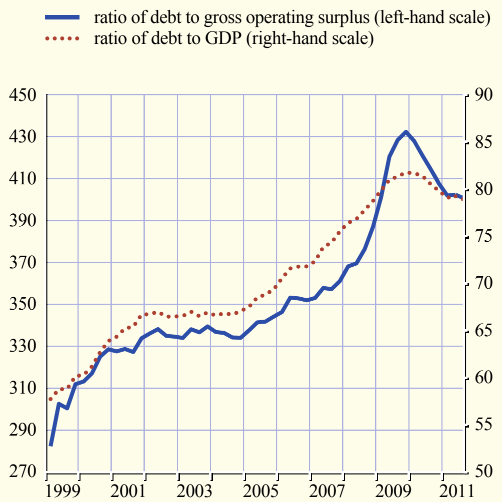
The financing gap of (or net borrowing by) non-financial corporations – i.e. the difference between their outlays for real investment and their internally generated funds (gross savings) – declined in the third quarter of 2011 on the basis of four-quarter moving sums of euro area accounts data (see Chart 37). At -0.8%, the financing gap remained relatively small by historical standards, despite signs of normalisation over the previous quarters, on the back of relatively low capital formation and high internally generated funds. Looking at the breakdown of euro area enterprises' saving, financing and investment, it appears that corporate real investment (gross fixed capital formation) was mainly financed through internal funds, as external financing remained a minor source of corporate financing. At the same time, net acquisitions of financial assets, including equity, remained broadly unchanged in the third quarter of 2011.

FINANCIAL POSITION

In the third quarter of 2011, on the basis of euro area accounts statistics, indebtedness in the non-financial corporate sector continued on a declining path, both in terms of the ratio of debt to GDP, which fell to just below 79%, and in terms of the ratio of debt to gross operating surplus, which fell to 400% (see Chart 38). For the non-financial corporate sector, the reversal in the leveraging process started in 2010 and is continuing, although in most countries rather gradually. After the sharp drop recorded in the period from the end of 2008 to the first half of 2010, the interest burden of non-financial corporations increased again up to the third quarter of 2011 (see Chart 39).

Chart 38 Debt ratios of non-financial corporations

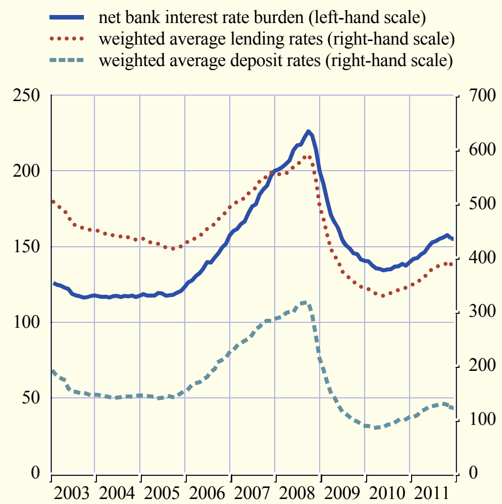
(percentages)



Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves.

Chart 39 Net bank interest rate burden of non-financial corporations

(basis points)



Source: ECB.
Note: The net bank interest rate burden is defined as the difference between weighted average lending rates and the weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

The rate of increase moderated in the fourth quarter of 2011, and the interest burden declined in January 2012, albeit remaining above its long-term average.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

Euro area households' financing conditions in the fourth quarter of 2011 and January 2012 were characterised by a modest overall decline in banks' lending rates. At the same time, in the January 2012 bank lending survey, banks reported further net tightening of credit standards on loans to households. The annual growth rate of MFI lending to households adjusted for loan sales and securitisation declined to 1.9% in December 2011, before recovering slightly to stand at 2.1% in January 2012. Thus, the latest data continue to point to subdued developments in household borrowing. Households' interest payment burden and the ratio of household debt to gross disposable income are estimated to have remained broadly unchanged in the fourth quarter of 2011.

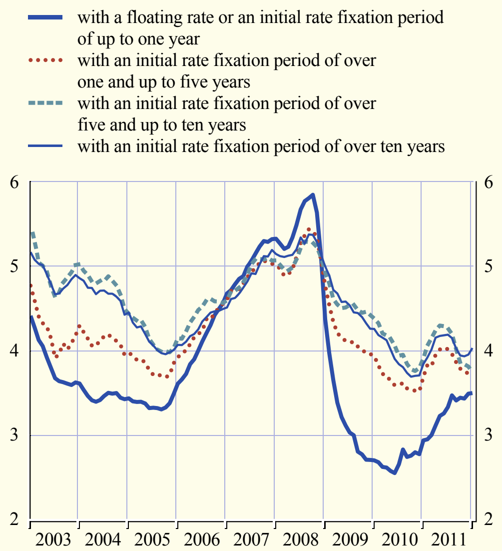
FINANCING CONDITIONS

The financing costs of the euro area household sector declined slightly overall in the fourth quarter of 2011 and January 2012. However, this decline masks conflicting developments in the various categories of loan. MFI interest rates on new loans for house purchase fell slightly, while those on other lending declined significantly. By contrast, interest rates on new loans for consumer credit increased marginally. Overall, the latest data suggest that the ECB's liquidity-providing measures – particularly the three-year LTRO conducted in December 2011 – have reduced upward pressure on interest rates for new loans to households, particularly medium and long-term loans, by allowing banks to secure medium-term funding at low cost.

As regards interest rates on new loans for house purchase, the overall decline observed in the fourth quarter of 2011 and January 2012 was driven by reduced interest rates on loans with medium and long initial rate fixation periods (i.e. loans with rate fixation periods of over one and up to five years and those with initial rate fixation periods of more than five years; see Chart 40). By contrast, interest rates on mortgage loans with floating rates or short initial rate fixation periods (i.e. loans with rate fixation periods of up to one year) increased over the same period, despite the cuts in key ECB policy rates. As a result of these developments, the positive spreads between interest rates on loans with medium or long initial rate fixation periods and those on loans with floating rates or short initial rate fixation periods narrowed further. At the same time, the share of loans with floating rates or short initial rate fixation periods in total new business volumes continued to decline, standing at around 27% in January 2012.

Chart 40 MFI interest rates on loans to households for house purchase

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



Source: ECB.

As regards interest rates on new loans to households for consumer credit, increases in interest rates were somewhat larger for loans with floating rates or short initial rate fixation periods than for those with medium or long initial rate fixation periods. As regards interest rates on other new lending to households, larger declines were observed for loans with long initial rate fixation periods, floating rates or short initial rate fixation periods than for loans with medium initial rate fixation periods.

Overall, developments in MFI interest rates on new loans to households deviated significantly from those in comparable market interest rates in the fourth quarter of 2011 and January 2012. Indeed, the spreads between interest rates on loans for house purchase and consumer credit with medium and long initial rate fixation periods and comparable market rates became more negative or declined. These developments were attributable mainly to sizeable increases in comparable market rates in the context of the intensification of tensions in sovereign debt markets. At the same time, the spread between interest rates on loans for house purchase with the very longest initial rate fixation periods (i.e. loans with rate fixation periods of over ten years) and comparable market rates was broadly unchanged. By contrast, the spread between interest rates on loans with floating rates or short initial rate fixation periods and comparable market rates increased slightly, as lending rates increased and a modest decline was observed in market rates.

The results of the January 2012 bank lending survey show that euro area banks increased their net tightening of credit standards on loans for households in the fourth quarter of 2011. This increase in net tightening was significantly larger for loans for house purchase than for consumer credit and other lending. Banks reported that the increased cost of market-based funding and balance sheet constraints were the main reasons for this increased net tightening. They also reported that the deteriorating economic outlook and housing market prospects contributed significantly in the case of loans for house purchase, albeit to a much lesser extent than pure supply-side factors. As regards credit standards on consumer credit and other lending, the contributions made by changes to the economic outlook and the creditworthiness of consumers were broadly unchanged from the previous quarter. Banks reported that, for all loan types, the increased tightening of credit standards translated into a marked rise in margins for both average and riskier loans.

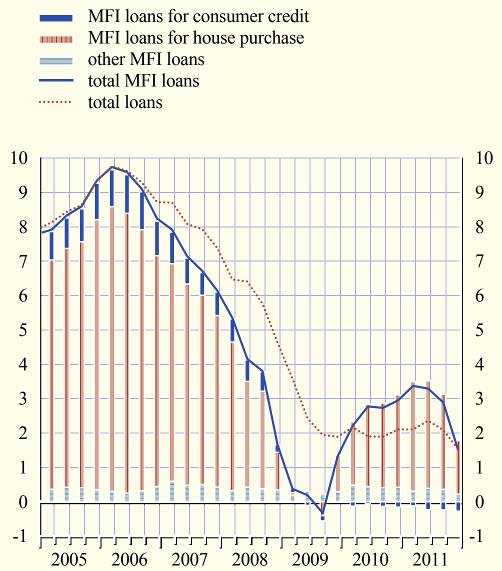
FINANCIAL FLOWS

Total lending to the euro area household sector was relatively weak in the third quarter of 2011 (the most recent quarter for which data from the euro area accounts are available), mirroring subdued MFI lending. As a result, the annual growth rate of total loans to households declined to stand at 2.1%, down from 2.4% in the second quarter. The annual growth rate of total MFI credit to households (not adjusted for loan sales or securitisation) declined to 3.0% in the third quarter, having stood at 3.4% in the previous quarter. Since loan sales and securitisation activity – which frequently result in household loans being shifted between the MFI and OFI sectors – were particularly strong in one individual country in July, the annual growth rate of non-MFI loans to households increased to -2.4%, up from -2.9% in the previous quarter. Estimates for the fourth quarter of 2011 point to a further moderation in the annual growth of total loans to households (see Chart 41).

Looking at MFI data that are already available for the fourth quarter of 2011 and January 2012, growth in lending to households has remained relatively weak in recent months. The annual

Chart 41 Total loans granted to households

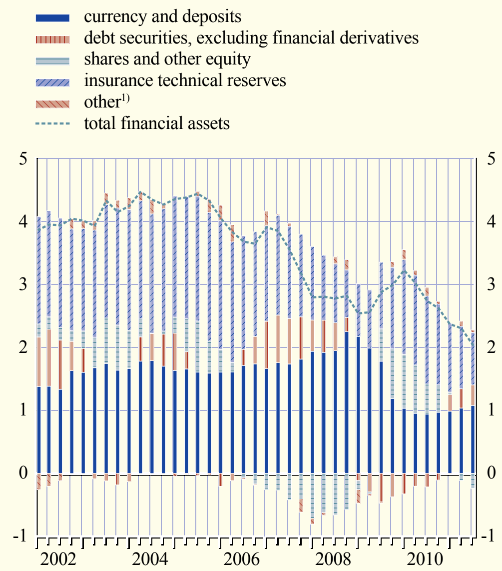
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the fourth quarter of 2011, total loans to households have been estimated on the basis of transactions reported in money and banking statistics. For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

Chart 42 Financial investment of households

(annual percentage changes; contributions in percentage points)



Sources: ECB and Eurostat.
1) Includes loans and other accounts receivable.

growth rate of MFI loans to households declined further to stand at 1.5% at the end of the fourth quarter, reflecting a significant quarterly net redemption of loans to households for house purchase. This was attributable primarily to a strong increase in loan securitisation activity in a small number of countries in October 2011. Nevertheless, when the impact of loan sales and securitisation is adjusted for, the annual growth of MFI loans to households still moderated, pointing to subdued origination activity. In January 2012 the annual growth rate of MFI loans to households adjusted for loan sales and securitisation stood at 2.1% (see Section 2.1 for details), representing a decline of 0.5 percentage point since the end of the third quarter. Loan developments in the euro area have remained characterised by significant cross-country heterogeneity in recent months.

The annual growth rate of MFI loans for house purchase adjusted for loan sales and securitisation declined to 2.8% in December 2011 (down from 3.4% in September), before increasing marginally to stand at 2.9% in January 2012. These developments reflected the further subdued (adjusted) monthly flows observed for mortgage loans in recent months. However, loans for house purchase continued to account for the bulk of MFIs' lending to households. Developments in other loans also made a small contribution to the decline in the annual growth rate of MFI loans to households in the fourth quarter of 2011 and January 2012. Indeed, the annual growth rate of other lending declined considerably over the review period, standing at 1.1% in January (down from 2.3% in September 2011). By contrast, the annual growth rate of consumer credit recovered slightly to stand at -1.6% in January (up from -1.9% in September), albeit remaining clearly in negative territory.

Looking at the underlying causes of the fairly weak growth seen for MFI lending to households, the January 2012 bank lending survey revealed, in addition to the net tightening of credit standards, a further contraction in net demand for all types of credit in the fourth quarter of 2011. The worsening of growth and housing market prospects, as well as the significant decline observed in consumer confidence, were the main factors explaining the reduced demand for loans for house purchase, while reduced household spending on consumer durables dampened consumer credit. Overall, the noticeable deterioration in consumer confidence in the second half of 2011 may partly reflect concerns on the part of households regarding the implications that the intensification of the euro area sovereign debt crisis and higher commodity prices might have for their real incomes. Together with high debt levels in several countries, this may have led households to postpone investment in housing and "big-ticket" purchases. Looking ahead, banks expect a further decline in net demand for both loans for house purchase and consumer credit in the first quarter of 2012.

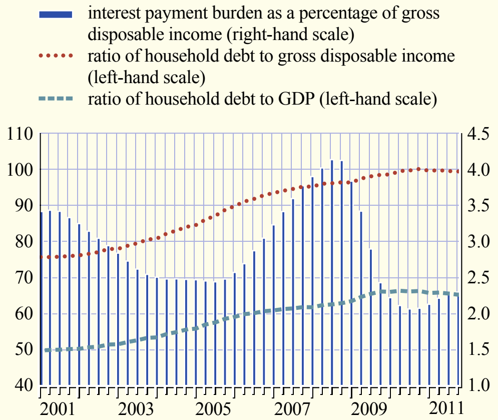
Turning to the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment by households declined further to stand at 2.0% in the third quarter of 2011 (down from 2.3% in the previous quarter), thus continuing the downward trend observed since mid-2010 (see Chart 42). This moderation was largely attributable to the more negative contribution made by investment in mutual fund shares. This continued to reflect households' reluctance to hold risky assets in the context of heightened economic and financial market uncertainty. The contribution made by insurance technical reserves to annual growth in total financial investment also declined, but remained significantly positive in the quarter under review. By contrast, the contributions of currency and deposits increased gradually further, benefiting from the liquidation of previous equity investment in this uncertain environment. At the same time, the contribution made by debt securities (excluding financial derivatives) to annual growth in total financial investment was broadly unchanged.

FINANCIAL POSITION

The ratio of household debt to nominal gross disposable income is estimated to have stood at 99.4% in the fourth quarter of 2011 (see Chart 43), broadly unchanged from mid-2010, with households' disposable income again increasing at a pace similar to that of their total indebtedness. The household sector's interest payment burden is estimated to have remained broadly unchanged at 2.3% of disposable income in the fourth quarter of 2011, after increasing moderately in the previous three quarters. This stabilisation mirrors the continued moderation in household borrowing and the decline observed in interest rates. Overall, households' interest payment burden remains low by historical standards. Households' debt-to-GDP ratio is estimated to have decreased somewhat further in the quarter under review, standing at 65.2%, down from 65.6% in the previous quarter.

Chart 43 Household debt and interest payments

(percentages)



Sources: ECB and Eurostat.
Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services. Data for the last quarter shown have been partly estimated.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.7% in February 2012, slightly up from 2.6% in January. Looking ahead, inflation is now likely to stay above 2% in 2012, mainly owing to recent increases in energy prices, as well as recently announced increases in indirect taxes. On the basis of current futures prices for commodities, annual inflation rates should fall again below 2% in early 2013. Looking further ahead, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited. The March 2012 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.1% and 2.7% in 2012 and between 0.9% and 2.3% in 2013. Risks to projected HICP inflation rates in the coming years are seen to be still broadly balanced, with upside risks in the near term mainly stemming from higher than expected oil prices and indirect tax increases. However, downside risks continue to exist owing to weaker than expected developments in economic activity.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.7% in February 2012, slightly up from 2.6% in January (see Table 7). Since the end of 2010 the annual inflation rate has remained clearly above 2%, driven mainly by the strong growth in energy and food prices on the back of surges in global commodity prices. Increases in indirect taxes and administered prices have also contributed to higher overall inflation rates in some euro area economies. Box 6 reviews the impact of recent changes in indirect taxes on the HICP for the euro area and its individual countries, using Eurostat's monthly data for the HICP at constant tax rates.

Table 7 Price developments

(annual percentage changes, unless otherwise indicated)

	2010	2011	2011 Sep.	2011 Oct.	2011 Nov.	2011 Dec.	2012 Jan.	2012 Feb.
HICP and its components								
Overall index [1]	1.6	2.7	3.0	3.0	3.0	2.7	2.6	2.7
Energy	7.4	11.9	12.4	12.4	12.3	9.7	9.2	.
Unprocessed food	1.3	1.8	1.4	1.8	1.9	1.6	1.6	.
Processed food	0.9	3.3	4.0	4.3	4.3	4.1	4.1	.
Non-energy industrial goods	0.5	0.8	1.2	1.3	1.3	1.2	0.9	.
Services	1.4	1.8	1.9	1.8	1.9	1.9	1.9	.
Other price indicators								
Industrial producer prices	2.9	5.9	5.8	5.5	5.4	4.3	3.7	.
Oil prices (EUR per barrel)	60.7	79.7	79.8	78.9	81.4	81.7	86.2	89.7
Non-energy commodity prices	44.6	12.2	1.5	1.6	-1.9	-6.7	-4.6	-7.5

Sources: Eurostat, ECB and ECB calculations based on Thomson Reuters data.
1) HICP inflation in February 2012 refers to Eurostat's flash estimate.

Box 6

THE IMPACT OF RECENT CHANGES IN INDIRECT TAXES ON THE HICP

Indirect taxes form part of final consumer prices. Consequently, increases in value added tax rates, for example, have a direct upward impact on HICP inflation. The necessary fiscal consolidation measures that are currently being implemented in a number of euro area countries have meant that indirect taxes had a strong impact on inflation in 2011. This box reviews this impact on inflation in both the euro area as a whole and the individual countries, using Eurostat's monthly data for the HICP at constant tax rates (HICP-CT).[1]

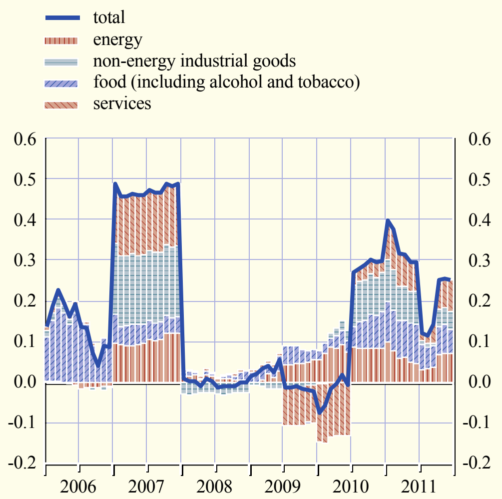
HICP-CT data show how the HICP would have evolved had tax rates remained constant and assuming that any changes were passed on to consumer prices fully and immediately.[2] Given this assumption, the implied "mechanical impact" of changes in indirect taxes can be viewed as the likely upper bound for the actual direct impact, which is typically lower, depending on a number of factors related to the cyclical situation and competitive environment of the price-setting firms. The mechanical upward impact of changes in indirect taxes on the annual rate of overall HICP inflation in the euro area was, on average, ¼ percentage point in 2011, which was slightly higher than in 2010 (see Chart A).

The figures for the euro area as a whole conceal differences in the impact across both the HICP components and the individual euro area countries. For instance, in 2007 the large and significant upward impact on inflation originated almost entirely from a general increase in VAT in Germany. From mid-2009 to mid-2010 the slight downward impact was due to reductions in the VAT rates for certain services in some euro area countries, which were partly offset by hikes in taxes on energy and tobacco (included in the food component) in other countries.

Compared with earlier years, the impact on HICP inflation in the euro area as a whole in 2010 and 2011 was spread across a larger number of countries, with some sizeable impacts in individual countries. In both years, the mechanical impact was the largest in Greece, amounting to 3.3 percentage points in 2010 and 2.0 percentage points in 2011. Other

Chart A Mechanical impact[1)] of changes in indirect taxes on the annual rate of HICP inflation in the euro area

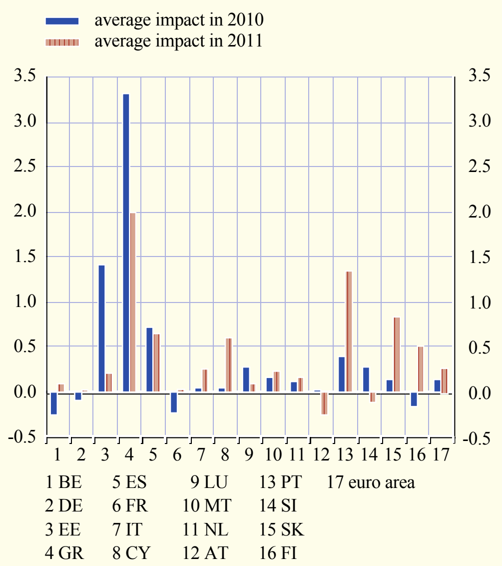
(percentage points)



Sources: Eurostat and ECB calculations.
1) Calculated as the difference between annual HICP and annual HICP-CT inflation rates.

Chart B Mechanical impact[1)] of changes in indirect taxes on the annual rate of HICP inflation in the euro area and euro area countries

(percentage points)



Sources: Eurostat and ECB calculations.
Note: HICP-CT data are not available for Ireland.
1) Calculated as the difference between annual HICP and annual HICP-CT inflation rates.

1 See the box entitled "Gauging the impact of indirect taxation on euro area HICP inflation", *Monthly Bulletin*, ECB, March 2011.
2 For further details on the construction of the HICP-CT and caveats with regard to its interpretation, see the box entitled "New statistical series measuring the impact of indirect taxes on HICP inflation", *Monthly Bulletin*, ECB, November 2009.

countries with significant impacts included Portugal, Slovakia, Spain and Italy. In the latter country, although the VAT increase was only introduced in September 2011, it still led to a mechanical impact of 0.2 percentage point for 2011 as a whole (see Chart B).

Looking ahead, a number of countries have implemented or announced VAT increases that will have an impact in 2012, including Ireland, Cyprus, Italy, France and Portugal. This will result in continued upward pressure on inflation rates this year (see Box 10, entitled "ECB staff macroeconomic projections for the euro area").

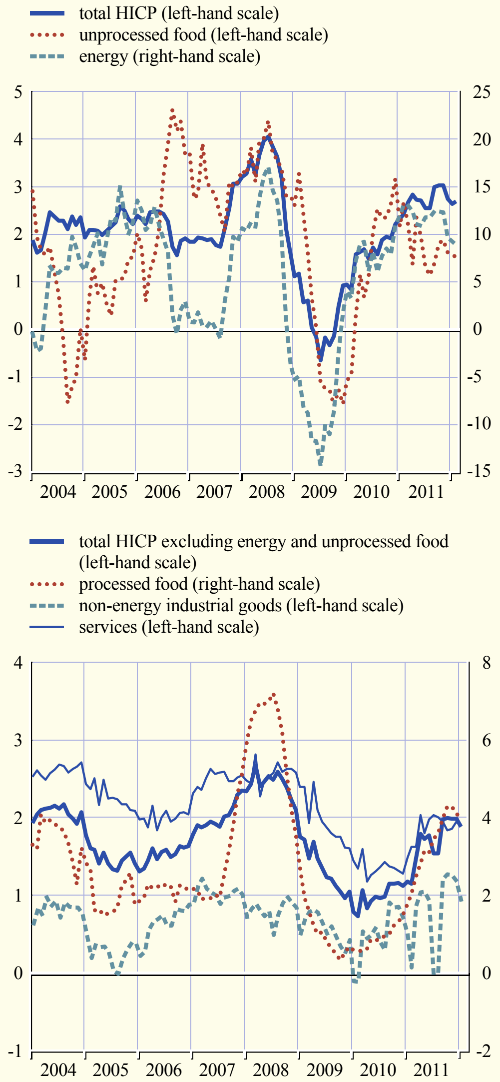
In 2011 annual HICP inflation peaked at 3.0% in September and remained at this level for three consecutive months. It then fell in December, owing to a decline in energy inflation that reflected base effects related to price hikes a year earlier.

In January 2012, the last month for which an official breakdown is available, the annual rate of change in the energy component of the HICP stood at 9.2%, down from 9.7% in December 2011. Prior to that, the annual rate of change in energy prices had been in double digits for 12 consecutive months, owing mainly to the hike in crude oil prices at the beginning of 2011 and the depreciation of the euro against the US dollar. Since the beginning of 2012 oil prices in euro terms have increased further, averaging over €90 per barrel in February. At the same time, this has pushed up prices in the sub-components of the HICP most closely linked to oil, namely transport and liquid heating fuels. Prices in the other main energy sub-components, such as gas and electricity, tend to follow trends in oil prices with a lag.

Mirroring developments in international food commodity prices, the annual rate of change in the food component of the HICP rose steadily in the course of 2011, to over 3% as of September. However, recent developments in EU internal market prices for food commodities suggest that the immediate impact of the food price shock had subsided by the end of the year. Nevertheless, the effects of the pass-through will continue to add to pipeline pressures in the food production chain in the near term. The upward trend in food price inflation in the course of 2011 was particularly

Chart 44 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

visible in the processed food component (excluding tobacco), owing to increases in the prices of commodity-intensive items, such as dairy products, oil and fats and, in particular, coffee and tea.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation decreased to 1.5% in January 2012, having been stable at 1.6% from September to December 2011. HICP inflation excluding total food and energy is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, and it consists of two main components, namely non-energy industrial goods and services. Developments in these two components have been very different.

In 2011 non-energy industrial goods inflation showed an upward trend, which had started in the second quarter of 2010, owing to the pass-through of past exchange rate depreciation and commodity price increases, as well as hikes in indirect taxes. Over the last few months of 2011 non-energy industrial goods inflation stood at around 1.2%, following a high degree of volatility earlier in the year. This volatility was related to the introduction of a new regulation on the treatment of seasonal products in the HICP, which had a large impact on the semi-durable goods sub-component (clothing materials, textiles, books, etc.). The other two sub-components of the non-energy industrial goods component, namely durable goods (cars, furniture, electronic appliances, etc.) and non-durable goods (water supply, pharmaceutical products, newspapers, etc.), remained more stable. In January 2012 the annual rate of change in non-energy industrial goods prices dropped to 0.9%.

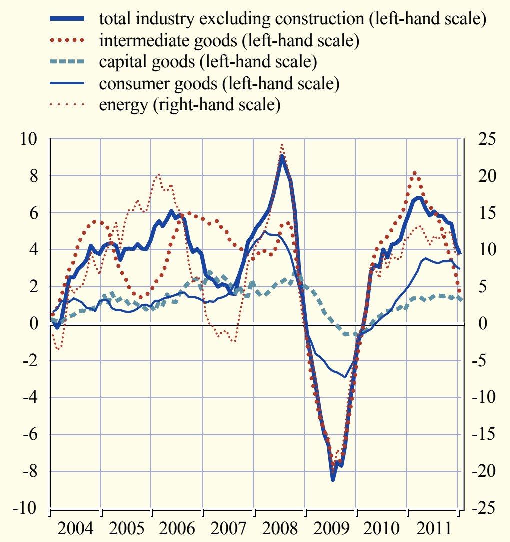
Services price inflation rose notably in the first few months of 2011. It then hovered around 1.9% from April of that year. This stabilisation was evident in all the main services sub-components, with the exception of communication services, which exhibited a stronger decline in the annual rate of change. In January 2012 services price inflation stood at 1.9% for the third consecutive month. Declines in the annual rate of change in transport services, communication services, and recreation and personal services were counterbalanced by increases in the annual rate of change in housing services and miscellaneous services over the last three months.

3.2 INDUSTRIAL PRODUCER PRICES

Owing primarily to greater global demand for raw materials, supply chain pressures rose steadily from their trough in the summer of 2009 until recently. As a result, industrial producer price inflation increased in late 2010 and the first half of 2011. Thereafter the annual rate of change in producer prices declined, mainly reflecting the fluctuations in commodity prices (see Table 7 and Chart 45). Excluding construction, industrial producer price inflation fell to 3.7% in January 2012, from 4.3% in December 2011. The energy component contributed only marginally to this decline, as a downward base effect in that component was partially counterbalanced by a strong month-on-month increase in producer prices. Over

Chart 45 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



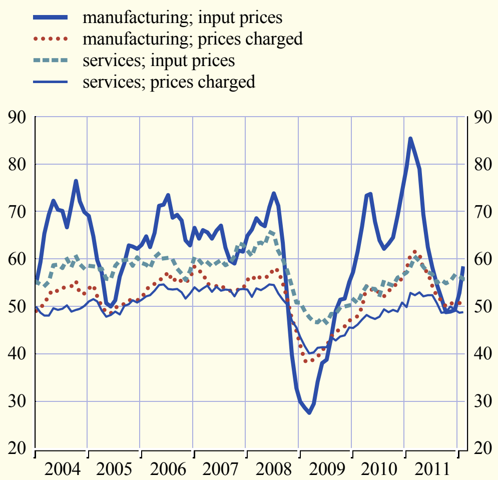
Sources: Eurostat and ECB calculations.

the same period, producer price inflation excluding construction and energy fell to 1.9% from 2.5%.

Focusing on the later stages of the production chain, the rate of inflation in producer prices for consumer goods declined marginally to 3.0% in January 2012. In the same month, the annual rate of change in consumer food prices fell to 3.9%. Further declines are expected in the coming months, owing to the recent sharp falls in EU food commodity prices. The annual rate of change in the non-food consumer goods component, which leads developments in the non-energy industrial goods component of the HICP, declined in January for the first time in more than two years, to 1.4%, having stood at the historically high level of 1.7% in the previous two months. This decline, together with that in import price inflation, signals that pipeline pressures for underlying consumer price inflation are easing.

Chart 46 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.

Survey indicators for selling prices in industry, which lead PPI developments, remained broadly unchanged and close to their long-run averages in February 2012. European Commission survey data on selling price expectations suggest that this was due to developments in the consumer goods and capital goods industries, as selling price expectations in intermediate goods industries are on the rise again. With regard to the Purchasing Managers' Index, the output price index for the manufacturing sector rose slightly from 50.7 in January to 51.0 in February, while the input price index surged from 52.8 to 58.5 over the same period, following recent commodity price increases and a depreciation of the euro.

3.3 LABOUR COST INDICATORS

Reflecting the improvement in labour market conditions in the first half of 2011, labour cost indicators in the euro area increased gradually (see Table 8 and Chart 47). However, the latest data on wage growth show some signs of stabilisation.

Table 8 Labour cost indicators

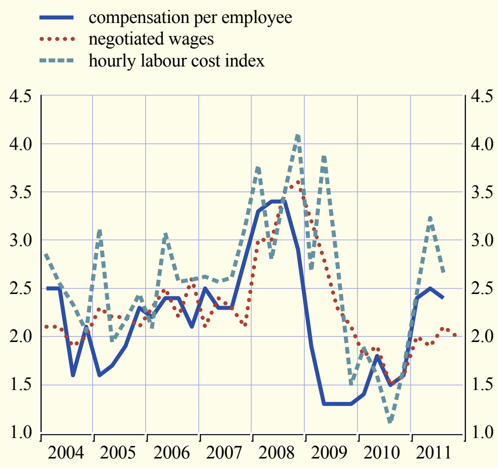
(annual percentage changes, unless otherwise indicated)

	2010	2011	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Negotiated wages	1.7	2.0	1.6	2.0	1.9	2.1	2.0
Hourly labour cost index	1.6	.	1.7	2.5	3.2	2.7	.
Compensation per employee	1.6	.	1.6	2.4	2.5	2.4	.
Memo items:							
Labour productivity	2.4	.	1.9	2.1	1.2	1.0	.
Unit labour costs	-0.8	.	-0.3	0.3	1.2	1.3	.

Sources: Eurostat, national data and ECB calculations.

Chart 47 Selected labour cost indicators

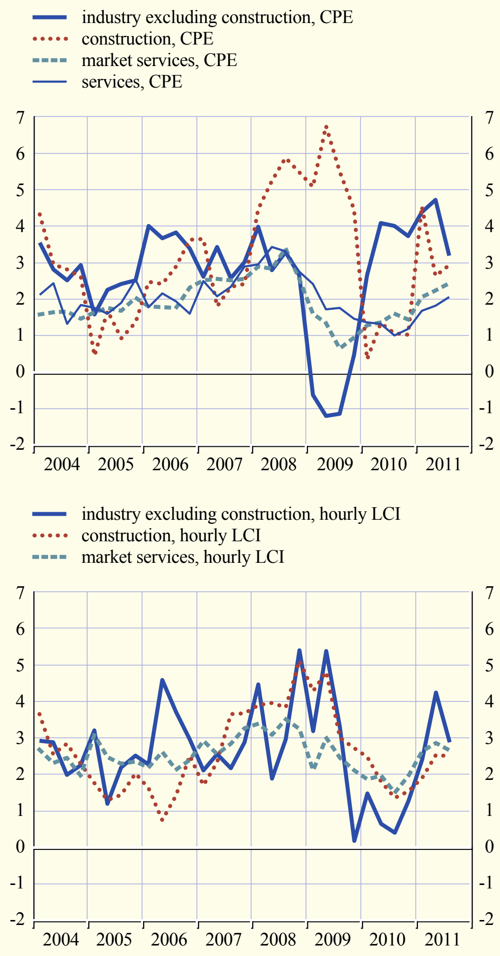
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 48 Sectoral labour cost developments

(annual percentage changes; quarterly data)



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

Labour market developments normally react to developments in GDP growth with a lag. However, at the beginning of the 2008-09 global recession labour markets in the euro area proved rather resilient, notably as a result of the strong adjustment in hours worked. Nevertheless, the severity and persistence of the recession eventually led to a strong fall in employment and surge in unemployment. Box 7, entitled "Labour market adjustment in the euro area", analyses the adjustment of the euro area labour market during the 2008-09 recession by examining the evolution of employment, unemployment and wages.

Box 7

LABOUR MARKET ADJUSTMENT IN THE EURO AREA

This box looks at how the euro area labour market has adjusted since the onset of the financial crisis by examining the evolution of employment, unemployment and wages.[1] Normally, there is a relatively strong relationship between output growth and the labour market. However, the 2008-09 recession led to some divergence in this relationship in the euro area. At the beginning

1 For a more detailed analysis of the evolution of euro area labour markets up to the first quarter of 2010, see the article entitled "Labour market adjustments to the recession in the euro area", *Monthly Bulletin*, ECB, July 2010.

of the recession employment in most euro area countries proved rather resilient, notably as a result of the strong fall in hours worked and the implied labour hoarding. Nonetheless, the severity and persistence of the recession ultimately led to a fall in employment and a sharp rise in unemployment. During the subsequent recovery period there has been a moderate pick-up in employment growth, owing partly to labour hoarding, while unemployment has remained at high levels. Wages have adjusted somewhat, although this appears to be due to the stronger downward adjustment in the variable component of wages (i.e. bonuses, overtime payments, etc.) rather than to negotiated wages. Overall, the most recent labour market developments in the euro area seem to be back in line with the historical pattern. There is, however, a high degree of diversity in labour market adjustment across the euro area countries, largely reflecting differences in the degree of labour market flexibility and progress being made on structural reforms. Wage moderation and measures to enhance labour market flexibility are essential to support employment, particularly in those euro area countries experiencing high levels of unemployment.

Labour market typically adjusts to changes in GDP growth

If aggregate demand in the economy falls, companies usually adjust their production first, followed by the number of hours worked and, finally, the size of their workforce. There may be several reasons why companies do not immediately adjust the number of hours worked to the lower level of production. Initially they may perceive the fall in demand as temporary and, furthermore, it takes time to plan how to utilise the existing workforce in the new situation. Once it becomes evident that the downturn has set in, companies adjust the number of hours worked. This is usually done without adjusting the number of employees, so that only average working hours are reduced. Only as a last resort do companies cut the number of employees in response to the lower level of demand. In general, employment in the euro area normally adjusts to changes in production after one to two quarters, although labour hoarding can mean that it takes longer, depending on how employers perceive the nature and duration of the downturn, as well as the need to retain skilled labour.

Labour market adjustment since the 2008-09 recession

At the beginning of the 2008-09 recession employment in most euro area countries proved rather resilient, notably as a result of the strong adjustment in hours worked.[2] However, the severity and persistence of the recession ultimately led to a fall in employment and a considerable rise in unemployment.[3] Charts A and B show the labour market adjustment in terms of unemployment and employment since 1996. From the very start of the recession, the relationship between labour market developments and economic activity appeared to diverge from its normal pattern.[4] In particular, GDP growth fell sharply, but unemployment (employment) did not increase (decrease) as much as would have been expected on the basis of historical regularities, suggesting that some labour hoarding occurred. Recently, however, the relationship seems to be back in line with normal historical experience.

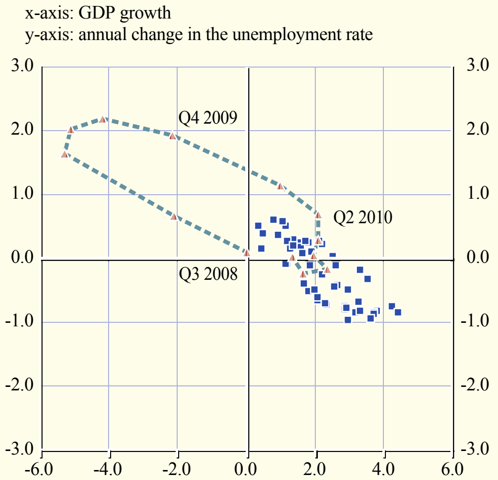
2 Policy measures encouraging flexible working time arrangements, namely short-time working schemes, were used as a way of containing the impact of the recession on employment.

3 There was nevertheless considerable heterogeneity across the euro area countries. For example, in Germany, unemployment actually declined during the crisis, partly as a result of past labour market reforms, e.g. the Hartz reforms.

4 This was also discussed in the box entitled "Back to Okun's Law? Recent developments in euro area output and unemployment", *Monthly Bulletin*, ECB, June 2011.

Chart A GDP growth and unemployment

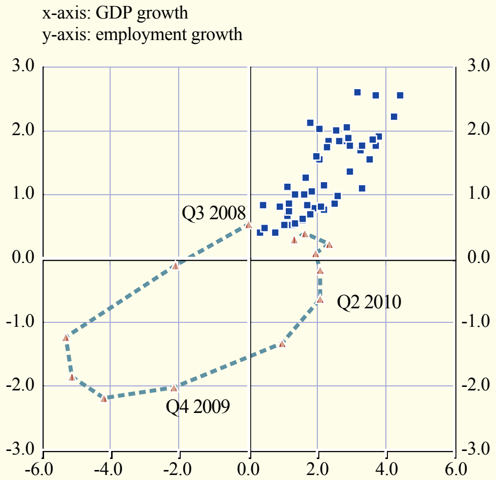
(year-on-year growth; percentage points)



Sources: Eurostat and ECB calculations.
Note: Data refer to the period from the first quarter of 1996 to the third quarter of 2011.

Chart B GDP growth and employment

(year-on-year growth)



Sources: Eurostat and ECB calculations.
Note: Data refer to the period from the first quarter of 1996 to the third quarter of 2011.

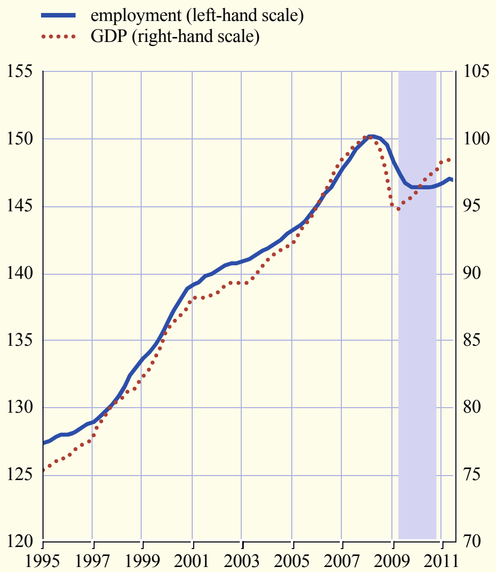
Periods of labour hoarding, such as that seen in the recent recession, may be followed by a period of economic growth without an increase in employment. This phenomenon is often referred to as "jobless growth" or a "jobless recovery". A company's decision to wait to recruit new staff may be explained by the fact that it has underutilised resources that it can use when demand increases again. A certain degree of labour hoarding and jobless growth is thus normal over a business cycle. This may partly explain recent developments in the euro area, which has experienced a somewhat muted recovery in employment, despite the reversal of the negative trend in GDP (see Chart C).

Wage developments in the euro area

In response to the 2008-09 recession, euro area wage growth slowed. Owing to the severity of the recession and associated rise in unemployment, there was a marked downward impact on compensation per employee in 2009, which declined from a sample high to

Chart C Employment and GDP

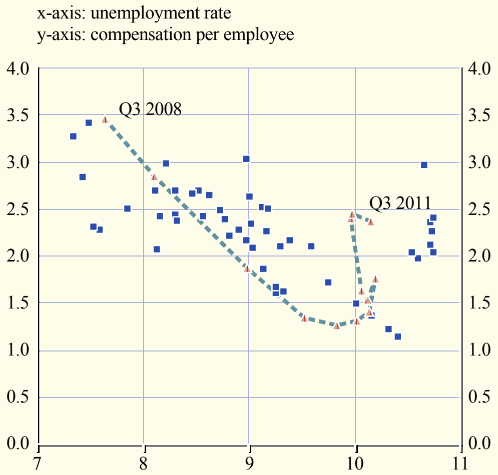
(millions of persons; index Q2 2008 = 100)



Sources: Eurostat and ECB calculations.
Notes: Latest observations refer to the third quarter of 2011. The shaded area indicates the period in which GDP growth increased and employment fell (i.e. "jobless growth").

Chart D Compensation per employee and unemployment

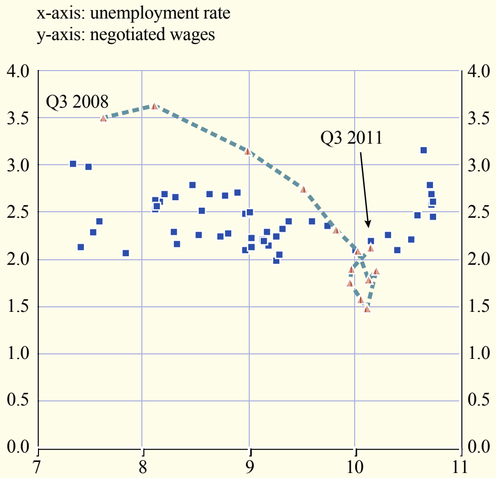
(percentages; year-on-year growth)



Sources: Eurostat and ECB calculations.
Note: Data refer to the period from the first quarter of 1996 to the third quarter of 2011.

Chart E Negotiated wages and unemployment

(percentages; year-on-year growth)



Sources: Eurostat and ECB calculations.
Note: Data refer to the period from the first quarter of 1996 to the third quarter of 2011.

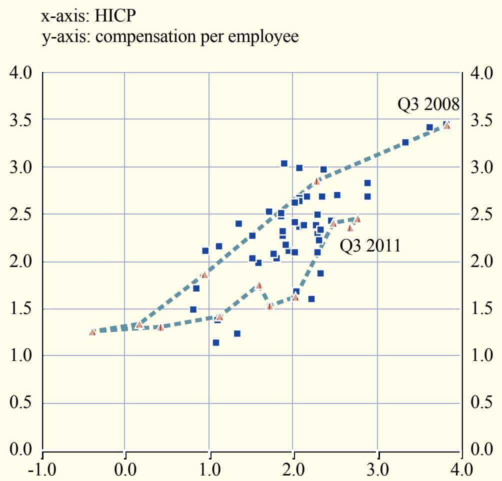
close to the sample low in less than a year (see Chart D). Growth in negotiated wages also decreased after the recession. However, it appears that the drop in negotiated wage growth did not reflect the labour market weakness until the end of 2009. Hence, the variable component of wages (i.e. bonuses, overtime payments, etc.) seems to have adjusted to labour market slack more quickly than the negotiated part. In general, the relationship between unemployment and negotiated wages seems to be weaker than that between compensation per employee and unemployment, as indicated by the Phillips curve-type relationship shown in Charts D and E.

The most recent data for 2011 show that compensation per employee deviated somewhat from its normal pattern (see Chart D). Although the labour market was still weak, with a high level of unemployment, compensation per employee increased. During 2011 the rate of wage growth accelerated, to levels slightly higher than the historical average. By contrast, negotiated wages remained below their historical average.

Although wage dynamics are strongly influenced by the adjustment in hours worked per employee, the sharp movements in compensation per employee in 2011, despite the weakening labour market, may also have stemmed from price developments in the euro area. There has been upward pressure on inflation owing to high food and energy prices, as well as to tax increases in some countries. In a number of euro area countries, wages are indexed to past inflation developments, which may inhibit wage adjustment when the labour market weakens. Chart F shows that compensation per employee and the HICP move in line with one another in the euro area, and that recent wage growth has been broadly in line with the historical relationship. The relationship is positive, which means that higher wages are associated with higher prices, and vice versa.

Chart F Compensation per employee and the HICP

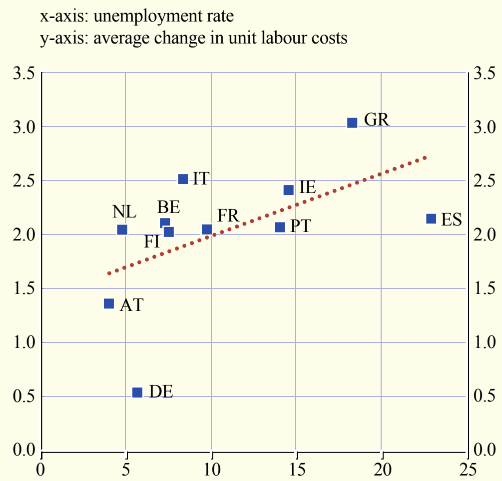
(year-on-year growth)



Sources: Eurostat and ECB calculations.
Note: Data refer to the period from the first quarter of 1996 to the third quarter of 2011.

Chart G Unit labour costs and the unemployment rate across selected euro area countries

(percentages; year-on-year growth)



Sources: Eurostat and ECB calculations.
Notes: The average change in unit labour costs refers to the period from the first quarter of 2001 to the third quarter of 2011 for all countries. Data on the unemployment rate refer to the fourth quarter of 2011 (for Greece and Italy, they refer to the third quarter of 2011).

Overall, this box shows that the 2008-09 recession led to some divergence in the historically strong relationship between labour market developments and economic activity in the euro area. Nevertheless, the latest available data show that the relationship is once again in line with its normal pattern, suggesting a weakening of labour market conditions on the back of falling growth in the euro area. This box only analyses labour market adjustment in the euro area as a whole, however, labour market adjustment has varied considerably across countries, reflecting differences in labour market flexibility and institutional arrangements, as well as the amount of progress being made on structural reforms. In general, euro area countries in which labour costs have been increasing relatively rapidly over the longer term have experienced a higher unemployment rate (see Chart G). Wage moderation and labour market flexibility are therefore key to reducing unemployment in these countries, and particularly at the current juncture, as short-term indicators are pointing to a further weakening of labour market conditions. Therefore, it is crucial that wage growth is contained in order to support employment.

Euro area negotiated wages – the only indicator that is available for the fourth quarter of 2011 – grew by 1.9% year on year in December 2011, compared with 2.0% in November. This confirmed that the acceleration witnessed up to September 2011 slowed in the last few months of the year. In 2011 as a whole, negotiated wages grew by 2.0%, after 1.7% in 2010. The gradual pick-up in this indicator, which captures the main component of wages settled in advance through collective agreements, may reflect a lagged reaction of contractual settlements to the improvement in labour market conditions, which led to a strengthening in the bargaining power of workers. The rise in inflation that started at the end of 2010 may also have played a role.

Other wage indicators also showed some signs of stabilisation. Growth in compensation per employee stood at 2.4% year on year in the third quarter of 2011, virtually unchanged from the previous two quarters (see Chart 47). At the same time, unit labour cost growth increased further to 1.3% year on year, slightly up from the 1.2% observed in the second quarter. This was due primarily to a decline in the annual growth rate of labour productivity, from 1.2% in the second quarter to 1.0% in the third quarter, on the back of slower output growth. The annual rate of growth in hourly labour costs slowed to 2.7% in the third quarter, compared with 3.2% in the previous quarter. This deceleration mainly reflected developments in the industrial sector, as the declines in the construction and market services sectors were much less pronounced (see Chart 48). Overall, non-wage costs continued to grow at a faster rate than the wages and salaries component of euro area hourly labour costs.

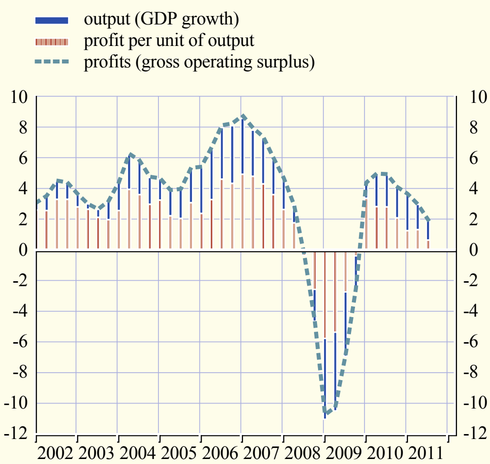
3.4 CORPORATE PROFIT DEVELOPMENTS

Growth in corporate profits (measured in terms of gross operating surplus) declined in the third quarter of 2011, to 2.0% year on year, after standing at around 3.5% on average in the first and second quarters of the year (see Chart 49). This marked slowdown in corporate profit growth reflects the moderation in annual GDP growth and, in particular, the more modest growth in unit profits (margin per unit of output) related to the notable decline in productivity growth. The level of profits remained about 2% below its peak before the 2008-09 recession, during which profits declined by about 11%.

With regard to the large economic sectors, year-on-year corporate profit growth in the market services sector fell to 0.7% in the third quarter of 2011. This was lower than the average of 2.2% in the previous two quarters. By contrast, in the industrial sector (excluding construction), year-on-year corporate profit growth stood at 8.7%, which is similar to the rate observed in the previous two quarters (see Chart 50). Quarter on quarter, corporate profit growth increased moderately in the market services sector, but strongly in the industrial sector.

Chart 49 Breakdown of euro area profit growth into output and profit per unit of output

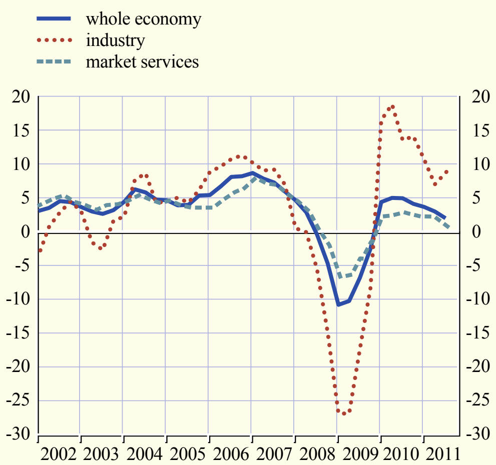
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Chart 50 Euro area profit developments by main branch of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

Looking ahead, inflation is now likely to stay above 2% in 2012, mainly owing to recent increases in energy prices, as well as recently announced increases in indirect taxes. On the basis of current futures prices for commodities, annual inflation rates should fall again to below 2% in early 2013. Looking further ahead, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited.

In more detail, the short-term inflation outlook continues to depend heavily on oil prices. The recent rise in oil prices is partly related to the tensions surrounding the planned EU embargo on Iranian oil imports. Nonetheless, despite the recent surge in oil prices (and the prices of oil futures contracts), the annual rate of change in the energy component of the HICP is expected to decline in the coming months as a result of base effects.[1] However, the extent to which these base effects will actually be evident in the profile of this component will depend on the degree to which expectations currently embodied in oil price futures (i.e. slight declines, or at least no further substantial increases, in crude oil prices) are realised.

Given the current futures prices for food commodities, the annual rate of growth in food prices is expected to peak in the first part of 2012, before starting to moderate thereafter, mainly as a result of downward base effects. However, there is a large degree of uncertainty surrounding the outlook for commodity prices. Furthermore, the extent of the pass-through of higher commodity prices will depend on the strength of consumer demand, as well as on the behaviour of producers and retailers, who might react to the price changes by adjusting their profit margins.

Available leading indicators for non-energy industrial goods inflation, such as developments in producer prices for consumer goods (excluding food and tobacco) and in import prices for consumer goods (again excluding food and tobacco), suggest that there will be no significant easing in non-industrial goods inflation over the next few months. In particular, downward pressure stemming from the slowdown in output and demand may be offset by the upward pressure stemming from increases in indirect taxes.

Similarly, services price inflation is expected to remain broadly stable at its current level over the coming months, reflecting moderate developments in domestic demand and largely contained wage pressures.

The latest data on labour cost indicators suggest that domestic cost pressures have stabilised. In the medium term, labour cost pressures are likely to remain contained, given the rather weak outlook for growth and the continued slack in the labour market. Corporate profit growth is expected to moderate further in line with the modest growth outlook for economic activity and weak productivity developments.

The March 2012 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.1% and 2.7% in 2012 and between 0.9% and 2.3% in 2013. In comparison with the December 2011 Eurosystem staff macroeconomic projections, the ranges for HICP inflation have been shifted upwards, notably the range for 2012.

1 For more details, see the box entitled "Base effects and their impact on HICP inflation in 2012", *Monthly Bulletin*, ECB, February 2012.

Risks to projected HICP inflation rates in the coming years are seen to be still broadly balanced, with upside risks in the near term mainly stemming from higher than expected oil prices and indirect tax increases. However, downside risks continue to exist owing to weaker than expected developments in economic activity.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Real GDP contracted by 0.3% in the euro area in the fourth quarter of 2011. According to recent survey data, there are signs of a stabilisation in economic activity, albeit still at a low level. Looking ahead, the euro area economy is expected to recover gradually in the course of this year. The outlook for economic activity should be supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning of the euro area financial sector. However, the remaining tensions in euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors, are expected to continue to dampen the underlying growth momentum.

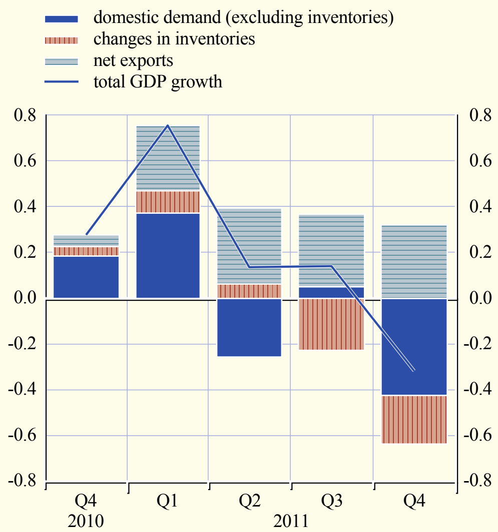
This assessment is also reflected in the March 2012 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between -0.5% and 0.3% in 2012 and between 0.0% and 2.2% in 2013. Compared with the December 2011 Eurosystem staff macroeconomic projections, the ranges have been shifted slightly downwards. This outlook remains subject to downside risks.

4.1 REAL GDP AND DEMAND COMPONENTS

According to Eurostat's second release, euro area real GDP contracted by 0.3% on a quarterly basis in the fourth quarter of 2011, following positive, but falling, growth rates in the previous three quarters of the year (see Chart 51). As a result, GDP grew by 1.4% in 2011, which was somewhat lower than most analysts had forecast a year earlier. The outcome for the fourth quarter reflects negative contributions from domestic demand and changes in inventories, while net exports provided a positive contribution. A modest improvement is expected for the first quarter of 2012, as available indicators point towards broadly flat GDP growth in that quarter following the fall in output at the end of 2011.

Chart 51 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

PRIVATE CONSUMPTION

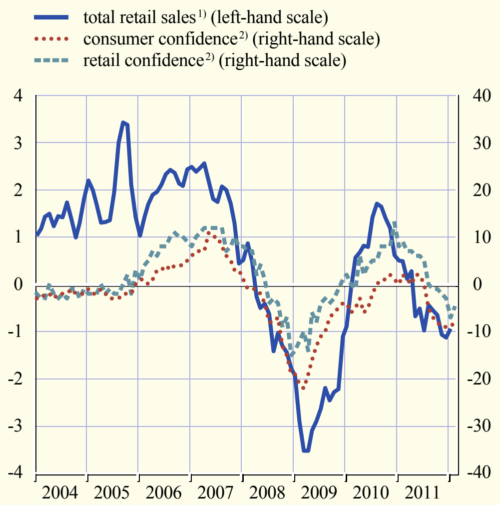
After a quarterly increase of 0.3% in the third quarter of 2011, private consumption declined by 0.4% quarter on quarter, thus moving further below its pre-recession peak in the first quarter of 2008. This outcome for the fourth quarter of 2011 is likely to reflect negative growth in the consumption of retail goods and services, as passenger car registrations rose slightly. Recent information from short-term indicators and surveys points to continued weakness in euro area consumer spending in the period ahead.

The sluggish recovery in consumption largely reflects changes in real income, which is among the main determinants of trend developments in consumer spending. Although aggregate real income was supported by positive employment growth in the course of 2011, it was at the same time eroded by rising food and energy prices. Looking ahead, however, these factors should reverse their respective influences, as inflation is expected to gradually ease (see Section 3), while labour market conditions are likely to remain weak. Household income in real terms declined slightly year on year in the third quarter of 2011 for the first time since 2010. As a result, the saving ratio declined further and now stands at the same level as in early 2006.

Regarding short-term dynamics in the first quarter of 2012, "hard" as well as "soft" data point towards continued weakness in consumer spending. Although retail sales in January increased by 0.3% on the previous month, the level stood 0.2% below the average level in the fourth quarter of 2011. The Purchasing Managers' Index (PMI) for retail sales increased from 42.9 in January to 47.9 in February. The index still points to falling sales, as this figure is below the no-growth threshold of 50. According to European Commission surveys, on average, retail confidence over these two months was below both its average level in the fourth quarter of 2011 and its long-term average. Euro area new passenger car registrations declined month on month by 12.2% in January, an outcome that chiefly reflected extreme numbers in several countries. In January 2012 the level of registrations stood 10% below its average level in the fourth quarter of 2011. This represents a significant deterioration compared with the fourth quarter, when registrations rose by 1.4% quarter on quarter. Moreover, the European Commission's indicator on expected major purchases declined between January and February 2012, thus remaining at a historically low level and pointing towards a continued lack of dynamism in the consumption of consumer durables. By contrast, the indicator of consumer confidence, which provides a reasonably good idea of trend developments in consumption, rose in February for the second consecutive month, after having declined in the second half of 2011 (see Chart 52). However, the index is still well below its historical average and is therefore consistent with continued muted developments in consumer spending. Box 8 looks at recent developments in consumer confidence from a somewhat longer-term perspective.

Chart 52 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month moving averages; working day-adjusted; including fuel.
2) Percentage balances; seasonally and mean-adjusted.

Box 8

RECENT DEVELOPMENTS IN CONSUMER CONFIDENCE AND THE LINK WITH PRIVATE CONSUMPTION

Euro area consumer confidence increased in February 2012 for the second month in a row, following a steep decline seen in the second half of 2011. While consumer confidence remains far below its long-term average level, it stands well above the trough seen in March 2009 during the most recent recession. This box reviews recent developments in consumer confidence in the euro area and the four largest euro area countries, as well as the usefulness of this indicator for the assessment of private consumption developments.

Cross-country differences in consumer confidence

The recent improvement in consumer confidence in the euro area as a whole masks diverse developments across countries (see Chart A). Looking at developments since the most recent trough in confidence in March 2009, significant improvements in consumer confidence have been recorded in Germany and Spain. In France there has been a limited improvement, while in Italy consumer confidence, after having initially recovered, gradually declined to reach levels similar to those observed during the 2008-09 recession.

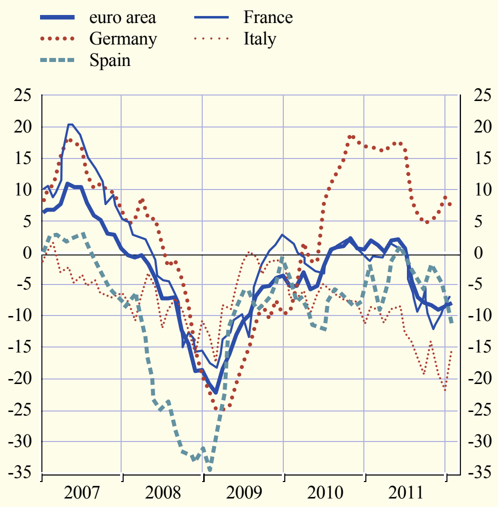
Factors driving consumer confidence

To analyse in more detail what has been driving developments in consumer confidence since early 2009, it is necessary to look at all four components of the indicator, which correspond to questions from the European Commission's monthly consumer survey. Among other things, it asks respondents about their expectations regarding developments over the next 12 months in (i) the general economic situation, (ii) unemployment, (iii) their household's financial position, and (iv) their intentions with regard to saving. The consumer confidence indicator is the arithmetic mean of the survey balances[1] of these questions, with equal weights applied to all the questions. Chart B shows the contributions of the four components to the overall euro area consumer confidence indicator since its trough during the most recent recession.

At the euro area level, changes in expectations relating to unemployment developments made

Chart A Developments in consumer confidence

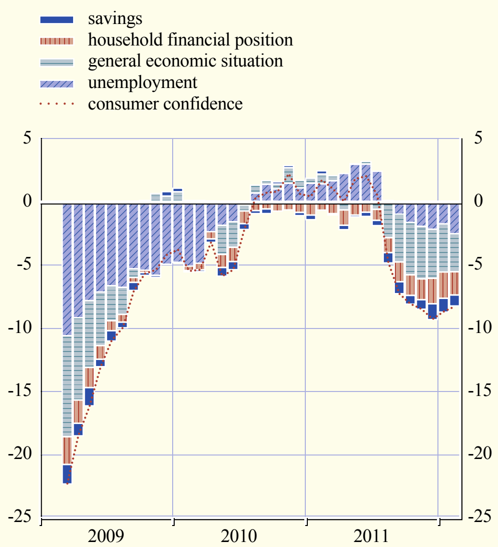
(percentage balances; deviations from long-term averages)



Sources: European Commission and ECB calculations.

Chart B Consumer confidence in the euro area and contributions of components

(percentage balances; deviations from long-term averages)



Sources: European Commission and ECB calculations.

1 The survey balances for each component are computed as the percentage of respondents expecting an improvement minus the percentage of respondents expecting a deterioration, with the responses of "stayed the same" and "I don't know" being disregarded. They are expressed as percentage balances.

the largest contribution to the improvement in consumer confidence between March 2009 and June 2011, followed by changes in expectations regarding the general economic situation. The respondents' views on their expected savings and their household's financial position also improved, albeit to a lesser extent. In general, answers to the questions concerning the economy as a whole display far more variation over the business cycle than responses to the questions regarding the situations of individual households. Taking this into account, the contributions of the four components to the overall improvement in the consumer confidence indicator since early 2009 are broadly in line with long-term patterns. All the components show a high degree of co-movement, with all four contributing to the recovery in consumer confidence since the most recent trough, as well as to the drop in consumer confidence in the second half of 2011. Since the middle of 2011 all four components have stood below their long-term average levels, as shown in Chart B.

The link with private consumption developments

The usefulness of consumer confidence for the assessment of private consumption developments in the euro area can be illustrated by looking at correlations between the survey balance and year-on-year and quarter-on-quarter real private consumption growth. Overall, the consumer confidence indicator displays a relatively high correlation of 0.72 with year-on-year private consumption developments (see Chart C and the table), while the correlation with quarter-on-quarter private consumption growth is 0.49.[2] Looking at sample periods of five years, the correlations vary significantly over time (see Chart D). In particular, over the period 2001-07 a temporary disconnect between the two variables occurred. In this period episodes of high uncertainty and geopolitical tensions

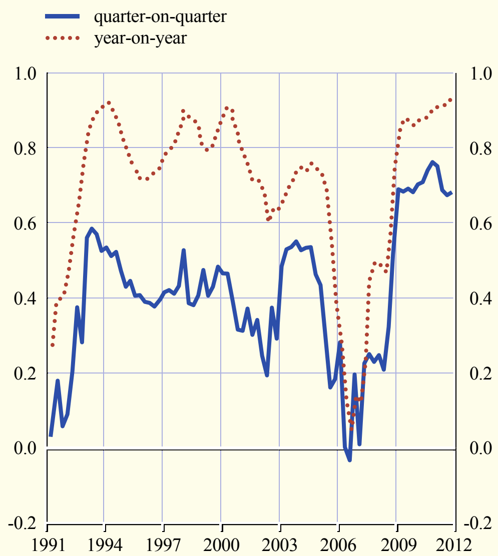
Chart C Private consumption and consumer confidence in the euro area

(annual percentage changes; percentage balances, standardised)

Sources: European Commission, Eurostat and ECB calculations.

Chart D The correlation between private consumption growth and consumer confidence in the euro area

(correlation over rolling five-year periods)



Sources: European Commission, Eurostat and ECB calculations.
Note: The date on the x-axis denotes the end of the respective five-year period over which the correlation is computed.

2 The survey questions are forward-looking, i.e. the results would be expected to correlate with future consumption. In practice, however, contemporaneous correlations are higher than correlations of current private consumption with past consumer confidence.

affected consumer confidence, while private consumption growth was rather stable. Thereafter, the correlation between the two variables increased markedly to a level above the historical average. This may reflect structural changes in the relationship between the two variables. This is also suggested by robustness checks on estimated parameters of simple regressions of private consumption growth (both in year-on-year terms and quarter-on-quarter terms) on consumer confidence over different sample periods.

Contemporaneous correlation between consumer confidence and real private consumption growth

	in year-on-year terms	in quarter-on-quarter terms
Germany	0.34	0.18
Spain	0.75	0.70
France	0.63	0.37
Italy	0.60	0.38
Euro area	0.72	0.49

Sources: European Commission, Eurostat and ECB calculations.
Notes: The data refer to the period from the first quarter of 1985 to the fourth quarter of 2011 (for Italy, data are available only up to the third quarter of 2011).

The correlation between consumer confidence and real private consumption growth differs significantly across countries. Focusing on the four largest euro area countries, the correlation with year-on-year private consumption growth is relatively high for Spain, while somewhat lower for France and Italy and particularly poor for Germany (see the table). All four countries show fluctuations in the correlation over time, with the most recent five-year period showing a higher correlation than the preceding five-year period.

Overall, the usefulness of developments in consumer confidence for the assessment of real private consumption developments varies across countries and periods. Caution should be exercised in deriving conclusions about consumption growth on the basis of consumer confidence owing to the instability of relationships at both the country and euro area levels. However, this information can be useful in conjunction with other short-term indicators of consumption. The recent improvement in euro area consumer confidence may thus be seen as a positive signal for real private consumption growth in the period ahead.

INVESTMENT

The gradual improvement in gross fixed capital formation over the past two years was interrupted in mid-2011. Quarter-on-quarter investment growth shrank by 0.7% in the fourth quarter, implying a third quarter of consecutive contraction.

The full breakdown of capital formation is not yet available for the fourth quarter of 2011. Short-term indicators suggest that non-construction investment – which accounts for half of total investment – is likely to have been weak. Subdued overall economic and profit developments, together with tight financing conditions, are expected to have dampened non-construction investment growth in the fourth quarter of 2011. Declines in euro area capacity utilisation and manufacturing confidence as well as available aggregated country data support this picture. Residential and non-residential construction investment is likely to have fallen in the fourth quarter, as suggested by the deterioration in monthly production indicators and confidence in the construction sector. Overall tighter financing conditions may also have dampened construction investment in the fourth quarter. In addition, ongoing fiscal consolidation in many euro area countries continued to weigh on government investment.

The few early indicators available for the first quarter of 2012 suggest continued weakness in non-construction capital formation in the euro area. New orders of capital goods from the euro area declined further in December 2011. The capacity utilisation rate has broadly stabilised at a level below its long-term average. The availability of financing has remained tight, dampening productive capital formation. While survey data on industrial confidence, such as the manufacturing PMI and its new orders component, showed some improvement in January and February 2012, the levels recorded still point to a contraction in the sector. Although the outlook for construction investment is slightly more favourable for the first quarter of 2012 than for the previous quarter, activity is still expected to be subdued owing to gradual adjustments in those regions where it had expanded extraordinarily in the pre-crisis period. Survey data also point to subdued activity in the sector.

Non-construction investment is expected to strengthen modestly during the course of 2012 in line with a gradual recovery in overall economic activity. More limited growth is envisaged for construction investment. There are downside risks to the outlook, and uncertainty is high.

GOVERNMENT CONSUMPTION

Recently growth in government consumption has been moderate, reflecting fiscal consolidation efforts in a number of countries. Following a slight quarter-on-quarter decline in the third quarter of 2011, real government consumption continued to decline in the fourth quarter.

Looking at individual components, restraint in compensation of government employees, which accounts for close to half of total government consumption, has been a major dampening force on total nominal government consumption. This restraint stems from moderate wage developments and employment reductions in several countries. Intermediate government consumption expenditure (which accounts for slightly less than a quarter of the total) has also been declining, owing to the ongoing consolidation efforts of governments. Social transfers in kind, which also account for almost a quarter of government consumption, have been growing more in line with historical averages. This is because social transfers in kind include items such as health expenditure, which have a somewhat autonomous dynamic.

Looking ahead, the impetus to domestic demand from government consumption is expected to remain limited in the coming quarters as a result of further fiscal consolidation efforts expected in a number of euro area countries.

INVENTORIES

The pronounced inventory depletion that accompanied the deep recession of 2008 and 2009 and the subsequent partial replenishment thereof during the recovery left producers with fairly lean inventories. Nevertheless, the slowdown in activity still required some reduction in the pace of net restocking observed in early 2011, with significant negative contributions of inventories to growth occurring in the second half of 2011.

The restocking reported in the national accounts since the third quarter of 2010 was probably more a reflection of the stronger than anticipated recovery in activity, rather than a deliberate attempt by firms to relax the tight inventory policies that had been gradually put in place, notably after the bankruptcy of Lehman Brothers. Indeed, surveys and other anecdotal evidence tend to point towards tightly managed inventories along the supply chain from 2010 to mid-2011. Nonetheless, the conjunction of substantial net additions of inventories observed in mid-2011 (0.7% of GDP in value in the second quarter of 2011) and the marked deterioration in business perspectives in summer 2011 led firms to swiftly reassess inventory levels in a matter of a few months. According to the European Commission’s business surveys, these levels are now considered to be close to the norm. Indeed, the balance of assessment (as to whether inventories are above, below or close to normal) has returned to its historical average. Until recently, PMI surveys also tended to point towards a pattern of accelerated reduction in input and retail inventories in the fourth quarter of 2011 and, to a lesser extent, in finished goods inventories by manufacturers (reflecting some involuntary additions to such inventories or smaller declines than expected).

This new configuration explains the negative contributions of inventories to growth of -0.2 percentage point in both the third and fourth quarters of 2011, reversing the sequence of mostly positive contributions observed in the previous eight quarters. Taking into account the slowdown in activity and the pace of restocking in national accounts, there is potential for some further negative contributions over the coming quarters. However, given the starting point of fairly lean inventories, the scope for a pronounced destocking similar to that observed after the bankruptcy of Lehman Brothers is very limited at this stage. More recent survey evidence (both from the European Commission and the PMI) in February 2012 that points towards a fairly abrupt slowdown in the pace of destocking might suggest an earlier than expected reversal.

EXTERNAL TRADE

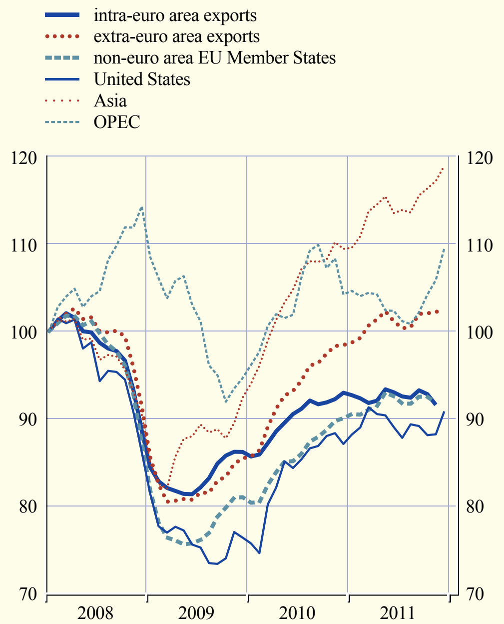
Euro area imports continued to lag behind exports in the final quarter of 2011 in line with the pattern seen throughout the year. In fact, imports and exports of goods and services declined quarter on quarter by 1.2% and 0.4% respectively in the fourth quarter. These developments resulted in a positive contribution from net trade of 0.3 percentage point to euro area GDP growth in the fourth quarter of 2011. Remarkably, net trade has supported GDP growth since the euro area started to recover from the global financial crisis in mid-2009, except for a marginally negative contribution in the first quarter of 2010.

The contraction in euro area imports in the final quarter of 2011 was mainly driven by lower domestic demand, although the depreciation of the euro in nominal effective terms over the second half of 2011 also played a role. The weakness in exports appears to have largely reflected a contraction in intra-euro area trade and exports to non-euro area EU Member States, at least as far as trade in goods is concerned (see Chart 53). Typically these destination markets together account for around two-thirds of total euro area exports of goods. Meanwhile, exports of goods to Asia, OPEC and, to a lesser extent, the United States expanded at a robust pace. Against this backdrop, Box 9 discusses the longer-term developments in extra-euro area and intra-euro area trade.

Despite the weak trade dynamics towards the end of 2011, short-term indicators suggest that euro area exports may gain momentum in the near term amid signs of stabilisation in foreign

Chart 53 Euro area export volumes to selected trading partners

(indices: January 2008 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.

demand. The PMI for new export orders in the euro area manufacturing sector increased further in February 2012 and now stands at 48.5, five index points above the local trough recorded in November 2011. Recently some tentative signs of stabilisation have also emerged on the import side. However, the near-term outlook for euro area imports remains rather subdued, consistent with the prospect of a gradual recovery in economic activity in the euro area.

Box 9

LONGER-TERM DEVELOPMENTS IN EXTRA-EURO AREA AND INTRA-EURO AREA TRADE

Trade is an important contributor to the economic development and growth of a country. When measuring euro area real GDP, only extra-euro area trade contributes to real GDP growth as intra-euro area exports are, by definition, equal to intra-euro area imports. From an individual country perspective, however, not only extra-euro area, but also intra-euro area trade is an important source of growth. This box provides an overview of the developments in euro area countries' total trade in goods, as well extra and intra-euro area trade in goods and the resulting net contribution to real GDP growth, since the introduction of the euro in 1999.[1]

Measuring intra and extra-euro area trade contributions to growth requires the combination of several statistical sources. In the quarterly national accounts data for euro area countries, a split of trade between intra and extra-euro area countries is not available. A breakdown, in nominal terms, is available from Eurostat's monthly trade statistics, which provide consistent coverage of trade in goods across countries. The intra and extra-euro area trade shares obtained from the monthly trade statistics can then be applied to the national accounts data for total trade in goods, with a view to providing estimates for the contribution of trade to GDP growth.[2]

Euro area trade in goods grew significantly over the last decade, with the level of real imports and exports in 2010 more than 50% above that in 1999. Growth in trade was faster than growth in real GDP, leading to an increasing openness of the euro area economy, which, as measured by the sum of imports and exports of goods as a share of GDP in real terms, reached 64% in 2010, compared with 47% in 1999.

Trade in goods among euro area countries accounts for around half of total euro area trade in goods (49% in 2010 compared with 53% in 1999) and was equivalent to around 30% of euro area GDP in 2010.[3] Empirical studies show that bilateral trade between euro area countries tends to be

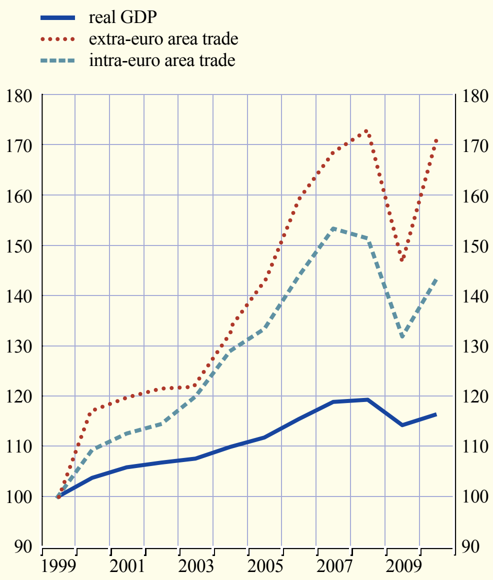
1 Countries which joined the euro area after 2006 are excluded from the analysis, i.e. Estonia, Cyprus, Malta, Slovenia and Slovakia. The intra and extra-euro area split is performed only for trade in goods due to the lack of information on the intra and extra-euro area breakdown for trade in services.

2 The methodologies for the monthly trade statistics and the national accounts differ. In monthly trade statistics, intra-euro area arrivals (dispatches) are attributed to the transit country rather than the source (final destination) country. The fact that the trade flows are boosted by transit flows is commonly referred to as the "Rotterdam effect". In contrast, in the national accounts, intra-euro area arrivals and dispatches are attributed according to the country of origin and final destination. Another significant difference is the valuation of the goods: in the national accounts, goods are recorded without transport and insurance costs, whereas the monthly trade statistics include them.

3 The size of intra-euro area trade is overestimated since one country's exports are the other country's imports. Without this double-counting, the intra-euro area trade share was around 15% of GDP in 2010.

Chart A Euro area real GDP and volumes of intra and extra-euro area trade in goods

(index: 1999=100; annual data)



Sources: Eurostat and ECB calculations.

significantly higher than one would expect on the basis of standard determinants, including proximity and size. These tight trade linkages can partly be explained by the existence of the single market and the single currency (the "euro effect").[4]

Over the period 2000-10, extra-euro area trade grew at a faster rate than intra-euro area trade. From 2000 to 2010 extra and intra-euro area trade in goods increased by a cumulated 71% and 43% in volume terms, respectively (see Chart A). This was mainly due to demand growing at a faster rate in the rest of the world than in the euro area. Notably, in the period following the exceptional collapse in trade during the global downturn of 2008-09,[5] extra-euro area trade also recovered sooner than intra-euro area trade.

It is common to refer to the net trade contribution to real GDP growth as a measure accounting for the effect of trade on economic growth. It should be noted, however, that such a growth accounting exercise ignores important effects of trade on growth and welfare, for example, technology spillovers and a larger product variety.[6] Nevertheless, the net trade contribution is an indicator for the developments in the trade balance: a positive (negative) net trade contribution in a country points to an improvement (deterioration) in its trade balance. Over a longer time period, a positive average net trade in goods contribution reflects an improving goods trade balance and gains in export competitiveness, whereas a negative average net trade contribution reflects a consistently deteriorating goods trade balance in a given country, pointing to a loss in export competitiveness.

For the euro area as a whole, net trade in goods contributed 0.1 percentage point to euro area real GDP growth on average from 2000 to 2010, reflecting a broadly stable extra-euro area goods trade surplus as a share of GDP over this period (at 0.6% on average). For individual countries, the results are heterogeneous in view of the different trade balance dynamics across countries. Total net trade in goods made a positive contribution to GDP growth over the period 2000-10 (see Chart B) in several countries. This was particularly the case for Ireland, which has served as an export platform for a number of large multinational companies, followed by Germany, the Netherlands and Austria. For other countries, net trade was broadly neutral or subtracted from real GDP growth from 2000 to 2010, on average. Notably, net trade in goods contributed negatively to real GDP growth in Luxembourg (the financial services trade centre) and in some of the less open euro area economies (Italy, Spain, France and Portugal).

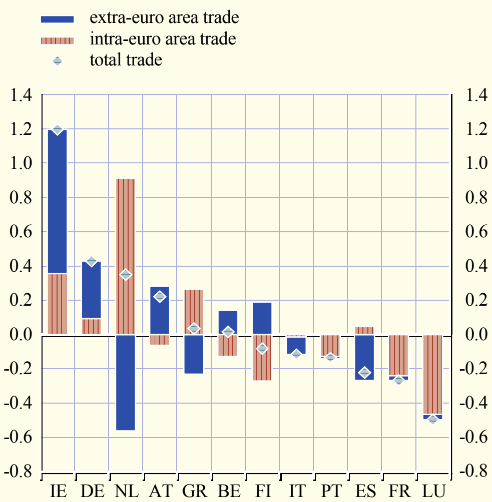
4 For an overview of the literature on the "euro effect", see, for instance, Baldwin, R. et al., "Study on the impact of the euro on trade and foreign direct investment", *European Economy Economic Papers*, No 321, May 2008.

5 See "Recent developments in global and euro area trade", *Monthly Bulletin*, ECB, August 2010.

6 For an overview of the related literature, see, for instance, Irwin, D.A., *The Case for Free Trade: Theories, New Evidence*, Chapter 2, Princeton University Press, 2009.

Chart B Average contribution to real GDP growth from net trade in goods for selected euro area countries from 2000 to 2010

(percentage points)



Sources: Eurostat and ECB calculations.
Notes: Countries are ordered according to the net contribution to real GDP growth from total trade in goods. Data for Greece start from 2001.

In terms of the breakdown, intra-euro area net trade in goods positively contributed to growth in the Netherlands,[7] Ireland and Greece, and, to a lesser extent, in Germany, and Spain (see Chart B). In Austria and, to a lesser extent, Belgium and Finland, a negative contribution from intra-euro area trade was offset by a more positive contribution from extra-euro area trade. In other countries the average negative net trade in goods contribution over the period from 2000 to 2010 and the overall deterioration in the trade in goods balance mainly reflected developments in extra-euro area trade (Italy and Spain), while for some others it reflected developments in intra-euro area trade (France, Portugal and Luxembourg).

For most euro area countries, the average net trade contribution over the period from 2000 to 2010 is not significantly altered by including or excluding the period after 2008. The main exceptions are Spain, Greece and Finland. In the run-up to the economic and financial crisis, Spain and Greece had excessive growth in domestic demand, which resulted in sizeable average negative net contributions of trade to real GDP growth from 2000 to 2008. Since 2008, however, in the context of subdued domestic demand, net trade has made a major contribution to real GDP growth in these countries. In Finland, the average contribution to real GDP growth from net trade in goods was positive from 2000 to 2008. In 2009 Finland experienced the largest decline in exports and the largest negative net trade contribution to real GDP growth, compared with other euro area countries.

When interpreting the results reported so far, an important caveat should be kept in mind, namely that the analysis excludes trade in services, which accounts for around 20% of total euro area trade.[8] For some countries, net trade in services has contributed significantly to real GDP growth over time. In particular, this was the case for countries with large financial or business services sectors, such as Luxembourg and Ireland, as well as for Austria, Portugal and Germany. For Austria and Portugal, trade in travel services has been particularly important, while for Germany the positive contribution from trade in services came from a variety of sectors.

With respect to the most recent developments, available data for 2011 indicate that, in most euro area countries and for the euro area as a whole, total net trade in goods and services contributed significantly to real GDP growth. The large positive net trade contribution reflected faster growth in euro area foreign demand compared with growth in domestic demand.

7 The positive intra-trade net contribution to real GDP growth is, however, overestimated for the Netherlands because of the "Rotterdam effect" (see footnote 2).
8 See "Euro area trade in services: specialisation patterns and recent trends", *Monthly Bulletin*, ECB, May 2011.

To conclude, euro area trade (both intra and extra) has grown significantly over the last ten years. While the average net contribution to GDP was slightly positive for the area as a whole, the net contributions to real GDP growth differ across individual euro area countries, reflecting dynamics in trade in goods balances over time. Looking ahead, net trade is expected to continue to support euro area real GDP growth in the near term.

4.2 SECTORAL OUTPUT

Looking at the production side of national accounts, total value added declined by 0.2% in the fourth quarter of last year, reversing the upward trend that had prevailed since the end of the recession in the second quarter of 2009. Short-term indicators point to a stabilisation at the start of 2012. However, there have been marked differences across sectors since the end of the 2009 recession. The strongest expansion was recorded for the industrial sector (excluding construction), although in the last quarter of 2011 the level of industrial value added continued to stand at almost 10% below its pre-crisis peak. By contrast, services value added was close to 1% above its pre-recession peak, although it has followed a more modest recovery pattern than the manufacturing sector. This picture is explained by the fact that there was a smaller contraction in the services sector than in the industrial sector during the downturn. The value added in the construction sector, which declined further after the end of the recession, remained 14% below pre-recession levels in the fourth quarter of 2011.

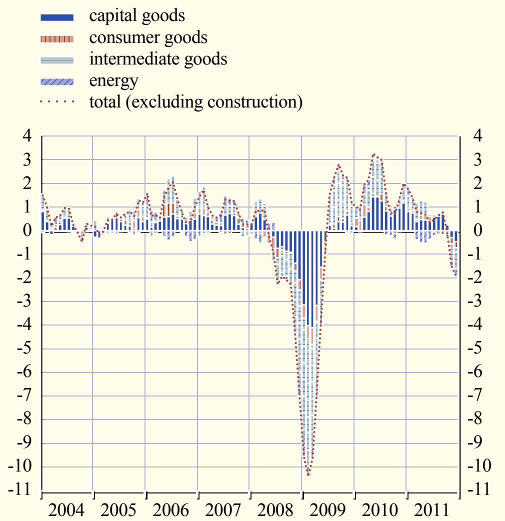
INDUSTRY (EXCLUDING CONSTRUCTION)

The upward trend of value added in the industrial sector (excluding construction) came to a halt in the fourth quarter of 2011. The growth in value added of this sector declined from a positive quarterly rate of 0.3% in the third quarter to a negative one of -2.0% in the fourth quarter. Production contracted in the fourth quarter for the first time since the second quarter of 2009 (see Chart 54). After growing by 0.8% in quarterly terms in the third quarter, industrial production (excluding construction) declined by 1.9% in the fourth quarter. This contraction was broadly based across main industrial groupings, with the strongest contraction recorded for energy (-2.5%). The European Commission's survey data indicate that "limits to production" decreased somewhat in the three months to January 2012. This was related to a decline in supply side-related limits, i.e. lower levels of lack of equipment and shortage of labour.

Looking ahead, short-term indicators suggest that the contraction in the industrial sector at the end of 2011 was most likely temporary in nature. The European Commission's industrial confidence indicator improved slightly in January and February 2012 (see Chart 55). This improvement came on the back of a more positive assessment

Chart 54 Industrial production growth and contributions

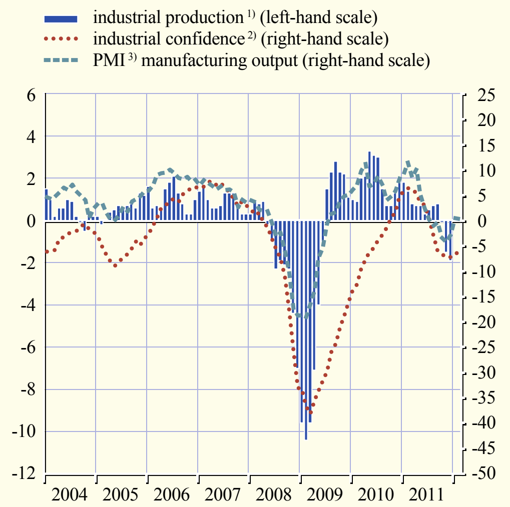
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 55 Industrial production, industrial confidence and PMI manufacturing output

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Note: Survey data refer to manufacturing.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

of production expectations, order books and stocks of finished products. By contrast, past production was assessed more negatively. In the first two months of 2012, the manufacturing PMI output index returned to slightly above the theoretical no-growth threshold of 50, suggesting an end to the contraction in industrial production towards the end of 2011. Industrial new orders, most of which should subsequently appear in production, increased month on month at the end of 2011, halting earlier declines. This rise in new orders was broadly based across industrial groupings and was accounted for by an increase in new orders from outside the euro area. The European Commission and Markit reported an improvement in the assessment of firms' overall order books and new orders in the first two months of 2012. Order books bottomed out around the turn of the year and in February were slightly above their long-term average. The manufacturing PMI new orders index also improved strongly in the first two months of 2012, but continued to indicate further monthly declines in industrial new orders.

CONSTRUCTION

In the fourth quarter of 2011 construction value added declined by 0.2% quarter on quarter, the third consecutive quarterly fall. The developments in 2011 highlight the fragility of the recovery in the construction sector following the protracted slowdown in 2008 and 2009.

Short-term indicators point towards an improvement in growth in construction value added in the first quarter of 2012. The construction PMI and PMI new orders stood at higher levels in January 2012 than in the fourth quarter of 2011, but both indicators still hovered in contraction territory. The European Commission's business confidence indicator for the construction sector increased from subdued levels in the first two months of 2012 to reach its highest level since 2008. Despite this improvement, the construction confidence indicator remained below its long-term average.

SERVICES

There was a moderate quarter-on-quarter increase in services valued added of 0.2% in the fourth quarter of 2011, following a similar level of growth in the previous quarter. Between the third quarter of 2009 and the fourth quarter of 2011, i.e. after the start of the recovery, quarterly growth in services averaged 0.3%, while average real GDP growth was slightly higher at 0.4%.

Looking ahead, surveys point to weak developments in the services sector in the first quarter of 2012. According to the PMI output index for the services sector, business activity improved in the first two months of the first quarter of 2012 compared with the fourth quarter of 2011. However, the index remained slightly below the theoretical no-growth threshold of 50. The European Commission's survey of business confidence in the services sector showed broadly similar developments.

4.3 LABOUR MARKET

Labour market conditions in the euro area have weakened on the back of falling growth. Employment has started to fall, and the unemployment rate is increasing from already high levels. Surveys do not indicate any improvement in the labour market situation soon, as forward-looking indicators have deteriorated in recent months.

At the beginning of the global recession in 2008 employment adjustments were relatively muted, owing notably to the strong adjustment of hours worked and the implied labour hoarding. In this respect, total hours worked fell by 4.5% between the second quarter of 2008 and the third quarter of 2009. Subsequently, labour market conditions in the euro area improved up to mid-2011. However, labour hoarding during the crisis led to moderate employment growth, and unemployment remained at high levels (see Box 7 in Section 3 for a general discussion on labour market adjustment in the euro area). Latest quarterly figures indicate that the improvement in hours worked is levelling off. Total hours worked increased slightly on a quarterly basis by 0.1% in the third quarter of 2011, following a slight decline by 0.1% in the previous quarter. At sectoral level, hours worked rose in the services sector and, to a lesser extent, in industry (excluding construction). By contrast, hours worked declined in construction, confirming the ongoing weakness of that sector. In the third quarter of 2011 the total of hours worked was 3.4% below the level at which it last peaked in spring 2008.

Headcount employment growth turned negative in the third quarter of 2011 for the first time since early 2010. Employment contracted heavily in the construction and real estate sectors, which recorded quarter-on-quarter declines of 1.6% and 1.0% respectively. Total services employment remained stable vis-à-vis the second quarter of 2011, after positive growth from the beginning of 2010 (see Table 9).

Table 9 Employment growth

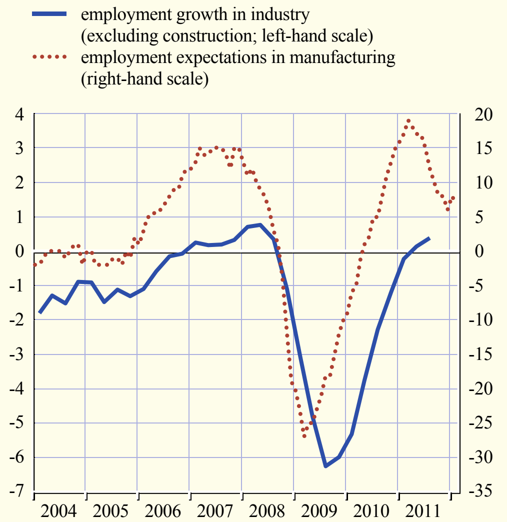
(percentage changes compared with the previous period; seasonally adjusted)

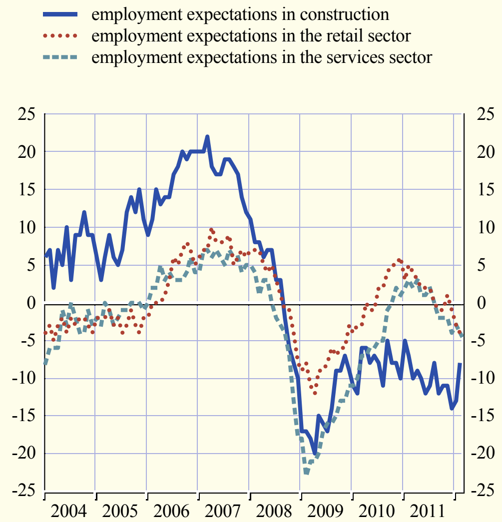
	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2009	2010	2011 Q1	2011 Q2	2011 Q3	2009	2010	2011 Q1	2011 Q2	2011 Q3
Whole economy	-1.8	-0.5	0.1	0.2	-0.1	-3.4	0.0	0.6	-0.1	0.1
of which:										
Agriculture and fishing	-2.2	-0.9	-1.6	0.8	-1.0	-3.1	-0.7	-0.7	-0.4	-1.6
Industry	-5.6	-3.3	-0.2	0.0	-0.5	-8.7	-1.8	0.5	-0.4	-0.2
Excluding construction	-5.0	-3.2	0.2	0.1	0.0	-8.9	-0.9	0.7	-0.1	0.2
Construction	-6.8	-3.7	-1.2	-0.3	-1.6	-8.3	-3.6	0.2	-1.1	-1.1
Services	-0.5	0.4	0.2	0.3	0.0	-1.6	0.6	0.7	0.0	0.4
Trade and transport	-1.8	-0.7	0.0	0.5	0.2	-2.9	-0.3	0.5	0.2	0.6
Information and communication	-0.8	-1.0	1.0	0.3	-0.2	-1.3	-0.5	1.4	0.3	0.3
Finance and insurance	0.1	-0.8	0.5	-0.2	-0.1	-1.5	-0.3	1.1	-0.5	-0.3
Real estate activities	-2.7	-0.5	1.7	-0.5	-1.0	-3.7	0.9	1.0	-1.7	-0.1
Professional services	-2.5	1.8	0.9	0.9	-0.3	-3.8	2.5	1.5	0.3	0.2
Public administration	1.4	1.1	-0.2	-0.1	0.0	1.1	1.3	0.3	0.0	0.1
Other services [1]	1.1	0.7	0.4	-0.1	0.2	-0.3	0.1	0.7	-0.7	1.4

Sources: Eurostat and ECB calculations.
1) Also includes household services, the arts and activities of extraterritorial organisations.

Chart 56 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)





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

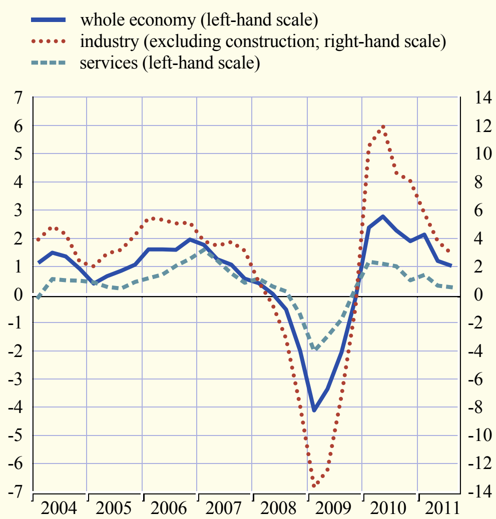
Looking at available "soft" data, surveys of employment expectations suggest that, in line with weaker activity, employment is likely to shrink further in the coming quarters. In particular, the euro area PMIs for employment expectations in manufacturing and services started to decline in mid-2011 and stood at slightly below 50 in February 2012, pointing to a further reduction in employment. The European Commission's business surveys paint a broadly similar picture (see Chart 56).

In the course of the recovery since 2010, the muted recovery in employment, combined with stronger output growth, has entailed a considerable rebound in labour productivity to pre-crisis levels. More recently, however, weakening output growth has led to a less favourable development in labour productivity. The latest available data show a slowdown in productivity growth in year-on-year terms for the third quarter of 2011 (see Chart 57). Looking ahead, productivity growth is expected to remain modest, in line with low economic activity and weak employment growth.

The unemployment rate remains persistently high. It rose from 10.6% in December 2011 to 10.7% in January 2012, exceeding the level at which it most recently peaked in the second quarter of 2010 (see Chart 58). In fact, the current level of the unemployment rate was last recorded in mid-1997. With sluggish growth in

Chart 57 Labour productivity per person employed

(annual percentage changes)



Sources: Eurostat and ECB calculations.

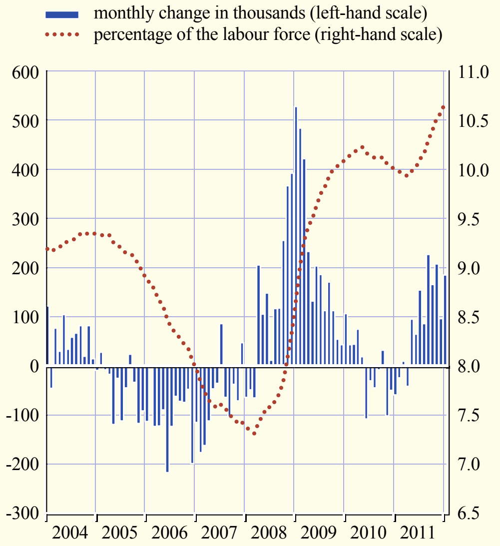
employment, the unemployment rate is expected to remain high and even to increase further in the short term.

4.4 THE OUTLOOK FOR ECONOMIC ACTIVITY

According to recent survey data, there are signs of a stabilisation in economic activity, albeit still at a low level. Looking ahead, the euro area economy is expected to recover gradually in the course of this year. The outlook for economic activity should be supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning of the euro area financial sector. However, the remaining tensions in euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors, are expected to continue to dampen the underlying growth momentum.

Chart 58 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

This assessment is also reflected in the March 2012 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between -0.5% and 0.3% in 2012 and between 0.0% and 2.2% in 2013. Compared with the December 2011 Eurosystem staff macroeconomic projections, the ranges have been shifted slightly downwards.

This outlook remains subject to downside risks. They notably relate to a renewed intensification of tensions in euro area debt markets and their potential spillover to the euro area real economy. Downside risks also relate to further increases in commodity prices.

Box 10

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 23 February 2012, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Average annual real GDP growth is projected to range between -0.5% and 0.3% in 2012 and between 0.0% and 2.2% in 2013. Inflation is projected to be between 2.1% and 2.7% in 2012 and between 0.9% and 2.3% in 2013.

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from the euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in *A guide to Eurosystem staff macroeconomic projection exercises,* ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used, involving a correction for exceptional events, is documented in *New procedure for constructing Eurosystem and ECB staff projection ranges,* ECB, December 2009, also available on the ECB's website.

Technical assumptions for interest rates, exchange rates, commodity prices and fiscal policies

The technical assumptions for interest rates and for both energy and non-energy commodity prices are based on market expectations, with a cut-off date of 16 February 2012.

The assumption for short-term interest rates is of a purely technical nature. Short-term rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an average level for these short-term interest rates of 0.9% in both 2012 and 2013. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.6% in 2012 and 5.0% in 2013. Reflecting the path of forward market interest rates and the gradual pass-through of changes in market rates to lending rates, both short-term and long-term bank lending rates on loans to the euro area non-financial private sector are expected to moderate in the coming quarters, with long-term lending rates reaching a trough in mid-2012 and short-term lending rates reaching a trough at the end of 2012. While credit supply conditions for the euro area as a whole are expected to be supported by the monetary policy measures of the Eurosystem, they are still expected to overall remain relatively tight.

As regards commodity prices, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, the price of a barrel of Brent crude oil is assumed to average USD 115.1 in 2012 and USD 110.2 in 2013. The prices of non-energy commodities in US dollars[2] are assumed to decline by 3.1% in 2012 before rising by 3.8% in 2013. Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date of 16 February 2012. This implies an exchange rate of USD per EUR of 1.31 in 2012 and of 1.32 in 2013. The effective exchange rate of the euro is assumed to depreciate by 4.0% in 2012 and to remain unchanged in 2013. Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 22 February 2012. They include all policy measures that have already been approved by national parliaments or that have been specified in sufficient detail by governments and are likely to pass the legislative process.

Assumptions with regard to the international environment

World real GDP growth (excluding the euro area), estimated at 4.1% in 2011, is projected to decline to 3.8% in 2012, before rising to 4.3% in 2013. In the second half of 2011 the global slowdown was mainly related to the dampening of real incomes, owing to higher commodity prices, as well as elevated uncertainty and heightened risk aversion that led to global financial market tensions. However, the latest data – particularly for the United States – seem to suggest that some degree of cyclical stabilisation occurred at the turn of the year. In particular, tentative signs of a stabilisation in business and consumer confidence indicators, as well as a slight easing in global financial market conditions, support this assessment. However, medium-term growth prospects remain subdued, particularly in advanced economies, mainly owing to the continued need to repair balance sheets that acts as an impediment to growth. In this respect, although the rebalancing of private sector indebtedness is progressing, household debt levels remain elevated in several advanced economies. Moreover, the retrenchment in public spending, aimed at re-establishing sustainable fiscal balances, is also constraining domestic demand in several

2 Oil and food price assumptions are based on futures prices up to the end of the projection horizon. For other commodities, prices are assumed to follow futures until the first quarter of 2013 and thereafter to evolve in line with global economic activity.

advanced economies. Emerging economies, by contrast, are expected to continue expanding at a much faster pace than the advanced economies over the projection horizon. Nonetheless, a modest slowdown in emerging economies is expected to alleviate the overheating pressures that prevailed earlier in some key countries in this group (e.g. China). Overall, emerging Asia is projected to remain on track for a "soft landing", while growth in the central and eastern European countries is expected to be slower. As a consequence of the global recovery, growth in euro area foreign demand is estimated to be 4.3% in 2012 and 6.5% in 2013.

Real GDP growth projections

The momentum of real GDP growth in the euro area weakened in the course of 2011, with a fall in activity in the fourth quarter. The slowdown in activity in the course of 2011 reflected, inter alia, the global slowdown, high commodity prices, and the adverse impact of the euro area sovereign debt crisis on consumer and business confidence, as well as a deterioration in credit supply conditions and a further tightening of the fiscal stance in some euro area countries. These adverse factors are expected to continue to weigh on activity in the first half of 2012, albeit being increasingly mitigated by the favourable impact of strengthening foreign demand, the lower effective exchange rate, and the supportive standard and non-standard monetary policy measures. Looking ahead, assuming that the financial crisis does not intensify again, real GDP growth is expected to pick up modestly during the second half of 2012 and to improve somewhat further in 2013, reflecting a gradual strengthening in domestic demand and a favourable impact of net trade owing to rising foreign demand and a weaker exchange rate. The recovery in domestic demand should be supported by a decline in energy and food price inflation supporting real disposable incomes, and the favourable impact of the very low short-term interest rates and of the measures to support the functioning of the financial system. However, the recovery is expected to be dampened, as fiscal consolidation is continuing, adverse credit supply conditions are expected to ease only gradually, and balance sheet restructuring is still ongoing in many sectors. Real GDP growth is projected to exceed its potential rate at the end of the projection horizon, leading to a narrowing of the negative output gap. Overall, the recovery is expected to be slow. In annual terms, real GDP is expected to grow by between -0.5% and 0.3% in 2012 and between 0.0% and 2.2% in 2013.

Considering the demand components in more detail, extra-euro area export growth is projected to pick up during the course of 2012 and to gain momentum in 2013, mainly reflecting developments in euro area foreign demand and increased competitiveness related to the weaker effective exchange rate of the euro. Business investment is expected to decline in the near term and to recover gradually in 2013, supported by strengthening export growth, a pick-up in domestic demand, low interest rates and relatively sustained profitability. Residential investment is expected to remain very weak during the course of 2012, before growing gradually in 2013. While ongoing adjustments in the housing market in some countries continue to dampen the recovery, the attractiveness of housing investment relative to other forms of investment appears to have improved in other countries, against the background of higher perceived risks associated with alternative investments. Government investment is assumed to decline in 2012 before stabilising in 2013, as indicated in the fiscal consolidation packages announced in several euro area countries.

Private consumption is estimated to have declined in the fourth quarter of 2011. It is projected to remain rather subdued during the course of 2012 and to pick up gradually thereafter. Nominal

Table A Macroeconomic projections for the euro area

(average annual percentage changes) [1), 2)]

	2011	2012	2013
HICP	2.7	2.1 – 2.7	0.9 – 2.3
Real GDP	1.5	-0.5 – 0.3	0.0 – 2.2
Private consumption	0.2	-0.7 – 0.1	0.0 – 1.6
Government consumption	0.2	-0.6 – 0.2	-0.1 – 1.3
Gross fixed capital formation	1.6	-2.6 – 0.2	-0.9 – 3.7
Exports (goods and services)	6.4	0.1 – 5.1	0.7 – 8.1
Imports (goods and services)	4.1	-1.1 – 3.5	0.7 – 7.3

1) The projections for real GDP and its components refer to working day-adjusted data. The projections for imports and exports include intra-euro area trade.
2) Data refer to the euro area including Estonia. The average annual percentage change in the HICP for 2011 is based on a euro area composition in 2010 that already includes Estonia.

disposable income growth is projected to be dampened initially by a decline in employment and subsequently by only modest growth in employment. In addition, the growth rates of both wages and transfer income are expected to be constrained, partly owing to the fiscal tightening implemented in several euro area countries. However, real disposable income will be supported over time, as the adverse impact of past increases in commodity prices is expected to diminish. The saving ratio is projected to decline slightly over the projection horizon. This reflects the expectation that, despite subdued sentiment which supports savings, some consumption smoothing, against the background of adverse real income developments, will dampen savings in 2012 and 2013. Low interest rates would also contribute to a fall in the saving ratio. Government consumption in real terms is projected to remain subdued over the projection horizon, reflecting the impact of the fiscal consolidation packages announced in several euro area countries.

Extra-euro area import growth is expected to gradually gain momentum over the projection horizon. Extra-euro area imports are projected to rise faster than total demand, broadly in line with historical patterns. Reflecting somewhat stronger growth of exports, net trade is expected to make a positive, albeit declining, contribution to real GDP growth over the projection horizon.

Price and cost projections

According to Eurostat's flash estimate, the overall HICP inflation rate stood at 2.7% in February 2012, after averaging 2.7% in 2011. It is projected to decelerate over the coming quarters. The average rate of overall HICP inflation is expected to be between 2.1% and 2.7% in 2012 and between 0.9% and 2.3% in 2013. This moderation is largely due to a decrease in the contribution from energy prices, as crude oil prices are assumed to gradually decline over the projection horizon and as the impact of their past increases fades away. Growth in the food price component of HICP inflation is also projected to moderate in 2012 and 2013. This reflects the assumption that food commodity prices should remain stable over the next few quarters. Finally, HICP inflation excluding food and energy is projected to remain broadly stable over the projection horizon. While domestic price pressures stemming from slow growth in domestic demand and contained labour cost developments are expected to be weak, they are expected to be broadly offset by the upward impact of foreseen increases in indirect taxes and administered prices.

In more detail, external price pressures have increased somewhat in recent months, mainly on account of the depreciation of the euro, which has led, inter alia, to higher commodity prices in euro terms. This is expected to exert upward pressure on the import deflator in the coming quarters.

Table B Comparison with the December 2011 projections

(average annual percentage changes)

	2012	2013
Real GDP – December 2011	-0.4 – 1.0	0.3 – 2.3
Real GDP – March 2012	-0.5 – 0.3	0.0 – 2.2
HICP – December 2011	1.5 – 2.5	0.8 – 2.2
HICP – March 2012	2.1 – 2.7	0.9 – 2.3

However, these factors are expected to be more than offset by downward base effects, largely originating from surges in commodity prices in 2011. Thus, the annual rate of increase of the import deflator is expected to decline at the beginning of 2012 and to moderate somewhat further in 2013. Regarding domestic price pressures, the growth rate of compensation per employee is expected to slow in 2012, as deteriorating labour market conditions exert downward pressure. Thereafter, the annual growth rate of compensation per employee is projected to pick up gradually, supported by the strengthening in economic activity. The annual growth rate of unit labour costs is expected to remain broadly stable in 2012 and 2013. Growth in profit margins is expected to be modest in 2012, reflecting subdued aggregate demand. Somewhat higher growth in profit margins is expected in 2013, in line with the improving outlook for economic activity. Increases in administered prices are expected to contribute substantially to HICP inflation over the whole projection horizon, reflecting the ongoing fiscal consolidation in several euro area countries. The impact of indirect taxes is also expected to be significant in 2012 and in 2013.

Comparison with the December 2011 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2011 issue of the Monthly Bulletin, the ranges for real GDP growth in the euro area for 2012 and 2013 have been revised slightly downwards. The downward revisions mainly reflect the impact of lower foreign demand, higher oil prices, additional fiscal consolidation and slightly tighter credit supply conditions, despite lower short-term and long-term interest rates and higher stock market prices. With regard to HICP inflation, the projection ranges for both 2012 and 2013 are somewhat higher than in the December 2011 projections, mainly reflecting higher energy prices and the weaker exchange rate of the euro, but also partly owing to higher food prices and indirect taxes.

Comparison with forecasts by other institutions

A number of forecasts for the euro area are available from both international organisations and private sector institutions (see Table C). However, these forecasts are not strictly comparable with one another or with the ECB staff macroeconomic projections, as they were finalised at different points in time. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil and other commodity prices. Finally, there are differences in working day adjustment methods across different forecasts.

According to the forecasts currently available from other organisations and institutions, euro area real GDP growth is expected to range between -0.5% and 0.2% in 2012 and between 0.8% and 1.4% in 2013, which is in both cases within the range of the ECB staff projections.

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

(average annual percentage changes)

	Date of release	GDP growth		HICP inflation	
		2012	2013	2012	2013
OECD	November 2011	0.2	1.4	1.6	1.2
European Commission	February 2012/ November 2011	-0.3	1.3	2.1	1.6
IMF	January 2012/ September 2011	-0.5	0.8	1.5	
Survey of Professional Forecasters	February 2012	-0.1	1.1	1.9	1.7
Consensus Economics Forecasts	February 2012	-0.3	0.9	2.0	1.7
ECB staff projections	March 2012	-0.5 – 0.3	0.0 – 2.2	2.1 – 2.7	0.9 – 2.3

Sources: European Commission Interim Forecast, February 2012, for the 2012 figures and European Commission Economic Forecast, Autumn 2011, for the 2013 figures; IMF World Economic Outlook Update, January 2012, for real GDP growth and World Economic Outlook, September 2011, for inflation; OECD Economic Outlook, November 2011; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
Notes: The ECB staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.

As regards inflation, available forecasts suggest that the average annual HICP inflation rate will be in a range between 1.5% and 2.1% in 2012, which is at or below the lower end of the range of the ECB staff projections. For 2013, available forecasts suggest that HICP inflation will be in a range between 1.2% and 1.7%, which is within the range of the ECB staff projections.

5 FISCAL DEVELOPMENTS

The latest government finance statistics point to a continuing decline in the government deficit for the euro area as a whole and a slower build-up of government debt. There are also first indications that the progress with fiscal consolidation and the efforts to strengthen the EU fiscal and economic governance framework have contributed to reducing sovereign debt market tensions in vulnerable euro area countries. Nevertheless, financial market sentiment remains fragile. Governments in the euro area must therefore continue to implement comprehensive fiscal consolidation strategies and comply with all their commitments under the Stability and Growth Pact. In this respect, the 2012 European Semester should be used to rigorously enforce the enhanced fiscal surveillance mechanism.

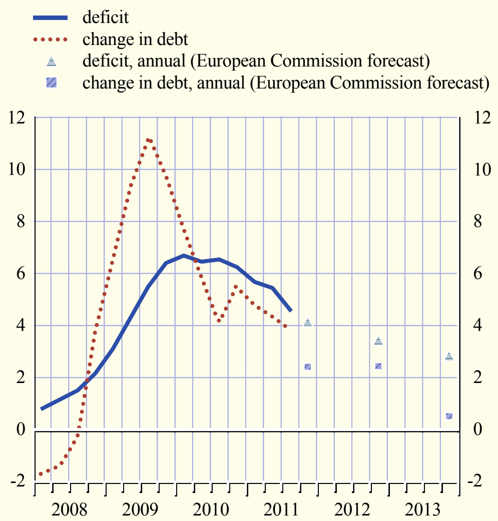
FISCAL DEVELOPMENTS IN 2011 AND 2012

The latest government finance statistics for the euro area, which are available up to the third quarter of 2011, point to a continuing decline in the government deficit ratio for the euro area as a whole. The four-quarter moving sum of the euro area deficit ratio, i.e. the accumulated deficit over the last four quarters,[1] amounted to 4.6% of GDP in the third quarter of 2011 (see Chart 59). This compares with a deficit of 6.5% of GDP a year earlier and 5.4% of GDP in the second quarter of 2011. The reduction in the third quarter of last year was mainly due to a markedly lower expenditure-to-GDP ratio and a slightly higher revenue-to-GDP ratio than in the previous quarter (see Chart 60). These indications of declining budgetary imbalances are broadly in line with the European Commission's autumn 2011 economic forecast, published in November last year, which foresees the euro area deficit ratio declining to 4.1% of GDP in 2011, from 6.2% in 2010. The euro area debt-to-GDP ratio rose cumulatively by 3.8 percentage points to 86.8% of GDP in the four-quarter period to the end of the third quarter of 2011. This is a smaller increase than that in the second quarter (which was 4.3 percentage points). The slower build-up of euro area government debt is also broadly in line with the European Commission's autumn 2011 economic forecast, which sees the debt ratio increasing by 2.4 percentage points to 88% of GDP in 2011, compared with a rise of 5.8 percentage points in 2010.[2]

According to the European Commission's autumn 2011 economic forecast, the euro area deficit-to-GDP ratio is projected to decline further in 2012, to 3.4% of GDP, and the government debt ratio is expected to rise to 90.4% of GDP. Developments in budgetary positions will, however, continue to differ markedly across euro area countries. A brief review of recent budgetary developments in the largest euro area countries and in those receiving EU/IMF financial assistance is provided below.

Chart 59 Euro area government deficit and change in debt

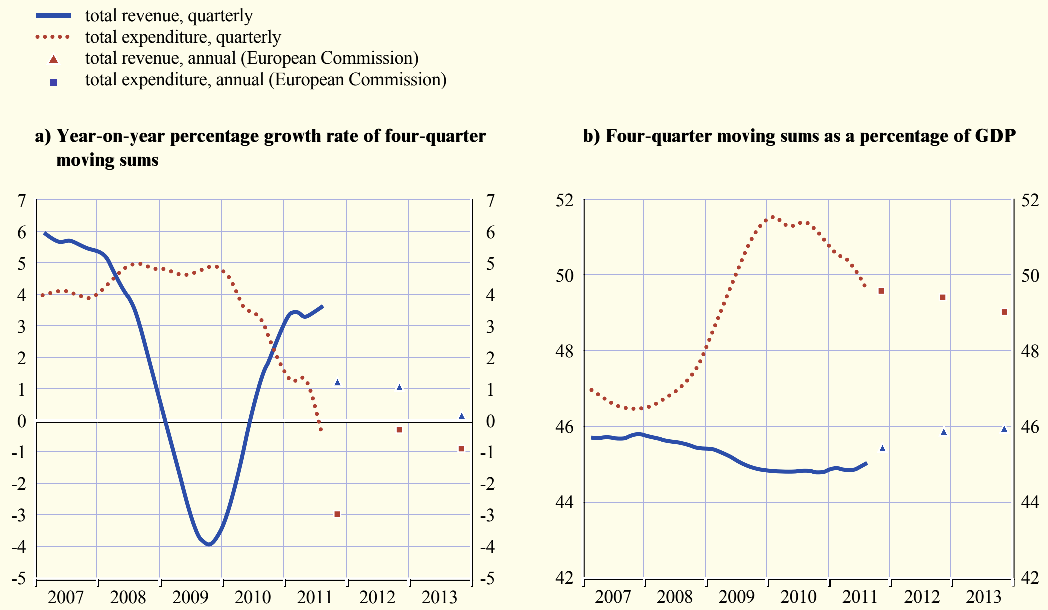
(four-quarter moving sums as a percentage of GDP)



Sources: ECB calculations based on Eurostat data and the European Commission's autumn 2011 economic forecast.

1 Budgetary developments are analysed in terms of annual changes in order to eliminate seasonal influences.
2 The final 2011 outcomes for government budget balances and debt as well as plans for 2012 as validated by Eurostat will be published by Eurostat at end-April.

Chart 60 Quarterly government finance statistics and projections for the euro area



Sources: ECB calculations based on Eurostat data and the European Commission's autumn 2011 economic forecast.
Notes: The charts show the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from the first quarter of 2007 to the third quarter of 2011, plus the annual projections for 2011, 2012 and 2013 from the European Commission's autumn 2011 economic forecast. Data refer to the general government sector.

In Germany, according to the latest government projections, the general government budget deficit decreased to around 1% of GDP in 2011, which is around 1½ percentage points below the target in the stability programme update of April 2011. The improved budgetary situation is expected to have resulted mainly from more favourable revenue developments. The deficit is projected to remain at around 1% of GDP in 2012 and to decline to ½% of GDP in 2013. For 2014 and 2015 the government expects a broadly balanced budget.

In France, on 29 January 2012 the government announced a package of measures to support employment and competitiveness. The main fiscal measures include (i) a 1.6 percentage point increase in the standard VAT rate to 21.2% as of 1 October 2012 and (ii) a 2 percentage point increase in the rate of the social security contribution (i.e. the "contribution sociale generalisée") levied on wealth income (e.g. capital gains and real estate income), bringing it to 10.2% as of 1 July 2012. The revenue from these tax increases (about €13 billion or approximately 0.7% of GDP) is earmarked for financing the family allowances disbursed by the social security system, so as to permit a reduction, by an equal amount, in the social security contributions paid by employers. This is intended to shift the cost of financing this component of social security from firms to consumption, reducing labour costs and boosting the competitiveness of French firms.[3] These two tax measures are expected to be broadly neutral in budgetary terms. The government also plans to introduce a tax on financial transactions as of 1 August 2012, which is expected to yield about €1.1 billion in revenue per year. These measures were approved by the parliament on 29 February 2012.

3 See also the box entitled "Fiscal devaluation – a tool for economic adjustment", *Monthly Bulletin*, ECB, December 2011.

In Italy, on 22 December 2011 the parliament approved a new package of fiscal consolidation measures. The package amounts to around €20 billion (i.e. 1.3% of GDP) and will be fully implemented in 2012. Among its main measures are a pension reform, the reintroduction of a tax on owner-occupied housing, VAT increases and the introduction of a spending review procedure. According to the government, the package should enable the target of achieving a balanced budget by 2013 to be met.

In Spain, on 27 February 2012 the government announced that the 2011 general government deficit was 8.5% of GDP (i.e. 2.5% of GDP above target). Based on the information available so far, the slippage from the path set out in the April 2011 update of the stability programme appears to stem from the revenue side. To address the fiscal slippage, on 30 December 2011 the government had already announced increases in personal income and property taxes, which are expected to yield around €6.3 billion in revenue (0.6% of GDP) in both 2012 and 2013. It also cut central government budget appropriations for 2012 by €8.9 billion (0.9% of GDP). In view of the slippage and the renewed economic downturn, on 2 March 2012 the government set a revised general government deficit target for 2012 of 5.8% of GDP (previously 4.4%). A full central government and social security budget for 2012 will be presented at the end of March.

In Greece, the authorities and a joint EU/IMF mission to Athens agreed in mid-February on a package of policy measures that serves as the basis for a successor arrangement to the first economic adjustment programme which started in May 2010. On the fiscal side, the agreement sets a target of achieving a primary general government budget balance of -1.0% of GDP in 2012 and steadily improving it to 4.5% by 2014, i.e. the end of the programme horizon. To achieve the 2012 target, the authorities have committed to the implementation of a set of additional consolidation measures amounting to 1½% of GDP. The package, which compensates for both the incomplete implementation of previously agreed consolidation measures and unfavourable developments in tax bases, consists of a decrease in pharmaceutical spending, cuts in supplementary pensions and in high primary pensions, a reduction in the wage bill for employees covered by special wage regimes, reductions in public investment and cuts in military procurement and the operational spending of the defence ministry. To achieve fiscal targets in later programme years, the government has committed to specifying by mid-2012 additional permanent expenditure cuts amounting to around 5½% of GDP over the period 2013-14. On this basis, and provided policy conditionality under the programme is met on an ongoing basis, the Eurogroup confirmed on 21 February 2012 that euro area countries stand ready to provide, through the European Financial Stability Facility (EFSF) and with the expectation that the IMF will make a significant contribution, additional official financial support of up to €130 billion until 2014.

In Portugal, the 2011 fiscal deficit target of 5.9% of GDP has been achieved with a large margin. The main contributor was a large pension fund transfer from the banking system to the general social security system in December, which amounted to around 3.5% of GDP, resulting in an estimated 2011 deficit of around 4% of GDP. The budget for 2012 sets a deficit target of 4.5% of GDP and includes consolidation measures amounting to around 6% of GDP compared with a no policy change scenario. Two-thirds of the consolidation measures in 2012 focus on the expenditure side, including a reduction in wages in the general government sector and lower pensions. The fiscal adjustment needed to reach the deficit target in 2012 is significantly larger than foreseen in the initial EU/IMF programme, owing to a deterioration in the economic situation and an upward revision of the consolidation gap compared with when the programme was drawn up. Box 11, entitled "Government debt projections in Portugal", provides simulations of Portugal's general government gross debt.

Box 11

GOVERNMENT DEBT PROJECTIONS IN PORTUGAL

The third review mission of Portugal's economic programme took place from 15 to 27 February. The assessment of staff members from the European Commission, ECB and IMF is that the programme is on track, with good progress having been made on the fiscal, financial and structural front. In the context of the ongoing adjustment from previously accumulated imbalances, a determined implementation of reforms remains essential to ensure economic recovery and fiscal sustainability. This box presents a set of scenarios for government debt dynamics in Portugal and focuses on the path of GDP. The scenarios cover the years from 2012 until 2020; a period of eight years is usually considered sufficient to assess debt sustainability.

Assumptions underlying the baseline calculations

The macroeconomic assumptions used in the baseline scenario are the same as those in the recently completed review, and envisage a contraction of real GDP in 2012. The scenario foresees a slow cyclical recovery in 2013 which becomes more robust by 2015. To construct a baseline for the medium-term debt projections, from 2015 onwards GDP growth is assumed to be limited to the modest average rate that the country achieved in the decade before the crisis, i.e. between 1999 and 2008, of 1.6% per annum. This was 0.5 percentage point below the euro area average and well below the growth rate of the catching-up countries. The figure corresponds to the "pre-reforms" estimate of long-term potential growth for Portugal. In other words, the baseline scenario does not include any positive growth effects from structural reforms. It can be considered a low estimate of possible GDP growth outcomes, given the significant progress already made by the Portuguese government in the field of structural reforms.

In line with the programme assumptions, the projection is based on a gradual improvement in financial market conditions from the second half of 2013, reflected in a decline in interest rate spreads as well as a continuation of the government's prudent fiscal stance. In the baseline scenario, the government reaches a budget deficit of 0.5% by 2015, as specified in the August 2011 Fiscal Strategy Document. The resulting consolidation effort translates into a primary budget surplus which amounts to 4.5% of GDP in 2015 and remains at around 4% of GDP afterwards. This primary surplus is not particularly high compared with those that other European countries have been able to maintain in the past for relatively long periods of time.[1] The baseline scenario also factors in the impact of ageing-related spending estimated by the European Commission.

Chart B shows that in the baseline scenario government debt rises from 93.3% in 2010 to around 115% of GDP in 2013 and progressively declines thereafter. The decline is particularly pronounced from 2014 onwards and the stock of debt reaches about 96% of GDP in 2020. The sharp decline is mainly the result of a protracted primary budget surplus. If that surplus

1 Many European countries have been able to maintain primary surpluses in the range of 4% to 5% of GDP for a very long period of time. In the euro area, for example, this has been the case for: Belgium, with an average primary surplus of 4.6% between 1989 and 2007; Finland, with an average primary surplus in the order of 5.5% in the periods 1970-1990 and 1998-2008; Italy, with an average primary surplus of 4.9% between 1995 and 2001; Ireland, with an average surplus of 4.7% between 1988 and 2000. See the box entitled "Past experience of EU countries with sustaining large primary budget surpluses", *Monthly Bulletin,* ECB, June 2011, pages 94-95.

Macroeconomic and fiscal assumptions underlying the baseline scenario

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP growth	-1.6	-3.3	0.3	2.1	2.0	1.8	1.6	1.6	1.6	1.6
GDP deflator growth	0.7	1.1	1.2	1.4	1.5	1.5	1.5	1.5	1.7	1.7
Primary balance-to-GDP ratio	0.1	0.5	2.2	3.3	4.5	4.4	4.3	4.1	4.0	3.9
Interest payments-to-GDP ratio	4.1	5.0	5.2	5.1	5.0	4.9	4.7	4.6	4.5	4.4
Average effective interest rates	4.4	4.6	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Fiscal balance-to-GDP ratio	-4.0	-4.5	-3.0	-1.8	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5

is assumed to be 1.5 percentage points lower, i.e. at about 2.5% on average between 2014 and 2020, under the same growth assumptions debt would stabilise at slightly below 110% of GDP by 2020 (see Chart B).

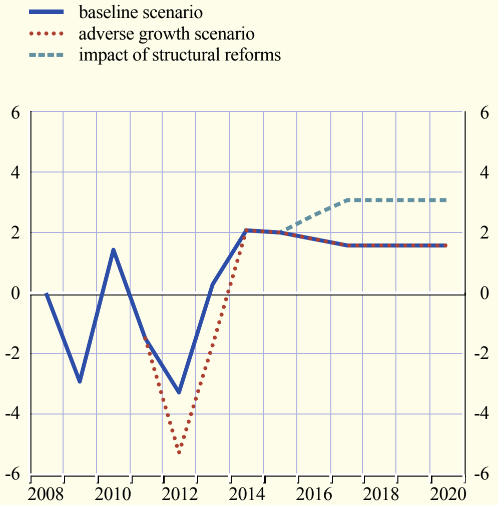
Assuming a more adverse GDP decline in the short term

Two further departures from the baseline scenario are analysed below. First, it is assumed that a very negative shock to GDP takes place between 2012 and 2013. This shock is calibrated to broadly match the current lower bound of GDP forecasts among market analysts for 2012 and 2013. This corresponds to a two-percentage-point reduction in GDP growth per year compared with the baseline scenario (see Chart A).

This scenario shows that such a shock to GDP, which is summarised by a cumulated GDP fall of 7% until the end of 2013, would lead to a temporary increase in the stock of debt to 124% of GDP in 2013. In this adverse scenario, it is assumed that there is no recovery in the loss of GDP and that fiscal policy remains passive, i.e. there is no extra consolidation effort in response to the worsening macroeconomic scenario, which leads to a two-year delay in achieving the 3% deficit

Chart A GDP growth scenarios

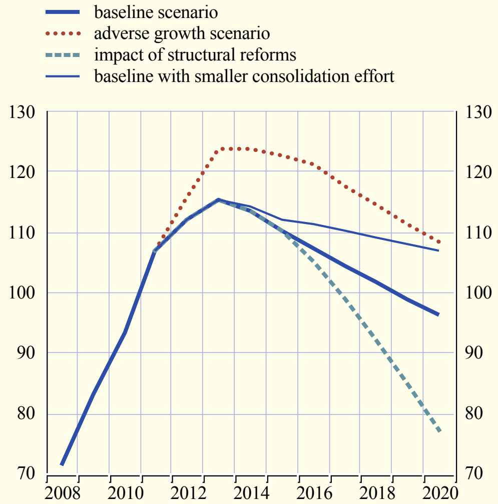
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart B General government debt scenarios

(as a percentage of GDP)



Sources: Eurostat and ECB calculations.

target under the excessive deficit procedure (from 2013 to 2015). Chart B shows that in the adverse scenario the declining profile of government debt starts to accelerate from 2015 onwards and the debt ratio reaches around 110% of GDP by 2020.

Potential impact of structural reforms

The second scenario tries to capture the impact of structural reforms on GDP growth and thus on debt dynamics. This impact is calibrated by including in the baseline scenario the effect of a reduction in the wage and price mark-ups obtained with simulations using the ECB's Euro Area and Global Economy model.[2] While structural reforms are currently being implemented in Portugal and progress has been already made in a number of key areas, analytical models usually indicate that their effects on GDP are not immediate. Hence, following the indications from model-based results, the baseline scenario is adjusted upwards only from 2015 onwards (see Chart A). The calibrated upward adjustment is such that real GDP growth reaches 3% by 2017 (i.e. five years after the implementation of structural reforms).[3] Higher growth has a positive budgetary impact and the fiscal balance as a percentage of GDP improves substantially, from -0.5% in 2015 to a surplus of about 3.5% by 2020.

Chart B shows that the impact of higher GDP growth in the medium term has a large impact on debt dynamics. The decline of the government debt ratio in this case is substantial and the stock of debt falls to below 80% of GDP by 2020, i.e. close to the pre-2009 crisis level. This illustrates that the full implementation of the structural reform programme can make a major contribution to achieving a sustained and swift decline in the government debt ratio.

Conclusions

The above analysis shows that under prudent assumptions regarding GDP growth, primary balance and stock-flow adjustments,[4] government debt dynamics for Portugal would quickly stabilise, with a subsequent steady decline in the debt ratio. Even in the absence of higher growth arising from structural reforms, government debt would fall below 100% by the end of the scenario horizon. In the case of a decline in GDP significantly larger than in the baseline and assuming a two-year delayed adjustment to the fiscal balance, the debt ratio would also stabilise in 2013, and visibly decline from 2015 onwards. In the scenario which includes the effect of structural reforms on GDP, government debt would reach about 77% of GDP by 2020.

Portugal's primary fiscal structural adjustment has been significant so far (at around 3.5% of GDP) – a fact also reflected in a large correction of the current account. This result has been obtained with a more limited fall in GDP in 2011 than initially envisaged. Moreover, privatisation receipts have been larger than estimated and the structural reform programme is on track. While the achievements so far have been very positive, the strong resolve shown

2 See S. Gomes, P. Jacquinot, M. Mohr, M. Pisani, "Structural reforms and macroeconomic performance in the euro area countries. A model-based assessment", *Working Paper Series,* No 1323, ECB, 2011.

3 According to the Euro Area and Global Economy model, the impact of a reduction of 15% in wage and price mark-ups lead to a cumulated increase in GDP of about 8% over seven years.

4 About 66% of the privatisation receipts expected for 2012 and 2013 materialised at the beginning of 2012. Moreover, debt projections include €12 billion, a sum which under the financial assistance programme has been earmarked for banks' capitalisation needs (Bank Solvency Support Facility). If only part of this amount were to be used, a downward correction of the debt-to-GDP ratio should be made.

up to now needs to be maintained. In particular, on the fiscal side continued efforts are needed to strengthen measures to prevent arrears accumulations, to further strengthen tax administration and to streamline public administration. Given the key role of structural reforms in boosting GDP, determined implementation of reforms, especially to reduce rents in the non-traded sectors, is also essential for the success of the programme.

In Ireland, the fifth review of the EU/IMF financial assistance programme concluded that the fiscal outlook for 2012 is in line with the targets (which foresee for 2012 a general government deficit of 8.6% of GDP). Slightly more than half of the consolidation effort in 2012 relates to expenditure, including cuts in government consumption, while on the revenue side the government foresees in particular measures related to indirect taxes (e.g. a VAT increase of 2 percentage points) and increases in various administered prices. Although fiscal risks have increased somewhat as the international macroeconomic environment has deteriorated, the government still seems to be committed to taking all the necessary measures to meet the deficit targets and bring the general government deficit below 3% of GDP by 2015, in line with Ireland's commitments under the excessive deficit procedure. On 26 January 2012 the Irish Fiscal Advisory Council published a report on how to best design the fiscal rules for Ireland, taking account of the government's Fiscal Responsibility Bill to be introduced in mid-2012, and how to strengthen the Council's independence.

With the exception of Estonia, Luxembourg and Finland, all euro area countries are currently subject to an excessive deficit procedure. On 11 January 2012 the European Commission informed the ECOFIN Council that it assessed Belgium, Cyprus and Malta as having taken effective action under their respective excessive deficit procedures. According to the Commission's latest forecasts for these countries, Malta is expected to have reduced its deficit to the reference value in 2011 – the deadline set for correcting its excessive deficit. In Belgium and Cyprus, the deficits are projected to decline to 2.9% and 2.7% of GDP respectively in 2012, which is the deadline for correcting their excessive deficits. As a consequence, the ECOFIN Council decided on 24 January 2012 to refrain from stepping up these countries' excessive deficit procedures.

STEPS TOWARDS A STRONGER FISCAL STABILITY UNION

On 2 March 2012 all the EU Member States except the United Kingdom and the Czech Republic signed a new intergovernmental Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. Key elements of the fiscal compact, as enshrined in the new Treaty, are the obligation of the signatories to achieve and maintain a budgetary position that is balanced or in surplus in structural terms, and their obligation to put in place an automatic mechanism to take corrective action (see Box 12 entitled "Main elements of the fiscal compact" for further details). In this regard, developments in the annual structural budget balances of the general government sector constitute a key fiscal variable for monitoring compliance with the new provisions. As these structural balances are derived from cyclically adjusted budget balances, net of one-off and temporary measures, the cyclical adjustment is an important part of the toolkit for the compliance assessment (see Box 13 entitled "Cyclical adjustment of the government budget balance").

Box 12

MAIN ELEMENTS OF THE FISCAL COMPACT

The fiscal compact as enshrined in the new "Treaty on Stability, Coordination and Governance in the Economic and Monetary Union" was agreed at the EU summit of 30 January 2012 and signed on 2 March by the Heads of State or Government of all EU countries, with the exception of the United Kingdom and the Czech Republic. In addition to the fiscal compact, the new Treaty includes provisions to foster economic policy coordination and convergence and to strengthen the governance of the euro area. The fiscal compact is a step towards a true "fiscal stability union", as it aims to strengthen the fiscal governance framework in the euro area and addresses some of the shortcomings of the recently reinforced Stability and Growth Pact.[1] It follows the agreement by the euro area Heads of State or Government on 9 December 2011 on the basic cornerstones of the fiscal compact. The new Treaty will enter into force after it has been ratified by at least 12 euro area countries. This box gives a brief overview of the main elements of the fiscal compact:

1. **A mandatory balanced budget rule:** The signatory Member States commit themselves to implement in their legislation a fiscal rule which requires that the general government budget be balanced or in surplus. The fiscal rule is considered to be respected if the annual structural balance meets the country-specific medium-term objective and does not exceed a deficit (in structural terms) of 0.5% of GDP. If the government debt ratio is significantly below 60% of GDP and risks to long-term fiscal sustainability are low, the medium-term objective can be set as low as a structural deficit of at most 1% of GDP.

   – **Rapid convergence towards the medium-term objective:** The fiscal compact states that countries with a structural balance not yet in line with the medium-term objective must ensure rapid convergence towards this objective. The concrete time frame for adjustment will be specified by the European Commission.

   – **Temporary deviations:** A country may temporarily deviate from its medium-term objective or adjustment path towards it only in exceptional circumstances, i.e. where there is an unusual event outside the control of the country concerned or a period of severe economic downturn as defined in the preventive arm of the reinforced Stability and Growth Pact.

   – **Automatic correction mechanism:** In the event that the structural balance of a country deviates significantly from the medium-term objective or the adjustment path towards it, a mechanism will be automatically triggered to correct these deviations. The cumulated impact of deviations on government debt dynamics should also be automatically corrected. The common principles regarding the nature, size and time frame of the corrective action to be undertaken, also in the case of exceptional circumstances, will be proposed by the European Commission. This proposal will also cover the role and independence of the national institutions responsible for monitoring observance of the rules.

1 For an assessment of the reinforced Stability and Growth Pact that entered into force in December 2011, see the box entitled "Stronger EU economic governance framework comes into force", *Monthly Bulletin*, ECB, December 2011.

– **Enforcement:** Member States are obliged to transpose the above elements of the balanced budget rule into national law, preferably at the constitutional level, within one year of the new Treaty entering into force. The European Commission will report on compliance with this transposition requirement. Any signatory Member State can call upon the European Court of Justice to verify the transposition of the rules into national law, and the latter can impose financial sanctions of up to 0.1% of GDP to ensure compliance with its judgements.

2. **Strengthening of the excessive deficit procedure:** The fiscal compact foresees that euro area countries commit themselves to support proposals or recommendations from the European Commission to the ECOFIN Council if a euro area country breaches the deficit criterion, unless this is opposed by a qualified majority of the other euro area countries. While fully respecting the requirements of the EU Treaties, this provision is expected to increase the automaticity of the excessive deficit procedure related to breaches of the deficit criterion. Moreover, Member States which are subject to an excessive deficit procedure are required to put in place a budgetary and economic partnership programme which should enable them to correct their excessive deficits in an effective and durable manner.

3. **Benchmark for government debt reduction:** The fiscal compact includes the numerical benchmark for debt reduction for Member States with government debt exceeding the 60% of GDP reference value, as foreseen in the reinforced Stability and Growth Pact. It thereby lifts the benchmark, for signatory countries, to the level of primary law. In concrete terms, the difference between the government debt-to-GDP ratio and 60% of GDP needs to be reduced at an average rate of one-twentieth per year.

4. **Public debt issuance plans:** Member States are asked to report ex ante on their public debt issuance plans. This should help to optimise the coordination of their financing plans.

Overall, the fiscal compact is a welcome step towards anchoring fiscal discipline in the euro area. If strictly implemented and enforced, the fiscal compact should strengthen the existing fiscal governance framework and foster its credibility. A more in-depth analysis of the fiscal compact will be featured in a forthcoming issue of the Monthly Bulletin.

Box 13

CYCLICAL ADJUSTMENT OF THE GOVERNMENT BUDGET BALANCE

Government revenue consists mainly of taxes and social contributions that are levied on different types of income and expenditure. Therefore, it tends to rise and fall in line with fluctuations in economic activity. By contrast, and with the notable exception of unemployment benefits, the bulk of government spending is largely unaffected by the economic cycle. Consequently, all other things being equal, government budget balances tend to improve during economic upturns and worsen during economic downturns.

The purpose of cyclical adjustment is to make a correction for the influence of the economic cycle on the public finances and arrive at a measure that better reflects the underlying, or structural, budgetary position. Estimating the cyclical component of the budget generally involves trying to measure: (i) where the economy stands in relation to its potential or trend level; and (ii) how different components of the budget normally respond to fluctuations in economic activity.

Cyclical adjustment in the context of the Stability and Growth Pact

The evolution of the structural budget balance, measured as the cyclically adjusted budget balance net of certain one-off and temporary measures, is one of the indicators closely monitored in the context of the Stability and Growth Pact. To this end, a commonly agreed method of cyclical adjustment has been developed and refined by the European Commission, which also draws on work by the OECD. In this method, the cyclical component of the budget balance is the product of the estimated output gap[1] and the assumed overall sensitivity of the budget with respect to output.[2] The output gap is estimated on the basis of a production function. The estimates obtained are updated at the time of each macroeconomic forecast. The overall budget sensitivity is a fixed parameter which is only re-estimated periodically (e.g. once every five years). It is derived from estimates or assumptions for: (i) the elasticity of cyclical budget items (taxes, social contributions and unemployment benefits) in relation to relevant GDP components (wages, profits and consumption) and unemployment; and (ii) the elasticity of these GDP components and unemployment in relation to overall GDP. These elasticities are usually fairly close to unity on average. This implies that the overall budget sensitivity is usually estimated as being close to the share of cyclical revenue and spending in GDP, which for the euro area as a whole is close to 0.5. In other words, for every 1% gap between output and its estimated potential, the corresponding cyclical component of the budget balance would be around ½% of GDP.

Limitations of cyclical adjustment

Cyclical adjustment is an important part of the toolkit for the conduct and assessment of fiscal policy. At the same time, all methods of cyclical adjustment have their limitations. It is therefore important that estimates of the cyclically adjusted budget balance are properly interpreted, bearing these limitations in mind. Two main problems are associated with most standard methods.

The first problem is that potential or trend economic activity is not observable and the view in real time on where the economy stands in relation to its potential or trend level depends to a large extent on forecasts for the future. This means that the assessment regarding the size of the output gap at any particular point in time is naturally reassessed ex post as new data comes in and forecast errors become known.

Revisions to output gap estimates, and hence estimated cyclical components of the budget balance, are heaviest when the economy is hit by unpredictable shocks. To give an example, in the autumn of 2007, euro area GDP for that year was viewed as being more or less in line with its potential. This meant that the cyclical component of the euro area budget balance was estimated to be very close to zero. However, as the euro area economy was subsequently hit by the global economic and financial crisis, this view changed. Output is now viewed as having been

1 See D'Auria, F., Denis, C., Havik, K., McMorrow, K., Planas, C., Raciborski, R., Röger W., "The production function methodology for calculating potential growth rates and output gaps", *European Economy – Economic Papers*, No 420, European Commission, July 2010.
2 See *New and updated budgetary sensitivities for the EU budgetary surveillance*, European Commission (DG-ECFIN website), September 2005.

around 2½% above potential, implying a positive cyclical component of the budget balance of around 1¼% of GDP (see Chart A). This implies a corresponding revision to the estimate of the euro area cyclically adjusted deficit for that year (see Chart B).

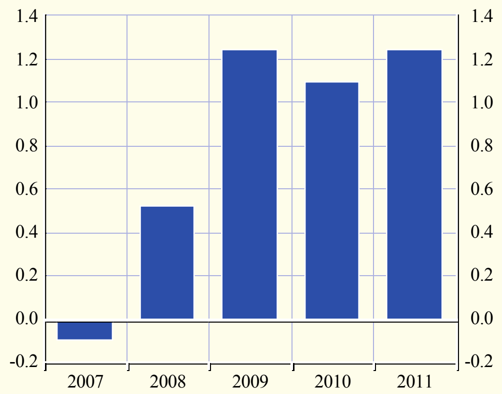
The second problem is that the actual relationship between cyclical budget components and GDP is more tenuous than the assumptions underlying cyclical adjustment imply. To start with, it is not only the overall level but also the composition of GDP which is generally significant for the public finances. For example, GDP growth driven by net exports will be less tax-rich than GDP growth driven by domestic demand. The cyclical adjustment methodology currently employed for fiscal analysis within the ESCB seeks to include such influences in the cyclical component of the budget balance.[3] To this end, in this method, cyclical components are calculated separately for different revenue and spending streams on the basis of the cyclical evolution of whichever macroeconomic aggregate (included in the corresponding macroeconomic projection) is viewed as more closely approximating the actual tax or spending base.

However, actual tax and spending bases still tend to be very different – and to behave very differently – from the macroeconomic aggregates which most closely approximate them. There are many reasons for this, and these are generally related to the complex nature of tax and benefit systems. There are several examples. First, taxes are levied partly on incomes (e.g. realised capital gains) and expenditure (e.g. purchases of existing housing) which do not enter into the calculation of GDP. Second, the main national accounts' measure of profits (the operating surplus) is an aggregation of profits and losses across firms and households, although in tax systems losses are not taxed negatively; they are instead carried forward and offset against profits in future years. Third, it is not so much broad aggregates (e.g. private consumption) but their composition (e.g. consumption of fuel, tobacco and alcohol) which determines tax receipts. Fourth, unemployment benefit outlays depend not only on aggregate unemployment, but on whether

3 See Bouthevillain et al., *Working Paper Series*, No 77, ECB, Frankfurt am Main, September 2001.

Chart A Successive estimates of the cyclical component[1)] of the 2007 euro area general government balance

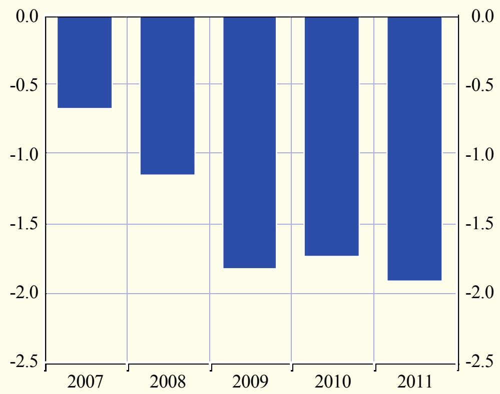
(percentage of GDP)



Source: European Commission.
1) Cyclical component based on the gap between actual and potential output at constant market prices as reported in successive European Commission autumn economic forecasts.

Chart B Successive estimates of the 2007 euro area cyclically adjusted[1)] general government balance

(percentage of GDP)



Source: European Commission.
1) Cyclically adjusted general government balance based on the gap between actual and potential output at constant market prices as reported in successive European Commission autumn economic forecasts.

unemployed persons qualify for benefit, which will normally depend on past social contributions, unemployment duration and so on. Year-on-year fluctuations in government revenue and spending caused by such factors will not be captured in the cyclical component of the budget balance, even though these fluctuations may be related directly or indirectly to the economic cycle. Such influences cannot be accommodated by standard cyclical adjustment procedures because their main determinants are not features of standard macroeconomic projections.

Another issue to bear in mind is that the output gap is a volume concept, while taxes and benefits depend on nominal values. Cyclical adjustment attempts to adjust for real economic cycles and not price cycles. Or, to put it another way, it is assumed that fluctuations in prices do not exert a significant cyclical influence on the government budget balance. Inflation does, however, matter for the public finances. This is not least because spending budgets are generally fixed in nominal terms, while many taxes and benefits will adjust automatically to wage and price inflation.

Conclusions

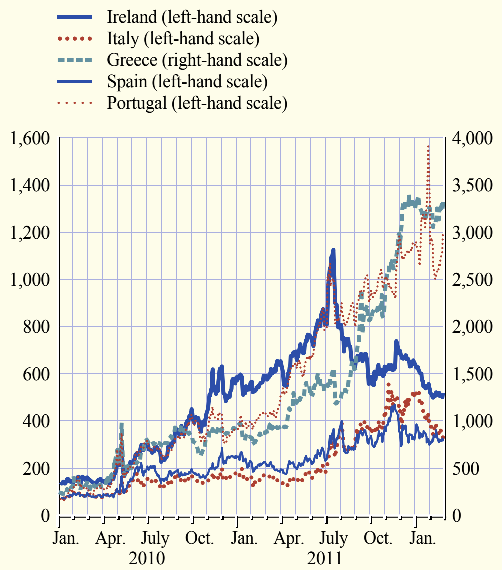
Bearing all of the above in mind, the cyclical component of the budget balance is probably best interpreted as follows. It is that part of the deficit or surplus which will tend to self-correct over time as a result of the impact of the economic cycle, assuming that today's GDP forecast turns out to be correct and assuming a stylised and stable relationship between cyclical budget components and GDP in the future. Based on these assumptions, reducing the cyclically adjusted budget deficit generally requires some combination of higher taxes and/or a path of non-cyclical spending which is maintained below the potential or trend growth rate of the economy. More generally, it should be noted that many factors, including not just the quasi-cyclical factors mentioned above but also non-cyclical factors such as population ageing, will exert an influence on the cyclically adjusted budget balance. Anticipating such factors to the extent possible and taking them into account when calibrating tax and spending decisions is important for the appropriate formulation of fiscal policy. It is also because of the uncertainties surrounding estimates of cyclically adjusted budget balances that compliance with headline budget deficit limits, notably the 3% of GDP reference value, remains an essential element of the Stability and Growth Pact.

On 2 February 2012 the euro area countries signed the Treaty establishing the permanent European Stability Mechanism (ESM), which will replace or complement the EFSF. This new crisis mechanism is aimed at safeguarding financial stability in the euro area and will enter into force on 1 July 2012, one year earlier than originally envisaged. The EFSF and the ESM are expected to have a combined lending capacity of €500 billion, the adequacy of which will be reviewed by the Heads of State or Government at their meeting at the end of March. As of 1 March 2013 it will only be possible for euro area countries that have ratified the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union to be granted financial assistance under the ESM.

There are first indications that progress with fiscal consolidation in the euro area as a whole and in vulnerable countries in particular, as well as efforts to strengthen the EU fiscal and economic governance framework and, thus, the foundations of the single currency, have been recognised by the financial markets. In this regard, sovereign debt market tensions have receded in vulnerable euro area countries, as evidenced by a reduction in the bond yield spreads vis-à-vis German sovereign bond yields (see Chart 61).

Chart 61 Spreads vis-à-vis German ten-year government bond yields

(daily data; basis points)



Sources: Bloomberg, Thomson Reuters and ECB calculations.

FISCAL POLICY CHALLENGES

The fiscal compact, as enshrined in the new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, is a step in the right direction. Together with the "six pack" of economic and fiscal governance reforms, which came into force in December 2011,[4] it constitutes another commitment to strengthening the fiscal framework underlying EMU. These steps towards ensuring more fiscal discipline, coupled with further efforts to improve competitiveness, have contributed to enhancing financial market confidence. Nevertheless, financial market sentiment remains fragile. Governments in the euro area must therefore continue to implement comprehensive fiscal consolidation strategies and comply with all their commitments under the Stability and Growth Pact. In this respect, the 2012 European Semester should be used to rigorously enforce the enhanced fiscal surveillance mechanism. In their 2012 stability programmes, which are to be submitted to the European Commission by mid-April, euro area countries should detail how they intend to comply with the new Treaty. Moreover, countries subject to an excessive deficit procedure should specify the measures to be taken to correct their excessive deficits by the deadline. They should also take account of the recommendations issued by the ECOFIN Council in the context of the assessment of the 2011 stability programmes. Fiscal consolidation efforts should focus on measures that have the potential to increase spending efficiency and competitiveness, thereby supporting economic growth.

Looking ahead, additional ambitious steps towards improving the fiscal framework and moving towards a true "fiscal stability union" will be necessary. Together with the progress already achieved this would give rise to a virtuous circle of sound fiscal positions, lower government debt sustainability risks and higher financial market confidence.

4 For further details, see the box entitled "Stronger EU economic governance framework comes into force", *Monthly Bulletin*, ECB, December 2011.

EURO AREA STATISTICS

CONTENTS[1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1)]

	M1 [2)]	M2 [2)]	M3 [2), 3)]	M3 [2), 3)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2)]	Securities other than shares issued in euro by non-MFI corporations [2)]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4)]
	1	2	3	4	5	6	7	8
2010	8.5	1.8	0.5	-	0.6	4.2	0.81	3.36
2011	2.0	2.3	2.2	-	2.4	1.0	1.39	2.65
2011 Q1	3.2	2.4	1.9	-	2.4	2.2	1.10	3.66
Q2	1.7	2.4	2.1	-	2.6	1.5	1.42	3.41
Q3	1.4	2.3	2.4	-	2.5	0.7	1.56	2.48
Q4	1.9	2.1	2.3	-	2.0	-0.2	1.50	2.65
2011 Sep.	2.0	2.5	2.9	2.8	2.5	0.0	1.54	2.48
Oct.	1.7	1.9	2.6	2.5	2.7	0.7	1.58	2.79
Nov.	2.1	2.1	2.0	2.0	1.7	-0.8	1.48	3.07
Dec.	1.6	1.8	1.5	2.0	1.0	-0.7	1.43	2.65
2012 Jan.	2.0	2.3	2.5	.	1.1	.	1.22	2.67
Feb.	.	.	.	.	.	.	1.05	2.59

2. Prices, output, demand and labour markets [5)]

	HICP [1)]	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2010	1.6	2.9	1.6	1.9	7.4	76.7	-0.5	10.1
2011	2.7	5.9	.	1.4	3.6	80.4	.	10.2
2011 Q2	2.8	6.3	3.3	1.6	4.1	80.9	0.4	10.0
Q3	2.7	5.9	2.7	1.3	4.0	80.0	0.3	10.2
Q4	2.9	5.1	.	0.7	-0.2	79.8	.	10.5
2011 Sep.	3.0	5.8	-	-	2.2	-	-	10.3
Oct.	3.0	5.5	-	-	1.0	79.6	-	10.4
Nov.	3.0	5.4	-	-	0.1	-	-	10.5
Dec.	2.7	4.3	-	-	-2.0	-	-	10.6
2012 Jan.	2.6	3.7	-	-	.	80.0	-	10.7
Feb.	2.7	.	-	-	.	-	-	.

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 [6)] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8	9
2010	-36.7	12.9	98.1	591.2	-13.4	120.4	103.6	101.6	1.3257
2011	-21.6	6.0	223.7	667.1	.	.	103.4	100.7	1.3920
2011 Q1	-27.8	-13.0	118.7	576.6	-13.4	117.5	102.7	100.1	1.3680
Q2	-20.4	-3.0	121.2	580.9	-14.1	119.4	105.2	102.6	1.4391
Q3	0.6	3.1	21.1	646.6	-13.8	123.0	103.5	100.7	1.4127
Q4	25.9	18.9	-37.4	667.1	.	.	102.1	99.4	1.3482
2011 Sep.	0.9	3.6	29.7	646.6	.	.	102.8	100.0	1.3770
Oct.	4.1	1.7	-34.1	651.6	.	.	103.0	100.3	1.3706
Nov.	4.1	6.7	-6.5	683.4	.	.	102.6	99.9	1.3556
Dec.	17.7	10.5	3.2	667.1	.	.	100.8	98.1	1.3179
2012 Jan.	.	.	.	702.4	.	.	98.9	96.4	1.2905
Feb.	.	.	.	.	.	.	99.6	97.1	1.3224

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

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	10 February 2012	17 February 2012	24 February 2012	2 March 2012
Gold and gold receivables	423,446	423,445	423,445	423,445
Claims on non-euro area residents in foreign currency	245,107	245,805	245,278	246,981
Claims on euro area residents in foreign currency	100,629	99,629	99,874	72,110
Claims on non-euro area residents in euro	23,936	23,512	23,801	23,269
Lending to euro area credit institutions in euro	787,255	796,332	819,682	1,130,352
Main refinancing operations	109,462	142,751	166,490	29,469
Longer-term refinancing operations	676,505	652,097	652,097	1,100,076
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	1,213	1,436	1,020	783
Credits related to margin calls	74	48	75	24
Other claims on euro area credit institutions in euro	70,338	69,197	64,663	59,261
Securities of euro area residents in euro	624,299	624,679	626,474	631,714
Securities held for monetary policy purposes	282,686	283,029	283,609	284,080
Other securities	341,613	341,649	342,865	347,633
General government debt in euro	31,176	31,176	31,176	31,176
Other assets	349,598	349,488	358,205	404,851
Total assets	2,655,784	2,663,261	2,692,598	3,023,159

2. Liabilities

	10 February 2012	17 February 2012	24 February 2012	2 March 2012
Banknotes in circulation	869,974	869,355	867,396	870,556
Liabilities to euro area credit institutions in euro	812,062	807,200	793,399	1,148,864
Current accounts (covering the minimum reserve system)	83,209	132,473	93,676	91,402
Deposit facility	507,876	454,356	477,324	820,819
Fixed-term deposits	219,000	219,500	219,500	219,500
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1,977	871	2,899	17,143
Other liabilities to euro area credit institutions in euro	2,215	1,931	2,329	7,368
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	94,255	110,572	153,640	147,146
Liabilities to non-euro area residents in euro	118,781	118,157	115,851	90,890
Liabilities to euro area residents in foreign currency	5,014	4,701	4,771	4,413
Liabilities to non-euro area residents in foreign currency	7,319	7,401	7,337	7,861
Counterpart of special drawing rights allocated by the IMF	55,942	55,942	55,942	55,942
Other liabilities	214,318	212,316	215,914	213,100
Revaluation accounts	394,028	394,029	394,029	394,029
Capital and reserves	81,877	81,657	81,990	82,990
Total liabilities	2,655,784	2,663,261	2,692,598	3,023,159

Source: ECB.

1.2 Key ECB interest rates

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

With effect from: [1]	Deposit facility		Main refinancing operations			Marginal lending facility	
			Fixed rate tenders	Variable rate tenders			
			Fixed rate	Minimum bid rate			
	Level	Change	Level	Level	Change	Level	Change
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 [2]	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 [3]	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25
11 Oct.	2.25	0.25	-	3.25	0.25	4.25	0.25
13 Dec.	2.50	0.25	-	3.50	0.25	4.50	0.25
2007 14 Mar.	2.75	0.25	-	3.75	0.25	4.75	0.25
13 June	3.00	0.25	-	4.00	0.25	5.00	0.25
2008 9 July	3.25	0.25	-	4.25	0.25	5.25	0.25
8 Oct.	2.75	-0.50	-	-	-	4.75	-0.50
9 [4]	3.25	0.50	-	-	-	4.25	-0.50
15 [5]	3.25	...	3.75	-	-0.50	4.25	...
12 Nov.	2.75	-0.50	3.25	-	-0.50	3.75	-0.50
10 Dec.	2.00	-0.75	2.50	-	-0.75	3.00	-0.75
2009 21 Jan.	1.00	-1.00	2.00	-	-0.50	3.00	...
11 Mar.	0.50	-0.50	1.50	-	-0.50	2.50	-0.50
8 Apr.	0.25	-0.25	1.25	-	-0.25	2.25	-0.25
13 May	0.25	...	1.00	-	-0.25	1.75	-0.50
2011 13 Apr.	0.50	0.25	1.25	-	0.25	2.00	0.25
13 July	0.75	0.25	1.50	-	0.25	2.25	0.25
9 Nov.	0.50	-0.25	1.25	-	-0.25	2.00	-0.25
14 Dec.	0.25	-0.25	1.00	-	-0.25	1.75	-0.25

Source: ECB.

1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers both to the deposit and marginal lending facilities and to the main refinancing operations (with changes effective from the first main refinancing operation following the Governing Council decision), unless otherwise indicated.
2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.
5) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

1.3 Eurosystem monetary policy operations allotted through tender procedures [1], [2]

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3]

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7	8
	Main refinancing operations							
2011 30 Nov.	265,456	192	265,456	1.25	-	-	-	7
7 Dec.	252,100	197	252,100	1.25	-	-	-	7
14	291,629	197	291,629	1.00	-	-	-	7
21	169,024	146	169,024	1.00	-	-	-	7
28	144,755	171	144,755	1.00	-	-	-	7
2012 4 Jan.	130,622	138	130,622	1.00	-	-	-	7
11	110,923	131	110,923	1.00	-	-	-	7
18	126,877	143	126,877	1.00	-	-	-	7
25	130,317	136	130,317	1.00	-	-	-	7
1 Feb.	115,579	135	115,579	1.00	-	-	-	7
8	109,462	135	109,462	1.00	-	-	-	7
15	142,751	160	142,751	1.00	-	-	-	7
22	166,490	169	166,490	1.00	-	-	-	7
29	29,469	83	29,469	1.00	-	-	-	7
7 Mar.	17,541	65	17,541	1.00	-	-	-	7
	Longer-term refinancing operations							
2011 27 Oct. [5]	56,934	181	56,934	.	-	-	-	371
27	44,564	91	44,564	1.17	-	-	-	91
9 Nov.	55,547	47	55,547	1.25	-	-	-	35
1 Dec.	38,620	108	38,620	1.26	-	-	-	91
14	41,150	42	41,150	1.00	-	-	-	35
22 [5]	29,741	72	29,741	.	-	-	-	98
22 [5] [6]	489,191	523	489,191	.	-	-	-	1,134
2012 18 Jan.	38,734	44	38,734	1.00	-	-	-	28
26 [5]	19,580	54	19,580	.	-	-	-	91
15 Feb.	14,325	18	14,325	1.00	-	-	-	28
1 Mar. [5]	6,496	30	6,496	.	-	-	-	91
1 [5] [6]	529,531	800	529,531	.	-	-	-	1,092

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2011 7 Dec.	Collection of fixed-term deposits	246,344	113	207,000	-	-	1.25	1.00	0.65	7
13	Collection of fixed-term deposits	260,883	137	258,029	-	-	1.25	1.05	1.03	1
14	Collection of fixed-term deposits	241,403	110	207,500	-	-	1.00	0.80	0.49	7
21	Collection of fixed-term deposits	257,035	106	211,000	-	-	1.00	0.75	0.53	7
28	Collection of fixed-term deposits	263,336	95	211,000	-	-	1.00	0.89	0.56	7
2012 4 Jan.	Collection of fixed-term deposits	336,926	134	211,500	-	-	1.00	0.44	0.36	7
11	Collection of fixed-term deposits	376,720	131	213,000	-	-	1.00	0.34	0.32	7
18	Collection of fixed-term deposits	377,640	118	217,000	-	-	1.00	0.31	0.29	7
25	Collection of fixed-term deposits	345,649	113	219,000	-	-	1.00	0.30	0.28	7
1 Feb.	Collection of fixed-term deposits	325,503	100	219,000	-	-	1.00	0.28	0.27	7
8	Collection of fixed-term deposits	344,328	97	219,000	-	-	1.00	0.28	0.27	7
15	Collection of fixed-term deposits	351,861	97	219,500	-	-	1.00	0.28	0.27	7
22	Collection of fixed-term deposits	372,243	91	219,500	-	-	1.00	0.27	0.27	7
29	Collection of fixed-term deposits	331,939	79	219,500	-	-	1.00	0.27	0.26	7
7 Mar.	Collection of fixed-term deposits	452,118	106	219,500	-	-	1.00	0.26	0.26	7

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) In this longer-term refinancing operation, the rate at which all bids are satisfied is indexed to the average minimum bid rate in the main refinancing operations over the life of the operation. The interest rates displayed for these indexed longer-term refinancing operations have been rounded to two decimal places. For the precise calculation method, please refer to the Technical Notes.
6) After one year counterparties will have the option to repay any part of the liquidity that they have been allotted in this operation, on any day that coincides with the settlement day of a main refinancing operation.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at: [1]	Total	Liabilities to which a positive reserve coefficient is applied [2]		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	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2011	18,970.1	9,790.9	687.7	2,781.2	1,303.5	4,406.8
2011 Aug.	19,095.3	9,688.3	645.8	2,782.6	1,557.4	4,421.3
Sep.	19,247.9	9,761.9	650.5	2,808.3	1,576.5	4,450.7
Oct.	19,126.2	9,718.9	657.4	2,788.5	1,562.7	4,398.7
Nov.	19,073.0	9,708.5	673.6	2,776.0	1,509.5	4,405.4
Dec.	18,970.1	9,790.9	687.7	2,781.2	1,303.5	4,406.8

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	0.5	1.00
2011	207.7	212.2	4.5	0.0	1.25
2011 11 Oct.	206.1	208.7	2.6	0.0	1.50
8 Nov.	206.2	208.9	2.8	0.0	1.50
13 Dec.	207.7	212.2	4.5	0.0	1.25
2012 17 Jan.	207.0	212.3	5.3	0.0	1.00
14 Feb.	103.3	108.1	4.7	0.0	1.00
13 Mar.	104.3	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations [3]	Deposit facility	Other liquidity-absorbing operations [4]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010	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	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2011 13 Sep.	540.3	135.1	389.8	0.3	178.0	121.8	109.8	853.2	52.3	-103.0	209.5	1,184.5
11 Oct.	571.0	193.0	373.6	1.5	217.4	168.7	162.9	854.9	50.0	-88.5	208.7	1,232.2
8 Nov.	612.1	196.1	387.1	2.8	231.9	204.6	178.0	861.4	57.9	-80.8	208.9	1,274.8
13 Dec.	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2012 17 Jan.	683.9	169.4	627.3	6.0	278.6	399.3	210.8	883.7	67.7	-8.7	212.3	1,495.3
14 Feb.	698.3	120.6	683.6	2.3	282.4	489.0	218.5	870.1	100.1	1.6	108.1	1,467.1

Source: ECB.
1) End of period.
2) A coefficient of 1% is applied as of the maintenance period beginning on 18 January 2012. A coefficient of 2% is applied to all previous maintenance periods.
3) Includes liquidity provided under the Eurosystem's covered bond purchase programmes and the Eurosystem's Securities Markets Programme.
4) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.
For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets [3]
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2010	3,212.4	1,551.0	18.6	0.9	1,531.5	574.4	463.8	9.4	101.2	-	18.1	684.1	8.5	376.3
2011	4,701.5	2,728.6	18.0	1.0	2,709.6	716.9	600.3	10.9	105.7	-	19.9	779.2	8.8	448.2
2011 Q3	3,928.6	2,043.3	18.0	1.0	2,024.4	659.9	544.3	10.9	104.7	-	17.9	767.4	8.7	431.3
Q4	4,701.5	2,728.6	18.0	1.0	2,709.6	716.9	600.3	10.9	105.7	-	19.9	779.2	8.8	448.2
2011 Oct.	4,013.1	2,122.5	18.0	1.0	2,103.6	667.3	551.8	10.8	104.7	-	18.6	757.7	8.7	438.3
Nov.	4,329.7	2,383.6	18.0	1.0	2,364.7	691.8	576.5	10.9	104.3	-	18.4	784.5	8.8	442.7
Dec.	4,701.5	2,728.6	18.0	1.0	2,709.6	716.9	600.3	10.9	105.7	-	19.9	779.2	8.8	448.2
2012 Jan. (p)	4,741.5	2,761.9	18.0	1.0	2,743.0	730.4	613.8	11.0	105.6	-	20.2	808.8	8.8	411.3
	MFIs excluding the Eurosystem													
2010	32,199.5	17,763.1	1,221.8	11,026.1	5,515.2	4,938.6	1,524.2	1,528.6	1,885.8	59.9	1,233.1	4,323.4	223.5	3,657.9
2011	33,542.4	18,488.2	1,160.0	11,162.2	6,166.0	4,766.8	1,397.5	1,517.9	1,851.5	50.2	1,213.4	4,252.0	233.2	4,538.5
2011 Q3	33,661.6	18,445.7	1,145.8	11,296.1	6,003.8	4,674.6	1,416.1	1,458.8	1,799.8	58.4	1,229.9	4,420.8	230.3	4,601.8
Q4	33,542.4	18,488.2	1,160.0	11,162.2	6,166.0	4,766.8	1,397.5	1,517.9	1,851.5	50.2	1,213.4	4,252.0	233.2	4,538.5
2011 Oct.	33,344.4	18,448.9	1,145.5	11,266.3	6,037.1	4,716.8	1,393.8	1,519.1	1,804.0	55.9	1,226.6	4,268.1	230.9	4,397.1
Nov.	33,392.7	18,538.6	1,144.3	11,251.7	6,142.6	4,710.5	1,381.8	1,523.7	1,805.0	56.3	1,228.2	4,277.3	231.5	4,350.3
Dec.	33,542.4	18,488.2	1,160.0	11,162.2	6,166.0	4,766.8	1,397.5	1,517.9	1,851.5	50.2	1,213.4	4,252.0	233.2	4,538.5
2012 Jan. (p)	33,737.5	18,524.9	1,157.0	11,194.7	6,173.2	4,837.7	1,448.1	1,521.1	1,868.5	51.7	1,233.5	4,230.9	231.2	4,627.5

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [4]	Debt securities issued [5]	Capital and reserves	External liabilities	Remaining liabilities [3]
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2010	3,212.4	863.7	1,394.8	68.0	8.7	1,318.1	-	0.0	428.5	153.8	371.7
2011	4,701.5	913.7	2,609.5	63.8	12.1	2,533.6	-	0.0	483.4	287.7	407.2
2011 Q3	3,928.6	882.1	1,984.0	50.1	6.6	1,927.3	-	0.0	475.8	189.4	397.3
Q4	4,701.5	913.7	2,609.5	63.8	12.1	2,533.6	-	0.0	483.4	287.7	407.2
2011 Oct.	4,013.1	889.2	2,068.0	66.4	10.6	1,991.0	-	0.0	477.1	177.5	401.3
Nov.	4,329.7	892.7	2,367.8	60.9	12.0	2,294.9	-	0.0	489.4	178.2	401.8
Dec.	4,701.5	913.7	2,609.5	63.8	12.1	2,533.6	-	0.0	483.4	287.7	407.2
2012 Jan. (p)	4,741.5	893.6	2,666.9	108.7	9.8	2,548.4	-	0.0	524.3	245.1	411.6
	MFIs excluding the Eurosystem										
2010	32,199.5	-	16,497.6	196.2	10,526.4	5,774.9	612.3	4,847.4	2,045.5	4,218.2	3,978.5
2011	33,542.4	-	17,267.4	195.5	10,752.6	6,319.3	570.5	5,008.1	2,234.1	3,802.4	4,660.0
2011 Q3	33,661.6	-	17,079.4	211.4	10,783.6	6,084.4	607.5	4,955.3	2,203.5	4,030.8	4,785.0
Q4	33,542.4	-	17,267.4	195.5	10,752.6	6,319.3	570.5	5,008.1	2,234.1	3,802.4	4,660.0
2011 Oct.	33,344.4	-	17,073.6	195.5	10,763.2	6,114.9	596.6	4,923.3	2,203.5	3,950.4	4,597.0
Nov.	33,392.7	-	17,113.5	203.8	10,726.1	6,183.6	603.2	4,943.7	2,204.2	3,969.5	4,558.7
Dec.	33,542.4	-	17,267.4	195.5	10,752.6	6,319.3	570.5	5,008.1	2,234.1	3,802.4	4,660.0
2012 Jan. (p)	33,737.5	-	17,274.4	210.5	10,765.0	6,298.9	547.4	5,014.7	2,258.3	3,858.2	4,784.5

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 [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets [2]
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2010	25,811.8	12,267.4	1,240.4	11,027.0	3,526.1	1,988.0	1,538.1	799.9	5,007.5	232.0	3,979.1
2011	26,810.6	12,341.2	1,178.0	11,163.2	3,526.5	1,997.8	1,528.7	739.1	5,031.2	242.0	4,930.6
2011 Q3	27,052.7	12,460.8	1,163.8	11,297.0	3,430.0	1,960.4	1,469.6	752.4	5,188.2	239.0	4,982.2
Q4	26,810.6	12,341.2	1,178.0	11,163.2	3,526.5	1,997.8	1,528.7	739.1	5,031.2	242.0	4,930.6
2011 Oct.	26,707.0	12,430.7	1,163.5	11,267.2	3,475.5	1,945.6	1,529.9	751.7	5,025.8	239.7	4,783.7
Nov.	26,705.6	12,415.0	1,162.3	11,252.7	3,493.0	1,958.3	1,534.7	753.9	5,061.8	240.2	4,741.7
Dec.	26,810.6	12,341.2	1,178.0	11,163.2	3,526.5	1,997.8	1,528.7	739.1	5,031.2	242.0	4,930.6
2012 Jan. (p)	26,981.8	12,370.6	1,174.9	11,195.7	3,594.1	2,062.0	1,532.1	749.2	5,039.7	240.0	4,988.1
	Transactions										
2010	598.4	412.8	206.3	206.5	142.3	144.8	-2.5	5.7	-110.4	2.4	145.4
2011	1,014.9	49.9	-58.8	108.8	144.0	163.1	-19.1	-33.0	-34.9	8.1	880.3
2011 Q3	1,379.5	46.1	-6.9	53.0	30.7	37.1	-6.4	-23.2	19.6	1.6	1,304.6
Q4	-254.8	-102.1	13.5	-115.7	95.2	56.2	38.9	-14.3	-173.3	3.7	-64.4
2011 Oct.	-252.3	0.1	-0.3	0.3	40.3	-0.8	41.2	-4.7	-89.9	0.6	-198.7
Nov.	-76.5	-20.7	-1.3	-19.3	43.3	39.6	3.7	5.5	-63.3	0.6	-41.9
Dec.	74.0	-81.5	15.1	-96.7	11.6	17.5	-5.9	-15.1	-20.1	2.5	176.1
2012 Jan. (p)	235.0	36.2	-3.0	39.2	68.7	60.1	8.6	9.6	17.7	-1.7	105.0

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities [2]	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	25,811.8	808.6	264.2	10,535.1	552.4	2,860.4	2,022.7	4,372.0	4,350.2	46.3
2011	26,810.6	857.5	259.2	10,764.7	520.3	3,050.9	2,223.3	4,090.1	5,067.2	-22.7
2011 Q3	27,052.7	831.2	261.5	10,790.2	549.0	3,050.8	2,183.9	4,220.3	5,182.4	-16.5
Q4	26,810.6	857.5	259.2	10,764.7	520.3	3,050.9	2,223.3	4,090.1	5,067.2	-22.7
2011 Oct.	26,707.0	837.5	261.9	10,773.8	540.7	3,014.6	2,187.1	4,127.9	4,998.3	-34.8
Nov.	26,705.6	841.4	264.6	10,738.1	546.9	3,034.3	2,200.9	4,147.6	4,960.5	-28.8
Dec.	26,810.6	857.5	259.2	10,764.7	520.3	3,050.9	2,223.3	4,090.1	5,067.2	-22.7
2012 Jan. (p)	26,981.8	843.0	319.2	10,774.8	495.7	3,040.6	2,278.1	4,103.3	5,196.1	-68.8
	Transactions									
2010	598.4	38.6	11.8	331.6	-98.2	41.6	99.9	-25.5	145.9	52.6
2011	1,014.9	49.1	-0.9	174.4	-26.6	57.3	137.6	-197.5	891.8	-70.3
2011 Q3	1,379.5	11.5	-77.5	104.7	6.3	-16.4	49.7	-11.6	1,339.8	-26.9
Q4	-254.8	26.4	-2.2	-32.2	-6.6	-41.3	48.5	-116.7	-104.4	-26.2
2011 Oct.	-252.3	6.3	0.5	-7.8	-8.4	-18.0	4.1	-39.1	-178.8	-11.2
Nov.	-76.5	3.9	2.7	-45.9	6.5	-8.8	18.3	-43.4	-19.9	10.1
Dec.	74.0	16.2	-5.4	21.5	-4.7	-14.5	26.1	-34.3	94.2	-25.1
2012 Jan. (p)	235.0	-14.4	59.9	13.1	8.0	-14.9	8.0	58.7	128.0	-11.5

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 [1]

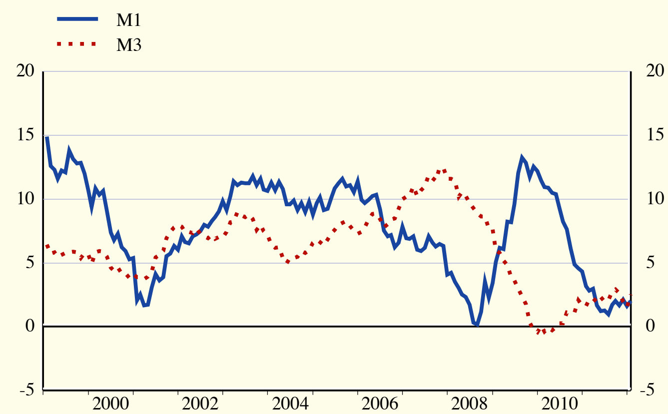
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets [3]
	M2			M3-M2						Loans	Loans adjusted for sales and securitisation [4]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2010	4,698.5	3,696.2	8,394.8	1,127.5	9,522.3	-	7,313.6	3,270.5	13,379.2	11,047.8	-	617.3
2011	4,780.9	3,789.3	8,570.2	1,146.1	9,716.3	-	7,728.5	3,220.1	13,445.8	11,184.7	-	922.2
2011 Q3	4,783.5	3,821.2	8,604.7	1,233.0	9,837.8	-	7,709.2	3,121.0	13,505.1	11,267.6	-	961.8
Q4	4,780.9	3,789.3	8,570.2	1,146.1	9,716.3	-	7,728.5	3,220.1	13,445.8	11,184.7	-	922.2
2011 Oct.	4,769.3	3,809.6	8,579.0	1,204.6	9,783.6	-	7,711.7	3,106.5	13,555.4	11,261.0	-	886.4
Nov.	4,786.6	3,802.4	8,589.0	1,184.8	9,773.9	-	7,724.5	3,125.0	13,522.8	11,249.4	-	905.5
Dec.	4,780.9	3,789.3	8,570.2	1,146.1	9,716.3	-	7,728.5	3,220.1	13,445.8	11,184.7	-	922.2
2012 Jan. (p)	4,783.9	3,836.2	8,620.1	1,138.8	9,758.9	-	7,780.7	3,251.9	13,498.0	11,214.8	-	922.4
	Transactions											
2010	194.7	-12.8	181.9	-24.7	157.2	-	252.4	355.2	209.3	207.6	264.5	-84.9
2011	76.2	72.0	148.2	-4.8	143.4	-	219.6	105.4	57.4	109.4	135.3	162.0
2011 Q3	57.0	35.6	92.6	72.0	164.6	-	69.3	62.6	43.9	57.0	68.8	24.5
Q4	-4.0	-37.4	-41.4	-75.7	-117.1	-	-1.8	117.0	-62.4	-64.8	-28.5	-69.4
2011 Oct.	-10.6	-7.9	-18.4	-27.7	-46.1	-	22.3	-0.5	57.3	23.5	52.5	-56.2
Nov.	16.2	-13.5	2.7	-20.2	-17.5	-	-13.5	45.4	-35.3	-16.4	-13.7	-17.1
Dec.	-9.6	-16.0	-25.6	-27.8	-53.4	-	-10.5	72.1	-84.3	-71.9	-67.4	3.9
2012 Jan. (p)	4.6	47.7	52.4	16.0	68.4	-	11.5	27.7	63.6	36.8	42.7	-36.2
	Growth rates											
2010	4.3	-0.4	2.2	-2.2	1.7	1.8	3.6	12.1	1.6	1.9	2.4	-84.9
2011	1.6	1.9	1.8	-0.5	1.5	2.0	3.0	3.5	0.4	1.0	1.2	162.0
2011 Q3	2.0	3.1	2.5	5.8	2.9	2.8	4.2	5.6	1.5	2.5	2.7	194.1
Q4	1.6	1.9	1.8	-0.5	1.5	2.0	3.0	3.5	0.4	1.0	1.2	162.0
2011 Oct.	1.7	2.3	1.9	7.9	2.6	2.5	4.3	-0.4	2.1	2.7	3.0	226.8
Nov.	2.1	2.1	2.1	0.9	2.0	2.0	3.4	0.3	0.9	1.7	1.9	198.7
Dec.	1.6	1.9	1.8	-0.5	1.5	2.0	3.0	3.5	0.4	1.0	1.2	162.0
2012 Jan. (p)	2.0	2.6	2.3	4.3	2.5	.	2.8	4.8	0.7	1.1	1.5	106.9

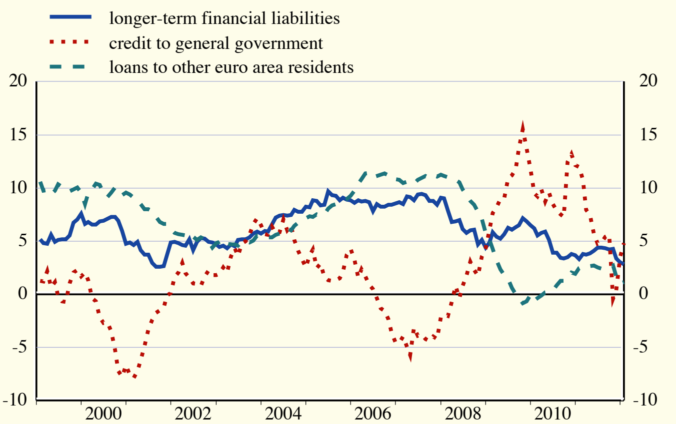
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
Monthly and other shorter-term growth rates for selected items are available at: http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html

2) Monetary liabilities of MFIs and central government (post office, treasury, etc.) vis-à-vis non-MFI euro area residents excluding central government.
For definitions of M1, M2 and M3, see glossary.

3) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.

4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

2.3 Monetary statistics [1]

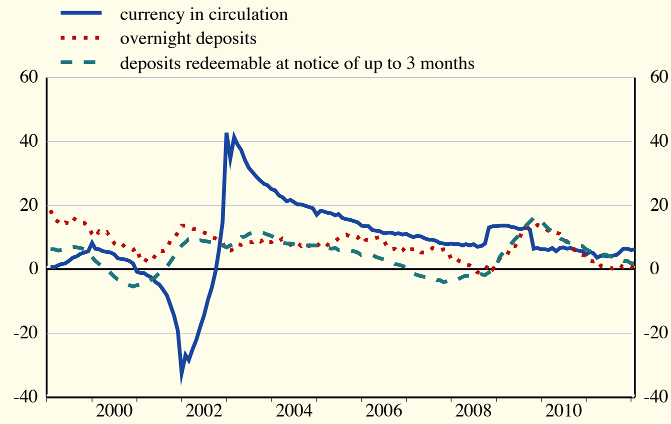
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
						Outstanding amounts					
2010	793.6	3,904.9	1,781.3	1,914.9	433.9	570.2	123.4	2,753.4	118.4	2,436.0	2,005.8
2011	842.1	3,938.8	1,828.1	1,961.2	402.1	537.0	207.1	2,861.5	114.9	2,548.1	2,203.9
2011 Q3	832.3	3,951.2	1,862.7	1,958.6	508.8	552.6	171.6	2,878.6	119.4	2,529.6	2,181.7
Q4	842.1	3,938.8	1,828.1	1,961.2	402.1	537.0	207.1	2,861.5	114.9	2,548.1	2,203.9
2011 Oct.	843.3	3,926.1	1,846.1	1,963.5	486.9	545.7	172.1	2,840.1	118.6	2,568.5	2,184.4
Nov.	847.3	3,939.4	1,826.4	1,976.0	465.3	545.6	173.9	2,866.1	115.6	2,551.1	2,191.7
Dec.	842.1	3,938.8	1,828.1	1,961.2	402.1	537.0	207.1	2,861.5	114.9	2,548.1	2,203.9
2012 Jan. (p)	851.9	3,932.0	1,875.9	1,960.3	432.8	500.2	205.8	2,841.4	114.0	2,555.2	2,270.0
						Transactions					
2010	36.0	158.7	-125.7	112.9	95.4	-101.2	-18.9	61.8	-14.1	108.3	96.5
2011	48.7	27.5	34.9	37.1	-10.8	-27.2	33.3	25.2	-2.5	62.1	134.8
2011 Q3	16.9	40.0	15.1	20.5	74.6	7.3	-10.0	-1.3	-0.4	23.0	47.9
Q4	9.8	-13.8	-35.5	-1.9	-104.5	7.3	21.5	-44.7	-3.5	15.1	31.3
2011 Oct.	11.0	-21.5	-12.9	5.1	-21.6	-6.9	0.8	-20.6	-0.7	39.9	3.7
Nov.	4.0	12.2	-21.4	8.0	-21.8	0.1	1.5	-2.2	-2.1	-21.0	11.7
Dec.	-5.1	-4.4	-1.1	-14.9	-61.1	14.1	19.2	-21.9	-0.7	-3.8	15.8
2012 Jan. (p)	9.9	-5.3	48.3	-0.5	30.6	-3.9	-10.7	-15.3	-0.8	8.0	19.5
						Growth rates					
2010	4.8	4.2	-6.6	6.3	28.3	-15.1	-13.8	2.3	-10.7	4.7	5.2
2011	6.1	0.7	2.0	1.9	-2.6	-4.7	24.2	0.9	-2.1	2.5	6.6
2011 Q3	5.3	1.4	3.2	3.0	31.1	-9.5	2.8	3.6	-2.4	3.1	6.8
Q4	6.1	0.7	2.0	1.9	-2.6	-4.7	24.2	0.9	-2.1	2.5	6.6
2011 Oct.	6.5	0.7	1.9	2.6	34.8	-8.5	7.7	2.5	-1.1	4.5	6.7
Nov.	6.5	1.2	1.5	2.6	12.7	-9.5	12.6	2.1	-2.0	2.8	6.1
Dec.	6.1	0.7	2.0	1.9	-2.6	-4.7	24.2	0.9	-2.1	2.5	6.6
2012 Jan. (p)	6.2	1.2	3.4	1.9	11.3	-2.2	11.6	0.0	-2.9	2.6	7.4

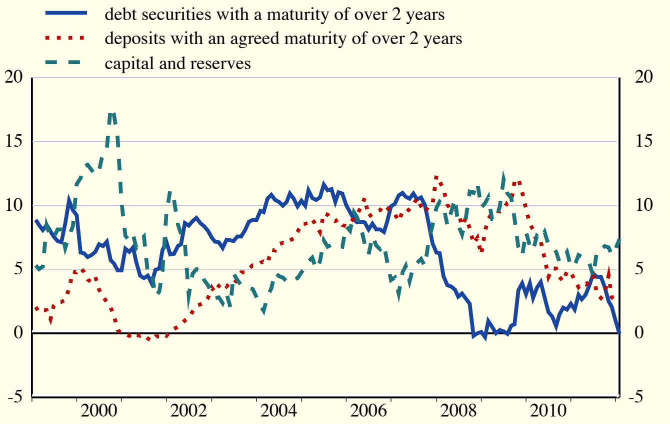
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

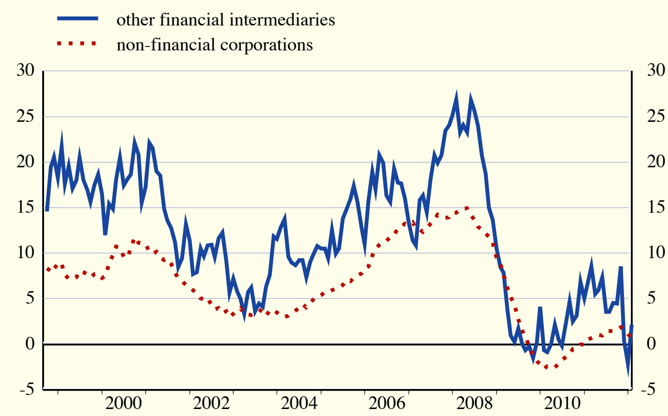
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Insurance corporations and pension funds	Other financial inter-mediaries	Non-financial corporations					Households [3]				
	Total	Total	Total	Loans adjusted for sales and securitisation [4]	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Loans adjusted for sales and securitisation [4]	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10	11	12
						Outstanding amounts						
2010	95.0	1,126.4	4,667.2	-	1,127.3	899.0	2,640.9	5,159.3	-	639.3	3,701.3	818.7
2011	91.6	1,138.0	4,721.6	-	1,146.8	861.2	2,713.6	5,233.5	-	626.1	3,778.1	829.2
2011 Q3	97.0	1,140.7	4,760.9	-	1,178.0	870.2	2,712.7	5,269.0	-	627.6	3,805.8	835.6
Q4	91.6	1,138.0	4,721.6	-	1,146.8	861.2	2,713.6	5,233.5	-	626.1	3,778.1	829.2
2011 Oct.	93.7	1,176.7	4,760.4	-	1,180.5	868.0	2,711.9	5,230.2	-	626.7	3,768.1	835.4
Nov.	92.5	1,159.2	4,756.6	-	1,175.4	865.3	2,715.8	5,241.2	-	625.8	3,780.0	835.4
Dec.	91.6	1,138.0	4,721.6	-	1,146.8	861.2	2,713.6	5,233.5	-	626.1	3,778.1	829.2
2012 Jan. (p)	87.0	1,171.0	4,716.5	-	1,146.1	853.1	2,717.4	5,240.2	-	627.3	3,782.0	830.9
						Transactions						
2010	7.0	55.7	-2.2	45.6	-37.5	-26.3	61.6	147.0	155.7	-7.6	133.6	21.0
2011	0.5	-23.1	52.0	57.3	22.4	-26.9	56.5	80.0	100.6	-12.6	84.5	8.1
2011 Q3	8.5	18.8	24.1	24.9	-0.7	1.3	23.4	5.7	17.1	-3.1	7.3	1.5
Q4	-5.5	-7.0	-36.3	-34.3	-27.6	-8.1	-0.6	-16.0	18.6	-1.1	-11.1	-3.8
2011 Oct.	-3.2	38.0	6.8	8.4	4.5	-0.3	2.5	-18.0	9.5	-1.0	-17.8	0.8
Nov.	-1.3	-17.0	-7.6	-7.2	-6.2	-3.2	1.7	9.6	12.1	-0.7	9.5	0.7
Dec.	-0.9	-28.0	-35.5	-35.6	-26.0	-4.6	-4.9	-7.5	-3.1	0.6	-2.8	-5.3
2012 Jan. (p)	-4.4	33.9	-1.2	-0.8	0.8	-7.3	5.3	8.4	14.0	2.1	4.2	2.2
						Growth rates						
2010	8.0	5.1	0.0	1.0	-3.2	-2.8	2.4	2.9	3.1	-1.2	3.8	2.7
2011	0.8	-2.0	1.1	1.2	2.0	-3.0	2.1	1.5	1.9	-2.0	2.3	1.0
2011 Q3	9.8	4.5	1.6	2.2	4.0	-3.7	2.3	2.9	2.6	-1.9	3.9	2.3
Q4	0.8	-2.0	1.1	1.2	2.0	-3.0	2.1	1.5	1.9	-2.0	2.3	1.0
2011 Oct.	5.7	8.5	1.8	2.2	4.6	-3.2	2.4	2.2	2.5	-1.9	3.0	2.2
Nov.	0.6	0.4	1.5	1.8	3.7	-3.2	2.2	2.1	2.3	-2.3	3.0	1.6
Dec.	0.8	-2.0	1.1	1.2	2.0	-3.0	2.1	1.5	1.9	-2.0	2.3	1.0
2012 Jan. (p)	-2.4	2.3	0.7	0.8	0.7	-3.6	2.2	1.3	2.1	-1.6	1.8	1.1

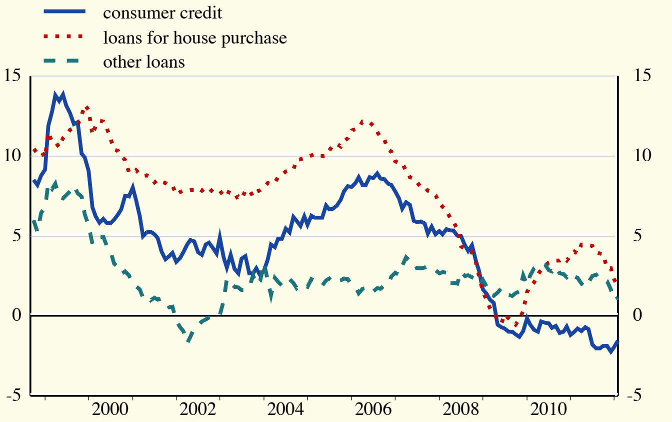
C5 Loans to other financial intermediaries and non-financial corporations [2]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2]

(annual growth rates; not seasonally adjusted)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Including non-profit institutions serving households.
4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

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

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries					Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Reverse repos to central counterparties	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												
2011	83.4	63.7	6.3	13.4	1,115.3	155.6	579.4	213.5	322.4	4,720.8	1,139.4	860.8	2,720.6
2011 Q3	98.3	78.8	5.2	14.2	1,168.0	178.2	631.3	207.4	329.3	4,754.8	1,176.5	870.6	2,707.8
Q4	83.4	63.7	6.3	13.4	1,115.3	155.6	579.4	213.5	322.4	4,720.8	1,139.4	860.8	2,720.6
2011 Nov.	92.9	73.8	5.3	13.8	1,158.0	186.8	623.9	213.5	320.6	4,757.8	1,177.2	864.9	2,715.8
Dec.	83.4	63.7	6.3	13.4	1,115.3	155.6	579.4	213.5	322.4	4,720.8	1,139.4	860.8	2,720.6
2012 Jan. (p)	84.5	65.1	6.1	13.3	1,151.5	178.3	603.7	223.2	324.5	4,722.4	1,150.1	851.5	2,720.9
	Transactions												
2011	1.1	1.9	1.1	-2.0	-24.1	12.8	-19.9	-10.2	6.0	51.1	21.7	-27.0	56.4
2011 Q3	7.6	7.5	0.0	0.0	31.1	25.2	26.7	1.0	3.3	9.9	-11.4	0.3	21.0
Q4	-15.0	-15.2	1.0	-0.8	-57.0	-22.6	-55.9	4.5	-5.7	-31.1	-33.6	-8.8	11.3
2011 Nov.	-2.5	-2.4	0.0	-0.1	-28.7	-25.4	-26.3	6.6	-9.0	3.4	1.9	-4.0	5.4
Dec.	-9.5	-10.2	1.0	-0.3	-49.5	-31.2	-48.4	-1.7	0.6	-37.5	-35.1	-4.6	2.2
2012 Jan. (p)	1.3	1.5	-0.2	0.0	37.1	22.7	25.5	9.8	1.8	5.6	12.2	-8.4	1.8
	Growth rates												
2011	1.1	2.6	21.7	-13.3	-2.1	8.9	-3.3	-4.9	1.9	1.1	1.9	-3.0	2.1
2011 Q3	9.9	15.2	-7.0	-8.1	4.5	20.2	6.4	-4.5	7.1	1.6	4.1	-3.7	2.3
Q4	1.1	2.6	21.7	-13.3	-2.1	8.9	-3.3	-4.9	1.9	1.1	1.9	-3.0	2.1
2011 Nov.	0.4	3.7	-8.3	-11.4	0.4	8.9	0.2	-2.0	2.5	1.6	3.8	-3.1	2.2
Dec.	1.1	2.6	21.7	-13.3	-2.1	8.9	-3.3	-4.9	1.9	1.1	1.9	-3.0	2.1
2012 Jan. (p)	-2.7	-2.1	19.6	-13.4	2.1	25.2	1.5	3.3	2.5	0.7	0.8	-3.6	2.2

3. Loans to households [3)]

	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	Sole proprietors	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	14
	Outstanding amounts													
2011	5,242.8	628.4	140.9	183.8	303.8	3,784.3	14.5	56.6	3,713.2	830.0	419.7	142.7	87.5	599.8
2011 Q3	5,274.9	629.7	138.6	186.3	304.8	3,809.8	14.4	56.6	3,738.8	835.4	409.7	147.5	87.9	600.1
Q4	5,242.8	628.4	140.9	183.8	303.8	3,784.3	14.5	56.6	3,713.2	830.0	419.7	142.7	87.5	599.8
2011 Nov.	5,243.1	627.0	137.7	184.6	304.7	3,777.3	14.4	56.8	3,706.2	838.7	410.0	150.5	87.2	601.0
Dec.	5,242.8	628.4	140.9	183.8	303.8	3,784.3	14.5	56.6	3,713.2	830.0	419.7	142.7	87.5	599.8
2012 Jan. (p)	5,236.3	624.4	140.1	182.5	301.8	3,781.9	14.2	56.7	3,711.0	830.0	418.6	143.2	87.3	599.6
	Transactions													
2011	80.6	-12.6	-4.1	-6.5	-2.0	85.1	-0.2	2.7	82.6	8.1	8.8	-6.1	-2.4	16.6
2011 Q3	4.5	-4.6	-2.4	-0.8	-1.4	13.1	-0.2	1.2	12.2	-4.1	-1.3	-5.8	-0.8	2.6
Q4	-12.5	-0.8	1.9	-2.1	-0.7	-8.9	0.3	0.4	-9.6	-2.8	10.1	-4.7	-0.1	2.1
2011 Nov.	8.5	-2.0	-1.2	-0.4	-0.4	4.0	0.0	0.3	3.7	6.4	1.6	4.6	-0.1	2.0
Dec.	-0.1	1.8	3.1	-0.9	-0.4	6.0	0.4	-0.1	5.6	-7.9	9.9	-7.8	0.3	-0.4
2012 Jan. (p)	-4.8	-3.2	-0.7	-0.6	-1.8	-2.1	-0.3	0.0	-1.9	0.5	-0.9	0.6	-0.1	0.0
	Growth rates													
2011	1.6	-2.0	-2.8	-3.5	-0.7	2.3	-1.7	5.1	2.3	1.0	2.1	-4.1	-2.7	2.8
2011 Q3	2.9	-1.9	-2.0	-3.6	-0.8	3.9	-3.2	0.5	3.9	2.3	0.0	-0.1	-3.7	3.8
Q4	1.6	-2.0	-2.8	-3.5	-0.7	2.3	-1.7	5.1	2.3	1.0	2.1	-4.1	-2.7	2.8
2011 Nov.	2.1	-2.2	-3.5	-3.7	-0.7	3.0	-4.0	0.3	3.0	1.6	-0.6	-1.4	-3.5	3.2
Dec.	1.6	-2.0	-2.8	-3.5	-0.7	2.3	-1.7	5.1	2.3	1.0	2.1	-4.1	-2.7	2.8
2012 Jan. (p)	1.3	-1.6	-1.3	-2.9	-0.9	1.9	-1.1	5.5	1.8	1.1	2.4	-3.0	-2.2	2.7

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.

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

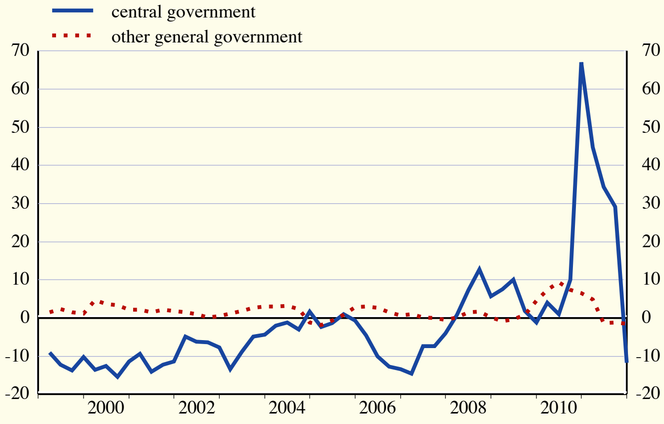
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	1,221.8	397.5	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011 (p)	1,160.0	348.1	221.9	567.7	21.8	3,019.8	2,021.4	998.4	62.6	935.8
2011 Q1	1,188.8	359.4	229.6	557.8	41.9	2,934.4	1,957.5	976.9	54.5	922.4
Q2	1,152.7	346.4	223.4	555.9	27.0	3,006.5	2,012.0	994.5	60.1	934.4
Q3	1,145.8	343.5	224.0	553.7	24.7	3,155.0	2,132.4	1,022.7	62.7	960.0
Q4 (p)	1,160.0	348.1	221.9	567.7	21.8	3,019.8	2,021.4	998.4	62.6	935.8
	Transactions									
2010	207.2	156.3	14.9	24.1	11.9	6.3	8.3	-2.3	0.6	-3.0
2011 (p)	-58.2	-46.3	-0.1	11.1	-23.4	15.2	-27.1	42.2	13.1	29.1
2011 Q1	-28.2	-34.3	4.4	4.9	-3.2	56.3	0.2	56.1	6.9	49.1
Q2	-36.5	-13.0	-6.5	-2.1	-14.9	44.5	21.8	22.7	6.1	16.6
Q3	-7.1	-3.3	0.6	-2.0	-2.4	65.5	58.9	6.3	1.4	5.0
Q4 (p)	13.5	4.3	1.4	10.3	-3.0	-151.0	-108.0	-42.9	-1.3	-41.6
	Growth rates									
2010	20.6	67.1	7.1	4.6	35.1	0.6	0.5	-0.1	0.8	-0.2
2011 (p)	-4.8	-11.7	-0.1	2.0	-51.9	0.6	-1.2	4.5	27.0	3.2
2011 Q1	14.3	44.7	9.6	3.4	0.6	0.6	-0.7	2.3	16.3	1.5
Q2	7.1	34.4	-1.1	1.4	-38.6	2.6	0.5	6.6	30.4	5.4
Q3	6.2	29.1	0.0	1.8	-43.3	5.2	4.0	7.4	24.6	6.4
Q4 (p)	-4.8	-11.7	-0.1	2.0	-51.9	0.6	-1.2	4.5	27.0	3.2

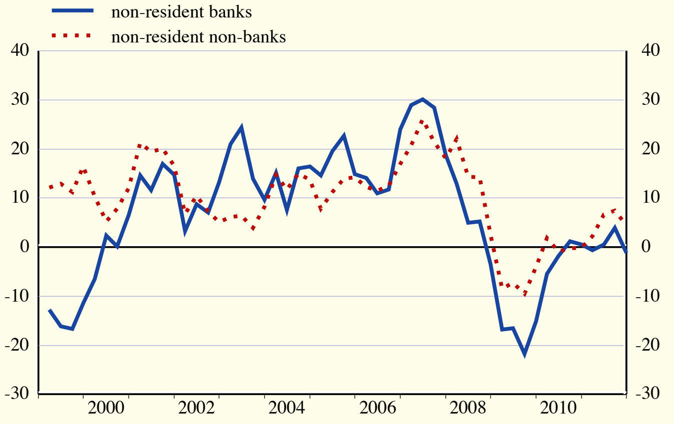
C7 Loans to government [2]

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2]

(annual growth rates; not seasonally adjusted)



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

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

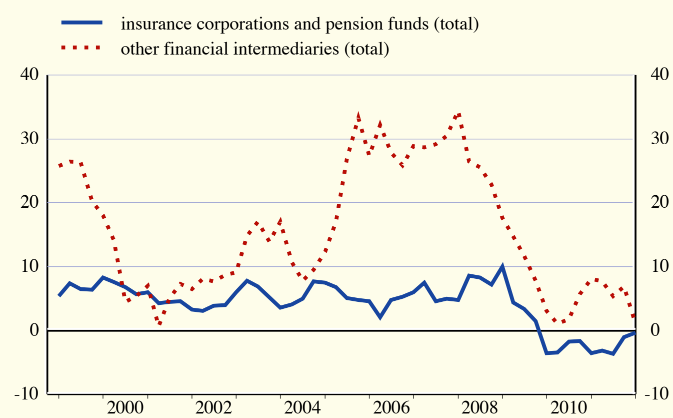
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries							
	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		With central counter-parties
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts														
2010	716.9	84.6	79.3	528.3	2.6	0.3	21.9	2,168.3	358.5	305.7	1,132.6	10.7	0.5	360.3	255.0
2011	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2011 Q3	718.0	88.4	85.0	520.2	3.6	0.2	20.6	2,313.1	382.6	308.8	1,167.4	11.4	0.5	442.4	339.4
Q4	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2011 Oct.	721.4	93.2	85.2	520.3	3.8	0.2	18.7	2,298.4	382.0	295.4	1,187.9	10.9	0.4	421.7	325.4
Nov.	707.3	88.4	79.7	517.9	4.2	0.2	16.9	2,282.1	395.6	287.9	1,182.3	19.1	0.4	396.7	304.0
Dec.	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2012 Jan. (p)	719.8	108.9	83.4	509.4	4.0	0.2	13.7	2,249.8	415.6	272.1	1,189.5	12.7	0.3	359.6	269.9
	Transactions														
2010	-26.5	-3.3	-8.4	-16.6	0.2	0.0	1.6	156.9	45.1	-37.6	52.8	-8.0	0.4	104.2	-
2011	-2.2	11.7	4.2	-18.3	1.1	-0.1	-0.9	24.0	28.8	-29.1	20.8	3.9	0.1	-0.5	5.3
2011 Q3	13.9	3.3	12.8	-3.9	0.4	0.0	1.3	89.9	10.3	8.6	7.3	-1.1	0.2	64.7	49.3
Q4	-12.6	3.6	-5.2	-10.5	0.1	0.0	-0.7	-95.7	4.6	-24.7	23.4	3.3	0.1	-102.3	-79.8
2011 Oct.	5.7	5.0	0.3	0.1	0.1	0.0	0.2	-10.3	0.6	-11.4	21.4	-0.5	0.0	-20.4	-13.9
Nov.	-16.4	-4.8	-5.6	-6.8	0.2	0.0	0.6	-21.2	12.0	-9.1	-4.3	8.2	0.0	-28.0	-21.6
Dec.	-2.0	3.5	0.1	-3.8	-0.2	0.0	-1.4	-64.2	-8.1	-4.2	6.3	-4.4	0.1	-53.9	-44.3
2012 Jan. (p)	15.6	16.9	3.6	-3.3	0.1	0.0	-1.7	31.0	26.2	-12.5	-0.5	-2.0	-0.2	19.9	9.6
	Growth rates														
2010	-3.6	-3.4	-9.6	-3.0	9.7	-	7.8	8.1	14.4	-11.1	4.9	-48.5	-	41.1	-
2011	-0.3	14.4	5.6	-3.5	43.3	-	-5.2	1.1	8.0	-9.3	1.7	36.1	-	-0.2	2.0
2011 Q3	-1.0	4.3	-0.6	-2.3	28.7	-	8.1	6.9	1.5	-0.2	2.6	2.8	-	33.8	47.7
Q4	-0.3	14.4	5.6	-3.5	43.3	-	-5.2	1.1	8.0	-9.3	1.7	36.1	-	-0.2	2.0
2011 Oct.	0.5	10.3	3.7	-1.7	37.2	-	2.0	7.7	3.3	-8.8	5.3	-3.0	-	39.3	58.9
Nov.	-0.4	4.6	4.8	-2.6	45.2	-	13.1	2.5	3.7	-11.1	2.0	79.6	-	13.1	17.2
Dec.	-0.3	14.4	5.6	-3.5	43.3	-	-5.2	1.1	8.0	-9.3	1.7	36.1	-	-0.2	2.0
2012 Jan. (p)	0.0	17.5	9.5	-4.0	39.2	-	-18.0	3.8	8.7	-10.7	2.4	16.7	-	16.4	23.4

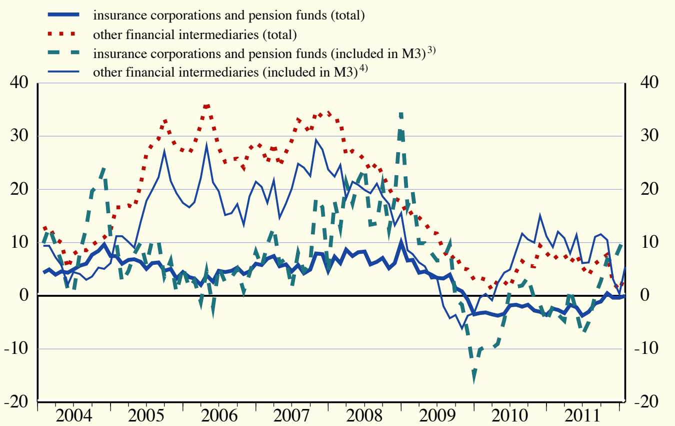
C9 Total deposits by sector [2)]

(annual growth rates)



C10 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.

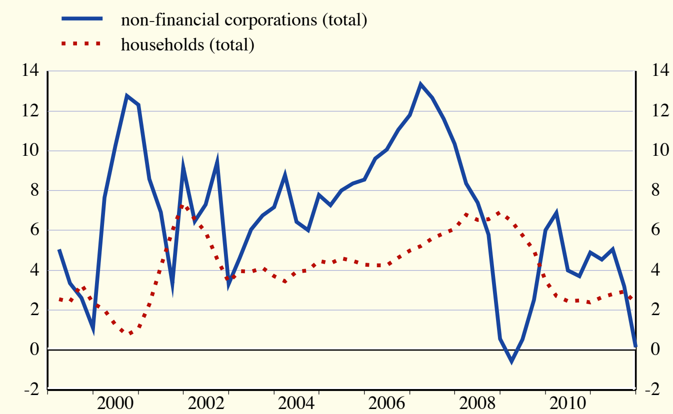
1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Covers deposits in columns 2, 3, 5 and 7.
4) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs: breakdown [1), 2)]
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

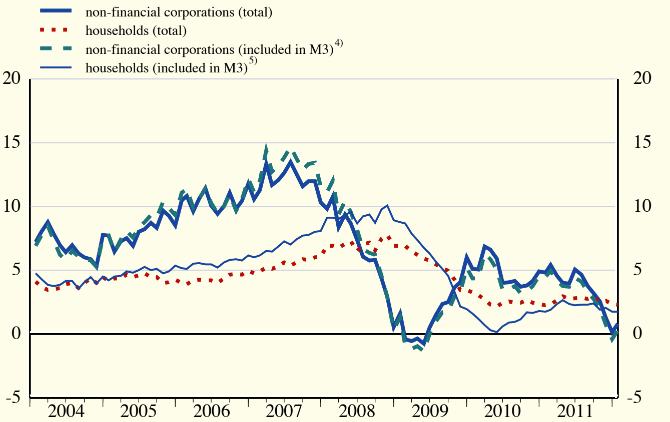
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2010	1,670.7	1,036.4	455.5	87.2	75.8	1.5	14.2	5,739.1	2,244.5	901.0	665.0	1,788.5	110.3	29.8
2011	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.5	2,256.0	948.2	723.9	1,837.0	106.7	22.7
2011 Q3	1,663.6	999.2	471.0	96.7	76.5	1.7	18.5	5,835.4	2,240.9	921.9	709.8	1,820.1	109.0	33.9
Q4	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.5	2,256.0	948.2	723.9	1,837.0	106.7	22.7
2011 Oct.	1,663.8	998.3	472.1	97.3	74.5	2.0	19.6	5,833.4	2,234.6	925.5	712.0	1,820.2	108.8	32.4
Nov.	1,654.1	999.9	459.7	97.6	75.2	2.0	19.6	5,825.4	2,222.9	934.7	713.0	1,816.6	107.2	31.0
Dec.	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.5	2,256.0	948.2	723.9	1,837.0	106.7	22.7
2012 Jan. (p)	1,636.2	993.8	452.5	98.3	74.6	2.0	15.0	5,903.8	2,229.1	966.8	727.1	1,852.5	105.9	22.4
	Transactions													
2010	78.1	40.3	23.2	9.0	7.8	-0.2	-2.1	132.9	81.7	-98.9	58.7	113.6	-14.6	-7.5
2011	2.5	3.7	-2.6	8.7	-7.3	0.5	-0.5	134.8	7.7	42.5	50.7	43.5	-2.6	-7.0
2011 Q3	2.9	-17.3	17.1	1.8	-0.9	-0.4	2.6	4.6	-18.9	15.6	3.7	4.2	-0.4	0.4
Q4	21.7	46.6	-17.1	0.7	-6.5	0.3	-2.4	57.1	14.8	25.9	13.9	15.0	-1.3	-11.2
2011 Oct.	2.8	0.6	2.0	0.7	-1.9	0.3	1.1	-0.8	-5.7	4.2	2.2	0.2	-0.1	-1.5
Nov.	-11.2	2.5	-12.1	0.1	-1.6	0.0	0.0	-10.0	-12.0	8.8	0.8	-5.6	-0.7	-1.4
Dec.	30.1	43.5	-7.0	0.0	-2.9	0.0	-3.5	67.9	32.5	12.9	10.9	20.4	-0.5	-8.3
2012 Jan. (p)	-48.8	-49.7	-0.9	0.7	2.4	0.0	-1.3	9.8	-26.6	18.3	3.2	15.8	-0.7	-0.3
	Growth rates													
2010	4.9	4.1	5.3	11.2	11.4	-10.1	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.7	-20.2
2011	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2011 Q3	3.2	0.3	8.3	12.0	-2.5	-19.9	31.2	2.9	1.5	2.4	7.5	3.4	-1.7	8.0
Q4	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2011 Oct.	2.6	0.5	5.2	12.7	-4.4	-2.9	44.8	2.5	0.6	2.8	7.4	3.2	-0.6	5.1
Nov.	1.3	0.1	3.2	11.7	-9.4	-1.7	17.1	2.6	0.8	3.9	7.4	2.7	-1.7	3.9
Dec.	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2012 Jan. (p)	0.8	0.5	1.3	9.4	-9.9	38.4	12.9	2.3	-0.3	6.6	7.2	2.4	-2.7	-25.6

C11 Total deposits by sector [2)]
(annual growth rates)



C12 Total deposits and deposits included in M3 by sector [2)]
(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on the ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.
3) Including non-profit institutions serving households.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

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

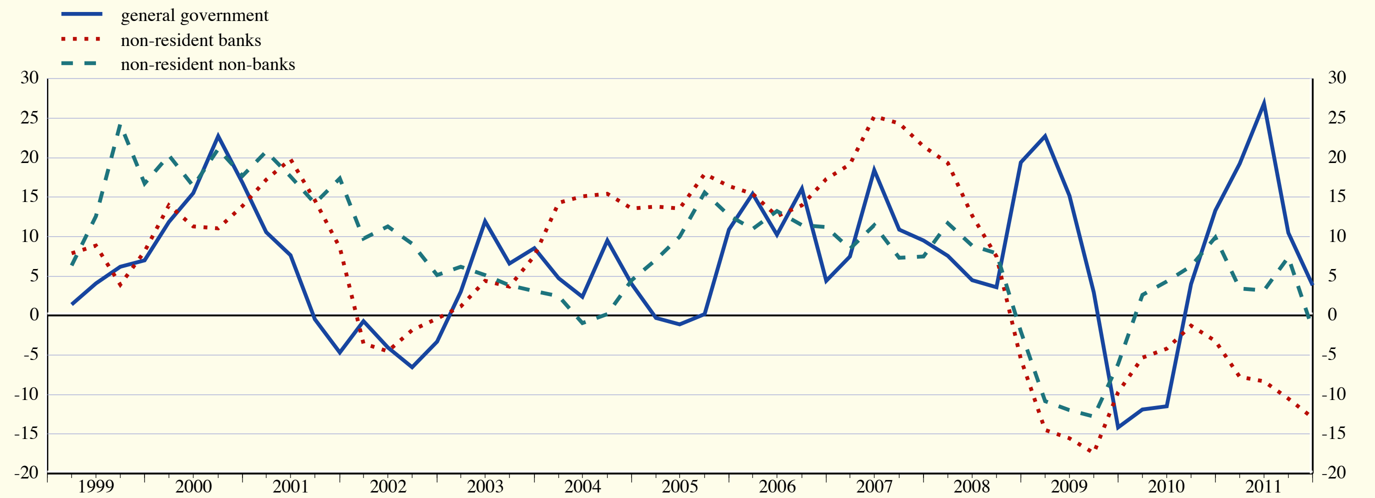
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2010	427.6	196.2	47.7	109.6	74.1	3,488.8	2,492.0	996.9	45.9	950.9
2011 (p)	442.7	195.5	48.6	113.5	85.2	3,152.2	2,174.7	976.2	44.2	932.0
2011 Q1	475.6	235.8	52.3	108.7	78.8	3,314.1	2,346.8	967.4	41.4	926.0
Q2	521.5	266.4	55.0	112.6	87.5	3,280.6	2,295.8	984.8	47.7	937.1
Q3	464.8	211.4	54.3	111.4	87.8	3,346.4	2,298.8	1,047.6	50.0	997.7
Q4 (p)	442.7	195.5	48.6	113.5	85.2	3,152.2	2,174.7	976.2	44.2	932.0
	Transactions									
2010	49.9	47.4	4.3	-5.0	2.9	0.8	-83.9	84.7	7.5	77.1
2011 (p)	16.8	3.3	0.6	2.3	10.6	-335.2	-318.7	-17.9	-2.2	-15.7
2011 Q1	50.4	43.4	4.7	-2.4	4.7	-77.2	-71.7	-5.6	-3.6	-1.9
Q2	45.7	30.9	2.7	3.9	8.2	-19.7	-41.5	21.8	6.4	15.4
Q3	-56.9	-55.1	-1.0	-1.2	0.2	-0.2	-49.8	49.6	1.4	48.3
Q4 (p)	-22.3	-15.9	-5.9	2.0	-2.5	-238.1	-155.7	-83.8	-6.4	-77.4
	Growth rates									
2010	13.3	32.2	9.9	-4.4	4.1	0.3	-3.2	9.9	12.7	9.6
2011 (p)	3.9	1.3	1.3	2.0	14.3	-9.8	-13.0	-1.7	-4.5	-1.6
2011 Q1	19.2	41.4	4.0	-1.4	9.2	-4.7	-7.8	3.4	-10.5	4.2
Q2	26.8	61.3	1.2	-2.6	14.0	-5.1	-8.3	3.2	5.0	3.1
Q3	10.5	21.6	-7.8	-1.9	17.0	-5.5	-10.5	7.4	3.3	7.6
Q4 (p)	3.9	1.3	1.3	2.0	14.3	-9.8	-13.0	-1.7	-4.5	-1.6

C13 Deposits by government and non-euro area residents [2)]

(annual growth rates)



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

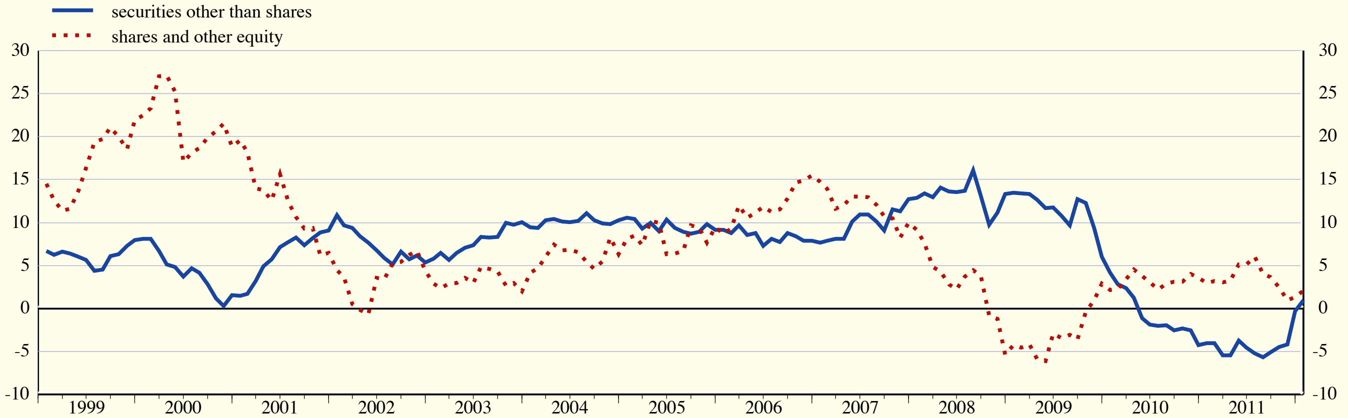
2.6 MFI holdings of securities: breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2010	5,993.1	1,778.4	107.4	1,507.8	16.4	1,500.9	27.8	1,054.5	1,535.9	445.3	787.8	302.8
2011	5,699.3	1,763.7	87.8	1,374.6	22.9	1,489.6	28.3	932.5	1,509.0	486.9	726.5	295.5
2011 Q3	5,635.8	1,706.9	92.8	1,393.7	22.3	1,433.7	25.0	961.2	1,530.5	489.3	740.6	300.5
Q4	5,699.3	1,763.7	87.8	1,374.6	22.9	1,489.6	28.3	932.5	1,509.0	486.9	726.5	295.5
2011 Oct.	5,656.2	1,710.9	93.1	1,371.9	21.9	1,494.1	25.0	939.3	1,522.9	487.3	739.3	296.3
Nov.	5,651.5	1,707.6	97.4	1,359.9	21.9	1,497.0	26.7	941.0	1,522.3	486.5	741.7	294.1
Dec.	5,699.3	1,763.7	87.8	1,374.6	22.9	1,489.6	28.3	932.5	1,509.0	486.9	726.5	295.5
2012 Jan. (p)	5,761.1	1,779.9	88.6	1,424.8	23.3	1,497.3	23.8	923.4	1,529.7	497.3	736.3	296.1
	Transactions											
2010	-268.8	-167.1	-6.9	42.8	-2.0	10.2	-14.8	-131.0	54.4	28.2	5.2	20.9
2011	-20.1	45.9	8.0	3.5	5.5	-20.9	0.4	-62.5	20.2	61.2	-34.7	-6.3
2011 Q3	-47.9	37.1	0.3	-43.4	0.3	-6.7	-0.7	-34.8	-13.6	17.2	-23.2	-7.6
Q4	83.4	66.5	0.5	-7.3	-0.2	36.6	2.3	-15.1	-12.1	6.3	-14.9	-3.5
2011 Oct.	24.5	3.4	2.4	-13.7	0.2	40.6	0.6	-9.0	-10.6	-2.2	-4.7	-3.7
Nov.	-4.8	2.8	1.9	3.7	-0.9	2.6	1.0	-15.9	4.8	0.5	5.1	-0.7
Dec.	63.6	60.3	-3.8	2.7	0.5	-6.6	0.8	9.8	-6.3	8.1	-15.3	1.0
2012 Jan. (p)	103.1	26.1	3.1	52.3	-0.1	12.2	-3.6	13.0	20.6	10.2	9.6	0.7
	Growth rates											
2010	-4.3	-8.5	-5.5	2.9	-11.1	0.7	-35.4	-11.1	3.6	6.5	0.6	7.5
2011	-0.3	2.7	7.8	0.2	33.8	-1.4	0.8	-6.4	1.3	14.0	-4.6	-2.1
2011 Q3	-5.1	-4.9	8.0	-1.0	24.9	-4.3	-16.8	-13.0	3.6	13.4	-1.0	1.0
Q4	-0.3	2.7	7.8	0.2	33.8	-1.4	0.8	-6.4	1.3	14.0	-4.6	-2.1
2011 Oct.	-4.5	-2.2	6.8	-8.2	49.8	-0.1	-6.2	-10.6	2.4	12.6	-2.3	-0.4
Nov.	-4.2	-3.0	6.7	-5.2	28.8	-2.2	1.0	-9.4	0.9	11.8	-3.8	-2.8
Dec.	-0.3	2.7	7.8	0.2	33.8	-1.4	0.8	-6.4	1.3	14.0	-4.6	-2.1
2012 Jan. (p)	0.9	4.6	11.5	2.9	21.7	0.1	-9.4	-7.7	2.1	16.2	-4.9	-0.2

C14 MFI holdings of securities [2)]

(annual growth rates)



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

2.7 Currency breakdown of selected MFI balance sheet items 1), 2)

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

1. Loans, holdings of securities other than shares, and deposits

	MFIs 3)							Non-MFIs						
	All currencies (outstanding amount)	Euro 4)	Non-euro currencies					All currencies (outstanding amount)	Euro 4)	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Loans													
	To euro area residents													
2009	5,916.1	-	-	-	-	-	-	11,785.6	96.2	3.8	1.9	0.2	1.0	0.4
2010	5,515.2	-	-	-	-	-	-	12,247.8	96.0	4.0	2.1	0.2	1.1	0.4
2011 Q3	6,003.8	-	-	-	-	-	-	12,441.9	96.1	3.9	1.9	0.3	1.1	0.4
Q4 (p)	6,166.0	-	-	-	-	-	-	12,322.2	96.2	3.8	1.9	0.3	1.1	0.4
	To non-euro area residents													
2009	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	2,010.9	44.9	55.1	30.7	2.9	3.2	11.6	952.1	39.9	60.1	42.8	1.4	3.7	6.7
2011 Q3	2,132.4	44.2	55.8	34.7	2.8	3.3	9.0	1,022.7	40.0	60.0	41.3	2.2	3.3	7.0
Q4 (p)	2,021.4	44.5	55.5	35.6	2.5	2.7	9.3	998.4	38.2	61.8	41.2	2.6	3.3	7.8
	Holdings of securities other than shares													
	Issued by euro area residents													
2009	2,079.9	94.8	5.2	3.1	0.2	0.3	1.4	2,980.2	98.1	1.9	1.2	0.2	0.1	0.3
2010	1,885.8	94.3	5.7	3.3	0.1	0.3	1.7	3,052.9	98.6	1.4	0.8	0.1	0.1	0.4
2011 Q3	1,799.8	94.8	5.2	2.6	0.1	0.3	1.8	2,874.8	98.4	1.6	0.9	0.2	0.1	0.4
Q4 (p)	1,851.5	95.3	4.7	2.5	0.1	0.3	1.5	2,915.4	98.2	1.8	1.0	0.2	0.1	0.4
	Issued by non-euro area residents													
2009	552.1	55.3	44.7	27.1	0.4	0.5	14.6	595.6	35.3	64.7	37.9	4.3	0.9	15.3
2010	545.9	49.9	50.1	27.6	0.3	0.5	16.8	508.5	33.6	66.4	40.3	3.9	0.9	13.5
2011 Q3	478.8	54.7	45.3	21.8	0.3	0.4	17.1	482.4	32.5	67.5	39.2	6.0	0.8	12.5
Q4 (p)	457.3	56.4	43.6	21.1	0.3	0.3	16.0	475.1	32.2	67.8	39.7	5.6	0.7	13.6
	Deposits													
	By euro area residents													
2009	6,281.6	92.9	7.1	4.4	0.3	1.2	0.7	10,187.4	97.0	3.0	1.9	0.2	0.1	0.4
2010	5,774.9	92.9	7.1	4.1	0.3	1.3	0.8	10,722.6	97.1	2.9	1.9	0.2	0.1	0.4
2011 Q3	6,084.4	92.2	7.8	4.6	0.3	1.4	0.8	10,995.0	97.0	3.0	2.0	0.2	0.1	0.4
Q4 (p)	6,319.3	92.1	7.9	5.1	0.2	1.3	0.7	10,948.0	97.0	3.0	2.0	0.1	0.1	0.4
	By non-euro area residents													
2009	2,532.8	49.2	50.8	34.2	1.8	2.2	9.6	836.7	53.5	46.5	31.4	1.1	1.7	7.5
2010	2,492.0	52.1	47.9	31.8	2.2	1.8	8.6	996.9	58.8	41.2	29.3	1.2	1.4	5.1
2011 Q3	2,298.8	57.1	42.9	26.9	2.1	1.8	7.8	1,047.6	59.1	40.9	28.6	1.5	1.7	4.6
Q4 (p)	2,174.7	59.2	40.8	25.6	2.1	1.8	7.3	976.2	56.1	43.9	30.0	2.0	1.5	5.1

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro 4)	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2009	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010	5,082.6	81.6	18.4	9.7	1.8	2.1	2.5
2011 Q3	5,180.3	81.8	18.2	9.7	1.7	2.1	2.5
Q4 (p)	5,236.8	82.0	18.0	9.4	1.7	2.0	2.6

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 Aggregated balance sheet of euro area investment funds [1]
(EUR billions; outstanding amounts at end of period; transactions during period)

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2011 June	6,352.7	390.6	2,386.8	1,958.6	886.8	224.9	505.0
July	6,436.4	394.8	2,420.6	1,944.0	891.6	226.5	558.8
Aug.	6,193.8	411.8	2,383.1	1,736.9	840.3	227.9	593.8
Sep.	6,073.8	420.9	2,383.1	1,632.8	830.9	229.5	576.6
Oct.	6,171.5	422.2	2,369.7	1,735.8	845.4	228.4	570.1
Nov.	6,076.4	418.7	2,344.4	1,703.7	827.7	229.0	552.9
Dec. (p)	6,208.5	417.8	2,503.5	1,733.2	839.2	230.8	484.0
	Transactions						
2011 Q2	68.9	5.6	38.2	25.9	12.3	5.8	-18.9
Q3	-4.8	29.0	-21.2	-41.9	-15.8	2.8	42.2
Q4 (p)	-191.3	-33.2	-11.0	-26.4	-10.5	2.0	-112.2

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						
2011 June	6,352.7	121.0	5,790.3	4,466.8	672.6	1,323.5	441.4
July	6,436.4	122.3	5,826.4	4,465.8	674.3	1,360.5	487.7
Aug.	6,193.8	128.7	5,545.9	4,268.5	623.2	1,277.4	519.2
Sep.	6,073.8	125.1	5,417.7	4,163.7	604.2	1,254.0	531.0
Oct.	6,171.5	125.7	5,527.6	4,233.0	616.2	1,294.6	518.2
Nov.	6,076.4	127.0	5,443.7	4,151.8	597.8	1,291.8	505.8
Dec. (p)	6,208.5	116.1	5,660.5	4,253.3	614.1	1,407.2	431.8
	Transactions						
2011 Q2	68.9	-2.9	79.0	25.8	9.6	53.3	-7.3
Q3	-4.8	6.4	-44.1	-54.8	-31.0	10.7	32.8
Q4 (p)	-191.3	-13.8	-47.3	-59.2	-2.6	12.7	-130.2

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									
2011 May	5,861.2	1,825.3	1,729.6	1,438.2	271.2	114.5	482.5	5,775.6	85.6	1,090.1
June	5,790.3	1,812.5	1,689.6	1,424.5	272.5	112.5	478.8	5,703.5	86.8	1,047.5
July	5,826.4	1,837.0	1,674.6	1,434.3	287.0	116.1	477.4	5,737.7	88.6	1,032.5
Aug.	5,545.9	1,807.5	1,495.3	1,381.7	286.2	114.0	461.2	5,457.4	88.4	1,060.3
Sep.	5,417.7	1,786.2	1,414.0	1,387.7	286.5	119.0	424.3	5,328.5	89.2	1,066.9
Oct.	5,527.6	1,789.1	1,504.0	1,406.3	289.5	115.6	423.1	5,445.4	82.3	1,051.6
Nov.	5,443.7	1,758.0	1,473.5	1,384.4	289.1	118.7	419.8	5,360.7	83.0	1,083.5
Dec. (p)	5,660.5	1,920.7	1,496.7	1,402.7	292.9	122.1	425.4	5,575.1	85.5	991.9
	Transactions									
2011 June	8.8	2.1	2.1	1.5	2.8	-0.3	0.6	6.8	2.0	-36.9
July	36.9	12.2	5.8	2.6	13.3	1.9	1.0	35.4	1.5	-20.0
Aug.	-49.0	-13.9	-23.0	-10.7	0.8	-0.2	-1.9	-49.0	0.0	32.8
Sep.	-32.0	-16.4	-11.1	-4.0	1.1	0.6	-2.1	-32.2	0.3	-12.2
Oct.	-16.7	1.2	-2.6	-5.8	1.2	-0.7	-10.0	-10.0	-6.6	-5.7
Nov.	-21.7	-8.8	-8.5	-5.7	-0.1	0.1	1.3	-22.3	0.6	19.1
Dec. (p)	-8.9	0.9	-6.4	-3.2	2.6	-0.3	-2.5	-11.0	2.1	0.7

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.

2.9 Securities held by investment funds 1) broken down by issuer of securities

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q1	2,354.9	1,430.3	383.4	675.7	200.2	5.6	165.5	924.5	246.5	354.5	14.1
Q2	2,386.8	1,429.8	386.3	671.3	196.3	5.8	170.1	957.0	252.3	358.6	17.8
Q3	2,383.1	1,413.6	380.5	682.1	184.1	4.7	162.1	969.4	252.4	369.7	18.7
Q4 (p)	2,503.5	1,422.5	391.0	673.9	185.5	4.5	167.5	1,081.0	270.4	436.8	20.4
	Transactions										
2011 Q2	38.2	-0.4	1.7	-3.5	-1.6	0.4	2.7	37.0	8.2	7.7	3.6
Q3	-21.2	-16.8	-5.9	1.3	-7.6	-0.3	-4.2	-4.4	6.0	-4.1	5.3
Q4 (p)	-11.0	-1.1	3.1	-6.9	-1.3	-0.3	4.2	-8.3	-4.4	-6.7	-0.4

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

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q1	1,973.7	782.8	89.2	-	41.7	26.2	625.7	1,191.0	167.2	365.2	71.1
Q2	1,958.6	773.6	84.5	-	41.2	26.1	621.9	1,185.0	166.4	362.8	77.0
Q3	1,632.8	615.8	53.3	-	35.8	20.4	506.3	1,017.0	141.8	323.7	72.5
Q4 (p)	1,733.2	636.8	51.1	-	36.4	21.5	527.7	1,096.4	154.7	356.6	71.2
	Transactions										
2011 Q2	25.9	-0.9	-0.6	-	1.3	0.3	-2.0	26.8	2.9	8.5	6.9
Q3	-41.9	-8.8	-4.9	-	-0.7	0.2	-3.4	-33.0	-5.1	-11.8	-3.2
Q4 (p)	-26.4	-9.4	-1.7	-	-2.3	0.4	-5.9	-17.0	-0.9	-12.0	0.9

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs 2)	General government	Other financial intermediaries 2)	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2011 Q1	882.9	746.3	78.0	-	668.3	-	-	136.6	22.6	41.7	0.5
Q2	886.8	752.0	79.4	-	672.6	-	-	134.8	22.1	42.8	0.5
Q3	830.9	698.7	94.5	-	604.2	-	-	132.2	20.1	42.6	0.5
Q4 (p)	839.2	709.2	95.1	-	614.1	-	-	130.0	20.8	40.5	0.6
	Transactions										
2011 Q2	12.3	10.8	1.2	-	9.6	-	-	1.5	0.3	1.3	0.0
Q3	-15.8	-15.1	15.9	-	-31.0	-	-	-0.8	-0.5	-0.4	0.0
Q4 (p)	-10.5	-2.1	0.5	-	-2.6	-	-	-8.4	-0.8	-4.4	-0.1

Source: ECB.

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

2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

2.10 Aggregated balance sheet of euro area financial vehicle corporations

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

1. Assets

	Total	Deposits and loan claims	Securitised loans							Securities other than shares	Other securitised assets	Shares and other equity	Other assets
			Total	Originated in euro area					Originated outside euro area				
				MFIs		Other financial intermediaries, insurance corporations and pension funds	Non-financial corporations	General government					
					Remaining on the MFI balance sheet [1]								
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q3	2,287.1	350.3	1,469.7	1,161.2	582.4	148.7	23.5	6.3	130.0	259.0	100.3	41.4	66.4
Q4	2,353.0	373.8	1,525.8	1,226.2	606.4	140.5	22.4	6.0	130.8	250.5	92.5	41.9	68.6
2011 Q1	2,255.3	351.4	1,484.5	1,185.1	595.3	142.5	21.8	5.9	129.2	241.6	89.0	36.3	52.4
Q2	2,216.4	340.1	1,461.2	1,167.0	585.5	144.7	20.4	5.2	123.9	232.5	88.6	35.7	58.3
Q3	2,202.1	321.7	1,465.6	1,180.7	590.5	142.8	20.5	5.1	116.3	232.5	86.9	37.8	57.6
Q4	2,269.5	324.6	1,530.3	1,244.8	583.1	147.8	20.8	4.8	112.0	228.9	90.0	36.8	58.8
	Transactions												
2010 Q4	45.8	24.6	24.7	30.8	-	-5.0	-1.4	-0.4	0.6	-5.4	-0.9	-0.6	3.4
2011 Q1	-95.2	-25.0	-39.9	-44.3	-	5.3	-0.3	-0.1	-0.5	-9.9	-2.4	-5.1	-12.8
Q2	-43.1	-11.2	-25.6	-21.5	-	1.9	-0.7	-0.3	-5.0	-7.9	0.0	0.0	1.7
Q3	-23.7	-18.4	3.2	13.2	-	-2.1	-0.1	0.0	-7.8	-2.2	-2.1	-1.1	-3.1
Q4	67.1	3.1	63.0	62.2	-	4.2	0.3	-0.4	-3.4	-3.4	2.3	-1.0	3.2

2. Liabilities

	Total	Loans and deposits received	Debt securities issued			Capital and reserves	Other liabilities
			Total	Up to 2 years	Over 2 years		
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Q3	2,287.1	121.9	1,946.7	82.5	1,864.2	43.4	175.1
Q4	2,353.0	136.5	1,970.6	89.3	1,881.2	42.8	203.1
2011 Q1	2,255.3	135.1	1,884.4	79.6	1,804.7	36.3	199.5
Q2	2,216.4	135.9	1,840.5	77.9	1,762.5	35.2	204.9
Q3	2,202.1	134.1	1,823.6	75.0	1,748.6	34.7	209.6
Q4	2,269.5	150.3	1,881.3	78.8	1,802.4	34.0	203.9
	Transactions						
2010 Q4	45.8	16.0	24.8	5.7	19.1	-2.1	7.1
2011 Q1	-95.2	-1.1	-83.3	-10.1	-73.2	-6.0	-4.8
Q2	-43.1	1.4	-47.6	-5.7	-41.8	-0.8	3.8
Q3	-23.7	-2.2	-23.0	-3.3	-19.6	-1.7	3.2
Q4	67.1	16.5	58.6	5.3	53.3	-1.1	-6.9

3. Holdings of securitised loans originated by euro area MFIs and securities other than shares

	Securitised loans originated by euro area MFIs							Securities other than shares					
	Total	Euro area borrowing sector					Non-euro area borrowing sector	Total	Euro area residents				Non-euro area residents
		Households	Non-financial corporations	Other financial intermediaries	Insurance corporations and pension funds	General government			Total	MFIs	Non-MFIs		
												Financial vehicle corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q3	1,161.2	830.4	220.0	19.2	0.3	7.0	32.1	259.0	139.2	47.3	91.9	38.3	119.8
Q4	1,226.2	853.9	251.5	18.1	0.2	7.1	43.5	250.5	130.3	45.5	84.8	36.3	120.1
2011 Q1	1,185.1	803.6	261.2	17.9	0.2	7.2	36.2	241.6	124.3	42.3	82.0	36.5	117.4
Q2	1,167.0	788.6	253.1	19.3	0.4	9.8	37.5	232.5	124.2	41.0	83.2	35.4	108.4
Q3	1,180.7	795.4	256.0	18.6	0.4	9.6	34.8	232.5	122.3	42.1	80.1	33.8	110.2
Q4	1,244.8	828.2	262.2	18.5	0.2	6.6	35.3	228.9	120.2	40.4	79.7	33.0	108.1
	Transactions												
2010 Q4	30.8	16.6	14.3	-1.6	-0.1	0.1	2.1	-5.4	-5.3	-1.1	-4.2	-2.4	-0.2
2011 Q1	-44.3	-52.2	3.2	-0.4	0.0	0.0	-1.7	-9.9	-5.7	-3.1	-2.7	-0.1	-4.2
Q2	-21.5	-20.8	0.2	0.8	0.2	2.6	-3.9	-7.9	0.4	-0.4	0.7	-0.7	-8.3
Q3	13.2	6.2	1.4	-0.7	0.0	-0.2	-1.2	-2.2	-3.1	-0.2	-2.9	-1.2	1.0
Q4	62.2	32.2	6.1	-0.8	-0.1	-3.0	0.2	-3.4	-1.6	-1.6	0.0	-0.2	-1.8

Source: ECB.

1) Loans securitised using euro area financial vehicle corporations which remain on the balance sheet of the relevant MFI - i.e. which have not been derecognised. Whether or not loans are derecognised from the balance sheet of the MFI depends on the relevant accounting rules. For further information, see the General Notes.

2.11 Aggregated balance sheet of euro area insurance corporations and pension funds

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Currency and deposits	Loans	Securities other than shares	Shares and other equity	Investment fund shares	Money market fund shares	Prepayments of insurance premiums and reserves for outstanding claims	Other accounts receivable/ payable and financial derivatives	Non-financial assets
	1	2	3	4	5	6	7	8	9	10
2008 Q4	6,158.6	800.7	478.6	2,292.9	819.1	1,088.2	93.9	245.7	184.8	154.5
2009 Q1	6,188.0	797.2	493.7	2,361.0	785.6	1,071.9	101.6	244.1	176.2	156.7
Q2	6,329.9	782.8	487.7	2,384.4	818.9	1,200.3	89.7	248.6	162.1	155.3
Q3	6,517.3	784.2	483.4	2,424.9	792.4	1,377.3	86.0	252.0	163.2	153.8
Q4	6,642.1	786.9	477.9	2,462.8	804.3	1,456.7	86.4	256.2	158.1	152.8
2010 Q1	6,864.3	784.5	486.3	2,575.8	815.3	1,534.1	83.4	267.1	169.4	148.4
Q2	6,891.1	785.5	488.9	2,613.5	792.7	1,518.4	79.8	272.1	190.2	150.1
Q3	7,060.3	783.2	498.0	2,698.8	807.4	1,559.7	75.3	272.9	215.1	149.9
Q4	6,978.8	774.1	501.6	2,642.2	823.1	1,579.1	65.3	271.8	170.0	151.5
2011 Q1	7,050.6	775.1	499.7	2,676.3	826.6	1,602.0	63.5	279.0	174.3	154.1
Q2	7,073.9	778.4	506.8	2,691.8	830.6	1,605.3	66.8	269.5	171.8	153.0
Q3	7,060.5	793.6	498.8	2,714.4	780.2	1,553.4	74.6	267.4	225.2	152.9

2. Holdings of securities other than shares

	Total	Issued by euro area residents						Issued by non-euro area residents
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	
	1	2	3	4	5	6	7	8
2008 Q4	2,292.9	1,874.6	505.9	1,014.0	207.0	11.4	136.4	418.3
2009 Q1	2,361.0	1,939.5	531.1	1,040.5	218.3	13.5	136.1	421.5
Q2	2,384.4	1,987.6	541.7	1,060.8	231.2	15.0	139.0	396.8
Q3	2,424.9	2,021.7	552.6	1,086.7	229.4	15.1	137.8	403.2
Q4	2,462.8	2,053.6	543.8	1,114.4	239.3	16.7	139.5	409.2
2010 Q1	2,575.8	2,157.9	578.5	1,184.6	231.7	16.2	146.9	417.9
Q2	2,613.5	2,190.3	581.7	1,196.8	244.3	16.6	150.9	423.1
Q3	2,698.8	2,271.6	593.4	1,242.3	264.1	19.5	152.4	427.2
Q4	2,642.2	2,218.7	594.3	1,215.0	236.1	17.7	155.5	423.5
2011 Q1	2,676.3	2,260.2	617.3	1,208.6	261.9	19.0	153.5	416.0
Q2	2,691.8	2,266.7	638.0	1,229.6	223.5	16.1	159.5	425.1
Q3	2,714.4	2,289.6	640.4	1,236.2	235.6	17.4	160.1	424.8

3. Liabilities and net worth

	Liabilities									Net worth
	Total	Loans received	Securities other than shares	Shares and other equity	Insurance technical reserves				Other accounts receivable/ payable and financial derivatives	
					Total	Net equity of households in life insurance reserves	Net equity of households in pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	1	2	3	4	5	6	7	8	9	10
2008 Q4	6,123.7	348.8	31.7	422.1	5,178.6	2,909.2	1,445.8	823.6	142.6	34.8
2009 Q1	6,129.8	347.8	31.8	378.6	5,228.6	2,927.5	1,460.2	841.0	142.9	58.2
Q2	6,215.9	321.6	33.1	395.1	5,325.5	3,005.5	1,477.4	842.6	140.6	114.1
Q3	6,363.7	303.8	36.1	440.0	5,438.6	3,094.8	1,501.7	842.2	145.1	153.6
Q4	6,441.3	284.6	39.5	436.2	5,527.8	3,168.6	1,519.8	839.3	153.3	200.8
2010 Q1	6,622.5	293.6	39.5	455.4	5,676.6	3,255.9	1,560.2	860.5	157.5	241.7
Q2	6,661.4	298.9	40.9	427.9	5,733.7	3,281.4	1,589.1	863.2	160.0	229.7
Q3	6,774.7	315.0	39.8	435.7	5,829.0	3,338.9	1,629.5	860.5	155.2	285.6
Q4	6,816.8	284.5	42.3	444.6	5,895.6	3,381.8	1,651.3	862.4	149.8	162.0
2011 Q1	6,919.1	304.2	40.1	459.7	5,965.0	3,414.1	1,664.5	886.3	150.0	131.5
Q2	6,933.4	305.6	43.2	447.4	5,987.2	3,437.1	1,674.4	875.6	149.9	140.6
Q3	6,892.2	311.4	42.4	401.5	5,972.6	3,422.1	1,678.9	871.6	164.3	168.3

Source: ECB.

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses 2011 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						584
Trade balance [1]						-20
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,108	115	701	56	235	
Other taxes less subsidies on production	27	6	14	4	4	
Consumption of fixed capital	362	97	206	11	49	
Net operating surplus and mixed income [1]	600	284	279	37	-1	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						6
Taxes less subsidies on production						
Property income	667	39	249	308	71	104
Interest	399	37	74	217	71	55
Other property income	268	2	175	91	0	49
Net national income [1]	1,979	1,588	129	49	214	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	266	210	46	9	0	2
Social contributions	428	428				1
Social benefits other than social transfers in kind	457	1	17	33	405	1
Other current transfers	184	68	23	45	49	10
Net non-life insurance premiums	43	33	9	1	1	2
Non-life insurance claims	43			43		1
Other	98	35	14	1	48	8
Net disposable income [1]	1,954	1,421	72	56	404	
Use of income account						
Net disposable income						
Final consumption expenditure	1,850	1,365			484	
Individual consumption expenditure	1,665	1,365			300	
Collective consumption expenditure	184				184	
Adjustment for the change in the net equity of households in pension fund reserves	16	0	0	16	0	0
Net saving/current external account [1]	104	71	72	41	-80	1
Capital account						
Net saving/current external account						
Gross capital formation	468	148	255	11	54	
Gross fixed capital formation	455	145	245	11	54	
Changes in inventories and acquisitions less disposals of valuables	13	3	10	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-1	0	0	0	0
Capital transfers	30	9	1	2	19	5
Capital taxes	6	6	1	0		0
Other capital transfers	24	3	0	2	19	5
Net lending (+)/net borrowing (-) (from capital account) [1]	1	21	37	39	-97	-1
Statistical discrepancy	0	-15	15	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 2011 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						564
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,097	502	1,200	108	287	
Taxes less subsidies on products	240					
Gross domestic product (market prices)[2]	2,338					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	600	284	279	37	-1	
Compensation of employees	1,109	1,109				4
Taxes less subsidies on production	267				267	1
Property income	671	233	99	319	19	100
Interest	391	62	49	269	10	63
Other property income	280	172	49	50	9	37
Net national income						
Secondary distribution of income account						
Net national income	1,979	1,588	129	49	214	
Current taxes on income, wealth, etc.	267				267	1
Social contributions	428	1	17	50	360	1
Social benefits other than social transfers in kind	455	455				3
Other current transfers	160	85	12	45	18	35
Net non-life insurance premiums	43			43		2
Non-life insurance claims	43	35	7	1	0	2
Other	74	50	5	0	18	32
Net disposable income						
Use of income account						
Net disposable income	1,954	1,421	72	56	404	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	16	16				0
Net saving/current external account						
Capital account						
Net saving/current external account	104	71	72	41	-80	1
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	362	97	206	11	49	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	32	9	16	1	7	3
Capital taxes	6				6	0
Other capital transfers	26	9	16	1	1	3
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

Assets 2011 Q3	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		18,903	16,948	32,249	15,364	6,834	3,874	16,763
Monetary gold and special drawing rights (SDRs)				412				
Currency and deposits		6,708	1,901	9,114	2,364	805	787	3,572
Short-term debt securities		57	76	464	317	47	32	714
Long-term debt securities		1,371	244	5,973	2,436	2,659	442	3,824
Loans		80	3,132	13,430	3,588	472	545	1,900
of which: Long-term		59	1,796	10,308	2,560	352	463	.
Shares and other equity		4,397	7,901	1,912	6,383	2,469	1,363	6,033
Quoted shares		829	1,413	370	2,154	572	262	.
Unquoted shares and other equity		2,204	6,078	1,242	3,233	297	933	.
Mutual fund shares		1,364	410	300	996	1,600	168	.
Insurance technical reserves		5,815	178	3	0	230	4	241
Other accounts receivable and financial derivatives		476	3,516	941	276	152	701	479
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		28	195	1,340	50	54	-27	118
Monetary gold and SDRs				0				0
Currency and deposits		12	19	1,140	92	26	-86	31
Short-term debt securities		-3	4	47	-3	7	0	-18
Long-term debt securities		-10	7	-15	-62	-15	-5	19
Loans		0	93	53	55	-3	-15	38
of which: Long-term		0	27	-140	30	0	-2	.
Shares and other equity		-17	69	0	-32	43	13	8
Quoted shares		6	40	1	-69	3	3	.
Unquoted shares and other equity		8	34	10	56	3	14	.
Mutual fund shares		-30	-5	-11	-19	37	-4	.
Insurance technical reserves		24	0	0	0	-1	0	-3
Other accounts receivable and financial derivatives		22	4	114	0	-3	66	43
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-466	-840	61	-340	-113	-46	8
Monetary gold and SDRs				57				
Currency and deposits		9	5	94	0	2	0	73
Short-term debt securities		-2	3	-1	4	0	-1	21
Long-term debt securities		-43	-16	43	11	21	2	172
Loans		-1	11	41	21	-1	0	24
of which: Long-term		-1	2	19	13	0	0	.
Shares and other equity		-406	-823	-155	-383	-137	-58	-283
Quoted shares		-182	-231	-71	-302	-52	-45	.
Unquoted shares and other equity		-145	-561	-79	-34	-7	-3	.
Mutual fund shares		-79	-31	-5	-46	-78	-9	.
Insurance technical reserves		-13	0	0	0	2	0	2
Other accounts receivable and financial derivatives		-10	-20	-18	6	0	11	-1
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		18,466	16,303	33,651	15,074	6,776	3,800	16,889
Monetary gold and SDRs				469				
Currency and deposits		6,728	1,925	10,348	2,456	833	700	3,676
Short-term debt securities		52	83	510	318	54	31	717
Long-term debt securities		1,318	235	6,001	2,385	2,666	439	4,015
Loans		79	3,237	13,524	3,664	468	530	1,961
of which: Long-term		58	1,825	10,187	2,603	352	461	.
Shares and other equity		3,974	7,146	1,758	5,968	2,375	1,318	5,758
Quoted shares		652	1,222	301	1,782	523	220	.
Unquoted shares and other equity		2,066	5,551	1,173	3,254	293	943	.
Mutual fund shares		1,255	374	284	932	1,559	155	.
Insurance technical reserves		5,827	177	3	0	231	4	240
Other accounts receivable and financial derivatives		488	3,499	1,037	282	149	777	521
Net financial worth								

Source: ECB.

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

Liabilities 2011 Q3	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		6,670	26,813	31,393	14,736	6,891	9,218	14,801
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	22,301	21	0	259	2,640
Short-term debt securities			82	623	78	1	687	235
Long-term debt securities			799	4,540	2,738	33	6,002	2,838
Loans		6,152	8,564		3,376	270	1,706	3,079
of which: Long-term		5,784	6,077		1,855	121	1,401	.
Shares and other equity		7	13,364	2,691	8,389	423	6	5,577
Quoted shares			3,914	489	250	122	0	.
Unquoted shares and other equity		7	9,451	1,155	2,552	300	6	.
Mutual fund shares				1,048	5,587			.
Insurance technical reserves		35	335	70	1	6,029	1	
Other accounts payable and financial derivatives		476	3,638	1,168	133	135	558	431
Net financial worth [1]	-1,550	12,233	-9,865	856	628	-57	-5,345	
Financial account, transactions in liabilities								
Total transactions in liabilities		22	143	1,288	100	18	69	118
Monetary gold and SDRs								
Currency and deposits			-1	1,148	12	0	3	72
Short-term debt securities			11	6	-10	0	15	11
Long-term debt securities			3	-17	-7	0	-35	-24
Loans		16	40		96	6	28	35
of which: Long-term		24	25		43	-2	27	.
Shares and other equity		0	54	27	23	1	0	-20
Quoted shares			4	17	3	1	0	.
Unquoted shares and other equity		0	50	9	75	0	0	.
Mutual fund shares				0	-55			.
Insurance technical reserves		0	0	2	0	17	0	
Other accounts payable and financial derivatives		6	34	122	-13	-6	58	44
Changes in net financial worth due to transactions [1]	1	6	53	52	-50	36	-97	-1
Other changes account, liabilities								
Total other changes in liabilities		6	-1,435	-2	-367	-83	90	-2
Monetary gold and SDRs								
Currency and deposits			0	117	0	0	0	66
Short-term debt securities			0	10	0	0	0	15
Long-term debt securities			27	64	-32	-1	97	36
Loans		1	13		42	-1	1	38
of which: Long-term		2	1		14	-1	1	.
Shares and other equity		0	-1,461	-200	-379	-45	0	-159
Quoted shares			-776	-158	-68	-25	0	.
Unquoted shares and other equity		0	-685	-61	0	-20	0	.
Mutual fund shares				19	-311			.
Insurance technical reserves		0	0	0	0	-9	0	
Other accounts payable and financial derivatives		4	-14	8	3	-28	-7	3
Other changes in net financial worth [1]	47	-472	595	64	26	-29	-137	10
Closing balance sheet, liabilities								
Total liabilities		6,698	25,520	32,680	14,470	6,825	9,378	14,917
Monetary gold and SDRs								
Currency and deposits			30	23,566	32	0	262	2,778
Short-term debt securities			94	639	68	1	702	261
Long-term debt securities			828	4,587	2,699	32	6,064	2,850
Loans		6,169	8,617		3,514	275	1,735	3,151
of which: Long-term		5,811	6,104		1,912	118	1,429	.
Shares and other equity		7	11,958	2,518	8,033	378	6	5,398
Quoted shares			3,142	348	185	97	0	.
Unquoted shares and other equity		7	8,816	1,103	2,627	279	6	.
Mutual fund shares				1,067	5,221			.
Insurance technical reserves		35	335	72	1	6,038	1	
Other accounts payable and financial derivatives		487	3,658	1,298	123	101	609	479
Net financial worth [1]	-1,502	11,767	-9,217	971	604	-50	-5,578	

Source: ECB.

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

Uses	2007	2008	2009	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1	2010 Q3-2011 Q2	2010 Q4-2011 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,278	4,460	4,442	4,472	4,490	4,517	4,548	4,575
Other taxes less subsidies on production	99	94	85	87	82	84	88	94
Consumption of fixed capital	1,294	1,361	1,384	1,405	1,415	1,425	1,435	1,442
Net operating surplus and mixed income [1]	2,398	2,360	2,117	2,187	2,213	2,240	2,259	2,271
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,689	3,936	2,959	2,759	2,803	2,848	2,922	2,976
Interest	2,129	2,383	1,606	1,401	1,410	1,441	1,484	1,532
Other property income	1,560	1,553	1,353	1,358	1,393	1,407	1,438	1,445
Net national income [1]	7,773	7,807	7,538	7,680	7,733	7,797	7,862	7,920
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,136	1,145	1,028	1,043	1,054	1,071	1,081	1,096
Social contributions	1,596	1,671	1,676	1,689	1,699	1,708	1,717	1,733
Social benefits other than social transfers in kind	1,586	1,657	1,774	1,813	1,821	1,826	1,831	1,837
Other current transfers	738	771	775	779	771	771	773	772
Net non-life insurance premiums	183	187	181	180	180	178	178	179
Non-life insurance claims	184	188	182	180	180	179	178	179
Other	370	395	412	419	412	414	416	415
Net disposable income [1]	7,679	7,705	7,430	7,565	7,621	7,684	7,750	7,810
Use of income account								
Net disposable income								
Final consumption expenditure	6,884	7,135	7,140	7,259	7,301	7,350	7,399	7,438
Individual consumption expenditure	6,185	6,399	6,369	6,486	6,529	6,576	6,623	6,660
Collective consumption expenditure	699	737	771	773	772	774	776	778
Adjustment for the change in the net equity of households in pension fund reserves	61	70	62	56	55	54	55	58
Net saving [1]	796	570	290	306	320	334	351	373
Capital account								
Net saving								
Gross capital formation	2,065	2,074	1,719	1,768	1,793	1,838	1,855	1,871
Gross fixed capital formation	1,990	2,011	1,763	1,761	1,773	1,799	1,814	1,828
Changes in inventories and acquisitions less disposals of valuables	75	63	-43	7	19	39	41	43
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1	1	1	2	1	1	1	1
Capital transfers	153	152	185	221	226	214	206	164
Capital taxes	24	24	34	30	25	26	25	25
Other capital transfers	129	128	151	191	201	188	181	139
Net lending (+)/net borrowing (-) (from capital account) [1]	40	-135	-37	-47	-49	-70	-61	-48

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	2007	2008	2009	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1	2010 Q3-2011 Q2	2010 Q4-2011 Q3
Generation of income account								
Gross value added (basic prices)	8,069	8,275	8,028	8,151	8,200	8,265	8,329	8,382
Taxes less subsidies on products	960	946	894	931	940	956	958	966
Gross domestic product (market prices)[2]	9,029	9,221	8,922	9,082	9,139	9,221	9,288	9,347
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	2,398	2,360	2,117	2,187	2,213	2,240	2,259	2,271
Compensation of employees	4,286	4,468	4,450	4,481	4,500	4,527	4,558	4,585
Taxes less subsidies on production	1,067	1,047	996	1,032	1,035	1,053	1,059	1,072
Property income	3,711	3,867	2,933	2,740	2,788	2,825	2,908	2,968
Interest	2,092	2,327	1,561	1,358	1,370	1,402	1,446	1,496
Other property income	1,619	1,540	1,372	1,382	1,418	1,423	1,462	1,473
Net national income								
Secondary distribution of income account								
Net national income	7,773	7,807	7,538	7,680	7,733	7,797	7,862	7,920
Current taxes on income, wealth, etc.	1,144	1,153	1,034	1,047	1,059	1,076	1,087	1,103
Social contributions	1,595	1,670	1,674	1,688	1,698	1,707	1,716	1,732
Social benefits other than social transfers in kind	1,578	1,649	1,767	1,807	1,814	1,819	1,824	1,830
Other current transfers	644	671	669	665	662	660	662	664
Net non-life insurance premiums	184	188	182	180	180	179	178	179
Non-life insurance claims	180	184	178	177	176	175	175	175
Other	280	298	309	308	306	306	309	310
Net disposable income								
Use of income account								
Net disposable income	7,679	7,705	7,430	7,565	7,621	7,684	7,750	7,810
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61	70	62	56	55	54	55	58
Net saving								
Capital account								
Net saving	796	570	290	306	320	334	351	373
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,294	1,361	1,384	1,405	1,415	1,425	1,435	1,442
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	168	162	194	231	236	224	215	174
Capital taxes	24	24	34	30	25	26	25	25
Other capital transfers	144	138	160	202	211	198	190	149
Net lending (+)/net borrowing (-) (from capital account)								

Sources: ECB and Eurostat.

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

3.3 Households

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

	2007	2008	2009	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1	2010 Q3-2011 Q2	2010 Q4-2011 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	4,286	4,468	4,450	4,481	4,500	4,527	4,558	4,585
Gross operating surplus and mixed income (+)	1,483	1,521	1,449	1,446	1,455	1,466	1,482	1,491
Interest receivable (+)	316	351	241	213	214	221	229	238
Interest payable (-)	221	249	146	125	126	130	137	142
Other property income receivable (+)	788	785	714	704	713	726	736	748
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	834	872	841	844	848	858	864	873
Net social contributions (-)	1,592	1,667	1,671	1,684	1,694	1,703	1,712	1,728
Net social benefits (+)	1,573	1,644	1,762	1,802	1,809	1,814	1,819	1,824
Net current transfers receivable (+)	62	70	73	72	70	69	68	69
= Gross disposable income	5,853	6,041	6,020	6,054	6,083	6,122	6,169	6,202
Final consumption expenditure (-)	5,078	5,237	5,153	5,246	5,288	5,329	5,373	5,408
Changes in net worth in pension funds (+)	60	69	61	56	54	54	55	57
= Gross saving	835	874	928	864	850	846	851	851
Consumption of fixed capital (-)	358	372	375	378	380	381	382	384
Net capital transfers receivable (+)	12	-1	10	5	10	9	9	9
Other changes in net worth (+)	1,273	-2,040	-499	854	858	590	456	-130
= Changes in net worth	1,762	-1,539	64	1,346	1,339	1,065	934	346
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	661	646	553	554	558	565	568	574
Consumption of fixed capital (-)	358	372	375	378	380	381	382	384
Main items of financial investment (+)								
Short-term assets	420	455	-13	-23	56	115	125	130
Currency and deposits	351	438	121	89	120	141	139	149
Money market fund shares	37	-9	-41	-82	-51	-38	-33	-23
Debt securities [1]	32	27	-93	-30	-13	11	19	4
Long-term assets	156	26	516	485	407	321	280	242
Deposits	-31	-27	85	80	56	40	50	51
Debt securities	86	14	28	-9	-6	37	37	57
Shares and other equity	-108	-96	179	167	130	44	12	-21
Quoted and unquoted shares and other equity	37	72	131	109	107	55	22	22
Mutual fund shares	-145	-167	48	59	23	-11	-9	-43
Life insurance and pension fund reserves	209	135	225	247	228	199	180	155
Main items of financing (-)								
Loans	384	258	110	111	125	125	141	126
of which: From euro area MFIs	283	83	65	135	147	170	168	149
Other changes in assets (+)								
Non-financial assets	1,224	-672	-796	762	797	619	217	330
Financial assets	67	-1,412	275	97	82	-14	193	-457
Shares and other equity	48	-1,158	85	-43	41	32	172	-354
Life insurance and pension fund reserves	8	-239	175	141	85	25	46	-37
Remaining net flows (+)	-24	48	14	-39	-57	-34	75	38
= Changes in net worth	1,762	-1,539	64	1,346	1,339	1,065	934	346
Balance sheet								
Non-financial assets (+)	27,914	27,515	26,897	27,732	27,872	27,769	27,812	28,252
Financial assets (+)								
Short-term assets	5,261	5,804	5,780	5,767	5,841	5,875	5,915	5,911
Currency and deposits	4,851	5,321	5,475	5,500	5,599	5,599	5,652	5,659
Money market fund shares	277	309	236	200	186	203	191	187
Debt securities [1]	132	174	70	68	56	73	73	64
Long-term assets	12,141	10,710	11,538	11,905	12,015	12,082	12,102	11,653
Deposits	965	915	971	1,015	1,028	1,037	1,056	1,069
Debt securities	1,286	1,303	1,379	1,343	1,317	1,330	1,355	1,306
Shares and other equity	5,103	3,808	4,104	4,172	4,274	4,266	4,206	3,786
Quoted and unquoted shares and other equity	3,710	2,870	2,983	2,998	3,065	3,092	3,032	2,719
Mutual fund shares	1,392	938	1,121	1,174	1,209	1,174	1,174	1,068
Life insurance and pension fund reserves	4,787	4,683	5,083	5,375	5,396	5,450	5,484	5,493
Remaining net assets (+)	324	324	306	301	293	280	369	372
Liabilities (-)								
Loans	5,569	5,821	5,925	6,031	6,087	6,094	6,152	6,169
of which: From euro area MFIs	4,831	4,914	4,968	5,159	5,213	5,256	5,304	5,313
= Net worth	40,071	38,532	38,596	39,673	39,934	39,913	40,045	40,019

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)

	2007	2008	2009	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1	2010 Q3-2011 Q2	2010 Q4-2011 Q3
Income and saving								
Gross value added (basic prices) (+)	4,646	4,755	4,499	4,590	4,627	4,676	4,720	4,758
Compensation of employees (-)	2,711	2,833	2,774	2,788	2,804	2,827	2,854	2,876
Other taxes less subsidies on production (-)	49	46	39	39	33	34	37	41
= Gross operating surplus (+)	1,886	1,876	1,686	1,763	1,790	1,814	1,829	1,841
Consumption of fixed capital (-)	725	767	783	796	802	809	816	820
= Net operating surplus (+)	1,161	1,110	903	967	987	1,005	1,014	1,021
Property income receivable (+)	639	637	541	520	535	540	561	571
Interest receivable	218	239	173	154	157	164	171	183
Other property income receivable	421	398	369	366	377	376	389	388
Interest and rents payable (-)	366	421	297	260	263	269	280	292
= Net entrepreneurial income (+)	1,434	1,326	1,147	1,226	1,259	1,276	1,294	1,299
Distributed income (-)	1,002	1,023	927	915	937	954	961	969
Taxes on income and wealth payable (-)	248	236	152	161	167	173	176	181
Social contributions receivable (+)	64	68	70	69	69	69	70	70
Social benefits payable (-)	63	65	68	69	69	70	70	70
Other net transfers (-)	43	48	46	46	45	45	43	43
= Net saving	142	22	24	105	109	104	114	106
Investment, financing and saving								
Net acquisition of non-financial assets (+)	409	369	83	142	163	196	199	209
Gross fixed capital formation (+)	1,058	1,077	912	931	946	966	978	990
Consumption of fixed capital (-)	725	767	783	796	802	809	816	820
Net acquisition of other non-financial assets (+)	76	58	-46	7	20	39	37	39
Main items of financial investment (+)								
Short-term assets	167	72	93	26	18	20	37	-3
Currency and deposits	153	15	88	51	67	61	64	43
Money market fund shares	-20	33	40	-28	-41	-27	-20	-34
Debt securities [1]	34	24	-34	3	-8	-14	-7	-12
Long-term assets	769	681	263	377	438	438	512	560
Deposits	-10	36	5	-7	0	15	21	30
Debt securities	49	-37	17	-11	-5	10	25	27
Shares and other equity	423	337	124	130	172	176	240	268
Other (mainly intercompany loans)	307	344	116	265	270	236	226	235
Remaining net assets (+)	184	-41	48	82	-3	2	-1	-92
Main items of financing (-)								
Debt	919	670	80	215	209	243	306	259
of which: Loans from euro area MFIs	537	394	-114	-35	-8	28	71	73
of which: Debt securities	32	48	90	71	67	45	44	46
Shares and other equity	400	310	296	226	224	235	257	242
Quoted shares	58	6	67	36	30	29	28	29
Unquoted shares and other equity	342	304	230	190	195	206	229	212
Net capital transfers receivable (-)	69	75	83	79	72	70	69	67
= Net saving	142	22	24	105	109	104	114	106
Financial balance sheet								
Financial assets								
Short-term assets	1,788	1,878	1,959	1,926	1,973	1,952	1,938	1,935
Currency and deposits	1,507	1,538	1,632	1,626	1,693	1,667	1,672	1,678
Money market fund shares	163	192	214	182	174	178	167	151
Debt securities [1]	118	148	113	119	107	107	99	105
Long-term assets	10,759	9,327	10,283	10,743	11,030	11,201	11,316	10,692
Deposits	208	247	228	242	225	225	229	247
Debt securities	228	184	197	206	201	222	221	212
Shares and other equity	7,984	6,248	7,078	7,289	7,540	7,682	7,733	6,996
Other (mainly intercompany loans)	2,339	2,648	2,779	3,007	3,064	3,072	3,132	3,237
Remaining net assets	259	210	187	180	36	134	86	48
Liabilities								
Debt	8,651	9,340	9,453	9,632	9,641	9,660	9,780	9,875
of which: Loans from euro area MFIs	4,466	4,871	4,711	4,709	4,698	4,728	4,755	4,766
of which: Debt securities	648	704	827	900	887	864	881	922
Shares and other equity	14,316	11,071	12,388	12,631	13,101	13,378	13,364	11,958
Quoted shares	5,061	2,935	3,516	3,542	3,814	3,923	3,914	3,142
Unquoted shares and other equity	9,255	8,136	8,872	9,090	9,287	9,455	9,451	8,816

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)

	2007	2008	2009	2009 Q4-2010 Q3	2010 Q1-2010 Q4	2010 Q2-2011 Q1	2010 Q3-2011 Q2	2010 Q4-2011 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	23	78	-49	-4	-10	-24	-37	3
Currency and deposits	7	57	-33	6	-10	-9	-15	9
Money market fund shares	5	18	-2	-4	-6	-23	-25	-15
Debt securities [1]	11	3	-14	-6	5	8	3	9
Long-term assets	229	126	281	261	230	215	232	199
Deposits	47	-9	21	-12	-8	8	10	16
Debt securities	108	75	101	159	142	112	105	51
Loans	-15	26	6	12	28	22	25	17
Quoted shares	20	-7	-60	14	14	17	15	10
Unquoted shares and other equity	7	18	-22	-18	-13	-8	-5	2
Mutual fund shares	63	24	235	106	66	64	82	103
Remaining net assets (+)	9	20	38	38	21	0	-42	-35
Main items of financing (-)								
Debt securities	3	4	5	2	0	0	2	3
Loans	-2	24	-18	5	3	10	6	0
Shares and other equity	2	8	1	4	4	4	0	1
Insurance technical reserves	245	130	229	279	256	209	176	140
Net equity of households in life insurance and pension fund reserves	211	126	225	269	244	200	176	144
Prepayments of insurance premiums and reserves for outstanding claims	34	4	4	10	12	9	0	-4
= Changes in net financial worth due to transactions	13	58	53	6	-24	-32	-31	24
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	34	-562	228	126	118	37	68	-119
Other net assets	-38	52	20	68	-10	-33	-12	-22
Other changes in liabilities (-)								
Shares and other equity	-21	-173	11	-19	-9	-9	12	-38
Insurance technical reserves	30	-260	188	144	94	35	54	-18
Net equity of households in life insurance and pension fund reserves	18	-248	185	146	97	38	58	-24
Prepayments of insurance premiums and reserves for outstanding claims	12	-12	4	-2	-3	-3	-5	6
= Other changes in net financial worth	-14	-77	49	69	23	-22	-11	-85
Financial balance sheet								
Financial assets (+)								
Short-term assets	321	401	346	369	341	328	329	365
Currency and deposits	163	224	195	203	190	181	181	203
Money market fund shares	94	110	99	106	94	85	86	93
Debt securities [1]	63	67	52	60	57	62	62	69
Long-term assets	5,503	5,074	5,662	5,989	5,997	6,092	6,123	6,030
Deposits	594	599	617	610	610	624	624	630
Debt securities	2,203	2,269	2,446	2,637	2,575	2,628	2,643	2,650
Loans	411	434	439	453	467	468	472	468
Quoted shares	750	492	524	542	563	578	572	523
Unquoted shares and other equity	381	313	305	297	307	301	297	293
Mutual fund shares	1,164	965	1,331	1,449	1,474	1,494	1,515	1,466
Remaining net assets (+)	173	241	228	294	252	257	247	279
Liabilities (-)								
Debt securities	20	23	31	31	33	31	33	33
Loans	245	273	255	279	262	267	270	275
Shares and other equity	578	413	425	415	420	438	423	378
Insurance technical reserves	5,295	5,165	5,582	5,916	5,932	6,005	6,029	6,038
Net equity of households in life insurance and pension fund reserves	4,472	4,350	4,760	5,081	5,101	5,161	5,195	5,201
Prepayments of insurance premiums and reserves for outstanding claims	822	815	822	835	831	844	835	837
= Net financial wealth	-140	-159	-56	11	-57	-64	-57	-50

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

FINANCIAL MARKETS

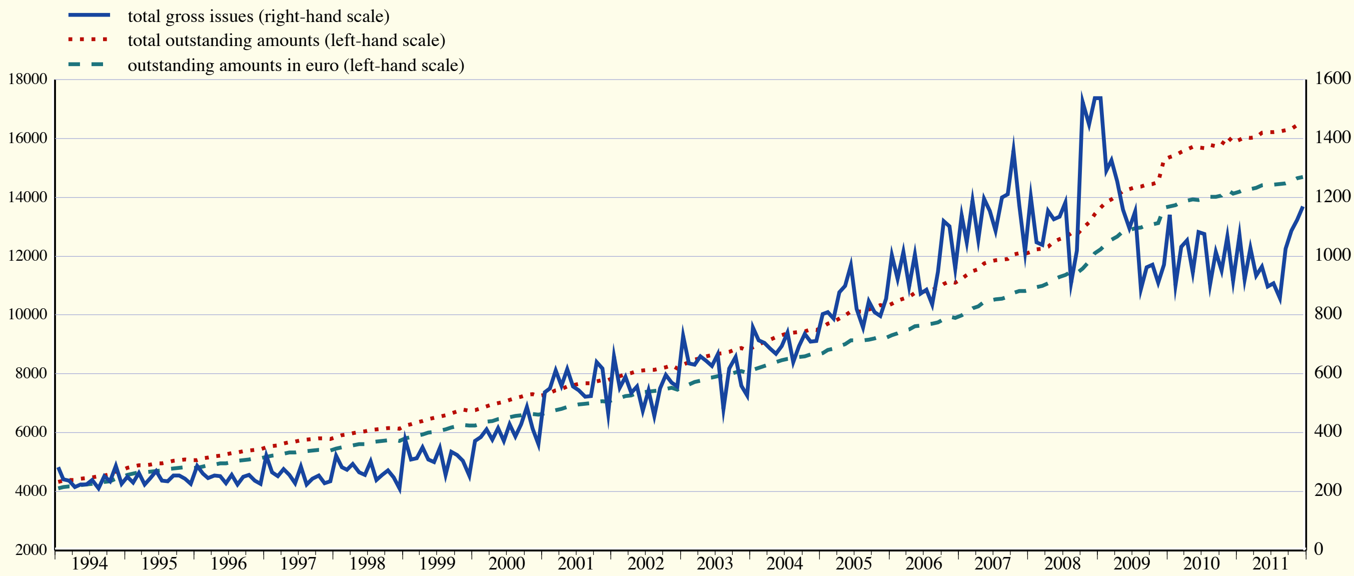
4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2010 Dec.	16,292.8	876.6	-162.1	14,119.1	843.9	-144.8	15,877.7	916.4	-176.7	3.6	-56.8	4.6
2011 Jan.	16,368.6	1,005.1	75.1	14,191.9	954.5	72.2	15,950.9	1,070.8	91.9	3.7	78.2	5.0
Feb.	16,468.0	866.8	100.3	14,283.1	813.9	92.1	16,043.0	920.2	97.9	4.1	47.7	4.1
Mar.	16,466.4	986.8	-1.3	14,274.1	919.9	-8.7	16,019.1	1,027.9	0.5	3.4	10.1	3.5
Apr.	16,488.4	889.7	22.5	14,322.2	850.3	48.7	16,046.1	934.9	52.1	3.2	26.2	3.3
May	16,591.6	922.5	101.6	14,414.8	865.9	90.9	16,194.5	963.7	118.1	3.6	41.7	1.8
June	16,624.3	851.8	32.8	14,438.9	799.9	24.1	16,213.5	896.8	24.7	3.9	50.8	3.2
July	16,594.1	852.1	-30.8	14,428.7	824.8	-10.9	16,225.1	906.7	-11.6	3.7	13.8	2.4
Aug.	16,624.0	806.2	30.1	14,459.4	771.8	31.0	16,232.5	857.7	18.7	3.3	47.4	2.4
Sep.	16,660.4	1,001.7	36.8	14,469.6	925.8	10.6	16,282.5	1,026.3	12.6	3.3	65.1	3.1
Oct.	16,712.3	1,034.5	52.6	14,548.8	992.9	79.9	16,326.9	1,086.5	70.4	3.4	60.2	3.5
Nov.	16,799.6	1,059.8	86.8	14,642.4	1,012.6	92.7	16,452.4	1,123.5	96.4	2.5	7.4	3.1
Dec.	16,849.1	1,120.6	49.4	14,689.7	1,078.2	47.3	16,529.0	1,169.3	48.7	3.9	174.5	4.6
	Long-term											
2010 Dec.	14,855.1	186.8	-39.1	12,772.6	179.6	-21.2	14,337.5	193.8	-40.9	4.8	19.6	5.6
2011 Jan.	14,918.5	308.9	65.0	12,821.5	278.0	50.6	14,384.8	320.1	67.5	4.8	97.2	6.2
Feb.	15,023.9	284.2	105.7	12,916.6	253.2	95.5	14,472.4	285.1	92.1	5.0	42.8	5.6
Mar.	15,034.5	313.5	11.1	12,933.8	277.4	17.7	14,465.7	311.6	15.1	4.3	20.7	5.1
Apr.	15,087.9	303.3	53.7	12,998.1	278.4	64.6	14,512.0	308.9	67.8	4.3	48.4	4.8
May	15,164.0	275.8	75.0	13,065.7	243.4	66.5	14,617.7	266.4	80.2	4.5	14.8	3.4
June	15,217.2	259.0	52.7	13,117.0	227.7	50.7	14,668.0	256.6	53.8	4.7	44.0	3.8
July	15,198.6	202.8	-20.9	13,105.5	191.6	-13.8	14,677.5	213.2	-13.4	4.4	25.3	2.7
Aug.	15,193.4	121.6	-5.2	13,104.6	112.0	-0.9	14,657.5	122.0	-9.5	4.0	28.5	2.5
Sep.	15,188.6	229.2	-4.2	13,096.0	189.8	-7.9	14,689.8	213.9	-0.4	4.0	46.4	2.9
Oct.	15,263.0	278.3	76.4	13,176.3	250.9	82.2	14,736.7	268.0	70.7	4.0	74.7	3.2
Nov.	15,337.9	210.8	74.6	13,261.0	191.6	84.2	14,853.3	212.2	91.1	3.3	8.2	3.1
Dec.	15,381.0	237.5	42.0	13,317.2	228.3	55.1	14,937.1	246.2	58.8	4.0	128.8	4.3

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

(EUR billions)



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

1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

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

4.2 Securities other than shares issued by euro area residents, by sector of the issuer and instrument type
(EUR billions ; transactions during the month and end-of-period outstanding amounts; nominal values)

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2010	15,878	5,246	3,296	850	5,932	554	1,007	625	80	69	205	29
2011	16,529	5,528	3,293	868	6,216	624	999	609	98	62	191	39
2011 Q1	16,019	5,347	3,260	824	6,024	564	1,006	592	92	59	220	43
Q2	16,213	5,363	3,255	832	6,167	597	932	551	86	60	192	43
Q3	16,282	5,425	3,237	853	6,160	607	930	579	78	60	180	33
Q4	16,529	5,528	3,293	868	6,216	624	1,126	712	135	70	173	36
2011 Sep.	16,282	5,425	3,237	853	6,160	607	1,026	633	92	65	202	34
Oct.	16,327	5,412	3,267	859	6,181	607	1,087	629	144	86	197	31
Nov.	16,452	5,455	3,277	870	6,229	621	1,123	728	107	63	181	45
Dec.	16,529	5,528	3,293	868	6,216	624	1,169	780	155	59	141	34
						Short-term						
2010	1,540	572	122	67	724	54	759	534	34	57	115	19
2011	1,592	699	106	77	634	77	747	510	47	53	107	29
2011 Q1	1,553	618	113	71	700	52	701	462	41	49	118	30
Q2	1,545	582	124	72	702	65	654	440	31	51	102	32
Q3	1,593	613	113	83	712	72	747	512	42	53	114	26
Q4	1,592	699	106	77	634	77	884	627	75	60	95	28
2011 Sep.	1,593	613	113	83	712	72	812	555	54	57	120	28
Oct.	1,590	625	109	84	703	70	819	545	68	73	109	24
Nov.	1,599	651	105	84	686	74	911	662	68	54	95	31
Dec.	1,592	699	106	77	634	77	923	673	89	52	81	29
						Long-term [2]						
2010	14,338	4,674	3,174	783	5,207	499	248	91	46	12	90	9
2011	14,937	4,829	3,187	791	5,583	548	252	98	50	9	84	10
2011 Q1	14,466	4,729	3,147	752	5,325	512	306	130	50	10	102	13
Q2	14,668	4,781	3,131	759	5,465	532	277	111	55	9	90	12
Q3	14,690	4,812	3,124	770	5,448	535	183	67	36	7	66	7
Q4	14,937	4,829	3,187	791	5,583	548	242	85	60	10	78	8
2011 Sep.	14,690	4,812	3,124	770	5,448	535	214	78	39	9	82	6
Oct.	14,737	4,788	3,158	776	5,478	537	268	84	76	13	88	7
Nov.	14,853	4,804	3,173	786	5,544	547	212	65	39	9	85	13
Dec.	14,937	4,829	3,187	791	5,583	548	246	107	66	7	61	4
						of which: Long-term fixed rate						
2010	9,481	2,633	1,103	671	4,697	377	156	50	13	10	77	6
2011	10,013	2,777	1,137	697	4,994	408	151	54	12	8	70	7
2011 Q1	9,641	2,700	1,111	655	4,787	387	195	78	13	8	87	9
Q2	9,866	2,743	1,144	666	4,912	401	173	62	20	8	74	8
Q3	9,888	2,773	1,150	677	4,887	400	112	35	8	6	58	5
Q4	10,013	2,777	1,137	697	4,994	408	123	42	7	9	61	5
2011 Sep.	9,888	2,773	1,150	677	4,887	400	144	47	10	8	75	3
Oct.	9,892	2,758	1,145	682	4,903	403	132	47	4	11	66	4
Nov.	9,972	2,765	1,146	692	4,962	407	117	29	7	9	64	8
Dec.	10,013	2,777	1,137	697	4,994	408	119	48	8	7	53	3
						of which: Long-term variable rate						
2010	4,386	1,761	1,966	106	432	121	78	34	29	1	10	4
2011	4,421	1,783	1,896	91	513	139	84	37	32	1	11	3
2011 Q1	4,333	1,741	1,918	93	458	123	90	42	32	1	11	4
Q2	4,302	1,765	1,841	89	477	129	84	42	23	1	13	4
Q3	4,297	1,767	1,817	88	491	133	56	26	21	0	5	3
Q4	4,421	1,783	1,896	91	513	139	107	36	51	1	15	3
2011 Sep.	4,297	1,767	1,817	88	491	133	55	26	24	0	3	3
Oct.	4,339	1,754	1,861	89	503	133	121	27	70	2	20	3
Nov.	4,368	1,762	1,871	90	507	138	81	28	28	1	19	5
Dec.	4,421	1,783	1,896	91	513	139	118	54	55	1	7	1

Source: ECB.
1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.
2) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

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

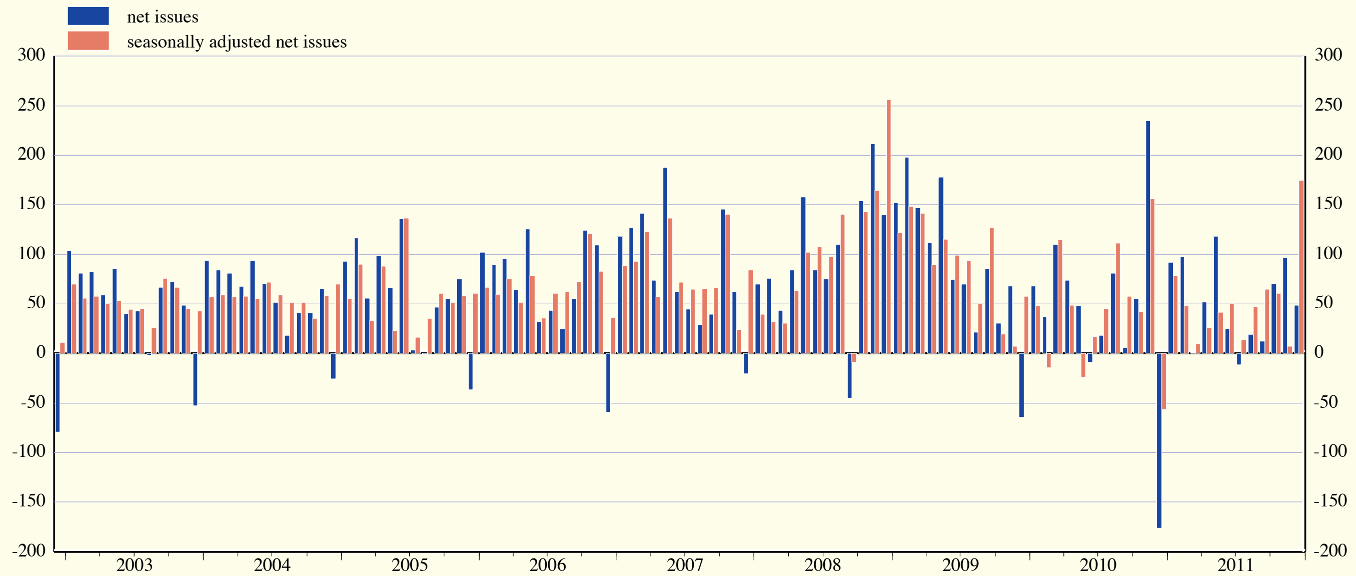
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2010	45.5	-1.2	4.8	5.0	31.6	5.3	45.4	-1.4	4.9	5.0	31.8	5.1
2011	51.7	22.5	-3.5	3.7	23.4	5.6	51.9	22.9	-3.2	3.8	23.1	5.3
2011 Q1	63.5	43.0	-20.6	4.3	32.5	4.3	45.3	24.0	-4.1	2.8	16.7	5.9
Q2	64.9	5.0	-1.3	2.8	47.5	11.0	39.5	0.6	-6.5	-0.2	34.2	11.5
Q3	6.6	12.7	-8.9	4.5	-3.8	2.0	42.1	20.2	6.4	6.2	5.6	3.7
Q4	71.8	29.3	16.8	3.2	17.6	4.9	80.7	46.7	-8.8	6.4	36.1	0.3
2011 Sep.	12.6	13.7	-2.0	3.5	-8.9	6.3	65.1	32.0	39.9	4.8	-20.2	8.6
Oct.	70.4	2.0	34.2	8.8	23.2	2.2	60.2	9.9	13.0	7.9	35.1	-5.7
Nov.	96.4	28.0	5.3	6.8	45.1	11.1	7.4	20.5	-37.9	6.0	8.1	10.7
Dec.	48.7	57.9	10.9	-5.9	-15.6	1.4	174.5	109.6	-1.5	5.4	65.2	-4.1
	Long-term											
2010	54.2	1.9	2.2	5.3	41.3	3.5	54.5	1.9	2.4	5.3	41.4	3.5
2011	47.8	12.1	-2.0	2.7	31.0	3.9	48.3	12.3	-1.7	2.8	31.1	3.9
2011 Q1	58.2	27.4	-16.8	2.3	40.5	4.9	53.6	17.1	-1.8	2.5	31.2	4.6
Q2	67.2	16.7	-5.1	2.4	46.7	6.5	35.7	5.6	-9.4	-0.6	35.1	5.0
Q3	-7.8	2.9	-5.2	0.8	-6.9	0.6	33.4	10.8	8.6	2.2	9.1	2.7
Q4	73.5	1.5	19.1	5.4	43.8	3.6	70.6	15.7	-4.4	7.0	48.9	3.3
2011 Sep.	-0.4	7.0	2.6	2.4	-13.4	1.0	46.4	21.8	38.9	0.4	-16.9	2.2
Oct.	70.7	-10.3	38.1	8.4	31.4	3.1	74.7	-3.4	21.2	9.4	45.2	2.3
Nov.	91.1	3.3	9.2	6.8	63.4	8.4	8.2	7.7	-35.2	6.3	21.0	8.4
Dec.	58.8	11.5	10.2	1.1	36.6	-0.6	128.8	42.7	0.9	5.4	80.5	-0.7

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

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

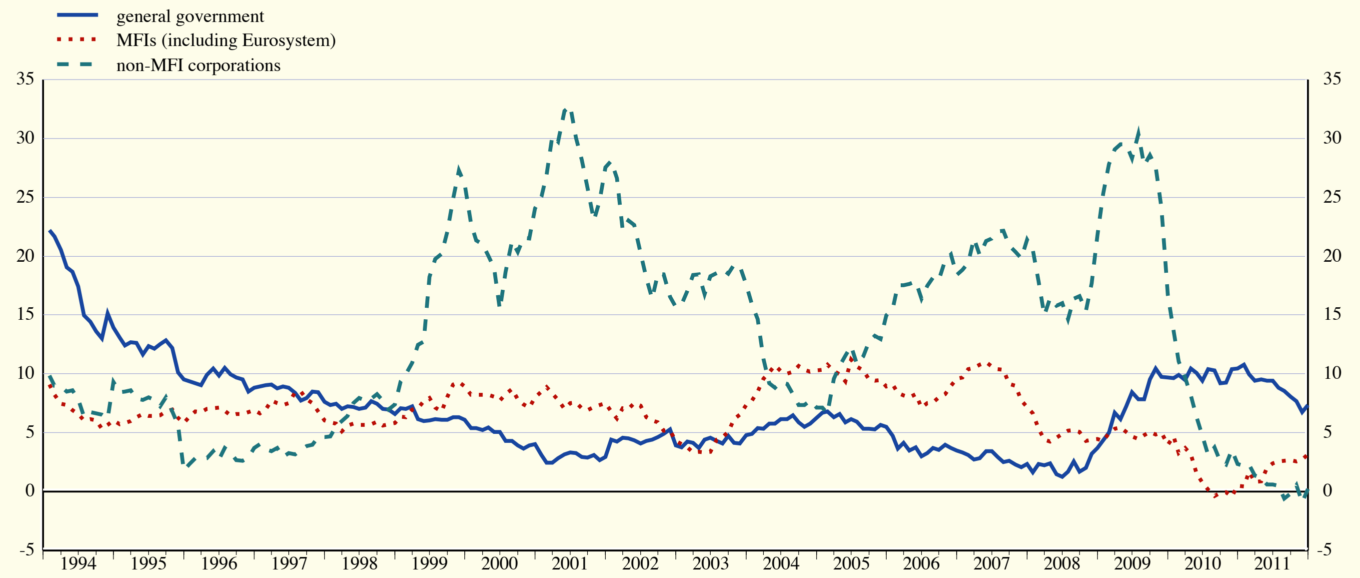


Source: ECB.
1) Monthly data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2010 Dec.	3.6	-0.3	1.8	7.5	7.0	13.2	4.6	0.6	3.2	6.9	8.0	13.3
2011 Jan.	3.7	0.0	1.8	7.2	7.1	13.4	5.0	2.3	3.8	6.9	7.3	10.9
Feb.	4.1	1.6	2.3	5.5	6.7	11.9	4.1	2.5	1.4	6.1	6.4	9.4
Mar.	3.4	0.8	1.2	4.8	5.9	14.5	3.5	2.2	-1.0	5.2	6.3	12.1
Apr.	3.2	0.4	1.2	3.4	6.0	14.6	3.3	2.9	-0.7	2.5	5.3	12.3
May	3.6	1.7	0.4	4.3	6.1	17.4	1.8	3.0	-4.0	3.7	2.7	15.8
June	3.9	1.8	0.6	4.3	6.5	16.1	3.2	2.8	-1.9	1.8	5.2	20.1
July	3.7	1.8	0.4	4.9	6.2	13.3	2.4	1.2	-2.8	2.9	5.1	16.0
Aug.	3.3	1.9	-1.2	5.2	5.6	15.3	2.4	1.2	-3.8	4.4	4.9	22.0
Sep.	3.3	2.3	-0.5	4.8	5.1	14.2	3.1	2.3	0.0	4.4	4.0	16.8
Oct.	3.4	2.9	0.0	4.7	4.7	12.8	3.5	2.9	0.7	7.0	4.2	12.9
Nov.	2.5	3.1	-2.0	5.1	3.0	13.6	3.1	3.3	-0.2	6.5	3.4	11.0
Dec.	3.9	5.2	-1.3	5.4	4.7	12.1	4.6	7.6	-0.4	9.3	4.1	4.0
	Long-term											
2010 Dec.	4.8	0.5	0.8	8.7	10.5	9.2	5.6	1.9	1.8	7.4	11.2	6.8
2011 Jan.	4.8	0.4	0.8	8.0	11.0	8.3	6.2	3.7	2.0	7.5	10.9	7.5
Feb.	5.0	1.7	1.3	6.4	10.1	8.6	5.6	4.1	0.2	6.1	10.0	8.5
Mar.	4.3	0.8	0.3	5.7	9.4	9.0	5.1	3.3	-2.0	5.6	11.0	9.4
Apr.	4.3	0.9	0.2	5.0	9.5	9.5	4.8	3.5	-1.5	4.0	10.0	8.7
May	4.5	2.0	-0.5	5.2	9.1	12.1	3.4	3.6	-4.8	3.1	7.9	11.0
June	4.7	2.4	-0.3	4.4	9.4	9.4	3.8	2.9	-2.1	1.5	7.8	11.9
July	4.4	2.5	-0.5	4.8	8.7	9.8	2.7	1.4	-2.9	2.1	6.6	12.2
Aug.	4.0	2.6	-1.8	4.4	8.4	10.2	2.5	1.2	-3.9	2.8	6.8	12.1
Sep.	4.0	2.7	-1.0	3.4	7.9	9.4	2.9	2.1	-0.1	1.2	5.0	9.3
Oct.	4.0	2.6	-0.1	3.5	7.6	8.7	3.2	1.7	1.3	3.0	5.3	8.5
Nov.	3.3	2.7	-2.1	4.0	6.4	10.0	3.1	1.9	0.6	4.8	4.9	9.1
Dec.	4.0	3.1	-0.8	4.4	7.2	9.4	4.3	3.4	0.8	7.4	6.5	7.0

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



Source: ECB.
1) For details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

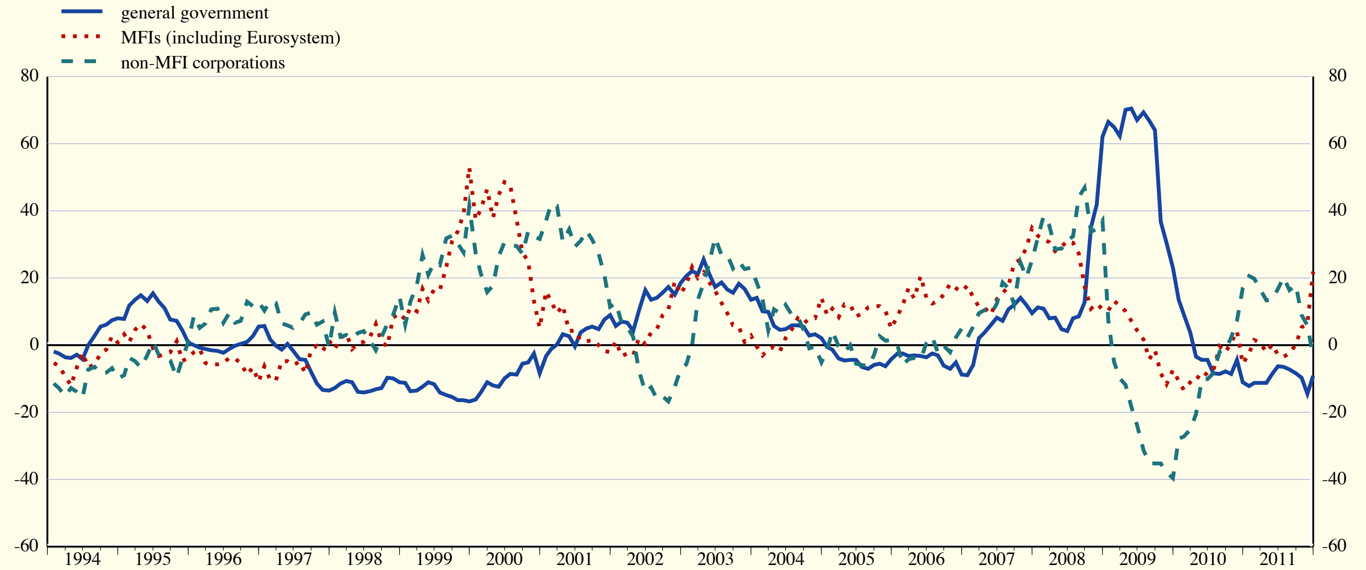
4.3 Growth rates of securities other than shares issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2010	8.8	5.7	6.4	19.6	9.9	8.8	-0.6	-3.9	0.7	-1.5	6.4	27.5
2011	6.4	5.0	3.5	6.3	7.8	7.7	-0.6	-1.4	-5.2	-1.9	22.3	16.1
2011 Q1	6.9	3.4	3.2	9.2	9.7	5.6	0.5	-1.8	-1.9	-1.2	19.0	20.0
Q2	6.5	4.6	3.8	6.4	8.2	7.9	-0.4	-2.1	-4.6	-1.5	23.5	18.4
Q3	6.6	6.2	4.3	5.2	7.4	8.9	-1.4	-1.4	-7.7	-2.3	25.7	13.0
Q4	5.6	5.6	2.7	4.5	6.1	8.1	-0.9	-0.5	-6.6	-2.5	21.0	13.9
2011 July	6.8	6.2	4.5	5.6	7.7	9.0	-1.3	-1.3	-7.2	-1.9	24.4	12.7
Aug.	6.5	6.3	3.9	5.2	7.2	9.4	-1.9	-1.5	-8.5	-2.2	25.6	13.4
Sep.	6.1	6.4	4.7	4.3	6.4	8.3	-1.5	-1.2	-8.2	-3.7	28.3	13.4
Oct.	5.7	5.7	3.5	4.2	6.2	7.5	-0.5	-1.0	-6.1	-2.9	25.8	12.7
Nov.	5.2	5.2	1.7	4.6	5.8	8.5	-1.6	0.0	-7.5	-2.3	14.6	15.1
Dec.	5.5	5.7	1.1	5.0	6.3	8.0	0.6	0.4	-4.0	-1.0	18.7	14.4
	In euro											
2010	9.1	5.6	7.4	19.9	10.0	8.3	-0.3	-3.3	0.5	-1.9	5.9	26.2
2011	6.5	4.2	3.7	6.6	8.1	7.2	-0.1	0.0	-5.7	-2.8	22.2	15.3
2011 Q1	7.0	2.2	3.4	9.6	9.9	4.5	1.0	-0.1	-2.7	-1.7	19.1	21.0
Q2	6.7	3.8	4.1	6.5	8.5	7.3	0.3	-0.6	-4.7	-2.6	23.5	18.1
Q3	6.7	5.4	4.5	5.9	7.6	8.6	-1.1	-0.2	-8.4	-3.5	25.6	11.1
Q4	5.7	5.4	2.7	4.7	6.4	8.6	-0.5	1.0	-7.3	-3.6	20.8	12.3
2011 July	6.9	5.4	4.8	6.3	7.9	8.4	-1.2	-0.2	-8.2	-3.3	24.3	10.7
Aug.	6.6	5.6	4.1	6.1	7.4	9.0	-1.6	-0.5	-9.1	-3.7	25.6	11.5
Sep.	6.2	5.7	4.5	4.8	6.6	8.4	-1.4	0.0	-9.5	-4.6	28.3	11.4
Oct.	5.8	5.4	3.5	4.5	6.4	8.2	0.0	0.5	-6.6	-3.9	25.6	11.0
Nov.	5.5	5.2	1.9	4.7	6.1	9.0	-1.2	1.5	-8.0	-3.4	14.3	13.7
Dec.	5.7	5.7	0.9	5.0	6.5	8.7	0.9	1.9	-4.9	-2.1	18.4	13.1

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

(annual percentage changes)



Source: ECB.

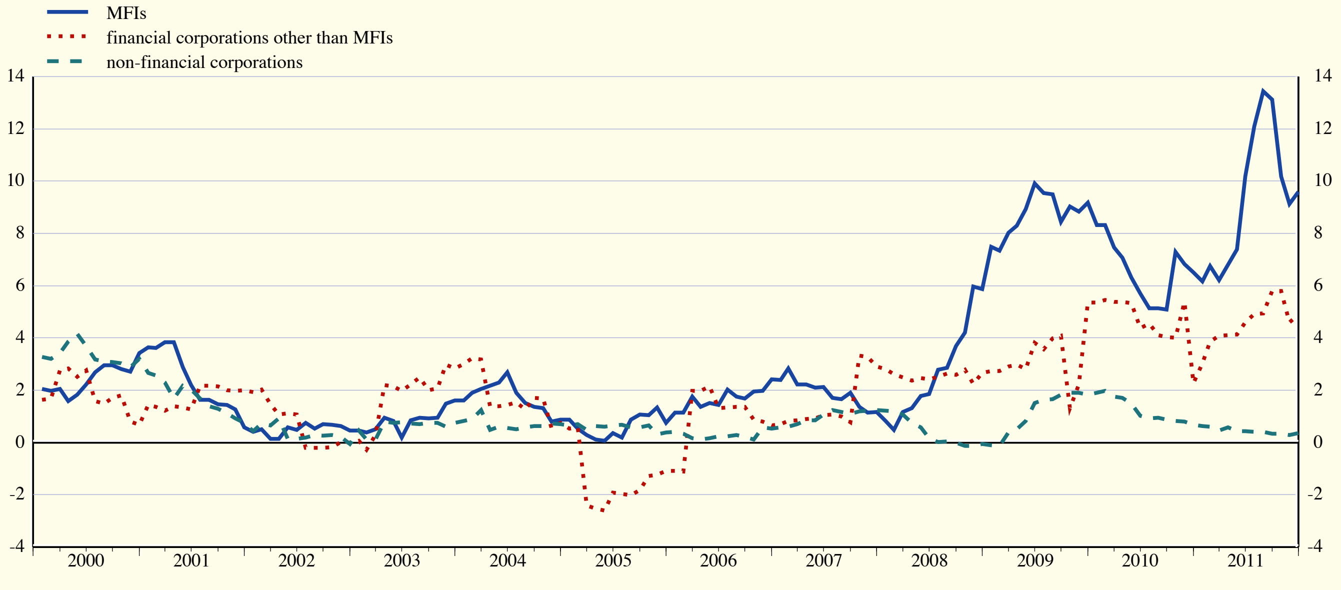
1) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.

4.4 Quoted shares issued by euro area residents [1]
(EUR billions, unless otherwise indicated; market values)

1. Outstanding amounts and annual growth rates
(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2008 = 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
2009 Dec.	4,410.6	103.0	3.0	566.0	9.2	350.9	5.4	3,493.7	1.8
2010 Jan.	4,242.8	103.1	2.9	516.7	8.3	340.7	5.4	3,385.4	1.9
Feb.	4,161.5	103.2	3.0	499.3	8.3	339.2	5.4	3,323.0	2.0
Mar.	4,474.4	103.4	2.8	543.6	7.5	365.2	5.4	3,565.5	1.8
Apr.	4,409.1	103.4	2.7	508.4	7.1	345.7	5.4	3,555.0	1.7
May	4,093.4	103.5	2.4	445.9	6.3	322.7	5.3	3,324.9	1.5
June	4,054.6	103.7	1.9	446.4	5.7	315.5	4.4	3,292.7	1.0
July	4,256.1	103.7	1.7	519.8	5.1	338.0	4.5	3,398.3	0.9
Aug.	4,121.2	103.7	1.7	479.3	5.1	314.4	4.1	3,327.5	0.9
Sep.	4,345.2	103.8	1.6	487.0	5.1	326.6	4.0	3,531.6	0.9
Oct.	4,531.0	104.2	1.8	514.4	7.3	333.5	4.0	3,683.1	0.8
Nov.	4,413.3	104.4	1.8	437.8	6.8	316.6	5.4	3,658.9	0.8
Dec.	4,596.2	104.4	1.4	458.4	6.5	334.0	2.3	3,803.8	0.7
2011 Jan.	4,759.8	104.6	1.4	514.3	6.2	365.8	3.0	3,879.7	0.6
Feb.	4,845.8	104.7	1.5	535.0	6.8	378.9	3.9	3,931.9	0.6
Mar.	4,767.3	104.8	1.4	491.7	6.2	363.2	4.1	3,912.5	0.5
Apr.	4,891.8	105.0	1.5	497.5	6.8	371.5	4.1	4,022.8	0.6
May	4,777.5	105.0	1.5	475.9	7.4	356.2	4.1	3,945.4	0.4
June	4,722.7	105.5	1.7	491.6	10.2	350.5	4.6	3,880.5	0.4
July	4,504.3	105.7	1.9	458.8	12.1	325.5	4.9	3,720.0	0.4
Aug.	3,975.3	105.9	2.0	383.0	13.4	281.6	4.9	3,310.7	0.4
Sep.	3,749.2	105.9	2.0	350.7	13.1	264.3	5.8	3,134.2	0.3
Oct.	4,044.0	105.9	1.7	361.3	10.2	288.0	5.8	3,394.7	0.3
Nov.	3,893.4	106.0	1.5	330.6	9.1	271.5	4.6	3,291.3	0.3
Dec.	3,906.8	106.1	1.6	340.1	9.6	270.7	4.9	3,296.0	0.4

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

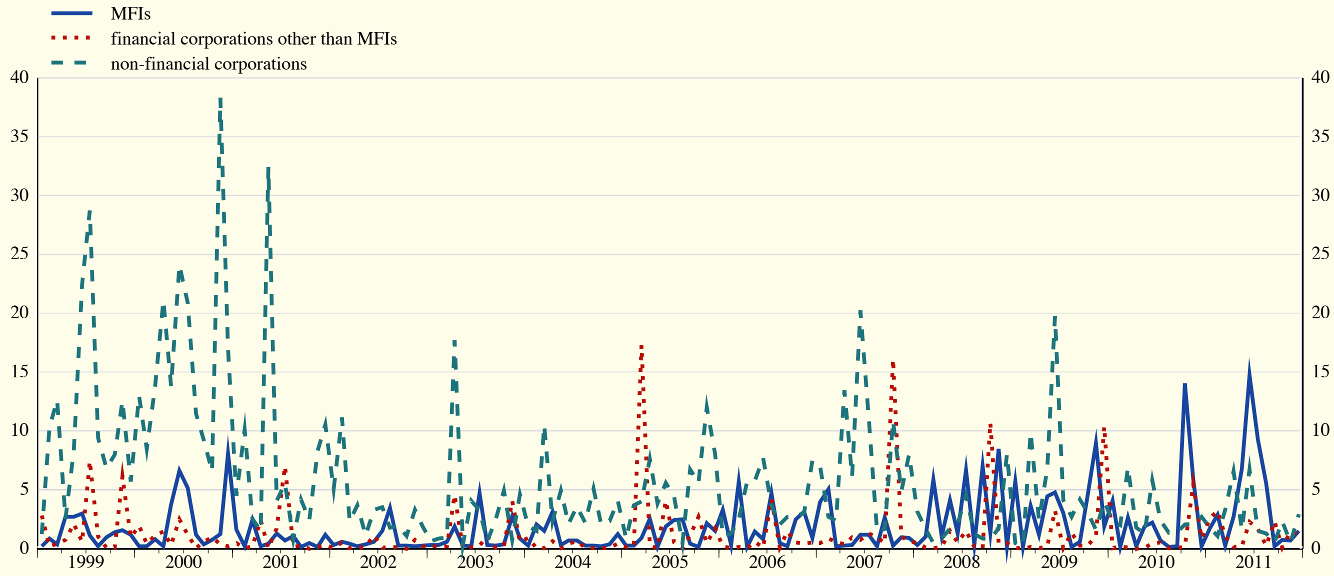
(EUR billions; market values)

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
2009 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	0.6	9.0	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.6	6.3
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	0.5	2.4	0.8	1.6
Aug.	1.4	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.2	0.2
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	0.2	16.0	14.0	0.0	14.0	0.2	0.1	0.1	2.0	0.2	1.9
Nov.	13.5	1.5	12.0	5.9	0.0	5.9	5.5	0.1	5.4	2.1	1.4	0.7
Dec.	3.7	3.5	0.2	0.2	0.0	0.2	0.9	0.3	0.5	2.7	3.2	-0.5
2011 Jan.	6.1	1.3	4.8	1.7	0.0	1.7	2.6	0.0	2.6	1.8	1.3	0.5
Feb.	7.1	0.2	6.9	2.9	0.0	2.9	3.2	0.0	3.2	1.1	0.2	0.8
Mar.	4.4	1.0	3.5	0.1	0.0	0.1	1.0	0.2	0.8	3.3	0.7	2.6
Apr.	9.4	0.5	8.8	2.7	0.0	2.7	0.1	0.0	0.1	6.5	0.5	6.0
May	8.6	8.8	-0.2	6.8	2.1	4.6	0.2	0.0	0.2	1.6	6.6	-5.0
June	23.7	1.3	22.5	14.7	0.0	14.7	2.3	0.3	2.0	6.7	1.0	5.7
July	12.4	0.7	11.7	9.3	0.0	9.3	1.6	0.0	1.6	1.5	0.7	0.8
Aug.	7.1	1.1	6.0	5.5	0.0	5.5	0.3	0.2	0.1	1.3	0.9	0.4
Sep.	2.9	2.9	0.0	0.0	0.9	-0.9	2.3	0.0	2.3	0.5	2.0	-1.4
Oct.	3.1	0.4	2.7	0.7	0.0	0.7	0.1	0.0	0.1	2.3	0.4	1.9
Nov.	2.6	1.5	1.1	0.7	0.0	0.7	1.4	0.0	1.4	0.5	1.5	-1.0
Dec.	5.6	1.0	4.6	1.5	0.0	1.5	1.2	0.0	1.2	2.9	1.0	1.9

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 [1)]

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight	With an agreed maturity of:			Redeemable at notice of: [2)]		Overnight	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
2011 Feb.	0.44	2.36	2.74	2.80	1.60	1.86	0.52	1.32	2.37	2.69	1.04
Mar.	0.45	2.34	2.78	2.90	1.61	1.88	0.54	1.37	2.53	2.81	1.14
Apr.	0.46	2.47	2.85	3.08	1.65	1.90	0.61	1.58	2.62	2.95	1.30
May	0.49	2.52	2.96	3.07	1.67	1.91	0.63	1.65	2.78	3.08	1.30
June	0.49	2.58	3.25	3.15	1.70	1.92	0.67	1.78	2.82	2.94	1.47
July	0.52	2.74	3.16	3.10	1.70	1.93	0.66	1.77	2.66	3.03	1.41
Aug.	0.54	2.73	3.16	2.99	1.77	1.93	0.68	1.64	2.69	2.99	1.42
Sep.	0.55	2.73	3.15	2.92	1.79	1.94	0.69	1.71	2.72	2.79	1.47
Oct.	0.55	2.88	3.17	3.14	1.80	1.96	0.69	1.67	2.74	3.23	1.65
Nov.	0.55	2.78	3.08	3.03	1.80	1.96	0.67	1.46	2.60	2.84	1.62
Dec.	0.54	2.78	3.20	3.06	1.81	1.97	0.65	1.50	2.76	2.90	1.38
2012 Jan.	0.53	2.96	3.48	3.14	1.83	1.96	0.61	1.27	2.95	2.92	1.22

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

	Revolving loans and overdrafts	Extended credit card debt [3)]	Consumer credit				Lending for house purchase					Lending to sole proprietors and unincorporated partnerships		
			By initial rate fixation			APRC [4)]	By initial rate fixation				APRC [4)]	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 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2011 Feb.	8.09	16.81	5.37	6.13	7.83	7.30	2.95	3.83	4.06	3.92	3.89	3.36	4.63	4.30
Mar.	8.04	16.88	5.43	6.22	7.82	7.32	3.00	3.82	4.15	4.01	3.93	3.43	4.69	4.43
Apr.	8.12	16.92	5.17	6.23	7.80	7.25	3.12	3.95	4.24	4.15	4.03	3.54	4.68	4.53
May	8.19	16.91	5.35	6.37	7.99	7.49	3.23	4.01	4.30	4.18	4.09	3.75	4.81	4.60
June	8.24	16.95	5.37	6.47	7.87	7.42	3.26	4.04	4.29	4.18	4.09	3.82	4.78	4.62
July	8.28	16.94	5.13	6.53	7.98	7.43	3.33	4.02	4.26	4.19	4.10	3.83	4.82	4.60
Aug.	8.31	17.10	5.34	6.54	7.97	7.57	3.47	3.96	4.20	4.15	4.16	3.95	4.96	4.39
Sep.	8.41	17.18	5.77	6.57	7.94	7.64	3.41	3.86	4.02	4.02	4.02	3.97	4.86	4.20
Oct.	8.43	17.17	5.60	6.53	7.94	7.54	3.44	3.79	3.86	3.94	3.95	3.98	4.76	4.16
Nov.	8.40	17.11	5.56	6.47	7.78	7.39	3.43	3.74	3.84	3.93	3.96	4.22	4.93	4.02
Dec.	8.37	17.08	5.26	6.44	7.64	7.16	3.49	3.74	3.81	3.95	4.02	4.13	4.84	3.92
2012 Jan.	8.46	17.06	5.63	6.58	8.08	7.57	3.50	3.71	3.75	4.03	4.03	3.88	4.76	3.92

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

	Revolving loans and overdrafts	Other loans of up to EUR 0.25 million by initial rate fixation						Other loans of over EUR 1 million by initial rate fixation					
		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 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
2011 Feb.	4.12	3.98	4.20	4.48	4.89	4.39	3.94	2.55	3.06	2.96	3.86	3.88	3.75
Mar.	4.12	4.02	4.38	4.63	4.99	4.49	4.02	2.53	3.26	3.00	3.61	3.84	3.84
Apr.	4.25	4.07	4.47	4.73	5.05	4.57	4.15	2.72	3.31	3.38	3.78	4.36	4.15
May	4.30	4.18	4.65	4.79	5.14	4.67	4.19	2.65	3.37	3.17	3.63	3.65	4.11
June	4.41	4.23	4.68	4.74	5.16	4.67	4.44	2.78	3.49	3.50	3.61	2.77	4.00
July	4.43	4.38	4.79	4.79	5.10	4.68	4.44	2.88	3.45	3.46	3.98	4.09	3.24
Aug.	4.49	4.44	4.94	4.85	5.03	4.58	4.35	2.80	3.56	3.64	3.99	3.87	4.06
Sep.	4.54	4.59	4.94	4.79	4.94	4.46	4.31	2.84	3.44	3.69	3.63	3.64	3.74
Oct.	4.60	4.70	5.10	4.86	4.99	4.56	4.27	2.98	3.55	3.78	3.89	3.60	3.71
Nov.	4.61	4.77	5.26	4.98	5.10	4.66	4.26	2.81	3.69	3.42	3.92	3.60	3.71
Dec.	4.67	4.89	5.15	4.98	5.05	4.58	4.27	3.02	3.74	3.11	3.95	3.73	3.75
2012 Jan.	4.64	4.93	5.35	4.78	5.04	4.40	4.33	2.66	3.70	3.06	3.45	2.70	3.80

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, 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.
3) This instrument category excludes convenience credit card debt, i.e. credit granted at an interest rate of 0% during the billing cycle.
4) The annual percentage rate of charge (APRC) covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

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

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

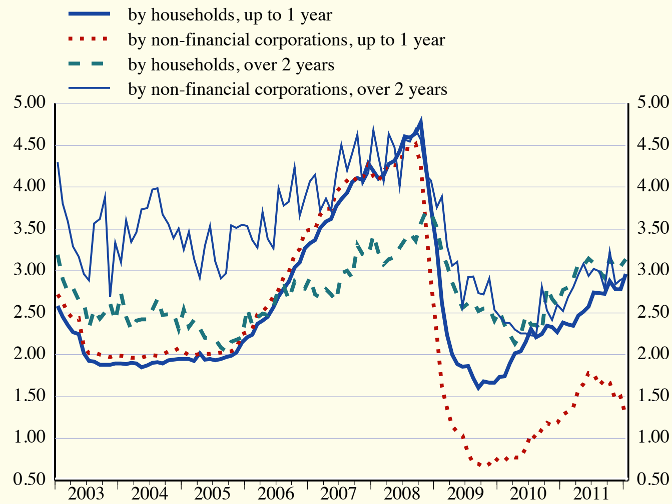
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2011 Feb.	0.44	2.34	2.73	1.60	1.86	0.52	1.80	3.09	1.59
Mar.	0.45	2.38	2.71	1.61	1.88	0.54	1.85	3.13	1.65
Apr.	0.46	2.40	2.73	1.65	1.90	0.61	1.94	3.12	1.72
May	0.49	2.45	2.73	1.67	1.91	0.63	1.99	3.12	1.76
June	0.49	2.49	2.75	1.70	1.92	0.67	2.07	3.11	1.93
July	0.52	2.54	2.77	1.70	1.93	0.66	2.13	3.13	1.94
Aug.	0.54	2.58	2.77	1.77	1.93	0.68	2.12	3.14	1.97
Sep.	0.55	2.62	2.79	1.79	1.94	0.69	2.14	3.15	2.07
Oct.	0.55	2.65	2.78	1.80	1.96	0.69	2.16	3.14	2.15
Nov.	0.55	2.70	2.80	1.80	1.96	0.67	2.17	3.16	2.24
Dec.	0.54	2.73	2.78	1.81	1.97	0.65	2.14	3.13	2.37
2012 Jan.	0.53	2.76	2.77	1.83	1.96	0.61	2.09	3.16	2.47

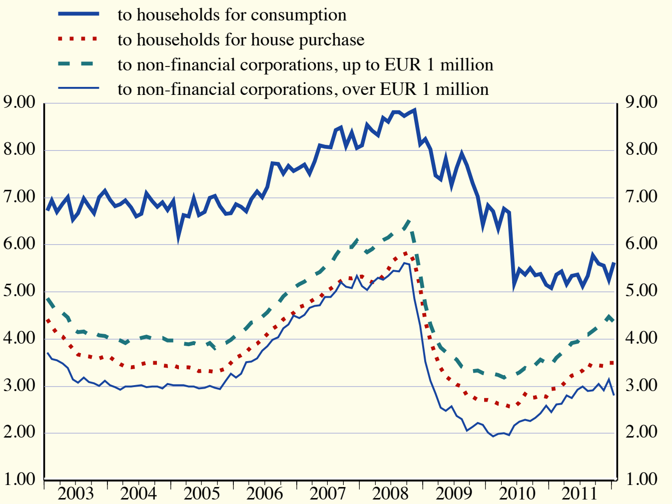
5. Interest rates on loans (outstanding amounts)

	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
2011 Feb.	3.67	3.81	3.82	7.88	6.43	5.20	3.64	3.47	3.46
Mar.	3.71	3.80	3.84	7.92	6.40	5.20	3.68	3.49	3.48
Apr.	3.82	3.78	3.84	7.94	6.43	5.23	3.78	3.60	3.53
May	3.81	3.78	3.85	7.96	6.38	5.24	3.84	3.65	3.56
June	3.87	3.78	3.86	7.95	6.45	5.28	3.93	3.73	3.63
July	4.03	3.79	3.90	8.03	6.42	5.30	4.00	3.80	3.69
Aug.	4.06	3.78	3.89	8.07	6.42	5.31	4.06	3.84	3.72
Sep.	4.13	3.79	3.92	8.14	6.48	5.32	4.11	3.85	3.74
Oct.	4.12	3.78	3.91	8.17	6.44	5.33	4.18	3.87	3.74
Nov.	4.12	3.77	3.91	8.09	6.44	5.34	4.20	3.90	3.76
Dec.	4.12	3.74	3.89	8.11	6.43	5.31	4.26	3.87	3.72
2012 Jan.	4.06	3.71	3.87	8.14	6.39	5.28	4.23	3.80	3.68

C21 New deposits with an agreed maturity
(percentages per annum excluding charges; period averages)



C22 New loans with a floating rate and up to 1 year's initial rate fixation (percentages per annum excluding charges; period averages)

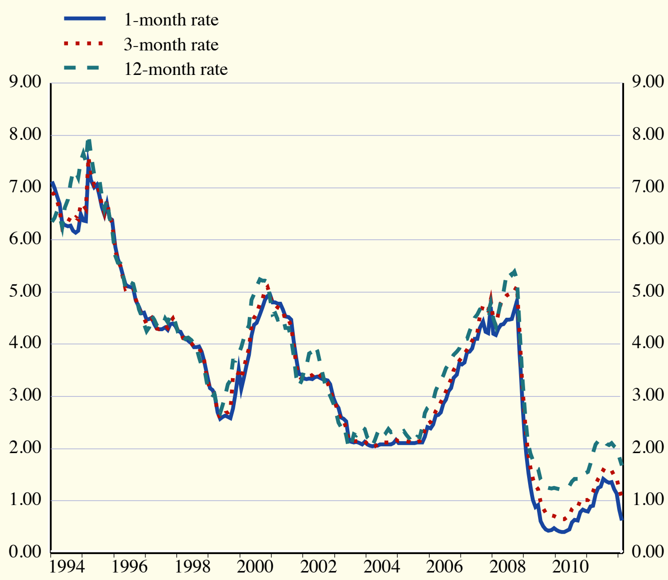


Source: ECB.
* For the source of the data in the table and the related footnotes, please see page S42.

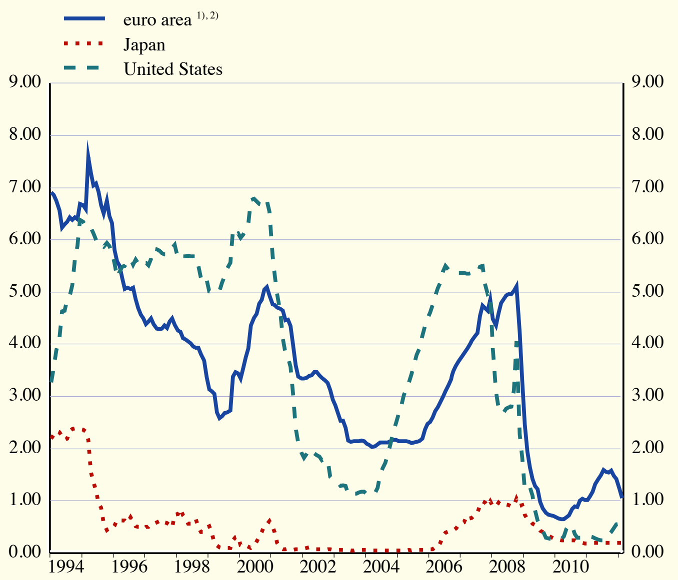
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1), 2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
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
2011	0.87	1.18	1.39	1.64	2.01	0.34	0.19
2010 Q4	0.59	0.81	1.02	1.25	1.52	0.29	0.19
2011 Q1	0.67	0.86	1.10	1.37	1.74	0.31	0.19
Q2	1.04	1.22	1.42	1.70	2.13	0.26	0.20
Q3	0.97	1.38	1.56	1.77	2.11	0.30	0.19
Q4	0.79	1.24	1.50	1.72	2.05	0.48	0.20
2011 Feb.	0.71	0.89	1.09	1.35	1.71	0.31	0.19
Mar.	0.66	0.90	1.18	1.48	1.92	0.31	0.20
Apr.	0.97	1.13	1.32	1.62	2.09	0.28	0.20
May	1.03	1.24	1.43	1.71	2.15	0.26	0.20
June	1.12	1.28	1.49	1.75	2.14	0.25	0.20
July	1.01	1.42	1.60	1.82	2.18	0.25	0.20
Aug.	0.91	1.37	1.55	1.75	2.10	0.29	0.19
Sep.	1.01	1.35	1.54	1.74	2.07	0.35	0.19
Oct.	0.96	1.36	1.58	1.78	2.11	0.41	0.19
Nov.	0.79	1.23	1.48	1.71	2.04	0.48	0.20
Dec.	0.63	1.14	1.43	1.67	2.00	0.56	0.20
2012 Jan.	0.38	0.84	1.22	1.50	1.84	0.57	0.20
Feb.	0.37	0.63	1.05	1.35	1.68	0.50	0.20

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



C24 3-month money market rates
(monthly averages; percentages per annum)



Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General Notes.
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.

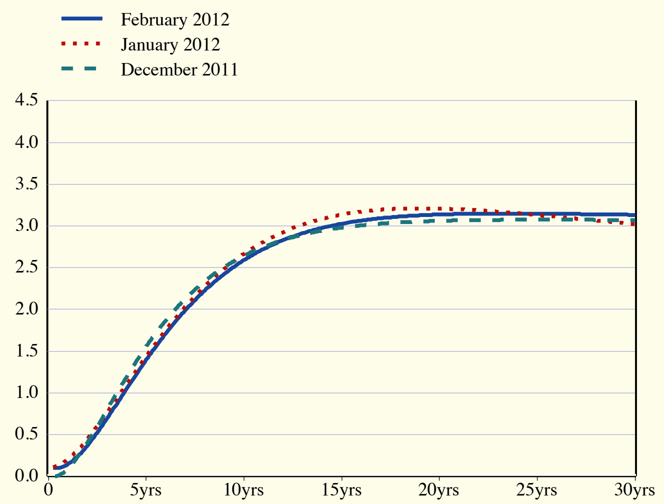
4.7 Euro area yield curves [1]

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

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
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
2011	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2010 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
2011 Q1	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Q2	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
Q3	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
Q4	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2011 Feb.	0.69	1.08	1.53	2.55	3.02	3.49	2.80	1.96	1.56	2.37	3.91	4.67
Mar.	0.87	1.30	1.79	2.83	3.26	3.66	2.79	1.87	1.84	2.69	4.12	4.63
Apr.	1.02	1.41	1.86	2.80	3.19	3.55	2.53	1.70	1.90	2.67	3.96	4.46
May	1.03	1.32	1.67	2.52	2.93	3.37	2.34	1.69	1.69	2.34	3.69	4.51
June	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
July	1.01	1.11	1.32	2.09	2.55	3.06	2.05	1.74	1.28	1.79	3.34	4.39
Aug.	0.61	0.67	0.86	1.69	2.21	2.76	2.15	1.90	0.80	1.33	3.09	4.22
Sep.	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
Oct.	0.38	0.54	0.81	1.71	2.22	2.79	2.41	1.98	0.78	1.39	3.12	4.29
Nov.	0.20	0.38	0.74	1.92	2.51	3.07	2.87	2.33	0.69	1.53	3.64	4.41
Dec.	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Jan.	0.11	0.21	0.45	1.44	2.03	2.67	2.55	2.22	0.39	1.03	3.07	4.26
Feb.	0.11	0.15	0.37	1.39	1.99	2.59	2.49	2.22	0.29	0.95	3.06	4.06

C25 Euro area spot yield curves [2]

(percentages per annum; end of period)



C26 Euro area spot rates and spreads [2]

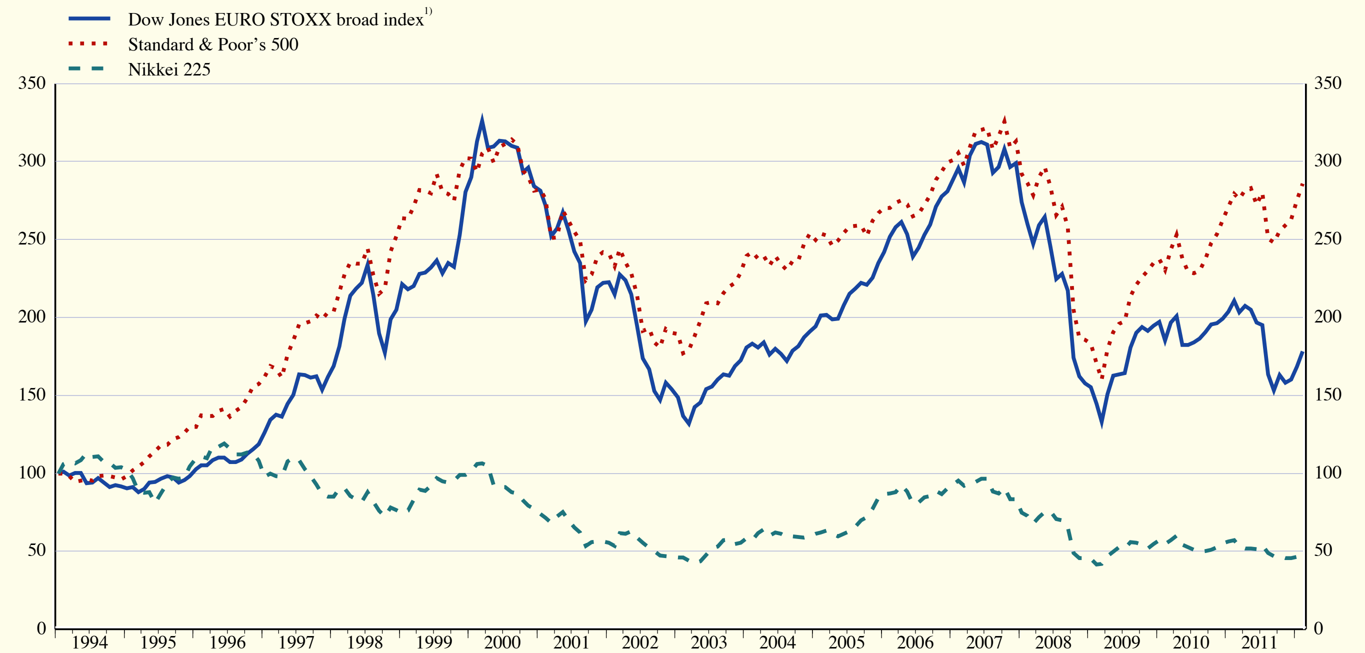
(daily data; rates in percentages per annum; spreads in percentage points)

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 [1]												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2011	256.0	2,611.0	493.4	158.1	351.2	311.6	152.6	349.4	222.5	301.7	358.4	432.7	1,267.6	9,425.4
2010 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
2011 Q1	285.5	2,932.9	532.7	175.5	366.3	341.1	185.0	388.0	249.6	347.7	396.7	415.0	1,302.5	10,285.3
Q2	281.2	2,862.7	552.0	169.6	370.7	328.8	175.2	391.5	239.7	333.7	385.0	448.4	1,318.3	9,609.4
Q3	236.0	2,381.6	463.7	146.0	341.5	282.0	133.8	323.0	199.8	270.2	333.0	435.0	1,225.3	9,246.3
Q4	222.4	2,277.8	427.1	142.1	327.1	295.5	117.2	296.6	201.8	256.5	320.3	432.4	1,225.7	8,580.6
2011 Feb.	292.3	3,015.7	540.5	179.0	369.7	348.0	193.5	393.1	257.6	359.0	402.9	418.7	1,321.1	10,622.3
Mar.	281.9	2,890.4	527.4	170.1	355.0	340.5	184.1	385.7	245.9	339.1	396.8	414.6	1,304.5	9,852.4
Apr.	287.5	2,947.2	557.3	172.5	366.6	343.8	182.4	397.9	250.0	346.9	402.8	435.4	1,331.5	9,644.6
May	284.0	2,885.8	557.0	171.7	374.9	330.4	176.3	395.5	246.5	337.8	386.4	457.8	1,338.3	9,650.8
June	272.9	2,766.6	542.5	164.9	370.0	314.3	168.0	382.0	224.1	318.3	368.2	450.3	1,287.3	9,541.5
July	270.5	2,743.5	550.7	160.8	384.4	317.4	160.6	375.7	221.0	307.8	360.0	467.4	1,325.2	9,996.7
Aug.	226.9	2,297.2	443.7	141.1	329.7	268.6	129.0	307.3	189.7	258.4	329.3	420.7	1,185.3	9,072.9
Sep.	212.6	2,124.3	401.4	137.0	312.8	262.4	113.3	289.2	190.1	246.7	311.1	419.0	1,173.9	8,695.4
Oct.	226.1	2,312.3	424.8	142.4	325.6	290.2	123.1	302.3	203.0	269.9	334.1	426.1	1,207.2	8,733.6
Nov.	219.2	2,239.6	423.6	141.5	325.9	293.5	112.8	292.2	205.7	250.6	316.6	423.3	1,226.4	8,506.1
Dec.	222.2	2,283.3	433.2	142.4	329.9	302.9	115.9	295.5	196.6	249.3	310.3	448.4	1,243.3	8,506.0
2012 Jan.	233.4	2,382.1	477.6	146.9	351.8	317.3	120.4	319.2	206.9	248.8	305.0	473.6	1,300.6	8,616.7
Feb.	247.2	2,508.2	507.2	152.1	377.3	327.0	134.4	336.3	223.9	254.6	300.1	477.6	1,352.5	9,242.3

C27 Dow Jones EURO STOXX broad index, Standard & Poor's 500 and Nikkei 225
(January 1994 = 100; monthly averages)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1)]

	Total: Index: 2005 = 100	Total: Total	Total: Total excl. unprocessed food and energy	Total: Goods	Total: Services	Total (s.a.; percentage change vis-à-vis previous period): Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Memo item: Administered prices [2)]: Total HICP excluding administered prices	Administered prices
% of total in 2011	100.0	100.0	81.8	58.5	41.5	100.0	11.9	7.2	28.5	11.0	41.5	88.2	11.8
	1	2	3	4	5	6	7	8	9	10	11	12	13
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	1.8
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.5
2011	112.8	2.7	1.7	3.3	1.8	-	-	-	-	-	-	2.6	3.5
2010 Q4	110.8	2.0	1.1	2.5	1.3	0.5	0.5	0.4	0.2	2.0	0.4	2.0	2.3
2011 Q1	111.3	2.5	1.3	3.1	1.6	1.0	0.9	0.4	0.0	6.3	0.5	2.4	3.3
Q2	113.1	2.8	1.8	3.3	1.9	0.9	1.1	0.4	0.5	2.8	0.6	2.6	3.6
Q3	112.9	2.7	1.7	3.2	2.0	0.3	1.1	0.1	-0.3	0.4	0.5	2.6	3.5
Q4	114.1	2.9	2.0	3.7	1.9	0.7	1.0	0.9	0.9	1.5	0.3	2.9	3.5
2011 Sep.	113.5	3.0	2.0	3.7	1.9	0.5	0.4	0.2	1.2	0.9	0.0	2.9	3.5
Oct.	113.9	3.0	2.0	3.9	1.8	0.2	0.5	0.4	0.0	0.6	0.1	3.0	3.6
Nov.	114.0	3.0	2.0	3.9	1.9	0.2	0.2	0.4	0.0	0.7	0.1	3.0	3.5
Dec.	114.4	2.7	2.0	3.3	1.9	0.1	0.1	0.1	0.0	-0.1	0.2	2.7	3.5
2012 Jan.	113.4	2.6	1.9	3.2	1.9	0.3	0.3	-0.4	0.0	2.6	0.2	2.5	3.5
Feb. [3)]	.	2.7	.	.	.	.	.	.	.	.	.	.	.

	Goods: Food (incl. alcoholic beverages and tobacco): Total	Processed food	Unprocessed food	Industrial goods: Total	Non-energy industrial goods	Energy	Services: Housing	Rents	Transport	Communication	Recreation and personal	Miscellaneous
% of total in 2011	19.1	11.9	7.2	39.5	28.5	11.0	10.1	6.0	6.5	3.1	14.5	7.3
	14	15	16	17	18	19	20	21	22	23	24	25
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	1.1	0.9	1.3	2.2	0.5	7.4	1.8	1.5	2.3	-0.8	1.0	1.5
2011	2.7	3.3	1.8	3.7	0.8	11.9	1.8	1.4	2.9	-1.3	2.0	2.1
2010 Q4	1.9	1.3	2.7	2.9	0.8	9.2	1.6	1.3	1.9	-0.8	1.2	1.5
2011 Q1	2.2	2.1	2.3	3.6	0.5	12.7	1.8	1.3	2.0	-0.4	1.5	1.9
Q2	2.6	3.0	1.9	3.7	1.0	11.5	1.9	1.4	3.2	-1.0	2.0	2.1
Q3	2.8	3.7	1.3	3.4	0.4	12.0	1.8	1.5	3.3	-1.8	2.3	2.1
Q4	3.3	4.2	1.8	3.9	1.2	11.5	1.7	1.4	3.0	-1.8	2.2	2.1
2011 Aug.	2.7	3.6	1.1	3.1	0.0	11.8	1.8	1.5	3.5	-1.8	2.3	2.1
Sep.	3.0	4.0	1.4	4.1	1.2	12.4	1.8	1.4	3.1	-1.9	2.3	2.2
Oct.	3.3	4.3	1.8	4.2	1.3	12.4	1.7	1.4	2.9	-1.9	2.2	2.0
Nov.	3.4	4.3	1.9	4.1	1.3	12.3	1.7	1.3	2.9	-1.7	2.1	2.2
Dec.	3.1	4.1	1.6	3.4	1.2	9.7	1.7	1.4	3.2	-1.9	2.2	2.3
2012 Jan.	3.1	4.1	1.6	3.2	0.9	9.2	1.8	1.5	2.8	-2.4	2.1	2.6

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) Estimate based on provisional national releases, which usually cover around 95% of the euro area, as well as on early information on energy prices.

2. Industry, construction and residential property prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total in 2005	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
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.8	1.9
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-3.1
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	1.9	1.1
2011	118.3	5.9	5.5	3.8	5.9	1.4	3.1	2.1	3.3	11.9	3.2	.
2010 Q4	113.5	4.8	4.6	3.1	5.9	0.8	1.5	1.4	1.5	9.6	2.8	1.9
2011 Q1	116.7	6.5	6.3	4.4	7.9	1.3	2.5	1.8	2.6	12.5	4.1	2.0
Q2	118.5	6.3	5.8	4.3	6.8	1.3	3.4	1.9	3.7	11.9	3.0	1.1
Q3	118.9	5.9	5.5	3.8	5.6	1.5	3.3	2.2	3.5	11.8	3.2	1.0
Q4	119.3	5.1	4.5	2.9	3.4	1.5	3.3	2.5	3.4	11.3	2.6	.
2011 Aug.	118.7	5.8	5.5	3.8	5.7	1.5	3.3	2.1	3.5	11.4	-	-
Sep.	119.0	5.8	5.3	3.5	5.0	1.5	3.4	2.5	3.5	12.2	-	-
Oct.	119.2	5.5	5.0	3.2	4.1	1.6	3.4	2.5	3.5	12.3	-	-
Nov.	119.5	5.4	4.7	2.9	3.4	1.4	3.4	2.5	3.6	12.4	-	-
Dec.	119.2	4.3	3.7	2.5	2.7	1.6	3.1	2.3	3.2	9.4	-	-
2012 Jan.	120.1	3.7	3.3	1.9	1.6	1.3	3.0	2.4	3.0	9.2	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices [3] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [4]			Use-weighted [5]			Total (s.a.; index: 2005 = 100)	Total	Domestic demand				Exports [6]	Imports [6]
		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
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.2	2.0	2.6	2.7	2.8	2.3	2.4	3.9
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	107.1	0.9	-0.1	-0.4	2.0	-0.4	-3.4	-6.0
2010	60.7	44.6	21.4	57.9	42.1	27.1	54.5	107.9	0.7	1.5	1.7	0.8	1.0	2.8	5.0
2011	79.7	12.2	22.4	7.7	12.9	20.7	7.5	109.4	1.4	2.2	2.5	1.0	2.0	3.6	5.7
2010 Q4	64.4	48.6	36.6	54.7	48.7	48.4	48.9	108.3	1.0	1.8	2.2	0.7	1.5	4.1	6.4
2011 Q1	77.3	42.9	46.1	41.4	41.0	47.2	36.6	108.8	1.3	2.4	2.5	0.8	2.2	5.2	8.0
Q2	81.3	11.6	28.8	4.6	13.3	26.2	5.1	109.3	1.4	2.2	2.5	1.0	1.9	3.7	5.7
Q3	79.3	3.8	16.7	-1.6	4.9	11.7	0.3	109.7	1.5	2.3	2.5	1.0	1.9	3.2	5.3
Q4	80.7	-2.5	3.6	-5.2	-1.7	4.4	-6.0	109.9	1.5	2.2	2.5	1.4	2.0	2.7	4.5
2011 Sep.	79.8	1.5	14.3	-3.9	1.5	7.5	-2.6	-	-	-	-	-	-	-	-
Oct.	78.9	1.6	10.7	-2.4	2.5	10.6	-3.2	-	-	-	-	-	-	-	-
Nov.	81.4	-1.9	4.7	-4.9	-0.7	6.0	-5.5	-	-	-	-	-	-	-	-
Dec.	81.7	-6.7	-3.6	-8.1	-6.3	-2.5	-9.0	-	-	-	-	-	-	-	-
2012 Jan.	86.2	-4.6	-4.1	-4.8	-4.1	-1.9	-5.8	-	-	-	-	-	-	-	-
Feb.	89.7	-7.5	-10.6	-6.0	-6.5	-6.5	-6.5	-	-	-	-	-	-	-	-

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

1) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
3) Brent Blend (for one-month forward delivery).
4) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
5) 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).
6) 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)

4. Unit labour costs, compensation per labour input and labour productivity
(quarterly data seasonally adjusted; annual data unadjusted)

	Total (index: 2005 = 100)	Total	By economic activity									
			Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
	Unit labour costs [1]											
2009	110.0	4.0	-0.6	8.9	5.4	5.3	-0.3	-2.7	-3.7	5.4	2.7	1.9
2010	109.1	-0.8	-1.4	-5.8	1.6	-1.9	-0.9	0.3	2.6	1.5	1.1	1.7
2010 Q4	109.4	-0.3	-0.9	-4.0	0.0	-1.2	-0.2	0.9	2.8	2.2	1.3	1.8
2011 Q1	109.7	0.3	0.5	-1.4	0.0	-1.3	1.8	3.0	4.4	3.1	0.8	2.0
Q2	110.4	1.2	-0.5	0.6	0.1	0.0	3.2	3.6	3.5	3.4	0.6	3.3
Q3	110.2	1.3	-1.8	0.1	-0.8	1.7	3.6	1.2	3.3	2.9	0.8	2.9
	Compensation per employee											
2009	109.8	1.4	1.2	-0.6	5.5	1.4	1.3	0.8	-0.4	0.9	2.7	1.7
2010	111.5	1.6	1.5	3.6	1.0	1.3	2.5	2.0	3.5	1.3	0.8	1.1
2010 Q4	112.4	1.6	2.7	3.7	1.0	1.5	3.0	1.4	3.4	1.7	0.8	0.5
2011 Q1	113.4	2.4	4.4	4.4	4.5	2.0	2.1	2.0	2.4	2.7	1.2	1.2
Q2	114.0	2.5	3.4	4.7	2.6	1.8	2.4	3.1	2.3	2.7	1.3	2.1
Q3	114.2	2.4	3.4	3.2	2.9	2.3	2.7	2.9	3.6	2.7	1.6	2.1
	Labour productivity per person employed [2]											
2009	99.8	-2.5	1.9	-8.8	0.0	-3.6	1.6	3.7	3.4	-4.2	0.0	-0.2
2010	102.2	2.4	2.9	10.1	-0.6	3.3	3.5	1.8	1.0	-0.1	-0.3	-0.5
2010 Q4	102.7	1.9	3.7	8.0	1.0	2.7	3.3	0.5	0.6	-0.5	-0.5	-1.3
2011 Q1	103.4	2.1	3.8	5.8	4.6	3.3	0.2	-1.0	-2.1	-0.4	0.4	-0.7
Q2	103.3	1.2	4.0	3.8	2.4	1.7	-0.9	-0.5	-1.5	-0.7	0.8	-1.2
Q3	103.6	1.0	5.3	2.9	3.6	0.6	-0.7	1.7	0.1	-0.2	0.8	-0.8
	Compensation per hour worked											
2009	112.1	3.3	2.2	3.9	7.3	2.7	1.8	2.7	1.4	2.5	3.0	3.1
2010	113.3	1.0	-0.1	1.1	1.2	1.1	1.9	1.7	2.5	0.6	0.7	1.8
2010 Q4	114.3	1.6	1.2	1.4	1.8	2.0	3.4	2.2	3.2	1.5	1.0	1.2
2011 Q1	114.7	1.8	-0.3	2.0	3.2	2.3	1.8	2.0	1.6	2.4	0.9	1.1
Q2	115.7	2.5	2.1	3.9	3.1	2.4	2.7	3.5	4.5	2.9	1.1	1.9
Q3	115.5	2.1	1.1	2.6	3.3	2.4	2.0	3.3	4.5	2.2	1.3	1.5
	Hourly labour productivity [2]											
2009	102.2	-0.8	2.8	-4.9	1.6	-2.5	2.1	5.4	4.5	-2.9	0.3	1.2
2010	104.1	1.9	2.8	7.5	-0.8	2.8	3.0	1.2	-0.5	-0.8	-0.5	0.1
2010 Q4	104.8	1.9	3.3	5.7	1.5	3.1	3.7	0.8	-0.4	-0.5	-0.3	-0.5
2011 Q1	105.0	1.6	1.4	3.4	3.0	3.5	0.0	-1.1	-2.7	-0.5	0.1	-0.6
Q2	105.2	1.3	4.9	2.8	2.5	2.1	-0.8	-0.2	0.3	-0.4	0.6	-1.1
Q3	105.2	0.8	6.3	2.1	3.1	0.5	-1.6	1.9	0.6	-0.5	0.5	-1.7

5. Labour cost indices [3]

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2010	104.3	1.6	1.5	1.9	1.0	1.8	1.8	1.7
2011	.	.	.	.	.	.	.	2.0
2011 Q1	106.2	2.5	2.3	3.3	2.4	1.9	2.6	2.0
Q2	107.2	3.2	3.3	3.7	4.2	2.5	2.9	1.9
Q3	107.4	2.7	2.6	3.2	2.9	2.5	2.7	2.1
Q4	.	.	.	.	.	.	.	2.0

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

1) Compensation (at current prices) per employee divided by labour productivity per person employed.
2) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).
3) Hourly labour cost indices for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).

(quarterly data seasonally adjusted; annual data unadjusted)

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions)								
2008	9,244.3	9,159.0	5,207.1	1,898.9	1,989.7	63.2	85.3	3,882.1	3,796.8
2009	8,930.1	8,812.0	5,127.3	1,986.8	1,741.4	-43.5	118.1	3,273.6	3,155.5
2010	9,160.9	9,046.1	5,261.6	2,013.7	1,751.0	19.8	114.9	3,747.8	3,632.9
2011	9,425.8	9,293.6	5,406.2	2,036.1	1,811.7	39.6	132.2	4,120.5	3,988.2
2010 Q4	2,311.3	2,282.8	1,333.7	504.7	440.5	4.0	28.5	979.6	951.1
2011 Q1	2,340.2	2,318.4	1,343.6	508.0	451.9	14.9	21.9	1,009.1	987.3
Q2	2,353.6	2,325.5	1,346.9	509.2	453.8	15.6	28.2	1,023.9	995.8
Q3	2,365.0	2,326.4	1,355.6	509.5	453.3	8.1	38.7	1,044.3	1,005.6
Q4	2,362.9	2,321.0	1,358.6	510.4	451.9	0.1	41.9	1,042.1	1,000.2
	percentage of GDP								
2011	100.0	98.6	57.4	21.6	19.2	0.4	1.4	-	-
	Chain-linked volumes (prices for the previous year)								
	quarter-on-quarter percentage changes								
2010 Q4	0.3	0.2	0.4	0.0	-0.3	-	-	1.5	1.5
2011 Q1	0.8	0.5	0.1	0.1	1.7	-	-	1.3	0.7
Q2	0.1	-0.2	-0.4	0.1	-0.1	-	-	1.2	0.4
Q3	0.1	-0.2	0.3	-0.2	-0.3	-	-	1.4	0.7
Q4	-0.3	-0.7	-0.4	-0.2	-0.7	-	-	-0.4	-1.2
	annual percentage changes								
2008	0.4	0.3	0.4	2.3	-1.1	-	-	1.0	0.9
2009	-4.3	-3.7	-1.2	2.6	-12.1	-	-	-12.7	-11.7
2010	1.9	1.1	0.9	0.5	-0.5	-	-	11.3	9.6
2011	1.4	0.5	0.2	0.1	1.4	-	-	6.1	3.9
2010 Q4	2.0	1.5	1.1	-0.1	1.3	-	-	11.8	11.1
2011 Q1	2.4	1.6	0.9	0.4	3.5	-	-	9.9	8.1
Q2	1.6	0.7	0.3	0.3	1.5	-	-	6.3	4.2
Q3	1.3	0.3	0.3	0.0	1.0	-	-	5.5	3.3
Q4	0.7	-0.5	-0.6	-0.3	0.6	-	-	3.6	0.6
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2010 Q4	0.3	0.2	0.2	0.0	-0.1	0.0	0.1	-	-
2011 Q1	0.8	0.5	0.0	0.0	0.3	0.1	0.3	-	-
Q2	0.1	-0.2	-0.3	0.0	0.0	0.1	0.3	-	-
Q3	0.1	-0.2	0.1	0.0	-0.1	-0.2	0.3	-	-
Q4	-0.3	-0.6	-0.2	-0.1	-0.1	-0.2	0.3	-	-
	contributions to annual percentage changes in GDP; percentage points								
2008	0.4	0.3	0.2	0.5	-0.2	-0.1	0.1	-	-
2009	-4.3	-3.7	-0.7	0.5	-2.6	-0.9	-0.6	-	-
2010	1.9	1.1	0.5	0.1	-0.1	0.6	0.8	-	-
2011	1.4	0.5	0.1	0.0	0.3	0.1	1.0	-	-
2010 Q4	2.0	1.5	0.6	0.0	0.3	0.7	0.5	-	-
2011 Q1	2.4	1.6	0.5	0.1	0.7	0.3	0.8	-	-
Q2	1.6	0.7	0.2	0.1	0.3	0.1	0.9	-	-
Q3	1.3	0.3	0.1	0.0	0.2	0.0	1.0	-	-
Q4	0.7	-0.5	-0.3	-0.1	0.1	-0.3	1.3	-	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(quarterly data seasonally adjusted; annual data unadjusted)

2. Value added by economic activity

	Gross value added (basic prices)											Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services	
	1	2	3	4	5	6	7	8	9	10	11	12
	Current prices (EUR billions)											
2008	8,299.0	141.8	1,652.7	560.8	1,597.9	358.6	384.9	930.3	859.4	1,520.8	291.9	945.3
2009	8,037.1	125.5	1,465.2	537.0	1,517.6	360.5	427.3	904.2	817.8	1,581.9	300.1	893.0
2010	8,222.0	137.4	1,550.7	512.6	1,561.3	357.7	437.5	922.2	830.6	1,609.1	302.8	938.9
2011	8,455.2	143.9	1,633.0	519.3	1,615.9	355.0	435.5	959.6	853.8	1,630.4	308.7	970.6
2010 Q4	2,073.9	35.2	395.7	127.2	395.5	89.0	108.6	234.4	209.8	402.3	76.2	237.4
2011 Q1	2,098.4	37.0	402.9	130.7	402.5	88.6	107.6	235.5	210.9	405.9	76.9	241.8
Q2	2,109.5	36.9	406.2	130.1	404.6	88.5	108.1	238.6	212.4	407.6	76.5	244.1
Q3	2,121.4	35.6	412.0	129.8	405.6	88.8	109.7	240.4	213.7	408.2	77.5	243.6
Q4	2,122.8	35.3	406.8	131.0	406.6	88.8	110.2	241.8	215.0	408.9	78.4	240.2
	percentage of value added											
2011	100.0	1.7	19.3	6.1	19.1	4.2	5.2	11.3	10.1	19.3	3.7	-
	Chain-linked volumes (prices for the previous year)											
	quarter-on-quarter percentage changes											
2010 Q4	0.3	0.7	1.3	-1.2	0.4	0.9	-0.3	0.2	0.1	0.0	-0.1	-0.1
2011 Q1	0.7	1.6	1.2	1.4	1.2	-1.0	1.2	-0.3	1.0	0.4	0.2	1.0
Q2	0.1	0.4	0.4	-0.3	0.0	0.3	0.1	0.1	0.4	0.2	-0.8	0.1
Q3	0.2	0.5	0.3	-0.6	0.1	0.3	0.8	0.1	0.4	0.1	0.8	-0.5
Q4	-0.2	0.4	-2.0	-0.2	0.0	1.4	-0.2	0.4	0.0	0.1	0.5	-0.9
	annual percentage changes											
2008	0.6	1.9	-2.3	-1.2	1.1	2.7	1.0	1.2	1.8	1.9	1.5	-1.4
2009	-4.3	-0.3	-13.4	-6.8	-5.4	0.7	3.8	0.6	-6.6	1.4	0.9	-4.0
2010	2.0	2.0	6.6	-4.4	2.5	2.5	0.9	0.5	1.7	0.8	0.2	1.0
2011	1.5	1.7	3.3	-0.7	2.1	0.8	0.3	0.7	2.4	0.5	0.0	1.3
2010 Q4	2.1	2.3	6.8	-2.9	3.0	2.7	-0.5	0.4	2.3	0.3	-0.3	1.2
2011 Q1	2.2	1.3	5.5	0.7	3.6	0.9	-1.0	0.4	2.8	0.6	0.2	3.5
Q2	1.6	2.3	3.9	-0.9	2.7	0.3	-0.6	0.3	2.5	0.7	-0.8	1.5
Q3	1.4	3.2	3.3	-0.7	1.7	0.5	1.8	0.1	1.9	0.7	0.1	0.6
Q4	0.8	2.8	-0.1	0.3	1.3	1.0	1.9	0.4	1.8	0.8	0.7	-0.2
	contributions to quarter-on-quarter percentage changes in value added; percentage points											
2010 Q4	0.3	0.0	0.2	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-
2011 Q1	0.7	0.0	0.2	0.1	0.2	0.0	0.1	0.0	0.1	0.1	0.0	-
Q2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q3	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q4	-0.2	0.0	-0.4	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-
	contributions to annual percentage changes in value added; percentage points											
2008	0.6	0.0	-0.5	-0.1	0.2	0.1	0.0	0.1	0.2	0.3	0.1	-
2009	-4.3	0.0	-2.7	-0.5	-1.0	0.0	0.2	0.1	-0.7	0.3	0.0	-
2010	2.0	0.0	1.2	-0.3	0.5	0.1	0.1	0.1	0.2	0.2	0.0	-
2011	1.5	0.0	0.6	0.0	0.4	0.0	0.0	0.1	0.2	0.1	0.0	-
2010 Q4	2.1	0.0	1.2	-0.2	0.6	0.1	0.0	0.0	0.2	0.1	0.0	-
2011 Q1	2.2	0.0	1.0	0.0	0.7	0.0	-0.1	0.0	0.3	0.1	0.0	-
Q2	1.6	0.0	0.7	-0.1	0.5	0.0	0.0	0.0	0.2	0.1	0.0	-
Q3	1.4	0.1	0.6	0.0	0.3	0.0	0.1	0.0	0.2	0.1	0.0	-
Q4	0.8	0.0	0.0	0.0	0.2	0.0	0.1	0.0	0.2	0.1	0.0	-

Sources: Eurostat and ECB calculations.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total in 2005	100.0	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
	1	2	3	4	5	6	7	8	9	10	11	12
2009	-13.7	90.7	-14.8	-15.9	-16.0	-19.0	-20.9	-4.9	-17.3	-2.9	-5.3	-6.8
2010	4.5	97.4	7.4	7.8	7.8	10.1	9.1	3.4	2.5	3.5	3.8	-7.2
2011	2.8	100.9	3.6	4.8	4.8	4.2	8.8	0.9	0.6	1.0	-4.8	-0.5
2011 Q1	5.0	100.8	6.6	8.2	8.2	9.0	13.3	1.4	2.9	1.2	-2.3	-1.5
Q2	2.5	101.1	4.1	5.4	5.4	4.3	9.4	2.2	1.1	2.4	-5.4	-4.4
Q3	3.8	101.9	4.0	4.9	4.9	3.8	9.9	0.9	1.9	0.8	-3.2	2.1
Q4	0.1	99.9	-0.2	0.9	1.0	0.0	3.7	-0.7	-3.1	-0.4	-8.3	2.2
2011 July	4.4	102.1	4.3	5.2	5.3	4.2	11.8	-0.1	4.2	-0.7	-4.1	3.0
Aug.	5.4	103.2	6.0	7.0	7.1	5.4	13.1	2.8	3.0	2.8	-2.1	2.6
Sep.	2.0	100.4	2.2	2.9	2.9	2.2	6.0	0.3	-1.0	0.4	-3.4	0.9
Oct.	0.3	100.6	1.0	1.9	1.8	0.4	4.9	0.2	-3.1	0.8	-5.0	-2.0
Nov.	0.4	100.2	0.1	1.1	1.2	-0.2	4.9	-1.6	-3.0	-1.3	-6.5	1.3
Dec.	-0.5	99.0	-2.0	-0.2	-0.2	-0.3	1.1	-0.9	-3.2	-0.6	-12.5	8.6
	month-on-month percentage changes (s.a.)											
2011 July	1.5	-	1.5	1.4	1.6	0.8	3.5	0.1	7.0	-0.5	0.1	1.9
Aug.	0.5	-	1.1	1.2	1.2	0.7	1.6	0.9	-2.5	1.4	0.9	1.0
Sep.	-2.2	-	-2.7	-2.5	-2.8	-1.8	-3.8	-1.6	-3.6	-1.5	-2.0	-1.4
Oct.	-0.1	-	0.2	0.1	0.2	-0.6	1.0	0.6	-1.2	0.7	-0.7	-0.9
Nov.	0.2	-	-0.4	-0.3	-0.1	0.3	0.1	-1.4	0.1	-1.6	-0.2	2.0
Dec.	-1.3	-	-1.2	-1.0	-1.0	-1.5	-1.7	0.2	0.0	0.0	-1.9	-1.9

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

	Industrial new orders		Industrial turnover		Retail sales (including automotive fuel)								New passenger car registrations	
	Manufacturing [1] (current prices)		Manufacturing (current prices)		Current prices	Constant prices								
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Fuel	Total (s.a.; thousands) [2]	Total
										Textiles, clothing, footwear	Household equipment			
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	38.4	51.0	9.0	12.8	10.6		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	87.3	-22.7	95.6	-18.3	-4.3	100.5	-2.5	-1.7	-2.4	-1.9	-4.2	-5.7	925	3.3
2010	102.7	17.6	105.3	10.2	2.1	101.5	0.9	0.5	1.8	2.2	1.1	-2.8	843	-8.5
2011	111.4	8.5	114.7	8.8	1.6	100.9	-0.5	-0.9	0.0	-1.4	0.0	-3.2	838	-1.1
2011 Q1	111.9	18.5	113.9	13.7	2.1	101.4	0.1	-1.1	1.2	-0.2	1.7	-1.2	867	-3.1
Q2	114.1	11.6	114.6	9.8	1.7	100.8	-0.5	-0.5	0.0	1.7	-1.2	-3.4	825	-1.8
Q3	110.8	5.3	115.8	8.8	1.7	101.2	-0.5	-0.8	0.1	-2.3	-0.1	-4.3	824	2.9
Q4	108.8	-0.5	114.4	3.7	0.9	100.3	-1.1	-1.1	-1.0	-4.1	-0.2	-3.7	836	-1.7
2011 Aug.	112.9	5.9	117.1	10.3	2.0	101.4	-0.1	0.1	0.4	-1.1	-1.3	-3.0	823	6.1
Sep.	107.4	1.5	114.1	6.6	1.5	100.8	-1.2	-0.1	-1.8	-8.4	-0.4	-4.1	833	1.3
Oct.	108.9	1.4	114.2	4.8	1.8	100.7	-0.7	-0.4	-1.0	-4.1	-0.4	-4.3	822	-0.6
Nov.	106.9	-2.4	114.7	3.8	1.1	100.4	-1.4	-1.5	-1.0	-4.3	-1.2	-3.9	828	-3.3
Dec.	110.5	-0.6	114.2	2.5	-0.1	99.9	-1.3	-1.3	-1.0	-3.9	0.9	-2.9	857	-1.1
2012 Jan.	.	.	.	.	0.8	100.2	0.0	-0.9	1.1	.	.	.	752	-13.3
	month-on-month percentage changes (s.a.)													
2011 Sep.	-	-4.9	-	-2.6	-0.2	-	-0.6	0.0	-1.1	-5.4	-0.1	-0.4	-	1.2
Oct.	-	1.4	-	0.1	0.2	-	-0.1	0.0	0.2	3.4	0.2	-0.3	-	-1.3
Nov.	-	-1.8	-	0.5	-0.1	-	-0.3	-0.7	-0.1	0.4	-0.9	-0.4	-	0.6
Dec.	-	3.3	-	-0.4	-0.3	-	-0.5	-0.8	-0.4	-0.1	1.1	-0.5	-	3.6
2012 Jan.	-	.	-	.	0.1	-	0.3	0.5	0.5	.	.	.	-	-12.2

Sources: Eurostat, except columns 13 and 14 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).
1) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
2) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

(percentage balances,[1] unless otherwise indicated; seasonally adjusted)

5. Business and Consumer Surveys

	Economic sentiment indicator[2] (long-term average = 100)	Manufacturing industry: Industrial confidence indicator: Total[4]	Order books	Stocks of finished products	Production expectations	Capacity utilisation[3] (%)	Consumer confidence indicator: Total[4]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
	1	2	3	4	5	6	7	8	9	10	11
2008	93.5	-8.4	-13.4	10.8	-1.0	82.0	-18.4	-10.1	-25.4	23.9	-14.1
2009	80.2	-28.7	-56.7	14.8	-14.7	70.8	-24.8	-7.0	-26.1	55.3	-10.7
2010	100.5	-4.7	-24.7	0.8	11.4	76.7	-14.2	-5.3	-12.3	31.2	-8.1
2011	101.0	0.1	-6.9	2.3	9.4	80.4	-14.5	-7.5	-18.2	23.3	-9.2
2010 Q4	105.3	2.4	-9.8	-0.7	16.3	79.0	-10.8	-5.6	-9.2	21.4	-7.1
2011 Q1	106.9	6.1	-2.1	-1.8	18.7	80.7	-11.0	-6.2	-10.0	20.1	-7.5
Q2	105.2	4.0	-2.0	-0.7	13.1	80.9	-10.7	-6.7	-12.6	15.2	-8.3
Q3	98.4	-2.8	-9.0	4.5	5.2	80.0	-15.9	-7.4	-21.8	24.1	-10.1
Q4	93.6	-7.0	-14.6	7.0	0.6	79.8	-20.6	-9.7	-28.4	33.8	-10.8
2011 Sep.	94.6	-6.0	-12.3	6.0	0.2	-	-19.3	-8.9	-27.3	30.0	-11.0
Oct.	94.4	-6.6	-13.5	6.5	0.2	79.6	-20.1	-9.1	-28.7	32.7	-10.0
Nov.	93.5	-7.3	-14.2	7.1	-0.5	-	-20.5	-9.2	-28.8	33.9	-10.2
Dec.	92.8	-7.2	-16.2	7.4	2.0	-	-21.3	-10.7	-27.7	34.8	-12.2
2012 Jan.	93.4	-7.0	-16.4	6.5	1.9	80.0	-20.7	-10.9	-27.4	33.1	-11.6
Feb.	94.4	-5.8	-14.2	6.0	2.9	-	-20.3	-10.0	-24.2	36.2	-10.7

	Construction confidence indicator: Total[4]	Order books	Employment expectations	Retail trade confidence indicator: Total[4]	Present business situation	Volume of stocks	Expected business situation	Services confidence indicator: Total[4]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2008	-14.2	-20.7	-7.7	-10.0	-11.0	15.8	-3.3	0.4	-3.8	0.5	4.7
2009	-33.1	-42.1	-24.1	-15.5	-21.4	9.8	-15.4	-15.8	-20.8	-18.2	-8.5
2010	-28.8	-39.3	-18.4	-4.1	-6.6	7.2	1.6	4.5	1.9	3.5	8.0
2011	-27.4	-34.9	-20.0	-5.5	-5.8	11.1	0.5	5.4	2.2	5.4	8.6
2010 Q4	-27.6	-36.5	-18.8	0.6	0.5	7.2	8.4	8.4	6.1	7.7	11.5
2011 Q1	-27.8	-38.2	-17.3	-0.9	-0.5	8.1	5.9	10.1	7.6	9.8	12.9
Q2	-26.9	-33.8	-20.0	-2.4	-1.6	9.7	4.1	9.5	7.1	9.7	11.6
Q3	-27.7	-35.0	-20.4	-7.5	-7.3	12.8	-2.3	3.5	0.3	3.7	6.5
Q4	-27.4	-32.5	-22.3	-11.1	-13.6	14.0	-5.7	-1.6	-6.4	-1.7	3.3
2011 Sep.	-29.8	-37.2	-22.4	-9.9	-11.1	14.4	-4.1	-0.3	-3.7	0.3	2.4
Oct.	-27.3	-33.6	-21.1	-9.9	-12.3	13.7	-3.8	-0.2	-3.8	-0.7	3.9
Nov.	-26.0	-30.5	-21.4	-11.2	-14.1	13.8	-5.8	-2.0	-7.0	-1.8	2.8
Dec.	-28.9	-33.5	-24.4	-12.2	-14.5	14.4	-7.6	-2.6	-8.4	-2.6	3.3
2012 Jan.	-28.1	-33.2	-22.9	-15.5	-18.3	16.3	-11.9	-0.7	-7.3	0.6	4.7
Feb.	-24.5	-31.3	-17.7	-14.3	-14.6	16.9	-11.2	-0.9	-6.8	-1.0	5.1

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period since 1990.
3) 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.
4) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]
(quarterly data seasonally adjusted; annual data unadjusted)

1. Employment

		By employment status		By economic activity									
	Total	Employees	Self-employed	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
Persons employed													
levels (thousands)													
2010	146,433	125,205	21,228	5,087	23,079	10,302	35,740	3,959	4,142	1,289	17,595	34,497	10,743
percentage of total persons employed													
2010	100.0	85.5	14.5	3.5	15.8	7.0	24.4	2.7	2.8	0.9	12.0	23.6	7.3
annual percentage changes													
2008	0.8	1.0	-0.3	-1.8	0.2	-2.2	0.9	1.0	0.3	1.3	3.3	1.2	1.2
2009	-1.8	-1.8	-1.8	-2.2	-5.0	-6.8	-1.8	-0.8	0.1	-2.7	-2.5	1.4	1.1
2010	-0.5	-0.5	-0.7	-0.9	-3.2	-3.7	-0.7	-1.0	-0.8	-0.5	1.8	1.1	0.7
2010 Q4	0.1	0.2	-0.7	-1.4	-1.2	-3.9	0.2	-0.6	-1.0	-0.2	2.8	0.8	1.0
2011 Q1	0.2	0.4	-0.9	-2.5	-0.2	-3.8	0.3	0.7	0.0	2.5	3.2	0.3	1.0
Q2	0.4	0.6	-0.8	-1.6	0.1	-3.2	0.9	1.2	-0.1	1.9	3.2	-0.1	0.4
Q3	0.3	0.5	-1.1	-2.0	0.4	-4.1	1.1	1.2	0.1	0.0	2.1	-0.1	0.9
quarter-on-quarter percentage changes													
2010 Q4	0.1	0.2	-0.3	-0.3	0.1	-1.1	0.3	0.1	-0.1	-0.1	0.5	0.1	0.4
2011 Q1	0.1	0.1	0.0	-1.6	0.2	-1.2	0.0	1.0	0.5	1.7	0.9	-0.2	0.4
Q2	0.2	0.3	-0.3	0.8	0.1	-0.3	0.5	0.3	-0.2	-0.5	0.9	-0.1	-0.1
Q3	-0.1	-0.1	-0.5	-1.0	0.0	-1.6	0.2	-0.2	-0.1	-1.0	-0.3	0.0	0.2
Hours worked													
levels (millions)													
2010	231,190	185,633	45,556	10,516	36,433	18,211	60,091	6,363	6,521	1,974	26,791	49,145	15,145
percentage of total hours worked													
2010	100.0	80.3	19.7	4.5	15.8	7.9	26.0	2.8	2.8	0.9	11.6	21.3	6.6
annual percentage changes													
2008	0.8	1.2	-0.7	-2.1	-0.4	-2.5	1.0	1.6	1.6	1.3	3.5	1.6	1.6
2009	-3.4	-3.6	-2.8	-3.1	-8.9	-8.3	-2.9	-1.3	-1.5	-3.7	-3.8	1.1	-0.3
2010	0.0	0.1	-0.2	-0.7	-0.9	-3.6	-0.3	-0.5	-0.3	0.9	2.5	1.3	0.1
2010 Q4	0.1	0.3	-0.5	-1.0	1.0	-4.4	-0.1	-1.0	-1.3	0.9	2.8	0.6	0.3
2011 Q1	0.8	1.0	-0.1	-0.2	2.1	-2.3	0.1	0.9	0.1	3.1	3.3	0.5	0.8
Q2	0.3	0.6	-0.7	-2.5	1.0	-3.4	0.5	1.2	-0.4	0.0	2.9	0.1	0.2
Q3	0.6	0.8	-0.3	-2.9	1.1	-3.7	1.2	2.1	-0.2	-0.4	2.5	0.1	1.8
quarter-on-quarter percentage changes													
2010 Q4	-0.1	-0.1	0.0	-0.2	0.3	-1.7	0.0	0.1	-0.5	0.3	0.5	-0.2	0.3
2011 Q1	0.6	0.7	0.2	-0.7	0.7	0.2	0.5	1.4	1.1	1.0	1.5	0.3	0.7
Q2	-0.1	0.0	-0.6	-0.4	-0.1	-1.1	0.2	0.3	-0.5	-1.7	0.3	0.0	-0.7
Q3	0.1	0.2	0.1	-1.6	0.2	-1.1	0.6	0.3	-0.3	-0.1	0.2	0.1	1.4
Hours worked per person employed													
levels (thousands)													
2010	1,579	1,483	2,146	2,067	1,579	1,768	1,681	1,607	1,575	1,531	1,523	1,425	1,410
annual percentage changes													
2008	0.0	0.2	-0.4	-0.2	-0.5	-0.2	0.1	0.7	1.3	0.0	0.2	0.4	0.4
2009	-1.7	-1.8	-1.0	-0.9	-4.1	-1.6	-1.2	-0.5	-1.6	-1.1	-1.4	-0.3	-1.3
2010	0.5	0.5	0.5	0.2	2.4	0.2	0.4	0.5	0.6	1.4	0.6	0.1	-0.6
2010 Q4	0.0	0.1	0.1	0.4	2.2	-0.5	-0.4	-0.4	-0.3	1.0	0.0	-0.2	-0.7
2011 Q1	0.5	0.6	0.7	2.4	2.3	1.5	-0.1	0.2	0.1	0.6	0.1	0.3	-0.2
Q2	-0.1	0.0	0.1	-0.9	0.9	-0.1	-0.4	-0.1	-0.2	-1.8	-0.3	0.2	-0.1
Q3	0.3	0.2	0.8	-0.9	0.7	0.5	0.1	0.9	-0.3	-0.4	0.4	0.3	0.9
quarter-on-quarter percentage changes													
2010 Q4	3.1	3.6	1.5	-2.7	4.6	0.6	3.0	3.9	4.0	2.4	6.0	3.3	2.0
2011 Q1	0.6	0.8	-0.8	-1.7	0.5	0.3	0.4	1.0	1.9	0.7	0.2	1.7	0.6
Q2	-2.2	-3.0	1.3	4.2	-2.7	0.6	-2.0	-4.1	-4.1	-3.8	-3.9	-3.5	-1.4
Q3	-1.1	-1.0	-1.3	-0.8	-1.4	-1.0	-1.1	0.3	-1.5	0.6	-1.6	-1.3	-0.3

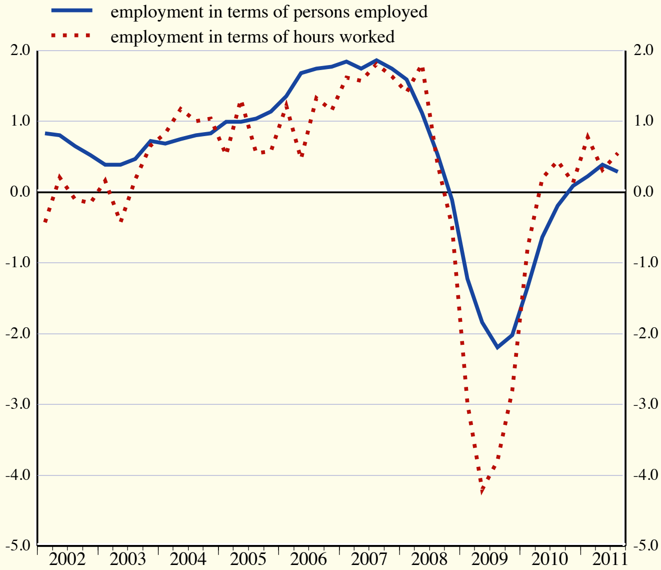
Source: ECB calculations based on Eurostat data.
1) Data for employment are based on the ESA 95.

5.3 Labour markets
(seasonally adjusted, unless otherwise indicated)

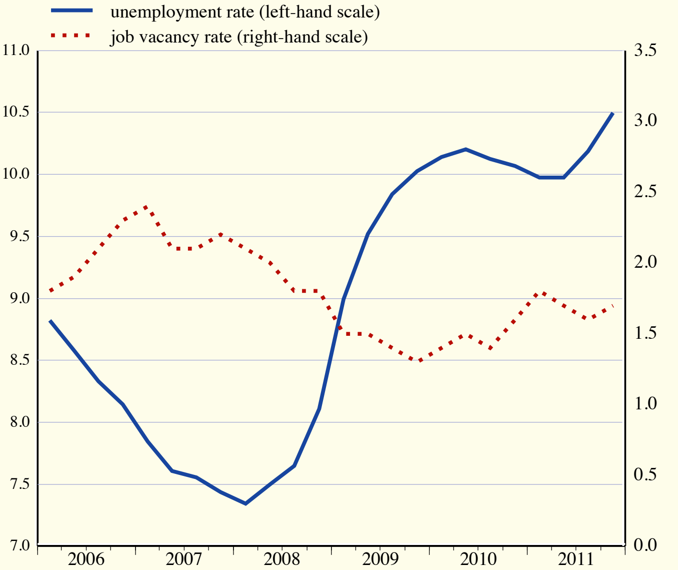
2. Unemployment and job vacancies[1)]

	Unemployment										Job vacancy rate[2)]
	Total		By age[3)]				By gender[4)]				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	% of total posts
% of total in 2010	100.0		79.5		20.5		54.0		46.0		
	1	2	3	4	5	6	7	8	9	10	11
2008	11.971	7.6	9.295	6.6	2.676	16.0	6.045	7.0	5.927	8.5	1.9
2009	15.052	9.6	11.768	8.4	3.285	20.3	8.147	9.4	6.905	9.8	1.4
2010	15.927	10.1	12.655	8.9	3.271	20.9	8.594	10.0	7.333	10.3	1.5
2011	16.030	10.2	12.817	9.0	3.213	20.9	8.535	9.9	7.495	10.5	1.7
2010 Q4	15.830	10.1	12.633	8.9	3.197	20.6	8.466	9.8	7.364	10.4	1.6
2011 Q1	15.690	10.0	12.509	8.8	3.181	20.6	8.344	9.7	7.345	10.3	1.8
Q2	15.731	10.0	12.560	8.8	3.170	20.6	8.372	9.7	7.358	10.3	1.7
Q3	16.092	10.2	12.884	9.0	3.208	20.8	8.534	9.9	7.557	10.5	1.6
Q4	16.607	10.5	13.313	9.3	3.294	21.4	8.890	10.3	7.717	10.8	1.7
2011 Aug.	16.045	10.2	12.860	9.0	3.185	20.7	8.504	9.9	7.540	10.5	-
Sep.	16.272	10.3	13.032	9.1	3.240	21.0	8.639	10.0	7.633	10.6	-
Oct.	16.437	10.4	13.174	9.2	3.263	21.2	8.784	10.2	7.653	10.7	-
Nov.	16.644	10.5	13.327	9.3	3.317	21.5	8.883	10.3	7.761	10.8	-
Dec.	16.740	10.6	13.437	9.4	3.303	21.5	9.002	10.4	7.738	10.8	-
2012 Jan.	16.925	10.7	13.611	9.5	3.314	21.6	9.118	10.5	7.807	10.9	-

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



C29 Unemployment and job vacancy[2)] rates



Source: Eurostat.
1) Data for unemployment refer to persons and follow ILO recommendations.
2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	44.9	44.6	11.9	9.0	2.8	13.2	0.4	15.6	8.1	4.6	2.2	0.3	0.3	40.9
2003	44.9	44.2	11.5	8.8	2.7	13.2	0.4	15.7	8.2	4.6	2.2	0.6	0.5	40.9
2004	44.5	44.0	11.5	8.5	2.9	13.2	0.3	15.5	8.1	4.5	2.2	0.5	0.4	40.6
2005	44.8	44.3	11.7	8.6	3.0	13.3	0.3	15.4	8.1	4.5	2.3	0.5	0.3	40.7
2006	45.3	44.9	12.3	8.8	3.4	13.4	0.3	15.3	8.0	4.5	2.3	0.4	0.3	41.3
2007	45.3	45.0	12.7	8.9	3.6	13.3	0.3	15.1	8.0	4.4	2.3	0.3	0.3	41.3
2008	45.1	44.8	12.5	9.1	3.2	12.9	0.3	15.3	8.1	4.5	2.3	0.3	0.3	40.9
2009	44.8	44.5	11.6	9.2	2.3	12.8	0.3	15.8	8.3	4.5	2.5	0.4	0.4	40.5
2010	44.7	44.4	11.6	8.9	2.5	12.9	0.3	15.6	8.2	4.5	2.5	0.3	0.3	40.4

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo item: Primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	47.6	43.8	10.5	4.9	3.5	24.9	22.0	1.9	0.5	3.9	2.4	1.4	0.1	44.1
2003	48.0	44.1	10.6	4.9	3.3	25.2	22.3	1.8	0.5	4.0	2.5	1.4	0.1	44.7
2004	47.4	43.5	10.5	5.0	3.1	24.9	22.1	1.7	0.5	3.9	2.5	1.5	0.1	44.3
2005	47.3	43.4	10.5	5.0	3.0	24.9	22.1	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.3	5.0	2.9	24.6	21.8	1.6	0.5	3.9	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.1	5.0	3.0	24.2	21.4	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.2	43.3	10.3	5.2	3.0	24.8	21.9	1.6	0.4	3.9	2.6	1.3	0.0	44.2
2009	51.2	46.9	11.0	5.7	2.9	27.4	24.2	1.8	0.4	4.3	2.8	1.4	0.0	48.4
2010	50.9	46.6	10.8	5.6	2.8	27.3	24.2	1.8	0.4	4.4	2.5	1.9	0.0	48.1

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	-2.7	-2.3	-0.5	-0.3	0.3	0.8	20.2	10.5	4.9	5.1	1.9	2.2	8.1	12.1
2003	-3.1	-2.5	-0.5	-0.2	0.1	0.2	20.5	10.6	4.9	5.2	1.9	2.2	8.1	12.3
2004	-2.9	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.5	5.0	5.1	1.9	2.2	8.1	12.3
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.5	20.4	10.5	5.0	5.1	1.9	2.3	8.0	12.4
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.3	5.0	5.2	1.9	2.3	7.9	12.4
2007	-0.7	-1.2	0.0	-0.1	0.6	2.3	20.0	10.1	5.0	5.1	1.9	2.3	7.7	12.3
2008	-2.1	-2.3	-0.2	-0.2	0.5	0.9	20.5	10.3	5.2	5.3	2.0	2.3	8.0	12.6
2009	-6.4	-5.2	-0.5	-0.3	-0.4	-3.5	22.2	11.0	5.7	5.8	2.1	2.5	8.6	13.6
2010	-6.2	-5.1	-0.7	-0.3	-0.1	-3.4	22.0	10.8	5.6	5.8	2.1	2.5	8.4	13.6

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

	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
2007	-0.3	0.2	2.4	0.1	-6.5	1.9	-2.7	-1.6	3.5	3.7	-2.4	0.2	-0.9	-3.1	0.0	-1.8	5.3
2008	-1.3	-0.1	-2.9	-7.3	-9.8	-4.5	-3.3	-2.7	0.9	3.0	-4.6	0.5	-0.9	-3.6	-1.9	-2.1	4.3
2009	-5.8	-3.2	-2.0	-14.2	-15.8	-11.2	-7.5	-5.4	-6.1	-0.9	-3.7	-5.6	-4.1	-10.1	-6.1	-8.0	-2.5
2010	-4.1	-4.3	0.2	-31.3	-10.6	-9.3	-7.1	-4.6	-5.3	-1.1	-3.6	-5.1	-4.4	-9.8	-5.8	-7.7	-2.5

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

1) Data refer to the Euro 17. 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 [1)]
(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2)]				Other creditors [3)]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
2001	68.2	2.8	12.4	4.0	48.9	42.7	20.8	11.2	10.7	25.4
2002	68.0	2.7	11.8	4.6	48.9	41.0	19.6	10.8	10.5	27.0
2003	69.1	2.1	12.4	5.1	49.6	40.3	19.8	11.3	9.2	28.9
2004	69.5	2.2	12.1	5.0	50.3	38.8	18.9	11.1	8.8	30.7
2005	70.4	2.4	12.2	4.7	51.2	37.1	18.1	11.2	7.7	33.3
2006	68.6	2.5	11.9	4.1	50.2	35.0	18.3	9.3	7.4	33.6
2007	66.3	2.2	11.2	4.2	48.7	32.7	17.1	8.5	7.1	33.6
2008	70.1	2.3	11.5	6.7	49.6	33.1	17.8	7.8	7.6	36.9
2009	79.8	2.5	12.6	8.6	56.2	37.3	20.6	8.9	7.8	42.5
2010	85.3	2.4	15.3	7.7	60.0	40.5	23.4	9.6	7.5	44.8

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

	Total	Issued by: [4)]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001	68.2	56.6	6.0	4.7	0.8	7.0	61.1	5.3	13.7	26.6	27.9	66.8	1.3
2002	68.0	56.3	6.2	4.7	0.8	7.6	60.4	5.2	15.5	25.3	27.2	66.8	1.1
2003	69.1	56.6	6.5	5.0	1.0	7.8	61.3	5.0	14.9	26.0	28.2	68.3	0.9
2004	69.5	56.5	6.6	5.1	1.3	7.8	61.7	4.6	14.8	26.2	28.5	68.4	1.1
2005	70.4	57.1	6.7	5.2	1.4	7.8	62.6	4.6	14.9	25.7	29.8	69.2	1.2
2006	68.6	55.4	6.5	5.4	1.4	7.4	61.2	4.3	14.4	24.2	30.0	67.8	0.8
2007	66.3	53.5	6.2	5.3	1.4	7.4	58.9	4.3	15.0	23.4	27.8	65.9	0.4
2008	70.1	56.9	6.6	5.3	1.3	10.2	59.9	4.9	18.7	23.1	28.3	69.4	0.7
2009	79.8	64.7	7.6	5.8	1.7	12.3	67.5	5.0	21.1	26.7	32.0	79.1	0.7
2010	85.3	69.3	8.3	5.9	1.9	13.1	72.2	5.2	24.0	28.1	33.3	84.5	0.8

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
2007	84.1	65.2	3.7	24.8	107.4	36.2	64.2	103.1	58.8	6.7	62.1	45.3	60.2	68.3	23.1	29.6	35.2
2008	89.3	66.7	4.5	44.2	113.0	40.1	68.2	105.8	48.9	13.7	62.2	58.5	63.8	71.6	21.9	27.8	33.9
2009	95.9	74.4	7.2	65.2	129.3	53.8	79.0	115.5	58.5	14.8	67.8	60.8	69.5	83.0	35.3	35.5	43.3
2010	96.2	83.2	6.7	92.5	144.9	61.0	82.3	118.4	61.5	19.1	69.0	62.9	71.8	93.3	38.8	41.0	48.3

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' debt.
1) Data refer to the Euro 17. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Intergovernmental lending in the context of the financial crisis is 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 [1]
(as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	-0.3	-0.5	0.0	2.4
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.5	0.8	0.8	2.6
2004	3.2	3.3	-0.1	0.0	0.2	0.1	0.1	2.7	0.1	-0.2	0.3	3.0
2005	3.3	3.1	0.2	0.0	0.3	0.5	-0.1	2.6	-0.4	-0.1	0.5	3.6
2006	1.7	1.4	0.1	0.1	0.2	0.3	-0.3	1.5	-0.3	1.1	-1.4	2.0
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.3	1.0	-0.5	-0.3	-0.3	1.6
2008	5.3	5.2	0.1	0.0	0.1	0.5	2.6	2.0	1.1	1.0	-0.6	4.2
2009	7.2	7.5	-0.2	0.0	0.1	0.7	1.6	4.8	3.0	2.3	0.8	4.3
2010	7.6	7.7	-0.1	0.0	0.0	3.0	-0.7	5.2	4.2	3.3	1.0	3.3

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	2.1	-2.7	-0.6	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	-0.1
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	3.2	-2.9	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	-2.5	0.7	0.6	0.3	0.0	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	-0.1
2006	1.7	-1.4	0.3	0.2	0.3	-0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	0.1	-0.1
2007	1.2	-0.7	0.5	0.6	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2008	5.3	-2.1	3.2	3.0	0.8	0.7	0.7	0.9	-0.1	0.7	0.1	0.0	0.0	0.0
2009	7.2	-6.4	0.8	1.0	0.3	0.0	0.3	0.5	-0.3	0.5	-0.2	0.0	0.0	0.1
2010	7.6	-6.2	1.3	1.7	0.0	0.5	1.1	0.1	0.0	0.2	-0.1	0.0	0.0	-0.3

Source: ECB.

1) Data refer to the Euro 17 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t). Intergovernmental lending in the context of the financial crisis is consolidated.
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) Holders resident in the country whose government has issued the debt.
6) Includes residents of euro area countries other than the country whose government has issued the debt.
7) Including proceeds from sales of UMTS licences.
8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
10) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus [1]
(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2005 Q3	43.4	42.7	11.2	12.5	15.1	2.2	0.7	0.7	0.3	39.2
Q4	48.6	47.8	13.6	14.0	16.1	2.4	0.8	0.8	0.3	44.0
2006 Q1	42.6	42.1	10.4	12.8	15.1	2.2	0.8	0.4	0.3	38.6
Q2	45.6	45.2	12.5	13.1	15.1	2.3	1.4	0.5	0.3	40.9
Q3	43.6	43.1	11.8	12.4	15.1	2.2	0.8	0.5	0.3	39.5
Q4	49.0	48.4	14.4	14.1	15.8	2.4	0.9	0.6	0.3	44.5
2007 Q1	42.3	41.9	10.4	12.8	14.7	2.2	0.9	0.4	0.3	38.3
Q2	45.8	45.4	13.0	13.0	15.0	2.3	1.4	0.4	0.3	41.2
Q3	43.6	43.1	12.3	12.3	14.8	2.2	0.8	0.5	0.3	39.6
Q4	49.2	48.6	14.8	13.9	15.7	2.4	1.0	0.6	0.3	44.6
2008 Q1	42.5	42.2	10.9	12.3	14.8	2.3	1.1	0.3	0.2	38.2
Q2	45.2	44.9	12.9	12.3	15.0	2.3	1.5	0.4	0.3	40.5
Q3	43.3	43.0	12.2	12.0	15.0	2.2	0.8	0.4	0.3	39.5
Q4	48.8	48.2	13.9	13.4	16.4	2.5	1.1	0.5	0.3	44.0
2009 Q1	42.5	42.4	10.4	12.0	15.5	2.5	1.1	0.1	0.2	38.2
Q2	45.2	44.6	11.8	12.5	15.7	2.5	1.4	0.6	0.5	40.4
Q3	42.7	42.3	11.0	11.9	15.5	2.4	0.7	0.4	0.3	38.7
Q4	48.4	47.6	13.0	13.6	16.4	2.6	0.9	0.8	0.5	43.5
2010 Q1	42.2	42.0	10.1	12.1	15.5	2.5	0.9	0.2	0.3	38.0
Q2	45.1	44.7	11.9	12.7	15.4	2.6	1.3	0.4	0.3	40.3
Q3	42.9	42.5	11.0	12.4	15.2	2.4	0.7	0.3	0.3	38.9
Q4	48.3	47.5	13.1	13.4	16.4	2.7	1.0	0.7	0.3	43.2
2011 Q1	42.8	42.5	10.5	12.4	15.3	2.5	1.0	0.3	0.3	38.5
Q2	45.0	44.7	12.0	12.5	15.3	2.6	1.4	0.3	0.3	40.1
Q3	43.7	43.4	11.4	12.6	15.3	2.4	0.8	0.3	0.3	39.6

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 Q3	45.8	42.3	10.0	4.8	3.0	24.6	21.2	1.2	3.5	2.6	1.0	-2.4	0.6
Q4	49.6	45.0	11.3	5.8	2.7	25.2	21.6	1.3	4.6	2.9	1.7	-1.0	1.8
2006 Q1	45.9	42.6	10.1	4.6	3.0	24.9	21.4	1.1	3.3	2.1	1.3	-3.3	-0.4
Q2	45.8	42.5	10.3	4.9	3.1	24.1	21.1	1.1	3.4	2.4	1.0	-0.2	2.9
Q3	45.3	41.8	9.8	4.7	2.9	24.3	20.9	1.2	3.6	2.6	1.0	-1.7	1.2
Q4	49.4	44.3	10.8	5.8	2.7	25.1	21.3	1.3	5.1	2.9	2.2	-0.5	2.2
2007 Q1	44.9	41.5	9.9	4.5	2.9	24.1	20.7	1.1	3.4	2.2	1.2	-2.7	0.3
Q2	45.1	41.7	10.0	4.9	3.2	23.6	20.6	1.1	3.4	2.5	0.9	0.8	4.0
Q3	44.6	41.1	9.6	4.7	3.0	23.8	20.6	1.1	3.6	2.6	0.9	-1.0	1.9
Q4	49.2	44.5	10.8	5.8	2.8	25.1	21.2	1.5	4.7	3.0	1.7	0.0	2.8
2008 Q1	45.5	42.0	9.9	4.7	3.0	24.4	20.8	1.2	3.5	2.2	1.2	-3.0	0.0
Q2	45.9	42.4	10.2	5.0	3.3	23.9	20.8	1.1	3.5	2.5	1.0	-0.6	2.6
Q3	45.7	42.1	9.7	4.9	3.1	24.4	21.2	1.1	3.6	2.6	1.0	-2.4	0.7
Q4	51.3	46.4	11.2	6.2	2.8	26.3	22.2	1.4	4.8	3.2	1.7	-2.5	0.3
2009 Q1	49.6	45.9	10.7	5.4	2.9	26.9	22.9	1.3	3.7	2.5	1.2	-7.1	-4.2
Q2	50.6	46.5	11.1	5.5	3.0	26.8	23.3	1.3	4.1	2.8	1.3	-5.4	-2.4
Q3	49.9	45.9	10.5	5.3	2.9	27.1	23.5	1.3	4.1	2.8	1.2	-7.2	-4.3
Q4	54.4	49.3	11.8	6.5	2.6	28.4	24.0	1.5	5.1	3.1	1.9	-5.9	-3.3
2010 Q1	50.5	46.7	10.7	5.2	2.8	27.9	23.6	1.4	3.8	2.3	1.5	-8.3	-5.5
Q2	49.6	46.1	10.9	5.5	2.9	26.7	23.2	1.3	3.5	2.5	1.2	-4.5	-1.6
Q3	50.4	45.2	10.2	5.3	2.8	26.9	23.2	1.3	5.2	2.5	2.7	-7.5	-4.7
Q4	53.1	48.3	11.4	6.4	2.7	27.7	23.7	1.5	4.9	2.8	2.1	-4.8	-2.1
2011 Q1	48.7	45.7	10.4	5.2	2.9	27.1	23.1	1.3	3.0	2.1	0.9	-5.9	-2.9
Q2	48.6	45.4	10.6	5.4	3.1	26.2	22.8	1.2	3.2	2.4	0.9	-3.6	-0.5
Q3	47.8	44.7	10.0	5.2	3.0	26.5	23.0	1.2	3.1	2.3	0.8	-4.1	-1.1

Sources: ECB calculations based on Eurostat and national data.

1) Data refer to the Euro 17. 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 [1]
(as a percentage of GDP)

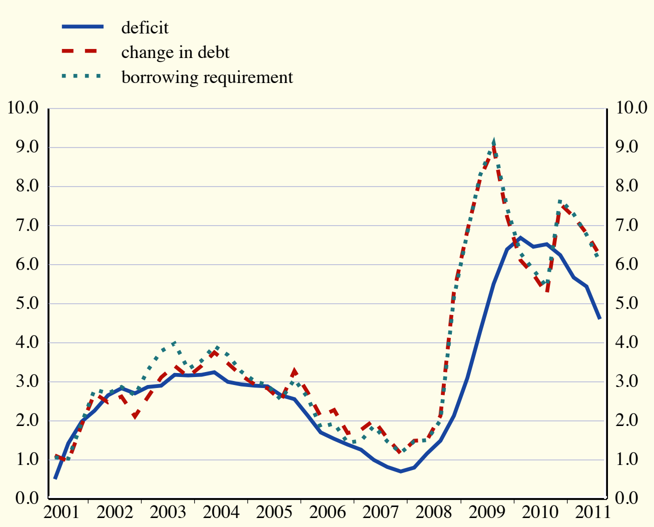
1. Euro area – Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2008 Q4	70.1	2.3	11.5	6.7	49.6
2009 Q1	73.8	2.3	11.8	7.9	51.8
Q2	77.0	2.4	12.2	8.4	54.0
Q3	78.9	2.4	12.4	9.2	54.9
Q4	79.8	2.5	12.6	8.6	56.2
2010 Q1	81.5	2.4	12.8	8.4	57.9
Q2	82.8	2.4	13.4	8.1	59.0
Q3	83.0	2.4	13.3	8.2	59.1
Q4	85.3	2.4	15.3	7.7	60.0
2011 Q1	86.3	2.4	15.1	7.7	61.0
Q2	87.2	2.4	14.9	7.8	62.0
Q3	86.8	2.4	15.1	8.0	61.4

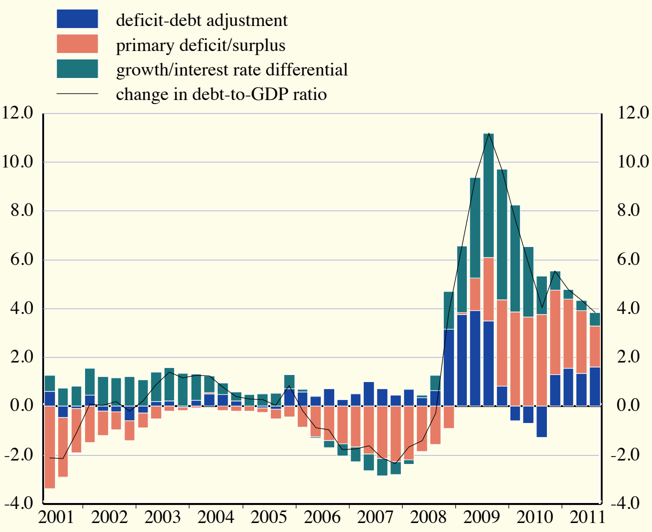
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2008 Q4	9.2	-2.5	6.7	5.5	0.6	2.5	0.4	2.1	0.2	1.0	9.0
2009 Q1	12.8	-7.1	5.7	6.7	5.2	-0.1	0.9	0.7	-0.5	-0.5	13.3
Q2	9.1	-5.4	3.7	3.2	2.3	-0.6	0.3	1.2	-0.4	0.9	9.5
Q3	5.0	-7.2	-2.3	-2.8	-3.1	0.6	-0.1	-0.3	0.2	0.3	4.7
Q4	2.4	-5.9	-3.5	-2.8	-2.9	-0.1	0.1	0.1	-0.2	-0.5	2.6
2010 Q1	8.1	-8.3	-0.1	0.7	0.8	0.0	-0.4	0.3	-0.3	-0.5	8.5
Q2	7.6	-4.5	3.2	3.2	2.0	1.1	-0.2	0.4	-0.1	0.0	7.7
Q3	3.0	-7.5	-4.5	-3.0	-2.3	-0.6	-0.1	0.1	0.0	-1.5	3.0
Q4	11.3	-4.8	6.5	5.9	-0.3	1.7	4.7	-0.2	0.0	0.6	11.3
2011 Q1	6.8	-5.9	0.9	0.9	2.0	-0.4	-0.4	-0.3	-0.2	0.2	7.0
Q2	6.0	-3.6	2.3	2.9	2.9	0.5	-0.4	-0.1	0.3	-0.8	5.7
Q3	0.8	-4.1	-3.3	-4.2	-3.8	-0.7	-0.2	0.6	0.5	0.3	0.3

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



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



Sources: ECB calculations based on Eurostat and national data.
1) Data refer to the Euro 17. Intergovernmental lending in the context of the financial crisis is consolidated.
2) 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

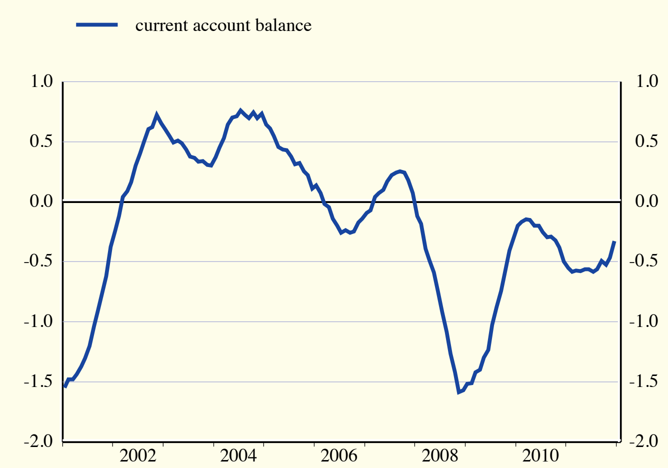
7.1 Summary balance of payments [1]

(EUR billions; net transactions)

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	-25.9	36.0	35.1	-5.8	-91.2	7.3	-18.6	14.0	-102.8	261.4	21.1	-170.2	4.6	4.6
2010	-42.2	12.9	45.9	2.3	-103.3	5.5	-36.7	44.1	-49.9	148.0	17.4	-61.2	-10.3	-7.4
2011	-31.5	6.0	59.6	7.5	-104.5	9.8	-21.6	9.3	-69.8	293.4	-23.4	-180.9	-10.1	12.4
2010 Q4	3.4	5.5	10.5	4.3	-16.8	1.3	4.7	9.5	79.5	19.5	8.9	-96.8	-1.6	-14.2
2011 Q1	-30.2	-13.0	7.0	10.2	-34.5	2.4	-27.8	15.7	-9.9	128.5	-2.2	-89.1	-11.6	12.1
Q2	-21.0	-3.0	17.9	-14.0	-21.8	0.6	-20.4	18.4	-29.0	150.2	1.6	-108.9	4.5	2.0
Q3	-1.2	3.1	21.0	4.2	-29.5	1.8	0.6	9.8	-16.5	37.7	-15.4	0.3	3.8	-10.4
Q4	20.8	18.9	13.7	7.1	-18.8	5.1	25.9	-34.7	-14.4	-23.0	-7.3	16.8	-6.8	8.8
2010 Dec.	3.0	0.6	3.9	0.1	-1.7	2.0	4.9	-5.8	42.7	-4.2	6.1	-49.2	-1.3	0.9
2011 Jan.	-19.9	-14.7	2.6	1.1	-8.9	0.4	-19.6	13.5	11.7	-28.9	-1.0	37.7	-6.0	6.0
Feb.	-9.3	-0.8	2.6	4.2	-15.2	2.1	-7.1	2.2	-27.9	93.6	0.8	-65.3	1.0	5.0
Mar.	-1.0	2.5	1.8	5.0	-10.3	-0.1	-1.1	0.0	6.3	63.9	-2.1	-61.5	-6.6	1.1
Apr.	-4.9	-3.9	4.2	1.7	-6.9	-0.1	-5.0	-4.0	-29.8	13.6	2.6	3.6	6.0	8.9
May	-15.9	0.3	5.6	-15.3	-6.6	0.4	-15.5	15.4	-5.0	45.1	-2.3	-19.4	-3.1	0.2
June	-0.2	0.5	8.1	-0.4	-8.3	0.3	0.1	7.0	5.8	91.5	1.2	-93.2	1.6	-7.1
July	1.4	3.8	7.4	1.2	-11.0	-0.1	1.3	-3.8	-17.2	-24.6	-0.8	40.1	-1.2	2.5
Aug.	-3.6	-4.2	5.5	3.4	-8.3	2.0	-1.5	1.4	7.7	25.6	-6.5	-28.7	3.4	0.1
Sep.	1.0	3.6	8.1	-0.3	-10.3	-0.1	0.9	12.2	-7.0	36.7	-8.1	-11.0	1.6	-13.1
Oct.	2.6	1.7	5.3	3.2	-7.6	1.5	4.1	-5.0	-7.6	-26.4	-0.9	31.0	-1.1	0.9
Nov.	1.9	6.7	3.0	1.8	-9.5	2.2	4.1	-6.7	-8.0	1.5	0.6	-0.5	-0.2	2.5
Dec.	16.3	10.5	5.4	2.1	-1.7	1.4	17.7	-23.0	1.3	2.0	-7.1	-13.7	-5.4	5.3
	12-month cumulated transactions													
2011 Dec.	-31.5	6.0	59.6	7.5	-104.5	9.8	-21.6	9.3	-69.8	293.4	-23.4	-180.9	-10.1	12.4
	12-month cumulated transactions as a percentage of GDP													
2011 Dec.	-0.3	0.1	0.6	0.1	-1.1	0.1	-0.2	0.1	-0.7	3.1	-0.2	-1.9	-0.1	0.1

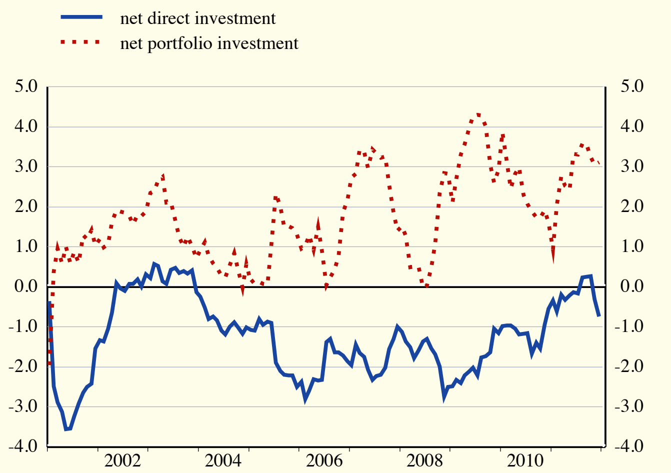
C32 Euro area b.o.p.: current account

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: direct and portfolio investment

(12-month cumulated transactions as a percentage of GDP)



Source: ECB.

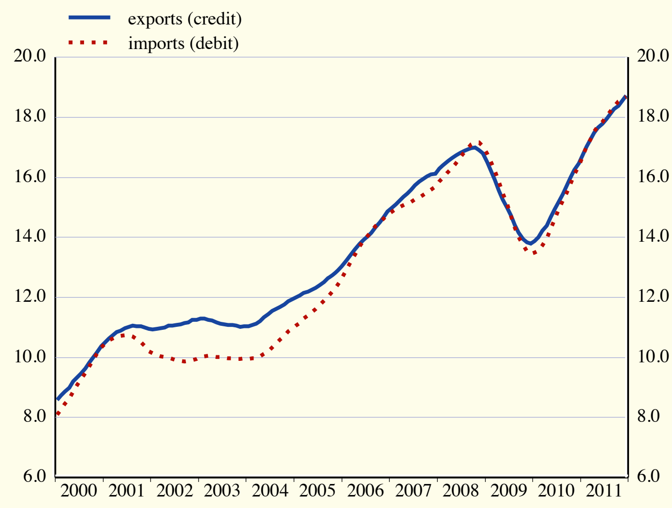
1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts
(EUR billions; transactions)

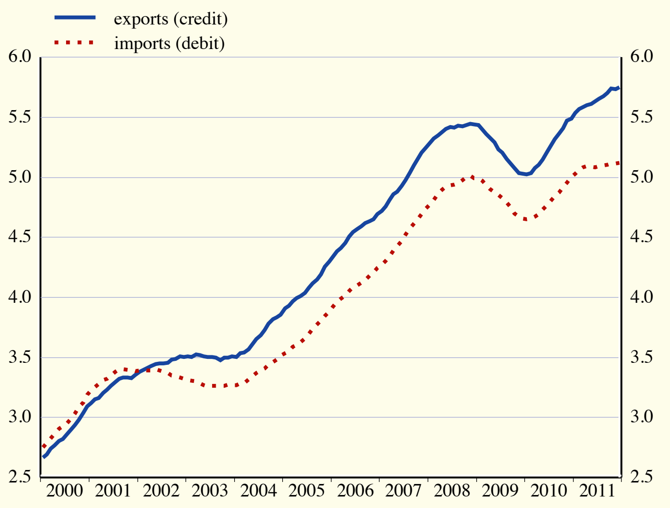
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remit-tances		Workers' remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2009	2,292.4	2,318.3	-25.9	1,302.5	1,266.5	473.9	438.8	421.5	427.3	94.5	6.4	185.7	22.5	20.6	13.4
2010	2,617.1	2,659.3	-42.2	1,560.0	1,547.1	518.8	472.9	450.7	448.4	87.6	6.3	190.9	22.3	21.2	15.7
2011	2,879.8	2,911.3	-31.5	1,768.6	1,762.5	542.7	483.1	480.1	472.6	88.4	.	193.0	.	23.3	13.4
2010 Q4	705.7	702.2	3.4	421.7	416.2	135.7	125.2	117.3	113.0	31.0	1.6	47.8	6.0	7.1	5.9
2011 Q1	684.5	714.7	-30.2	423.3	436.4	123.0	116.0	113.5	103.3	24.7	1.5	59.1	5.4	5.0	2.6
Q2	719.5	740.4	-21.0	438.7	441.8	134.1	116.2	127.7	141.8	18.9	1.6	40.7	5.6	3.7	3.1
Q3	723.1	724.2	-1.2	444.5	441.4	146.1	125.1	115.8	111.6	16.6	1.8	46.1	5.7	5.2	3.4
Q4	752.8	731.9	20.8	461.9	443.0	139.6	125.9	123.1	116.0	28.2	.	47.0	.	9.4	4.4
2011 Oct.	243.6	241.0	2.6	152.4	150.7	46.6	41.4	37.0	33.8	7.6	.	15.2	.	2.4	0.9
Nov.	247.7	245.8	1.9	159.5	152.9	43.3	40.3	39.1	37.3	5.8	.	15.3	.	3.1	0.9
Dec.	261.4	245.1	16.3	150.0	139.5	49.6	44.2	47.0	45.0	14.8	.	16.5	.	3.9	2.5
	Seasonally adjusted														
2011 Q2	713.5	726.8	-13.3	437.0	441.9	133.5	118.7	121.2	118.2	21.9	.	47.9	.	.	.
Q3	727.5	729.2	-1.7	443.4	441.5	138.0	120.5	122.1	118.7	23.9	.	48.4	.	.	.
Q4	729.0	734.4	-5.5	450.7	442.3	136.9	122.7	120.3	121.6	21.0	.	47.9	.	.	.
2011 Oct.	241.2	247.8	-6.6	147.0	151.0	46.4	41.1	39.1	40.0	8.7	.	15.7	.	.	.
Nov.	244.9	245.8	-0.9	152.7	147.6	45.1	40.4	41.8	41.2	5.3	.	16.6	.	.	.
Dec.	242.8	240.8	2.0	150.9	143.6	45.5	41.2	39.5	40.4	7.0	.	15.6	.	.	.
	12-month cumulated transactions														
2011 Dec.	2,877.3	2,907.9	-30.6	1,765.5	1,761.4	542.0	482.6	480.3	471.1	89.5	.	192.8	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2011 Dec.	30.5	30.9	-0.3	18.7	18.7	5.8	5.1	5.1	5.0	1.0	.	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		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2008	21.1	13.1	502.5	577.3	140.5	-7.8	117.4	20.5	31.3	26.7	39.3	111.2	119.1	128.7	172.3	193.3
2009	21.7	13.8	399.9	413.5	148.8	16.1	100.4	14.9	24.7	23.5	24.5	77.3	101.0	122.1	100.8	90.2
2010	23.3	14.2	427.3	434.2	195.6	20.1	139.6	38.4	24.0	19.9	29.1	86.3	99.3	122.7	79.3	65.6
2010 Q3	5.6	4.1	104.1	103.1	46.5	14.6	35.0	12.5	5.7	4.6	7.4	16.8	25.4	31.1	19.1	15.6
Q4	6.4	4.1	111.0	108.9	51.2	-2.0	36.0	6.4	6.7	6.2	6.4	18.5	25.5	30.0	21.2	18.2
2011 Q1	5.7	2.7	107.8	100.6	47.7	11.1	33.8	21.5	6.5	4.3	7.4	14.2	25.4	30.8	20.9	17.5
Q2	5.8	3.3	121.9	138.5	57.8	9.7	38.5	10.7	5.7	4.8	12.3	46.3	25.2	31.0	20.9	17.8
Q3	5.8	4.0	110.0	107.6	47.7	18.0	34.8	17.9	6.5	4.8	9.0	18.4	25.1	32.2	21.8	17.3

3. Geographical breakdown
(cumulated transactions)

2010 Q4 to 2011 Q3	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,832.7	936.1	52.2	89.6	430.4	304.4	59.4	55.0	39.0	136.7	40.2	62.0	107.1	218.5	354.4	883.9
Goods	1,728.3	553.6	33.4	59.4	224.2	236.3	0.2	29.1	20.0	110.8	30.5	38.2	78.7	117.7	193.9	555.9
Services	538.9	168.3	11.0	15.1	104.1	31.5	6.6	8.7	8.4	17.5	7.1	13.3	17.9	55.0	78.5	164.3
Income	474.4	152.6	6.7	13.4	91.4	32.7	8.3	16.8	9.8	7.8	2.4	9.7	9.9	37.6	76.0	151.7
Investment income	450.7	146.0	6.6	13.3	89.9	32.1	4.0	16.8	9.8	7.8	2.4	9.6	9.9	26.3	74.2	148.0
Current transfers	91.2	61.6	1.2	1.7	10.6	3.8	44.4	0.4	0.7	0.6	0.2	0.9	0.6	8.2	6.0	12.0
Capital account	21.0	17.8	0.0	0.0	1.1	0.4	16.3	0.1	0.0	0.0	0.0	0.2	0.1	0.4	0.4	1.8
	Debits															
Current account	2,881.6	878.1	44.6	86.1	373.5	269.8	104.2	-	31.8	-	-	93.9	-	185.6	367.4	-
Goods	1,735.7	479.6	29.6	51.7	179.6	218.6	0.0	31.1	14.4	213.5	27.9	52.9	126.4	96.0	140.5	553.5
Services	482.5	137.8	7.9	12.9	81.8	35.0	0.2	5.2	6.4	13.0	5.9	9.5	10.1	43.0	98.8	152.8
Income	469.6	144.4	6.4	20.0	100.5	11.7	5.8	-	9.2	-	-	31.0	-	39.2	121.6	-
Investment income	455.5	136.3	6.3	19.9	99.0	5.3	5.8	-	9.0	-	-	30.8	-	38.8	120.3	-
Current transfers	193.8	116.4	0.7	1.5	11.6	4.4	98.1	1.5	1.8	3.6	0.7	0.5	0.7	7.4	6.6	54.6
Capital account	15.0	1.6	0.0	0.1	0.9	0.4	0.2	0.2	0.3	0.3	0.3	0.1	0.1	0.6	1.2	10.3
	Net															
Current account	-48.9	58.0	7.7	3.5	56.8	34.6	-44.7	-	7.2	-	-	-32.0	-	32.9	-13.0	-
Goods	-7.4	74.0	3.8	7.7	44.6	17.7	0.2	-2.0	5.6	-102.7	2.6	-14.8	-47.7	21.7	53.5	2.4
Services	56.4	30.5	3.1	2.2	22.3	-3.5	6.3	3.5	2.0	4.5	1.2	3.8	7.7	12.1	-20.3	11.6
Income	4.7	8.2	0.3	-6.5	-9.1	21.0	2.6	-	0.7	-	-	-21.3	-	-1.6	-45.6	-
Investment income	-4.8	9.7	0.3	-6.6	-9.1	26.8	-1.7	-	0.8	-	-	-21.2	-	-12.5	-46.2	-
Current transfers	-102.6	-54.7	0.5	0.1	-1.0	-0.6	-53.7	-1.1	-1.1	-3.1	-0.5	0.4	-0.1	0.7	-0.5	-42.6
Capital account	6.0	16.2	0.0	-0.1	0.2	0.0	16.1	-0.1	-0.2	-0.3	-0.2	0.1	0.1	-0.2	-0.8	-8.5

Source: ECB.

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2008	13,377.1	14,961.4	-1,584.3	144.7	161.8	-17.1	3,878.4	3,247.8	3,834.9	5,976.8	-0.5	5,290.0	5,736.7	374.2
2009	13,764.1	15,170.3	-1,406.2	154.1	169.9	-15.7	4,287.2	3,403.0	4,341.3	6,781.9	0.2	4,675.9	4,985.4	459.6
2010	15,234.8	16,461.7	-1,226.9	166.3	179.7	-13.4	4,798.2	3,714.8	4,907.5	7,442.9	-61.6	5,002.9	5,304.0	587.8
2011 Q1	15,135.4	16,377.3	-1,241.9	163.7	177.1	-13.4	4,801.9	3,739.5	4,811.3	7,469.7	-31.6	4,977.1	5,168.1	576.6
Q2	15,278.0	16,592.6	-1,314.6	163.9	178.1	-14.1	4,905.2	3,801.7	4,762.6	7,641.6	-48.6	5,077.8	5,149.4	581.0
Q3	15,432.1	16,725.3	-1,293.2	164.5	178.3	-13.8	4,960.3	3,850.3	4,574.8	7,511.6	-46.0	5,296.3	5,363.3	646.7
	Changes to outstanding amounts													
2007	1,608.0	1,858.8	-250.9	17.8	20.6	-2.8	572.8	486.8	258.7	591.3	-8.1	763.3	780.7	21.4
2008	-615.7	-305.5	-310.3	-6.7	-3.3	-3.4	151.7	25.9	-796.2	-561.3	28.4	-26.7	229.9	27.0
2009	387.1	208.9	178.1	4.3	2.3	2.0	408.8	155.2	506.4	805.1	0.7	-614.1	-751.4	85.4
2010	1,470.7	1,291.5	179.3	16.1	14.1	2.0	511.0	311.8	566.2	661.0	-61.7	327.1	318.7	128.2
2011 Q2	142.7	215.4	-72.7	6.0	9.1	-3.1	103.3	62.2	-48.7	171.9	-17.0	100.7	-18.7	4.4
Q3	154.0	132.7	21.4	6.6	5.6	0.9	55.1	48.7	-187.8	-129.9	2.6	218.5	214.0	65.7
	Transactions													
2008	429.9	551.3	-121.3	19.3	24.6	-5.2	336.6	105.5	5.0	266.4	84.5	0.5	179.4	3.4
2009	-128.9	-114.9	-14.0	-6.1	-5.4	-0.7	334.7	231.9	94.0	355.3	-21.1	-531.9	-702.1	-4.6
2010	490.0	534.1	-44.1	21.7	23.6	-1.9	174.9	125.0	145.6	293.6	-17.4	176.7	115.5	10.3
2011	381.7	391.0	-9.3	16.6	17.1	-0.5	237.1	167.4	-60.3	233.1	23.4	171.4	-9.5	10.1
2011 Q2	198.2	216.6	-18.4	8.4	9.2	-0.8	55.9	26.9	33.0	183.2	-1.6	115.3	6.4	-4.5
Q3	114.7	124.5	-9.8	4.9	5.3	-0.4	40.7	24.1	-64.6	-27.0	15.4	127.0	127.3	-3.8
Q4	-148.4	-183.1	34.7	-6.1	-7.6	1.4	51.2	36.8	-55.9	-78.8	7.3	-157.8	-141.1	6.8
2011 Aug.	62.4	63.8	-1.4	.	.	.	-6.3	1.4	-54.1	-28.5	6.5	119.7	90.9	-3.4
Sep.	49.2	61.4	-12.2	.	.	.	21.5	14.5	-9.8	26.9	8.1	31.0	19.9	-1.6
Oct.	-62.9	-67.9	5.0	.	.	.	18.3	10.6	-36.0	-62.5	0.9	-47.1	-16.1	1.1
Nov.	-47.5	-54.1	6.7	.	.	.	13.2	5.2	-23.2	-21.7	-0.6	-37.1	-37.6	0.2
Dec.	-38.1	-61.1	23.0	.	.	.	19.7	21.0	3.4	5.3	7.1	-73.7	-87.4	5.4
	Other changes													
2007	-332.3	-84.4	-247.9	-3.7	-0.9	-2.7	59.9	64.3	-180.8	25.1	-75.1	-152.6	-173.8	16.3
2008	-1,045.7	-856.7	-188.9	-11.3	-9.3	-2.0	-184.9	-79.5	-801.2	-827.7	-56.0	-27.2	50.5	23.7
2009	515.9	323.8	192.2	5.8	3.6	2.2	74.1	-76.7	412.4	449.7	21.7	-82.2	-49.3	89.9
2010	980.7	757.4	223.3	10.7	8.3	2.4	336.1	186.8	420.6	367.4	-44.3	150.4	203.1	117.9
	Other changes due to exchange rate changes													
2007	-522.0	-339.7	-182.3	-5.8	-3.8	-2.0	-104.2	-17.1	-217.4	-146.8	.	-186.6	-175.8	-13.7
2008	-49.8	27.9	-77.7	-0.5	0.3	-0.8	-25.0	-34.0	6.6	41.9	.	-40.7	20.1	9.3
2009	-49.6	-55.2	5.5	-0.6	-0.6	0.1	-4.6	5.7	-30.5	-32.9	.	-11.9	-28.0	-2.7
2010	535.0	323.6	211.3	5.8	3.5	2.3	160.3	57.4	179.4	101.6	.	182.2	164.6	13.0
	Other changes due to price changes													
2007	78.7	113.4	-34.6	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,002.7	-975.7	-27.1	-10.8	-10.6	-0.3	-159.2	-60.7	-809.5	-915.0	-56.0	.	.	22.0
2009	635.3	483.4	151.9	7.1	5.4	1.7	142.5	28.4	425.3	455.0	21.7	.	.	45.8
2010	295.0	153.7	141.3	3.2	1.7	1.5	50.1	2.2	187.3	151.5	-44.3	.	.	102.0
	Other changes due to other adjustments													
2007	110.9	142.0	-31.0	1.2	1.6	-0.3	118.8	75.6	-40.7	64.3	.	34.1	2.0	-1.3
2008	6.8	91.0	-84.1	0.1	1.0	-0.9	-0.7	15.2	1.8	45.4	.	13.4	30.4	-7.7
2009	-69.7	-104.4	34.7	-0.8	-1.2	0.4	-63.9	-110.8	17.6	27.7	.	-70.3	-21.3	46.8
2010	150.8	280.1	-129.3	1.6	3.1	-1.4	125.7	127.2	53.9	114.4	.	-31.8	38.5	2.9
	Growth rates of outstanding amounts													
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.2	20.2	1.6
2008	3.0	3.6	-	.	.	.	9.2	3.3	-0.2	4.2	.	0.0	3.3	1.0
2009	-1.0	-0.8	-	.	.	.	8.6	7.3	2.4	5.9	.	-10.1	-12.2	-1.2
2010	3.5	3.4	-	.	.	.	3.9	3.5	3.2	4.2	.	3.7	2.3	2.0
2011 Q2	3.8	3.8	-	.	.	.	3.7	4.5	3.1	6.3	.	4.9	-0.2	2.3
Q3	3.8	3.9	-	.	.	.	3.5	5.2	0.8	5.2	.	7.2	1.2	0.8
Q4	2.5	2.4	.	.	.	.	5.0	4.5	-1.4	3.1	.	3.5	-0.1	1.6

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

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

2. Direct investment

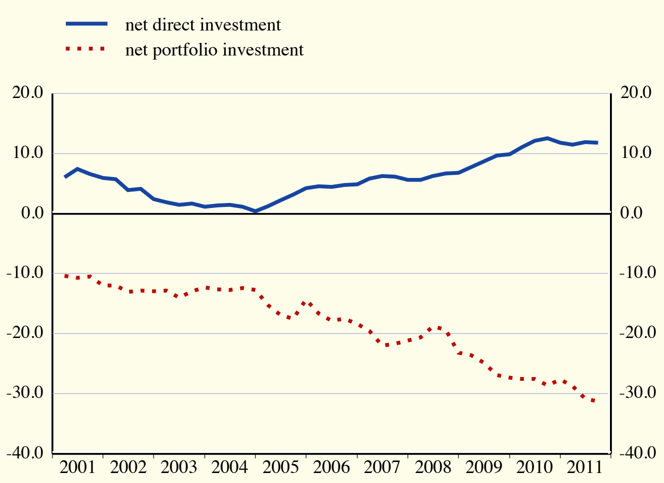
	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2009	4,287.2	3,305.5	236.2	3,069.3	981.7	14.8	966.9	3,403.0	2,501.9	74.2	2,427.7	901.1	18.1	883.0
2010	4,798.2	3,667.1	277.9	3,389.2	1,131.1	17.8	1,113.3	3,714.8	2,820.2	83.2	2,737.0	894.6	12.7	881.9
2011 Q2	4,905.2	3,775.8	281.0	3,494.8	1,129.4	14.5	1,114.9	3,801.7	2,896.3	85.4	2,810.9	905.4	9.5	895.8
Q3	4,960.3	3,807.6	283.5	3,524.1	1,152.7	13.2	1,139.5	3,850.3	2,952.7	86.5	2,866.2	897.6	8.5	889.2
	Transactions													
2008	336.6	193.8	9.3	184.5	142.8	-0.3	143.1	105.5	64.3	-8.2	72.5	41.1	1.6	39.6
2009	334.7	257.5	20.1	237.3	77.2	2.6	74.6	231.9	236.7	7.5	229.2	-4.8	-0.6	-4.2
2010	174.9	51.1	12.6	38.5	123.8	1.2	122.6	125.0	176.7	7.2	169.5	-51.7	-7.5	-44.2
2011 Q2	55.9	51.2	9.4	41.8	4.7	-2.6	7.3	26.9	24.8	1.7	23.2	2.1	-1.5	3.6
Q3	40.7	27.7	2.2	25.5	13.0	-1.7	14.7	24.1	41.2	1.3	39.9	-17.0	-0.8	-16.2
Q4	51.2	44.8	0.0	44.8	6.4	1.0	5.5	36.8	17.3	1.2	16.2	19.5	-0.1	19.6
2011 Aug.	-6.3	-5.9	1.4	-7.3	-0.4	0.1	-0.5	1.4	16.2	0.2	16.0	-14.8	-0.3	-14.5
Sep.	21.5	10.9	0.8	10.1	10.6	-0.2	10.9	14.5	11.4	0.5	11.0	3.1	0.0	3.1
Oct.	18.3	14.1	0.1	14.0	4.2	0.2	4.0	10.6	5.1	0.1	5.1	5.5	-0.1	5.6
Nov.	13.2	16.2	-0.8	17.0	-3.0	0.3	-3.2	5.2	2.1	0.7	1.4	3.1	0.0	3.1
Dec.	19.7	14.5	0.7	13.8	5.2	0.5	4.7	21.0	10.1	0.4	9.7	10.9	0.0	10.9
	Growth rates													
2009	8.6	8.6	9.2	8.5	8.8	20.5	8.6	7.3	10.4	11.6	10.4	-0.5	-3.2	-0.5
2010	3.9	1.5	5.3	1.2	12.5	7.8	12.6	3.5	6.8	9.4	6.8	-5.7	-41.3	-5.0
2011 Q2	3.7	3.4	5.6	3.2	4.9	-12.7	5.2	4.5	5.0	8.0	5.0	2.9	-47.9	3.9
Q3	3.5	2.9	5.9	2.7	5.4	-24.0	5.9	5.2	5.2	6.6	5.2	5.5	-52.3	6.7
Q4	5.0	5.5	5.7	5.5	3.2	-19.7	3.5	4.5	5.4	5.9	5.4	1.6	-31.6	2.1

C36 Euro area international investment position

(outstanding amounts at end of period; as a percentage of GDP)

C37 Euro area direct and portfolio investment position

(outstanding amounts at end of period; as a percentage of GDP)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2009	4,341.3	1,514.5	80.8	3.4	1,433.6	36.6	2,426.6	924.6	17.1	1,502.0	36.6	400.2	330.2	44.9	69.9	2.0
2010	4,907.5	1,914.2	93.8	3.6	1,820.5	47.6	2,588.8	810.7	15.6	1,778.1	75.7	404.5	314.9	41.7	89.6	0.2
2011 Q2	4,762.6	1,838.4	94.4	3.5	1,744.0	41.6	2,552.7	761.1	17.6	1,791.6	91.3	371.6	278.8	45.7	92.8	0.4
Q3	4,574.8	1,621.8	76.4	3.4	1,545.4	38.6	2,551.7	749.4	17.7	1,802.4	93.9	401.3	301.8	54.9	99.5	0.5
	Transactions															
2008	5.0	-93.7	-34.3	0.7	-59.4	-0.1	72.1	37.7	3.2	34.4	2.7	26.5	49.6	13.1	-23.0	0.4
2009	94.0	53.4	-1.3	0.0	54.8	2.5	45.7	-93.2	-3.8	138.9	17.5	-5.2	1.0	-12.9	-6.2	0.9
2010	145.6	76.5	5.6	-0.2	70.9	1.7	109.3	-124.5	-0.8	233.8	52.8	-40.3	-55.5	-11.7	15.3	-1.9
2011 Q2	33.0	18.0	3.2	0.1	14.8	-2.3	28.0	-4.4	0.4	32.4	-1.2	-12.9	-12.3	4.8	-0.5	-0.5
Q3	-64.6	-53.3	-12.9	0.0	-40.4	-1.9	-19.9	-21.6	-0.2	1.6	0.1	8.6	8.2	3.5	0.4	0.0
Q4	-55.9	-26.6	-4.0	-0.3	-22.6	.	-27.4	-26.5	0.6	-0.9	.	-1.9	-7.0	-0.8	5.1	.
2011 Aug.	-54.1	-38.3	-11.1	0.0	-27.2	.	-10.6	-7.1	0.2	-3.5	.	-5.2	-7.2	6.6	2.1	.
Sep.	-9.8	-11.9	-2.3	0.0	-9.6	.	-14.9	-7.9	-0.1	-7.0	.	17.1	23.0	0.4	-5.9	.
Oct.	-36.0	-6.5	-3.2	-0.1	-3.2	.	-12.6	-6.7	0.6	-5.9	.	-17.0	-22.4	-6.3	5.4	.
Nov.	-23.2	-14.1	-0.7	0.0	-13.4	.	-12.1	-14.6	0.4	2.5	.	3.0	0.6	-1.1	2.4	.
Dec.	3.4	-6.0	-0.1	-0.2	-6.0	.	-2.8	-5.3	-0.4	2.5	.	12.2	14.9	6.6	-2.7	.
	Growth rates															
2009	2.4	3.9	-2.4	-0.6	4.3	8.5	1.9	-9.5	-19.0	10.7	93.4	-2.0	-0.8	-22.3	-7.9	67.2
2010	3.2	4.8	7.0	-5.2	4.7	4.8	4.4	-13.5	-4.9	14.9	127.8	-9.5	-16.0	-25.4	21.1	-91.9
2011 Q2	3.1	3.4	4.8	-9.8	3.4	-14.1	3.6	-12.4	9.7	12.2	125.5	-0.8	-4.4	9.2	13.8	93.4
Q3	0.8	0.3	-7.3	-8.7	0.7	-15.7	0.6	-15.2	9.1	8.8	133.2	5.9	0.7	0.9	28.8	-7.4
Q4	-1.4	-3.6	-15.3	-17.6	-3.0	.	-0.6	-8.3	16.3	2.9	.	4.3	1.9	23.2	12.1	.

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2009	6,781.9	2,781.9	686.2	2,095.7	3,493.1	1,093.2	2,399.9	1,481.2	506.9	66.2	440.7	409.3
2010	7,442.9	3,150.7	658.0	2,492.7	3,823.0	1,165.4	2,657.5	1,680.3	469.2	77.2	392.0	352.6
2011 Q2	7,641.6	3,123.9	637.8	2,486.1	3,965.7	1,166.9	2,798.8	1,785.7	551.9	140.3	411.6	359.9
Q3	7,511.6	2,795.1	618.2	2,176.8	4,153.2	1,223.1	2,930.2	1,848.7	563.3	139.3	424.0	376.6
	Transactions											
2008	266.4	-108.6	78.1	-186.7	175.5	-15.6	191.0	159.4	199.5	-25.0	224.6	191.0
2009	355.3	121.6	10.7	110.9	143.2	-15.6	158.8	103.7	90.5	-18.3	108.9	144.3
2010	293.6	128.9	-14.2	143.1	174.2	57.3	116.9	189.2	-9.5	28.9	-38.4	-34.8
2011 Q2	183.2	-20.1	-7.3	-12.7	175.2	44.6	130.5	97.9	28.2	21.6	6.6	-0.2
Q3	-27.0	-31.3	-11.3	-19.9	11.0	14.6	-3.7	-16.8	-6.6	-10.3	3.7	17.9
Q4	-78.8	-6.9	8.8	-15.8	-24.3	-16.6	-7.7	.	-47.6	-6.6	-41.0	.
2011 Aug.	-28.5	-8.9	9.5	-18.4	-4.5	1.8	-6.3	.	-15.2	-5.6	-9.6	.
Sep.	26.9	-18.2	-1.7	-16.5	34.6	6.2	28.4	.	10.6	1.0	9.5	.
Oct.	-62.5	-10.0	2.1	-12.2	-39.2	-23.8	-15.4	.	-13.3	-4.8	-8.5	.
Nov.	-21.7	-5.8	9.8	-15.6	-2.5	-4.1	1.7	.	-13.5	7.4	-20.8	.
Dec.	5.3	8.9	-3.1	12.0	17.4	11.3	6.0	.	-20.9	-9.3	-11.7	.
	Growth rates											
2009	5.9	5.2	1.6	6.6	4.2	-1.3	7.2	7.4	23.0	-28.7	33.0	53.5
2010	4.2	4.5	-2.1	6.7	4.9	5.0	4.8	12.6	-1.9	42.9	-8.9	-8.7
2011 Q2	6.3	5.9	1.1	7.2	5.5	9.9	3.6	7.5	17.1	150.5	-1.3	3.3
Q3	5.2	2.8	-2.9	4.4	6.7	10.3	5.2	8.6	8.7	60.5	-1.0	5.9
Q4	3.1	0.9	-0.5	1.2	4.9	6.5	4.3	.	4.7	54.1	-5.0	.

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2009	4,675.9	30.2	29.8	0.4	2,834.7	2,804.2	30.5	122.1	8.4	74.9	15.9	1,688.9	201.4	1,344.7	402.6
2010	5,002.9	32.6	32.0	0.7	2,972.3	2,939.9	32.4	166.3	7.6	117.6	21.0	1,831.8	214.4	1,468.5	428.6
2011 Q2	5,077.8	40.5	40.3	0.2	3,042.6	2,992.9	49.7	147.3	7.5	99.4	19.2	1,847.5	223.6	1,478.2	441.1
Q3	5,296.3	42.4	42.1	0.3	3,206.2	3,148.7	57.5	142.7	7.4	94.6	17.5	1,905.0	229.0	1,516.0	454.6
	Transactions														
2008	0.5	-9.5	-9.5	0.0	-42.6	-59.2	16.6	-5.7	-1.1	-5.9	-4.7	58.3	-1.1	48.0	-22.0
2009	-531.9	0.1	0.0	0.1	-420.5	-399.9	-20.5	10.7	-0.4	9.3	1.2	-122.2	7.5	-128.0	-34.6
2010	176.7	-2.9	-2.9	0.0	8.5	-0.4	8.9	40.0	-0.3	39.4	4.9	131.2	7.0	100.9	46.3
2011 Q2	115.3	4.6	4.6	0.0	60.8	54.2	6.6	0.9	0.0	0.5	2.4	49.0	-1.1	47.9	17.2
Q3	127.0	-2.8	-2.9	0.1	82.7	68.2	14.4	-6.6	-0.1	-6.5	-1.6	53.7	4.2	36.8	16.9
Q4	-157.8	-8.7	.	.	-171.1	.	.	16.5	.	.	12.9	5.5	.	.	9.2
2011 Aug.	119.7	0.5	.	.	105.9	.	.	-3.6	.	.	-3.0	16.8	.	.	2.4
Sep.	31.0	-3.3	.	.	4.1	.	.	2.8	.	.	3.2	27.4	.	.	13.9
Oct.	-47.1	-3.4	.	.	-72.7	.	.	6.7	.	.	7.6	22.3	.	.	20.0
Nov.	-37.1	-3.4	.	.	-47.4	.	.	9.4	.	.	6.8	4.3	.	.	6.7
Dec.	-73.7	-1.9	.	.	-51.0	.	.	0.3	.	.	-1.5	-21.0	.	.	-17.5
	Growth rates														
2009	-10.1	-0.4	-1.4	23.4	-12.8	-12.4	-36.9	9.8	-3.5	15.3	7.9	-6.7	3.8	-8.6	-8.1
2010	3.7	-13.1	-13.0	-9.9	0.4	0.1	27.8	31.9	-3.1	50.8	30.6	7.6	3.4	7.3	11.1
2011 Q2	4.9	65.6	67.1	-1.3	2.8	2.4	37.7	18.1	-3.2	27.5	3.7	6.5	6.0	6.2	13.5
Q3	7.2	45.4	45.7	62.4	6.0	5.1	84.3	16.2	-3.6	25.0	9.1	8.0	7.4	7.6	13.3
Q4	3.5	-7.2	.	.	1.3	.	.	2.1	.	.	45.9	7.6	.	.	10.8

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2009	4,985.4	251.7	251.3	0.4	3,399.7	3,360.7	39.0	85.2	0.0	80.8	4.4	1,248.8	177.8	929.3	141.7
2010	5,304.0	268.8	265.7	3.1	3,508.6	3,462.6	46.0	153.9	0.0	147.2	6.6	1,372.8	200.8	1,016.2	155.8
2011 Q2	5,149.4	278.0	275.1	2.8	3,325.3	3,269.4	55.9	187.1	0.0	181.3	5.8	1,359.0	209.5	1,000.2	149.3
Q3	5,363.3	315.2	312.3	2.9	3,403.7	3,340.5	63.3	210.8	0.0	204.9	5.9	1,433.6	214.0	1,044.5	175.0
	Transactions														
2008	179.4	280.9	280.9	0.0	-174.7	-186.0	11.3	9.5	0.0	10.9	-1.3	63.6	9.4	44.4	9.8
2009	-702.1	-233.2	-233.4	0.2	-352.7	-341.5	-11.2	17.8	0.0	17.8	0.0	-134.0	0.8	-126.1	-8.7
2010	115.5	8.9	6.3	2.6	-10.8	-16.8	6.0	64.6	0.0	63.8	0.8	52.8	15.5	13.5	23.8
2011 Q2	6.4	7.2	4.9	2.4	-17.9	-19.2	1.3	12.6	0.0	12.3	0.3	4.5	-1.1	3.9	1.7
Q3	127.3	29.8	29.8	0.0	21.3	5.7	15.6	23.4	0.0	23.3	0.1	52.8	3.2	30.4	19.1
Q4	-141.1	90.3	.	.	-259.6	.	.	4.9	.	.	.	23.4	.	.	.
2011 Aug.	90.9	7.0	.	.	57.9	.	.	-2.5	.	.	.	28.6	.	.	.
Sep.	19.9	8.6	.	.	-17.3	.	.	19.0	.	.	.	9.7	.	.	.
Oct.	-16.1	-7.4	.	.	-34.0	.	.	2.8	.	.	.	22.6	.	.	.
Nov.	-37.6	-2.8	.	.	-38.8	.	.	-0.2	.	.	.	4.2	.	.	.
Dec.	-87.4	100.6	.	.	-186.8	.	.	2.2	.	.	.	-3.4	.	.	.
	Growth rates														
2009	-12.2	-48.1	-48.2	.	-9.3	-9.2	-19.8	25.7	.	27.4	-0.9	-9.4	0.3	-11.5	-5.8
2010	2.3	3.4	2.4	.	-0.2	-0.4	15.8	74.2	.	78.3	11.7	4.0	8.6	1.2	15.8
2011 Q2	-0.2	12.6	11.8	.	-5.2	-5.6	23.3	89.4	.	96.4	-12.6	4.2	8.1	1.2	18.6
Q3	1.2	25.9	25.6	.	-4.4	-5.4	72.7	102.8	.	110.0	-9.8	3.3	9.6	0.1	18.3
Q4	-0.1	51.4	.	.	-9.2	.	.	45.2	.	.	.	7.8	.	.	.

Source: ECB.

7.3 Financial account

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

7. Reserve assets [1]

	Reserve assets: Total	Monetary gold: In EUR billions	Monetary gold: In fine troy ounces (millions)	SDR holdings	Reserve position in the IMF	Foreign exchange: Total	Currency and deposits: With monetary authorities and the BIS	Currency and deposits: With banks	Securities: Total	Securities: Equity	Securities: Bonds and notes	Securities: Money market instruments	Financial derivatives	Other claims	Memo items: Other foreign currency assets	Memo items: Pre-determined short-term net drains on foreign currency	Memo items: SDR allo-cations
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Outstanding amounts (international investment position)																
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	591.2	366.2	346.962	54.2	15.8	155.0	7.7	16.1	131.3	0.5	111.2	19.5	0.0	0.0	26.3	-24.4	54.5
2011 Q1	576.6	351.5	346.987	51.1	21.6	152.4	5.6	18.2	128.2	0.5	108.6	19.0	0.4	0.0	21.3	-24.5	52.6
Q2	580.9	361.4	346.988	50.5	22.4	146.5	5.1	13.0	128.2	0.5	108.3	19.3	0.2	0.0	20.4	-18.1	52.2
Q3	646.6	416.3	346.989	52.9	26.0	151.4	5.5	11.1	135.1	0.6	120.5	14.0	-0.4	0.0	31.4	-24.5	54.5
2011 Dec.	667.1	422.1	346.846	54.0	30.1	160.9	5.3	7.8	148.1	-	-	-	-0.4	0.0	97.4	-86.0	55.9
2012 Jan.	702.4	459.1	346.845	53.5	29.7	159.8	4.7	9.0	146.4	-	-	-	-0.2	0.2	95.5	-79.3	55.5
	Transactions																
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	10.3	0.0	-	-0.1	4.9	5.4	-5.4	6.7	4.1	0.0	10.6	-6.5	0.0	0.0	-	-	-
2011 Q2	-4.5	0.0	-	-0.2	0.9	-5.2	-0.5	-5.4	0.8	0.0	0.4	0.4	-0.1	0.0	-	-	-
Q3	-3.8	0.0	-	0.2	2.3	-6.3	0.3	-2.9	-3.8	0.0	3.0	-6.7	0.0	0.0	-	-	-
Q4	6.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates																
2007	1.6	-1.7	-	7.3	-18.3	6.3	15.0	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.5	1.7	67.8	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.2	-0.9	-	-2.6	45.5	-4.4	41.1	-21.3	-7.3	1.0	-12.8	25.3	-	-	-	-	-
2010	2.0	0.0	-	-0.1	46.4	3.6	-43.3	76.2	3.4	-5.2	10.3	-25.5	-	-	-	-	-
2011 Q2	2.3	0.0	-	-2.4	49.9	4.5	-36.6	5.3	7.3	1.9	12.4	-16.1	-	-	-	-	-
Q3	0.8	0.0	-	-2.1	65.5	-3.1	-29.3	-36.8	3.0	1.9	9.9	-42.1	-	-	-	-	-
Q4	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Gross external debt

	Total	By instrument: Loans, currency and deposits	By instrument: Money market instruments	By instrument: Bonds and notes	By instrument: Trade credits	By instrument: Other debt liabilities	By instrument: Direct investment: inter-company lending	By sector (excluding direct investment): General government	By sector: Eurosystem	By sector: MFIs (excluding Eurosystem)	By sector: Other sectors
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts (international investment position)										
2008	10,914.5	5,340.8	398.1	3,377.9	184.1	211.8	1,401.7	1,747.0	482.7	5,006.5	2,276.5
2009	10,391.3	4,622.0	506.9	3,493.1	177.8	185.6	1,405.9	1,975.7	251.7	4,559.1	2,198.9
2010	11,016.4	4,891.7	469.2	3,823.0	200.8	211.5	1,420.2	2,186.8	268.8	4,751.3	2,389.4
2011 Q1	10,855.2	4,735.4	502.8	3,760.6	207.6	225.1	1,423.7	2,232.3	272.3	4,588.4	2,338.5
Q2	11,108.1	4,726.0	551.9	3,965.7	209.5	213.8	1,441.0	2,332.7	278.0	4,632.5	2,423.9
Q3	11,526.7	4,902.2	563.3	4,153.2	214.1	247.1	1,446.8	2,436.1	315.2	4,766.1	2,562.5
	Outstanding amounts as a percentage of GDP										
2008	118.2	57.8	4.3	36.6	2.0	2.3	15.2	18.9	5.2	54.2	24.6
2009	116.4	51.8	5.7	39.1	2.0	2.1	15.7	22.1	2.8	51.1	24.6
2010	120.4	53.4	5.1	41.8	2.2	2.3	15.5	23.9	2.9	51.9	26.1
2011 Q1	117.5	51.3	5.4	40.7	2.2	2.4	15.4	24.2	2.9	49.7	25.3
Q2	119.4	50.8	5.9	42.6	2.3	2.3	15.5	25.1	3.0	49.8	26.0
Q3	123.0	52.3	6.0	44.3	2.3	2.6	15.4	26.0	3.4	50.9	27.3

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
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2010	Outstanding amounts (international investment position)														
Direct investment	1,083.3	116.9	3.8	-6.6	-170.8	291.8	-1.3	50.4	57.1	-3.9	178.9	-23.2	42.7	-0.3	664.8
Abroad	4,798.2	1,490.8	36.2	141.7	994.2	318.7	0.0	154.7	61.5	87.2	479.5	899.7	586.7	0.0	1,037.9
Equity/reinvested earnings	3,667.1	1,114.0	32.2	88.8	733.5	259.4	0.0	121.4	49.5	65.8	374.0	637.1	501.8	0.0	803.6
Other capital	1,131.1	376.8	4.0	52.9	260.7	59.2	0.0	33.3	12.0	21.4	105.6	262.7	85.0	0.0	234.3
In the euro area	3,714.8	1,374.0	32.5	148.4	1,165.0	26.9	1.3	104.3	4.4	91.1	300.6	922.9	544.1	0.4	373.1
Equity/reinvested earnings	2,820.2	1,121.1	22.5	133.9	958.4	4.9	1.3	91.7	3.4	73.5	201.8	702.5	387.3	0.1	238.8
Other capital	894.6	252.9	10.0	14.4	206.6	21.9	0.0	12.6	1.0	17.6	98.8	220.4	156.7	0.2	134.3
Portfolio investment assets	4,907.5	1,550.5	84.0	189.3	1,054.9	103.5	118.9	110.8	59.5	203.6	134.6	1,557.4	460.8	30.8	799.6
Equity	1,914.2	379.4	13.7	46.0	300.5	18.1	1.1	44.6	57.2	106.3	117.5	574.9	243.0	1.4	390.1
Debt instruments	2,993.3	1,171.1	70.3	143.3	754.4	85.3	117.8	66.3	2.2	97.3	17.1	982.5	217.8	29.4	409.6
Bonds and notes	2,588.8	1,031.4	63.0	121.3	646.1	83.8	117.2	61.8	1.4	44.3	11.7	836.1	208.6	29.0	364.5
Money market instruments	404.5	139.7	7.3	21.9	108.3	1.6	0.6	4.5	0.8	53.0	5.5	146.4	9.2	0.4	45.1
Other investment	-301.1	-241.1	54.8	1.5	-202.0	85.9	-181.2	-7.3	-8.0	19.9	-34.4	-94.6	-5.0	-25.2	94.7
Assets	5,002.9	2,295.1	112.6	96.9	1,869.7	198.5	17.4	28.5	38.7	103.7	275.2	713.1	588.7	48.8	911.2
General government	166.3	55.0	0.8	6.5	34.6	2.1	11.0	1.9	3.2	2.6	1.2	13.7	3.6	31.8	53.2
MFIs	3,004.9	1,576.0	90.7	52.9	1,268.2	160.9	3.3	15.6	12.1	72.6	136.3	375.8	367.6	16.5	432.4
Other sectors	1,831.8	664.0	21.1	37.5	566.9	35.5	3.1	11.0	23.4	28.5	137.7	323.6	217.4	0.6	425.5
Liabilities	5,304.0	2,536.1	57.9	95.4	2,071.7	112.6	198.6	35.8	46.7	83.8	309.6	807.8	593.6	74.0	816.5
General government	153.9	92.1	0.2	0.5	57.1	0.2	34.1	0.1	0.1	0.1	0.8	27.3	1.7	27.6	4.1
MFIs	3,777.4	1,855.6	45.5	63.8	1,555.6	84.5	106.1	27.6	22.1	50.4	233.4	491.5	475.5	43.4	577.9
Other sectors	1,372.8	588.4	12.2	31.1	458.9	27.9	58.3	8.2	24.6	33.2	75.4	289.0	116.5	3.0	234.5
2010 Q4 to 2011 Q3	Cumulated transactions														
Direct investment	-24.1	23.4	2.6	-11.2	13.6	18.4	0.0	-27.8	8.7	7.6	-16.6	-46.1	-13.3	-0.1	39.9
Abroad	166.3	49.5	4.1	-6.5	31.0	21.0	0.0	-4.1	8.9	1.7	4.8	31.1	-2.9	0.0	77.3
Equity/reinvested earnings	107.0	34.2	3.5	-3.4	13.1	21.0	0.0	-1.6	3.2	1.5	4.4	24.4	-18.1	0.0	59.1
Other capital	59.3	15.4	0.6	-3.1	17.9	0.0	0.0	-2.5	5.7	0.3	0.4	6.7	15.2	0.0	18.2
In the euro area	190.4	26.1	1.5	4.7	17.4	2.5	0.0	23.7	0.2	-5.9	21.3	77.2	10.4	0.1	37.3
Equity/reinvested earnings	145.5	37.3	1.0	2.5	34.0	-0.2	0.0	29.0	0.2	0.3	4.2	40.7	7.2	0.0	26.7
Other capital	44.9	-11.2	0.5	2.2	-16.6	2.8	0.0	-5.3	0.0	-6.2	17.2	36.5	3.2	0.1	10.7
Portfolio investment assets	41.6	26.9	4.2	18.9	-18.6	1.8	20.5	-4.9	5.5	-3.2	-6.6	23.7	-17.3	3.3	14.3
Equity	4.4	-2.7	-0.1	1.5	-3.6	-0.8	0.4	4.0	4.3	2.2	-7.0	0.8	0.5	-0.4	2.7
Debt instruments	37.2	29.6	4.4	17.5	-15.0	2.6	20.1	-8.9	1.2	-5.4	0.5	22.8	-17.8	3.7	11.6
Bonds and notes	14.2	19.1	5.2	10.0	-15.4	3.1	16.2	-9.6	1.0	-4.2	2.6	6.9	-23.9	3.8	18.5
Money market instruments	23.0	10.5	-0.8	7.5	0.4	-0.4	3.9	0.7	0.1	-1.2	-2.1	15.9	6.1	-0.1	-6.9
Other investment	294.5	-3.3	2.0	-12.8	61.7	-4.0	-50.2	1.3	-1.4	-3.0	17.0	184.8	178.0	-52.3	-26.6
Assets	354.3	88.2	3.7	13.6	70.3	0.7	-0.2	1.4	9.1	-2.8	37.0	74.3	111.0	-11.9	48.1
General government	21.4	8.3	0.8	-0.6	7.0	1.0	0.1	0.8	0.0	2.2	0.7	7.0	0.9	0.5	1.0
MFIs	189.7	27.4	2.2	10.9	18.7	-3.0	-1.4	0.4	6.8	-6.8	17.8	57.6	82.2	-12.5	16.8
Other sectors	143.2	52.5	0.7	3.3	44.6	2.7	1.1	0.2	2.3	1.9	18.5	9.6	27.9	0.1	30.3
Liabilities	59.8	91.4	1.7	26.5	8.6	4.7	50.0	0.1	10.5	0.3	20.1	-110.5	-67.1	40.3	74.7
General government	108.7	62.3	0.0	0.0	38.0	0.0	24.3	0.0	0.0	-0.2	-0.8	15.7	1.1	30.5	0.1
MFIs	-95.7	-2.3	-0.1	23.4	-47.4	2.6	19.3	-1.6	7.8	0.7	13.9	-120.1	-70.9	9.8	67.0
Other sectors	46.8	31.4	1.8	3.1	17.9	2.1	6.5	1.7	2.7	-0.2	7.0	-6.0	2.7	-0.1	7.5

Source: ECB.

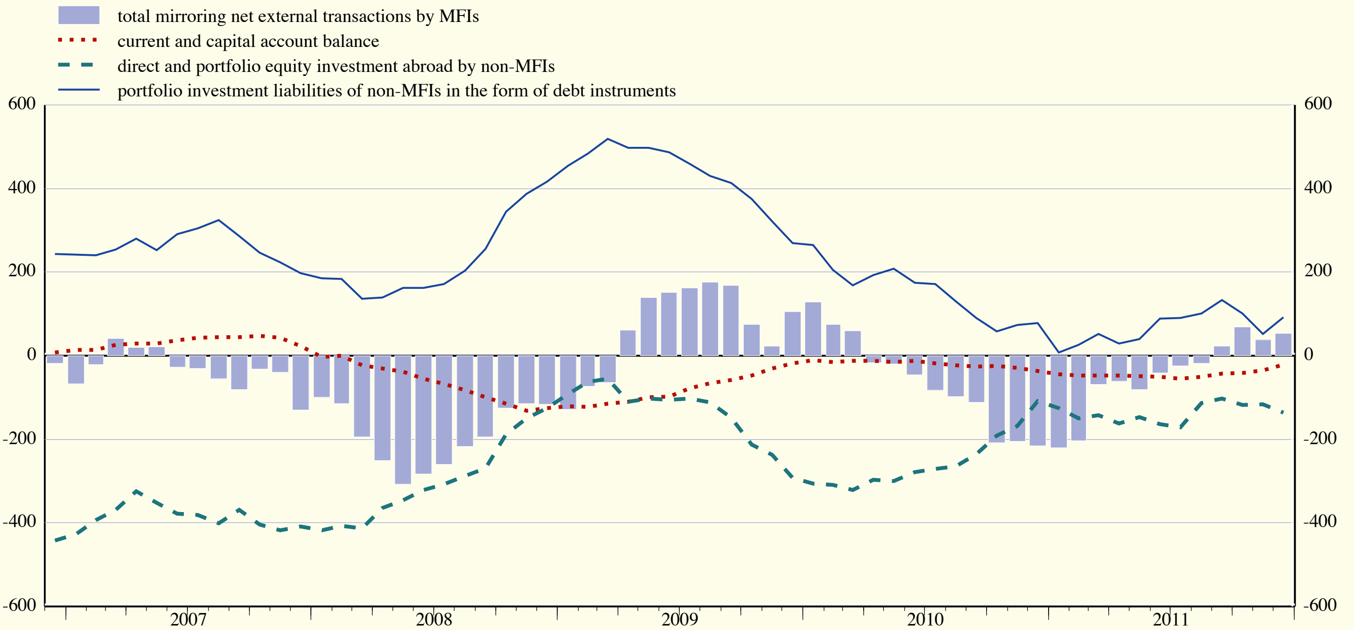
7.4 Monetary presentation of the balance of payments [1]

(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2009	105.7	-19.1	-311.9	224.8	-54.8	-132.8	111.0	268.8	111.5	-115.9	21.1	3.0
2010	-216.3	-37.3	-161.3	125.2	-70.7	-249.1	143.2	77.8	-170.3	117.2	17.4	-8.4
2011	53.8	-21.6	-225.1	166.5	49.2	-62.1	32.9	91.6	-139.1	172.6	-23.4	12.4
2010 Q4	-57.3	4.2	20.2	63.1	-37.6	-113.2	54.6	-7.4	-46.9	11.1	8.9	-14.4
2011 Q1	69.3	-27.8	-85.5	80.2	1.0	-24.0	81.4	3.2	-20.0	51.1	-2.2	12.1
Q2	5.7	-20.4	-49.2	26.8	-14.8	-31.8	-12.7	137.1	-49.9	17.1	1.6	2.0
Q3	5.8	0.6	-40.2	23.7	40.4	-2.0	-19.9	0.0	-47.2	76.2	-15.4	-10.4
Q4	-27.0	25.9	-50.3	35.8	22.6	-4.3	-15.8	-48.7	-22.0	28.2	-7.3	8.8
2010 Dec.	33.8	4.7	7.1	39.9	-11.0	-2.0	25.1	-45.1	3.1	4.8	6.1	1.0
2011 Jan.	-23.6	-19.6	-29.4	37.4	0.2	-12.3	10.3	-37.0	-21.4	43.2	-1.0	6.0
Feb.	3.2	-7.1	-25.6	0.5	-1.1	-12.2	43.8	10.6	0.8	-12.3	0.8	5.0
Mar.	89.7	-1.1	-30.4	42.2	1.9	0.5	27.2	29.6	0.6	20.2	-2.1	1.1
Apr.	-25.6	-5.0	-42.3	18.1	-7.4	-14.6	-2.7	18.9	-7.6	5.3	2.6	8.9
May	-5.3	-15.5	-4.7	0.0	-1.4	-18.5	-15.4	69.1	-32.2	15.5	-2.3	0.2
June	36.7	0.1	-2.2	8.6	-6.0	1.3	5.4	49.1	-10.1	-3.7	1.2	-7.1
July	-18.2	1.3	-26.9	8.1	3.6	-16.4	14.9	-22.1	-3.7	21.4	-0.8	2.5
Aug.	8.6	-1.5	7.8	1.5	27.2	1.4	-18.4	-15.9	-13.2	26.1	-6.5	0.1
Sep.	15.4	0.9	-21.0	14.1	9.6	13.0	-16.5	37.9	-30.2	28.7	-8.1	-13.1
Oct.	-39.1	4.1	-17.9	10.7	3.2	0.5	-12.2	-23.9	-29.0	25.4	-0.9	0.9
Nov.	-38.0	4.1	-13.8	4.5	13.4	-5.0	-15.6	-19.2	-13.7	4.0	0.6	2.5
Dec.	50.0	17.7	-18.5	20.6	6.0	0.2	12.0	-5.6	20.7	-1.2	-7.1	5.3
	12-month cumulated transactions											
2011 Dec.	53.8	-21.6	-225.1	166.5	49.2	-62.1	32.9	91.6	-139.1	172.6	-23.4	12.4

C38 Main b.o.p. items mirroring developments in MFI net external transactions [1]

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufacturing		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)												
2010	20.0	22.5	1,533.4	765.6	311.3	420.1	1,269.4	1,547.6	946.6	230.0	348.5	1,018.4	247.4
2011	12.7	12.2	1,735.7	.	.	.	1,422.1	1,740.5	.	.	.	1,093.9	.
2011 Q1	21.5	24.0	427.1	214.5	86.1	116.1	350.1	436.0	276.3	59.8	91.8	277.7	75.6
Q2	13.0	12.8	429.2	216.0	86.9	116.2	350.7	436.2	280.8	58.8	89.7	275.1	78.8
Q3	9.5	9.5	436.8	219.1	87.4	118.8	358.9	439.9	282.0	58.9	91.5	275.3	81.8
Q4	8.4	4.2	442.5	.	.	.	362.3	428.4	.	.	.	265.7	.
2011 July	5.1	7.5	141.9	71.4	28.3	38.4	116.5	145.5	93.7	19.5	29.9	90.6	27.6
Aug.	13.9	12.6	148.1	74.2	29.9	40.4	122.6	149.8	95.9	20.3	31.1	94.9	27.3
Sep.	9.9	8.5	146.8	73.5	29.2	40.0	119.8	144.5	92.4	19.2	30.6	89.8	26.8
Oct.	5.8	7.9	143.7	72.5	27.8	39.5	116.9	143.2	91.2	19.6	30.4	89.1	26.8
Nov.	10.1	3.9	149.3	74.0	30.9	40.2	121.7	143.3	91.5	19.5	29.8	89.0	26.8
Dec.	9.3	0.8	149.5	.	.	.	123.7	142.0	.	.	.	87.6	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2009	-16.4	-13.6	119.6	115.0	119.0	128.1	115.9	109.8	101.0	115.7	136.7	111.1	101.8
2010	14.9	10.7	136.8	132.5	138.5	143.7	133.9	120.9	113.0	131.1	143.3	127.8	100.9
2010 Q4	15.1	10.3	142.9	137.6	149.7	148.4	139.5	123.8	116.5	134.5	145.4	132.1	102.9
2011 Q1	13.3	7.7	146.1	141.2	149.7	152.6	143.1	125.2	117.8	133.0	145.1	133.9	98.7
Q2	8.2	2.6	146.8	140.9	152.3	154.3	144.0	123.8	116.7	133.7	143.3	134.1	94.6
Q3	5.2	2.6	148.1	142.2	152.1	155.4	146.3	124.7	117.6	134.5	142.9	133.5	100.4
2011 June	0.2	-4.5	142.4	137.8	147.4	147.2	140.0	119.9	113.3	126.5	140.2	129.3	93.6
July	1.3	1.4	144.6	139.1	147.8	150.8	142.5	124.5	117.9	134.1	141.1	132.2	101.9
Aug.	9.1	4.6	150.6	144.1	156.5	158.6	149.6	126.6	119.2	138.7	143.9	137.4	100.4
Sep.	5.5	1.9	149.1	143.5	152.0	156.7	146.6	123.1	115.8	130.8	143.8	130.8	99.0
Oct.	0.2	0.4	144.8	139.8	144.7	153.4	141.4	121.2	113.7	133.5	141.1	129.0	98.1
Nov.	4.8	-4.6	151.3	144.6	158.6	156.5	148.0	121.0	113.8	131.1	138.1	129.4	97.0

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total					Memo item: Manufac-turing	Total (index: 2005 = 100)	Total					Memo item: Manufac-turing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2010	105.4	3.8	4.8	1.4	2.2	26.3	3.8	108.9	9.9	9.7	1.5	2.9	27.5	5.9
2011	110.0	4.4	5.8	1.4	2.2	23.3	4.3	118.6	9.0	4.6	-0.1	3.8	26.5	4.0
2011 Q2	110.0	4.1	6.0	0.8	1.8	22.0	4.0	118.6	8.4	4.6	-0.7	3.3	25.6	3.5
Q3	110.4	3.9	4.9	0.9	1.8	25.5	3.9	118.7	8.0	3.0	-1.5	2.9	26.8	2.8
Q4	110.6	3.7	3.8	1.8	2.3	20.3	3.6	119.7	7.4	0.4	0.6	3.4	24.3	2.6
2011 Aug.	110.3	3.8	4.8	0.8	1.8	23.4	3.7	118.2	7.3	2.6	-1.4	2.6	24.3	2.6
Sep.	110.6	4.0	4.7	1.1	1.9	27.2	4.0	119.3	8.5	2.5	-1.1	3.3	29.1	2.9
Oct.	110.4	4.1	4.4	1.7	2.4	24.4	4.0	119.3	8.8	1.5	0.5	4.0	28.6	3.4
Nov.	110.6	3.9	3.8	1.8	2.4	22.3	3.8	119.8	8.1	0.8	0.5	3.4	27.1	2.8
Dec.	110.8	3.1	3.1	1.8	2.2	14.6	3.1	120.1	5.5	-1.0	0.7	2.8	18.0	1.6
2012 Jan.	111.9	3.1	2.3	1.9	2.5	17.7	3.1	122.2	5.5	-1.2	1.0	2.4	17.9	1.7

Source: Eurostat.

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

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

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

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

3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
								Exports (f.o.b.)							
2010	1,533.4	30.1	52.6	194.7	208.6	63.4	92.7	47.4	180.6	356.0	94.8	34.6	104.9	73.4	18.0
2011	1,735.7	.	.	.	.	79.9	108.6	56.6	197.5	405.5	115.3	39.4	111.0	84.5	.
2010 Q3	397.2	7.6	13.4	50.0	53.8	17.1	23.9	12.1	47.8	92.2	24.0	8.9	26.8	19.0	4.1
Q4	404.9	8.2	14.1	50.2	56.3	17.4	24.7	13.3	46.2	93.3	25.5	9.0	27.5	19.2	3.9
2011 Q1	427.1	8.0	15.0	53.1	59.2	18.7	25.9	15.3	49.9	99.5	28.9	9.3	28.0	20.1	0.3
Q2	429.2	8.2	15.4	52.1	60.2	20.0	26.5	14.3	48.1	98.5	27.3	9.5	27.1	21.0	3.6
Q3	436.8	8.3	15.6	53.4	60.9	20.6	28.2	13.6	48.5	101.6	28.6	10.2	27.6	21.3	2.9
Q4	442.5	.	.	.	.	20.5	28.0	13.4	51.0	105.9	30.5	10.5	28.3	22.1	.
2011 July	141.9	2.8	5.2	17.2	19.8	6.6	9.0	4.5	15.6	33.0	9.2	3.2	9.0	6.9	1.3
Aug.	148.1	2.8	5.3	18.4	20.8	7.0	9.5	4.5	17.1	34.6	9.9	3.5	9.2	7.3	0.2
Sep.	146.8	2.8	5.1	17.9	20.3	7.1	9.7	4.5	15.8	34.0	9.6	3.4	9.4	7.0	1.4
Oct.	143.7	2.8	4.7	17.7	19.9	6.5	9.4	4.4	15.7	34.4	10.2	3.6	9.3	6.9	1.3
Nov.	149.3	2.8	4.7	18.2	20.3	7.0	9.3	4.3	17.4	35.4	10.2	3.5	9.5	7.3	1.8
Dec.	149.5	.	.	.	.	7.0	9.3	4.7	17.9	36.0	10.1	3.4	9.5	7.9	.
								Percentage share of total exports							
2011	100.0	.	.	.	.	4.6	6.3	3.3	11.4	23.4	6.6	2.3	6.4	4.9	.
								Imports (c.i.f.)							
2010	1,547.6	27.4	47.3	147.8	195.6	112.7	73.4	30.9	129.8	494.6	208.6	51.4	119.2	75.3	-50.0
2011	1,740.5	.	.	.	.	137.6	80.2	34.8	139.0	546.3	216.8	52.4	128.5	90.2	.
2010 Q3	400.7	6.9	12.5	37.5	50.1	28.2	18.7	7.8	34.3	130.4	55.6	13.2	29.7	19.4	-10.9
Q4	407.6	7.0	12.5	38.6	52.5	30.2	18.3	8.3	34.1	128.5	54.2	13.1	32.6	21.0	-14.5
2011 Q1	436.0	7.2	13.2	40.9	55.7	35.4	18.9	9.0	35.4	136.2	54.9	13.7	35.8	21.5	-17.4
Q2	436.2	7.5	13.3	40.8	56.3	35.1	19.6	8.9	34.1	139.6	55.9	12.7	30.6	21.9	-15.3
Q3	439.9	7.4	13.9	42.2	57.2	32.5	21.8	8.5	34.4	138.4	54.3	13.2	30.9	23.4	-11.8
Q4	428.4	.	.	.	.	34.6	19.9	8.4	35.1	132.1	51.6	12.8	31.2	23.4	.
2011 July	145.5	2.4	4.5	14.0	18.7	11.9	6.7	2.9	11.0	46.7	18.1	4.5	9.6	7.7	-5.3
Aug.	149.8	2.4	4.8	14.1	19.1	10.1	7.9	2.9	11.6	47.3	19.0	4.5	10.8	8.1	-2.4
Sep.	144.5	2.5	4.6	14.2	19.3	10.5	7.3	2.8	11.8	44.4	17.2	4.3	10.5	7.6	-4.0
Oct.	143.2	2.5	4.1	13.6	19.0	11.7	6.8	2.8	11.9	44.6	17.5	4.3	10.4	7.7	-6.4
Nov.	143.3	2.6	4.3	13.9	19.5	11.7	6.6	2.8	11.7	43.8	17.0	4.3	10.3	7.7	-6.0
Dec.	142.0	.	.	.	.	11.2	6.5	2.9	11.6	43.7	17.2	4.3	10.5	8.0	.
								Percentage share of total imports							
2011	100.0	.	.	.	.	7.9	4.6	2.0	8.0	31.4	12.5	3.0	7.4	5.2	.
								Balance							
2010	-14.2	2.7	5.3	46.9	13.1	-49.3	19.3	16.5	50.8	-138.6	-113.8	-16.8	-14.4	-1.8	68.0
2011	-4.8	.	.	.	.	-57.8	28.4	21.8	58.5	-140.8	-101.4	-13.0	-17.5	-5.8	.
2010 Q3	-3.6	0.6	0.9	12.5	3.7	-11.2	5.2	4.4	13.6	-38.1	-31.6	-4.3	-2.9	-0.4	15.0
Q4	-2.7	1.2	1.5	11.6	3.7	-12.8	6.3	5.0	12.0	-35.2	-28.7	-4.1	-5.1	-1.8	18.5
2011 Q1	-8.9	0.8	1.8	12.2	3.5	-16.7	7.0	6.3	14.5	-36.7	-26.0	-4.4	-7.7	-1.3	17.7
Q2	-7.0	0.7	2.0	11.3	3.9	-15.1	6.9	5.4	14.0	-41.1	-28.6	-3.2	-3.5	-0.9	18.9
Q3	-3.1	1.0	1.8	11.3	3.7	-11.9	6.4	5.0	14.1	-36.8	-25.7	-3.1	-3.3	-2.2	14.7
Q4	14.1	.	.	.	.	-14.1	8.1	5.0	15.9	-26.2	-21.1	-2.4	-3.0	-1.4	.
2011 July	-3.6	0.4	0.6	3.2	1.1	-5.4	2.3	1.7	4.6	-13.6	-9.0	-1.2	-0.7	-0.7	6.7
Aug.	-1.7	0.3	0.6	4.3	1.7	-3.2	1.6	1.6	5.5	-12.8	-9.1	-1.0	-1.6	-0.8	2.6
Sep.	2.2	0.3	0.6	3.7	1.0	-3.4	2.5	1.7	4.0	-10.4	-7.6	-0.8	-1.0	-0.6	5.4
Oct.	0.5	0.3	0.6	4.1	0.9	-5.3	2.6	1.6	3.8	-10.2	-7.3	-0.7	-1.1	-0.9	7.7
Nov.	6.1	0.2	0.4	4.3	0.9	-4.7	2.7	1.6	5.8	-8.3	-6.8	-0.8	-0.9	-0.4	7.7
Dec.	7.5	.	.	.	.	-4.2	2.8	1.8	6.3	-7.7	-7.1	-0.9	-1.0	-0.1	.

Source: Eurostat.

8

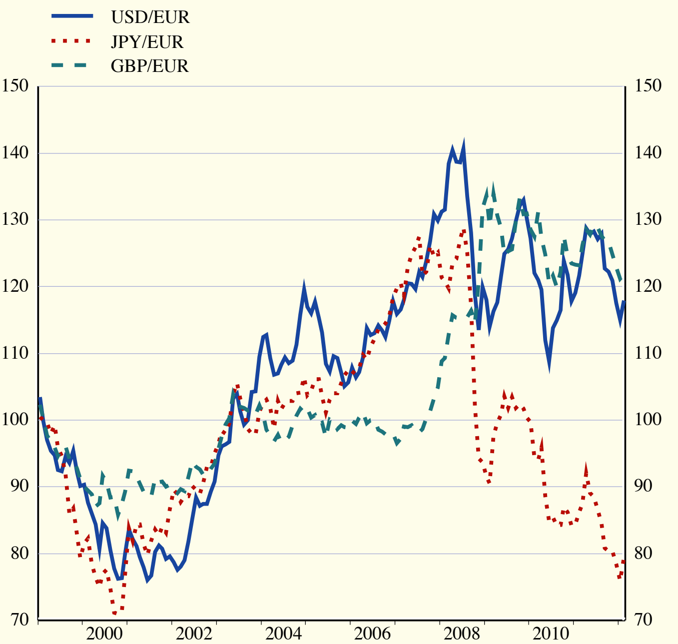
EXCHANGE RATES

8.1 Effective exchange rates [1)]
(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
2009	110.6	109.2	104.3	104.8	118.7	104.8	119.7	106.8
2010	103.6	101.6	98.1	96.7	107.8	97.2	111.4	98.1
2011	103.4	100.7	97.6	.	.	.	112.1	97.6
2010 Q4	103.4	101.0	97.9	95.8	107.1	96.8	111.3	97.5
2011 Q1	102.7	100.1	97.1	94.7	105.7	95.4	110.7	96.7
Q2	105.2	102.6	99.3	97.0	108.9	97.8	113.5	99.0
Q3	103.5	100.7	97.6	95.0	107.7	95.5	112.5	97.8
Q4	102.1	99.4	96.2	.	.	.	111.6	97.0
2011 Feb.	102.4	99.7	96.9	-	-	-	110.6	96.4
Mar.	104.1	101.6	98.5	-	-	-	112.3	98.1
Apr.	105.9	103.4	100.0	-	-	-	114.0	99.6
May	104.9	102.2	98.8	-	-	-	113.2	98.6
June	105.0	102.3	99.0	-	-	-	113.4	98.8
July	104.0	101.1	98.1	-	-	-	112.4	97.7
Aug.	103.9	100.9	97.9	-	-	-	112.9	98.1
Sep.	102.8	100.0	96.8	-	-	-	112.0	97.5
Oct.	103.0	100.3	97.0	-	-	-	112.6	97.9
Nov.	102.6	99.9	96.7	-	-	-	112.1	97.3
Dec.	100.8	98.1	95.0	-	-	-	110.3	95.7
2012 Jan.	98.9	96.4	93.0	-	-	-	108.0	93.7
Feb.	99.6	97.1	93.5	-	-	-	108.4	94.0
	Percentage change versus previous month							
2012 Feb.	0.7	0.7	0.5	-	-	-	0.3	0.3
	Percentage change versus previous year							
2012 Feb.	-2.7	-2.7	-3.5	-	-	-	-2.0	-2.5

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)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Romanian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2009	1.9558	26.435	7.4462	0.7057	3.4528	280.33	4.3276	4.2399	10.6191	0.89094	7.3400	2.1631
2010	1.9558	25.284	7.4473	0.7087	3.4528	275.48	3.9947	4.2122	9.5373	0.85784	7.2891	1.9965
2011	1.9558	24.590	7.4506	0.7063	3.4528	279.37	4.1206	4.2391	9.0298	0.86788	7.4390	2.3378
2011 Q2	1.9558	24.324	7.4573	0.7092	3.4528	266.42	3.9596	4.1378	9.0153	0.88274	7.3932	2.2579
Q3	1.9558	24.387	7.4506	0.7093	3.4528	275.10	4.1527	4.2587	9.1451	0.87760	7.4629	2.4535
Q4	1.9558	25.276	7.4398	0.7017	3.4528	303.47	4.4207	4.3365	9.0910	0.85727	7.4968	2.4759
2011 Aug.	1.9558	24.273	7.4498	0.7093	3.4528	272.37	4.1195	4.2505	9.1655	0.87668	7.4620	2.5147
Sep.	1.9558	24.556	7.4462	0.7093	3.4528	285.05	4.3379	4.2838	9.1343	0.87172	7.4936	2.4736
Oct.	1.9558	24.841	7.4442	0.7061	3.4528	296.79	4.3516	4.3244	9.1138	0.87036	7.4849	2.5089
Nov.	1.9558	25.464	7.4412	0.7015	3.4528	309.15	4.4324	4.3560	9.1387	0.85740	7.4923	2.4565
Dec.	1.9558	25.514	7.4341	0.6975	3.4528	304.19	4.4774	4.3282	9.0184	0.84405	7.5136	2.4632
2012 Jan.	1.9558	25.531	7.4353	0.6990	3.4528	307.33	4.3760	4.3417	8.8503	0.83210	7.5543	2.3759
Feb.	1.9558	25.042	7.4341	0.6988	3.4528	290.68	4.1835	4.3513	8.8196	0.83696	7.5815	2.3264
	Percentage change versus previous month											
2012 Feb.	0.0	-1.9	0.0	0.0	0.0	-5.4	-4.4	0.2	-0.3	0.6	0.4	-2.1
	Percentage change versus previous year											
2012 Feb.	0.0	3.2	-0.3	-0.7	0.0	7.2	6.5	2.5	0.4	-1.1	2.2	7.2

	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Icelandic krona [1]	Indian rupee [2]	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit
	13	14	15	16	17	18	19	20	21	22	23
2009	1.7727	2.7674	1.5850	9.5277	10.8114	-	67.3611	14,443.74	5.4668	130.34	4.9079
2010	1.4423	2.3314	1.3651	8.9712	10.2994	-	60.5878	12,041.70	4.9457	116.24	4.2668
2011	1.3484	2.3265	1.3761	8.9960	10.8362	-	64.8859	12,206.51	4.9775	110.96	4.2558
2011 Q2	1.3550	2.2960	1.3932	9.3509	11.1932	-	64.3809	12,364.41	4.9490	117.41	4.3451
Q3	1.3459	2.3063	1.3841	9.0653	11.0105	-	64.7000	12,181.09	5.0174	109.77	4.2666
Q4	1.3316	2.4240	1.3788	8.5682	10.4879	-	68.5352	12,111.94	5.0172	104.22	4.2458
2011 Aug.	1.3651	2.2888	1.4071	9.1857	11.1846	-	65.0717	12,249.95	5.0841	110.43	4.2822
Sep.	1.3458	2.3946	1.3794	8.7994	10.7333	-	65.5964	12,118.49	5.0788	105.75	4.2456
Oct.	1.3525	2.4336	1.3981	8.7308	10.6616	-	67.5519	12,150.54	5.0253	105.06	4.2963
Nov.	1.3414	2.4210	1.3897	8.6154	10.5495	-	68.8330	12,214.99	5.0521	105.02	4.2756
Dec.	1.3003	2.4175	1.3481	8.3563	10.2496	-	69.2066	11,965.40	4.9725	102.55	4.1639
2012 Jan.	1.2405	2.3084	1.3073	8.1465	10.0187	-	66.0601	11,709.25	4.9141	99.33	4.0151
Feb.	1.2327	2.2729	1.3193	8.3314	10.2553	-	65.0589	11,913.82	4.9474	103.77	3.9978
	Percentage change versus previous month										
2012 Feb.	-0.6	-1.5	0.9	2.3	2.4	-	-1.5	1.7	0.7	4.5	-0.4
	Percentage change versus previous year										
2012 Feb.	-9.0	-0.2	-2.2	-7.3	-3.5	-	4.9	-2.1	-0.9	-8.0	-3.8

	Mexican peso	New Zealand dollar	Norwegian krone	Philippine peso	Russian rouble	Singapore dollar	South African rand	South Korean won	Swiss franc	Thai baht	US dollar
	24	25	26	27	28	29	30	31	32	33	34
2009	18.7989	2.2121	8.7278	66.338	44.1376	2.0241	11.6737	1,772.90	1.5100	47.804	1.3948
2010	16.7373	1.8377	8.0043	59.739	40.2629	1.8055	9.6984	1,531.82	1.3803	42.014	1.3257
2011	17.2877	1.7600	7.7934	60.260	40.8846	1.7489	10.0970	1,541.23	1.2326	42.429	1.3920
2011 Q2	16.8752	1.7992	7.8259	62.256	40.2750	1.7842	9.7852	1,559.23	1.2514	43.592	1.4391
Q3	17.3908	1.6976	7.7652	60.371	41.1734	1.7309	10.0898	1,532.60	1.1649	42.574	1.4127
Q4	18.3742	1.7353	7.7602	58.566	42.0737	1.7348	10.9209	1,542.87	1.2293	41.791	1.3482
2011 Aug.	17.5456	1.7108	7.7882	60.836	41.2954	1.7340	10.1532	1,542.01	1.1203	42.875	1.4343
Sep.	17.9370	1.6932	7.7243	59.322	42.3239	1.7229	10.3956	1,544.04	1.2005	41.902	1.3770
Oct.	18.4315	1.7361	7.7474	59.412	42.8569	1.7493	10.9188	1,578.17	1.2295	42.297	1.3706
Nov.	18.5646	1.7584	7.7868	58.743	41.8082	1.7476	11.0547	1,537.42	1.2307	41.969	1.3556
Dec.	18.1174	1.7102	7.7451	57.537	41.5686	1.7070	10.7829	1,513.26	1.2276	41.099	1.3179
2012 Jan.	17.3140	1.6132	7.6752	56.208	40.4394	1.6510	10.3405	1,474.96	1.2108	40.718	1.2905
Feb.	16.9159	1.5845	7.5522	56.419	39.4232	1.6585	10.1289	1,485.58	1.2071	40.614	1.3224
	Percentage change versus previous month										
2012 Feb.	-2.3	-1.8	-1.6	0.4	-2.5	0.5	-2.0	0.7	-0.3	-0.3	2.5
	Percentage change versus previous year										
2012 Feb.	2.7	-11.6	-3.4	-5.3	-1.3	-4.8	3.2	-2.6	-7.0	-3.1	-3.1

Source: ECB.

1) The most recent rate for the Icelandic krona refers to 3 December 2008.

2) 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

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									
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011	3.4	2.1	2.7	4.2	4.1	3.9	3.9	5.8	1.4	4.5
2011 Q3	3.1	2.0	2.6	4.4	4.6	3.4	3.7	4.2	1.6	4.7
Q4	2.5	2.8	2.5	4.1	4.0	4.1	4.2	3.4	0.9	4.7
2011 Nov.	2.6	2.9	2.5	4.0	4.4	4.3	4.4	3.5	1.1	4.8
Dec.	2.0	2.8	2.4	3.9	3.5	4.1	4.5	3.2	0.4	4.2
2012 Jan.	1.9	3.8	2.8	3.4	3.4	5.6	4.1	2.8	0.7	3.6
	General government deficit (-)/surplus (+) as a percentage of GDP									
2008	1.7	-2.2	3.2	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.3	-5.8	-2.7	-9.7	-9.5	-4.6	-7.3	-9.0	-0.7	-11.5
2010	-3.1	-4.8	-2.6	-8.3	-7.0	-4.2	-7.8	-6.9	0.2	-10.3
	General government gross debt as a percentage of GDP									
2008	13.7	28.7	34.5	19.8	15.5	72.9	47.1	13.4	38.8	54.8
2009	14.6	34.4	41.8	36.7	29.4	79.7	50.9	23.6	42.7	69.6
2010	16.3	37.6	43.7	44.7	38.0	81.3	54.9	31.0	39.7	79.9
	Long-term government bond yield as a percentage per annum; period average									
2011 Aug.	5.32	3.40	2.49	5.60	5.05	7.49	5.70	7.38	2.17	2.37
Sep.	5.30	3.00	2.07	5.60	5.09	7.64	5.74	7.43	1.83	2.41
Oct.	5.27	3.14	2.23	5.62	5.06	7.88	5.71	7.48	1.90	2.52
Nov.	5.27	3.67	2.01	5.73	5.25	8.53	5.80	7.43	1.69	2.29
Dec.	5.23	3.70	1.86	5.93	5.75	8.97	5.84	7.21	1.68	2.12
2012 Jan.	5.30	3.39	1.74	5.74	5.35	9.51	5.68	7.02	1.70	1.47
	3-month interest rate as a percentage per annum; period average									
2011 Aug.	3.74	1.19	1.60	0.83	1.86	7.12	4.72	5.60	2.58	0.86
Sep.	3.67	1.17	1.44	0.87	1.85	6.19	4.75	5.77	2.53	0.92
Oct.	3.68	1.17	1.40	0.99	1.88	6.18	4.80	5.96	2.52	0.97
Nov.	3.64	1.15	1.29	1.27	1.87	7.25	4.94	6.01	2.62	1.01
Dec.	3.64	1.16	1.08	1.86	1.78	6.50	4.98	6.05	2.69	1.06
2012 Jan.	3.34	1.17	1.01	1.79	1.48	8.54	4.99	5.26	2.61	1.09
	Real GDP									
2010	0.4	2.7	1.3	-0.3	1.4	1.3	3.9	-1.7	6.1	2.1
2011	1.7	.	1.0	.	5.9	1.7	4.3	2.5	3.9	0.8
2011 Q2	2.2	2.0	1.5	5.1	6.4	1.7	4.6	1.9	4.8	0.5
Q3	1.6	1.2	0.0	5.7	6.7	1.5	4.2	4.4	4.4	0.4
Q4	1.6	.	0.7	5.3	5.4	1.5	4.3	.	1.2	0.7
	Current and capital account balance as a percentage of GDP									
2009	-7.6	-1.0	3.3	11.1	7.8	1.0	-2.2	-3.6	6.9	-1.5
2010	-0.5	-3.0	5.6	4.9	4.2	2.9	-2.8	-4.2	6.5	-3.1
2011 Q2	1.3	-5.9	7.1	1.3	-1.7	3.3	-2.1	-7.5	6.6	-1.4
Q3	12.0	-5.6	8.5	2.4	6.0	4.2	-3.6	-4.3	9.2	-4.4
Q4	-3.5	.	6.1	.	-3.1	.	-0.5	-1.7	6.1	.
	Gross external debt as a percentage of GDP									
2009	108.3	51.6	188.5	156.5	87.0	144.7	59.4	68.5	210.0	416.9
2010	102.7	55.8	190.7	165.4	87.4	143.4	66.0	75.8	188.9	413.9
2011 Q1	98.0	55.2	185.4	158.0	85.5	137.3	68.3	73.3	187.1	417.0
Q2	96.2	55.4	181.4	154.6	85.8	137.0	68.7	76.6	188.2	417.5
Q3	93.5	57.5	182.7	151.4	82.6	146.3	72.4	76.2	196.0	434.4
	Unit labour costs									
2010	5.9	-0.7	-1.0	-10.2	-7.3	-3.2	2.2	-3.5	-1.9	1.7
2011	.	.	0.1	.	.	.	.	.	-0.9	0.8
2011 Q2	-0.4	0.6	-0.9	2.5	-1.1	5.9	0.1	-1.2	-1.0	0.7
Q3	2.7	0.4	0.5	2.2	-0.9	6.2	2.0	-1.0	-0.9	1.7
Q4	.	.	1.1	.	.	.	.	.	0.4	1.3
	Standardised unemployment rate as a percentage of labour force (s.a.)									
2010	10.3	7.3	7.5	18.6	17.8	11.1	9.6	7.3	8.4	7.8
2011	11.1	6.8	7.6	.	15.4	10.9	9.7	7.4	7.5	.
2011 Q3	11.0	6.6	7.5	14.7	15.3	10.9	9.7	7.5	7.3	8.3
Q4	11.0	6.7	7.8	.	14.3	10.8	10.0	7.5	7.5	.
2011 Nov.	11.0	6.7	7.8	.	14.3	10.7	10.0	7.6	7.5	8.4
Dec.	11.2	6.8	7.9	.	14.3	10.9	10.1	7.5	7.5	.
2012 Jan.	11.5	6.9	7.9	.	.	10.9	10.1	7.2	7.6	.

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

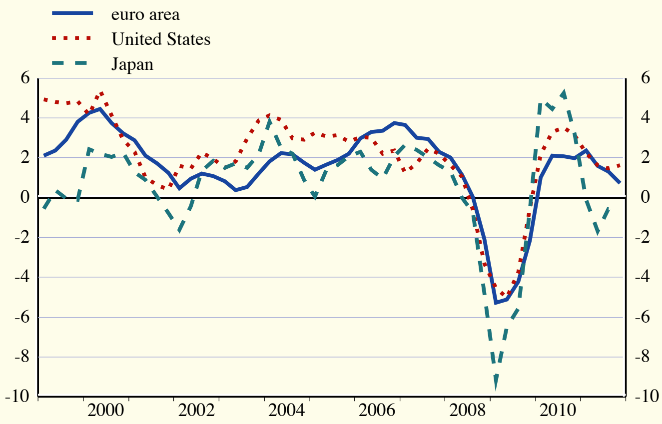
9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force [2] (s.a.)	Broad money [3]	3-month interbank deposit rate [4]	10-year zero coupon government bond yield; [4] end of period	Exchange rate [5] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [6] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2008	3.8	2.8	-0.3	-4.7	5.8	7.1	2.93	2.70	1.4708	-6.6	61.5
2009	-0.4	-0.6	-3.5	-13.5	9.3	7.9	0.69	4.17	1.3948	-11.6	74.1
2010	1.6	-2.0	3.0	5.9	9.6	2.3	0.34	3.57	1.3257	-10.7	82.4
2011	3.2	1.0	1.7	4.9	9.0	7.2	0.34	2.10	1.3920	.	.
2010 Q4	1.3	-0.9	3.1	6.6	9.6	3.1	0.29	3.57	1.3583	-10.5	82.4
2011 Q1	2.1	1.3	2.2	6.6	9.0	4.6	0.31	3.76	1.3680	-9.9	83.2
Q2	3.4	1.0	1.6	4.4	9.0	5.4	0.26	3.46	1.4391	-10.2	83.0
Q3	3.8	0.5	1.5	4.2	9.1	9.1	0.30	2.18	1.4127	-9.7	84.9
Q4	3.3	1.3	1.6	4.5	8.7	9.5	0.48	2.10	1.3482	.	.
2011 Oct.	3.5	-	-	4.6	8.9	9.4	0.41	2.37	1.3706	-	-
Nov.	3.4	-	-	4.2	8.7	9.6	0.48	2.30	1.3556	-	-
Dec.	3.0	-	-	4.7	8.5	9.6	0.56	2.10	1.3179	-	-
2012 Jan.	2.9	-	-	4.7	8.3	10.2	0.57	1.97	1.2905	-	-
Feb.	.	-	-	.	.	.	0.50	2.15	1.3224	-	-
					Japan						
2008	1.4	1.3	-1.1	-3.4	4.0	2.1	0.93	1.21	152.45	-1.9	162.9
2009	-1.4	2.9	-5.5	-21.9	5.1	2.7	0.47	1.42	130.34	-8.8	180.0
2010	-0.7	-2.8	4.5	16.6	5.1	2.8	0.23	1.18	116.24	-8.4	188.4
2011	-0.3	.	-0.7	-3.6	4.6	2.8	0.19	1.00	110.96	.	.
2010 Q4	-0.3	-2.5	3.2	6.0	5.0	2.5	0.19	1.18	112.10	.	.
2011 Q1	-0.5	0.4	-0.1	-2.6	4.7	2.5	0.19	1.33	112.57	.	.
Q2	-0.4	1.6	-1.7	-6.9	4.6	2.8	0.20	1.18	117.41	.	.
Q3	0.1	0.6	-0.5	-2.1	4.4	2.8	0.19	1.04	109.77	.	.
Q4	-0.3	.	-0.6	-2.9	4.5	3.0	0.20	1.00	104.22	.	.
2011 Oct.	-0.2	-	-	0.0	4.5	2.8	0.19	1.04	105.06	-	-
Nov.	-0.5	-	-	-4.2	4.5	3.0	0.20	1.10	105.02	-	-
Dec.	-0.2	-	-	-4.4	4.6	3.2	0.20	1.00	102.55	-	-
2012 Jan.	0.1	-	-	-1.2	.	3.1	0.20	0.98	99.33	-	-
Feb.	.	-	-	.	.	.	0.20	1.01	103.77	-	-

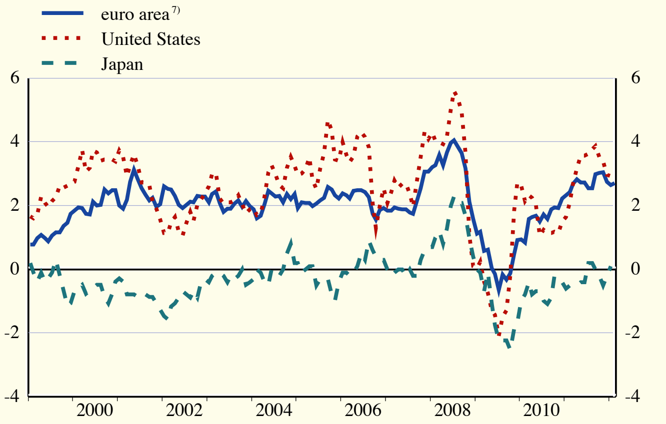
C41 Real gross domestic product

(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); Thomson 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) Japanese data from March to August 2011 exclude the three prefectures most affected by the earthquake in that country. These are reinstated as of September 2011.
3) Period averages; M2 for the United States, M2+CDs for Japan.
4) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
5) For more information, see Section 8.2.
6) Gross consolidated general government debt (end of period).
7) Data refer to the changing composition of the euro area. For further information, see the General Notes.

LIST OF CHARTS

TECHNICAL NOTES

EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

SECTION 1.3

CALCULATION OF INTEREST RATES ON INDEXED LONGER-TERM REFINANCING OPERATIONS

The interest rate on an indexed longer-term refinancing operation (LTRO) is equal to the average of the minimum bid rates on the main refinancing operations (MROs) over the life of that LTRO. According to this definition, if an LTRO is outstanding for D number of days and the minimum bid rates prevailing in MROs are $R_{1,\ MRO}$ (over D_1 days), $R_{2,\ MRO}$ (over D_2 days), etc., until $R_{i,\ MRO}$ (over D_i days), where $D_1+D_2+\ldots+D_i=D$, the applicable annualised rate (R_{LTRO}) is calculated as:

$$\text{c)}\quad R_{LTRO} = \frac{D_1 R_{1,MRO} + D_2 R_{2,MRO} + \ldots + D_i R_{i,MRO}}{D}$$

SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates 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:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2008 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" sub-section of the "Statistics" section.

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

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

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

Unless otherwise indicated, the annual growth rates refer to the end of the indicated period. For example, the annual percentage change for the year 2002 is calculated in h) 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 h). For example, the month-on-month growth rate a^M_t can be calculated as:

$$\text{i)} \quad a^M_t = \left(I_t \Big/ I_{t-1} - 1 \right) \times 100$$

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 g) or h) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

$$\text{j)} \quad I_t = I_{t-3} \times \left(1 + \frac{F^Q_t}{L_{t-3}} \right)$$

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula h).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

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

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).
2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M. and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details of TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No 9628, Madrid.
3 It follows that for the seasonally adjusted series, the level of the index for the base period (i.e. December 2008) generally differs from 100, reflecting the seasonality of that month.

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.

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

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

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

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

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

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

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

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

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

SECTIONS 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They can be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of month t, the index I_t of notional stocks in month t is defined as:

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

As a base, the index is set equal to 100 in December 2008. The growth rate a_t for month t, corresponding to the change in the 12 months ending in month t, can be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used instead of an "F". This is to show that the method used to obtain "net issues" for securities issues statistics differs from that used to calculate equivalent "transactions" for the monetary aggregates.

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

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

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:

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

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 [4]

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

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of seasonal factors are then applied to the outstanding amounts, from which seasonally

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae l) and m), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S80). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment, since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

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:

$$\text{r)} \quad a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website (www.ecb.europa.eu). This allows user-friendly access to data via the ECB’s Statistical Data Warehouse (http://sdw.ecb.europa.eu), which includes search and download facilities. Further services available in the “Data services” sub-section include subscriptions to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the Governing Council of the ECB’s first meeting of the month. For this issue, the cut-off date was 7 March 2012.

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 [1] are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, 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 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

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

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 OTHER FINANCIAL CORPORATIONS

Chapter 2 shows balance sheet statistics for MFIs and other financial corporations. Other financial corporations comprise investment funds (other than money market funds, which are part of the MFI sector), financial vehicle corporations, insurance corporations and pension funds.

Section 2.1 shows the aggregated balance sheet of the MFI 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 EU 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. Section 2.7 shows a quarterly currency breakdown for selected MFI balance sheet items.

Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes.

Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32[2]. Detailed 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).

Section 2.8 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 2.9 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.

Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8[3] concerning statistics on the assets and liabilities of investment funds. Further information on these investment fund statistics can be found in the "Manual on investment fund statistics" (ECB, May 2009).

Section 2.10 shows the aggregated balance sheet of financial vehicle corporations (FVCs) resident in the euro area. FVCs are entities which are set up in order to carry out securitisation transactions. Securitisation generally involves the transfer of an asset or pool of assets to an FVC, with such assets reported on the FVC's balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or other such mechanisms. Collateral held by the FVC against these exposures is typically a deposit held with an MFI or invested in securities other than shares. FVCs typically securitise loans which have been originated by the MFI sector. FVCs must report such loans on their statistical balance sheet, regardless of whether the relevant accounting rules allow the MFI to derecognise the loans. Data on loans which are securitised by FVCs but remain on the balance sheet of the relevant MFI (and thus remain in the MFI statistics) are provided separately. These quarterly data are collected under Regulation ECB/2008/30[4] as of December 2009.

Section 2.11 shows the aggregated balance sheet of insurance corporations and pension funds resident in the euro area. Insurance corporations cover both the insurance and reinsurance sectors, while pension funds include entities which have autonomy in terms of decision-making and keep a complete set of accounts (i.e. autonomous pension funds). This section also contains a geographical and sectoral breakdown of issuing counterparties for securities other than shares held by insurance corporations and pension funds.

2 OJ L 15, 20.01.2009, p. 14.
3 OJ L 211, 11.08.2007, p. 8.
4 OJ L 15, 20.01.2009, p. 1.

EURO AREA ACCOUNTS

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

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

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

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

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

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, as well as outstanding amounts in the financial and non-financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

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

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

Section 4.1 shows securities other than shares, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the index of notional stocks, from which the seasonal effects have been removed. See the Technical Notes for details.

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

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

Section 4.3 shows seasonally adjusted and non-seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical Notes for details.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that do not arise from transactions.

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of January 1999.

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

Section 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[5]. 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

5 Svensson, L.E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", CEPR Discussion Papers, No 1051. Centre for Economic Policy Research, London, 1994.

registrations and employment in terms of hours worked are working day-adjusted.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[6]. 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[7], 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[8]. 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[9] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003 [10]. 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

6 OJ L 162, 5.6.1998, p. 1.
7 OJ L 393, 30.12.2006, p. 1.
8 OJ L 155, 15.6.2007, p. 3.
9 OJ L 69, 13.3.2003, p. 1.

(Tables 1, 2 and 3 in Section 5.3) are derived from the ESA 95[11] quarterly national accounts. The ESA 95 was amended by Commission Regulation (EU) No 715/2010 of 10 August 2010[12] introducing NACE Revision 2, the updated statistical classification of economic activities. The publication of euro area national accounts data applying this new classification began in December 2011.

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

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 4 in Section 5.3) conform to International Labour Organization guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[13] 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[14]. 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

10 OJ L 169, 8.7.2003, p. 37.
11 OJ L 310, 30.11.1996, p. 1.
12 OJ L 210, 11.8.2010, p. 1.
13 OJ L 172, 12.7.2000, p. 3.
14 OJ L 179, 9.7.2002, p. 1.

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)[15] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[16]. Additional information regarding the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (May 2007) and in the reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, 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.

15 OJ L 354, 30.11.2004, p. 34.
16 OJ L 159, 20.6.2007, p. 48.

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, 2004-2006 and 2007-2009 and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these five 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.

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

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.

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2009 can be found in the ECB's Annual Report for the respective years.

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.

3 MARCH 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. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 July 2011, notably to continue its fixed rate tender procedures with full allotment.

7 APRIL 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 13 April 2011.

5 MAY 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 1.25%, 2.00% and 0.50% respectively.

9 JUNE 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 1.25%, 2.00% and 0.50% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 October 2011, notably to continue its fixed rate tender procedures with full allotment.

7 JULY 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.50%, starting from the operation to be settled on 13 July 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.25% and 0.75% respectively, both with effect from 13 July 2011.

4 AUGUST 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 1.50%, 2.25% and 0.75% respectively. It also decides on several measures to address renewed tensions in some financial markets. In particular, it decides that the Eurosystem will conduct a liquidity-providing supplementary longer-term refinancing operation with a maturity of approximately six months as a fixed rate tender procedure with full allotment. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 17 January 2012, notably to continue its fixed rate tender procedures with full allotment.

8 SEPTEMBER 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 1.50%, 2.25% and 0.75% respectively.

6 OCTOBER 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 1.50%, 2.25% and 0.75% respectively. It also decides on the details of its refinancing operations from October 2011 to 10 July 2012, notably to conduct two longer-term refinancing operations – one with a maturity of approximately 12 months in October 2011, and another with a maturity of approximately 13 months in December 2011 – and to continue to apply fixed rate tender procedures with full allotment in all of its refinancing operations. In addition, the Governing Council decides to launch a new covered bond purchase programme in November 2011.

3 NOVEMBER 2011

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 operation to be settled on 9 November 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 9 November 2011.

8 DECEMBER 2011

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 14 December 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.75% and 0.25% respectively, both with effect from 14 December 2011. It also decides to adopt further non-standard measures, notably: (i) to conduct two longer-term refinancing operations with a maturity of approximately three years; (ii) to increase the availability of collateral; (iii) to reduce the reserve ratio to 1%; and (iv) to discontinue, for the time being, the fine-tuning operations carried out on the last day of each maintenance period.

12 JANUARY 2012

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.

9 FEBRUARY 2012

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 approves specific national eligibility criteria and risk control measures for the temporary acceptance in a number of countries of additional credit claims as collateral in Eurosystem credit operations.

8 MARCH 2012

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.

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

TARGET2[1] is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy. It also contributes to the integration of the euro area financial markets. More than 4,400 commercial banks, as well as 23 national central banks, use TARGET2 to initiate payments of their own or on their customers' behalf. Taking into account branches and subsidiaries, almost 60,000 banks worldwide (and thus all the customers of these banks) can be addressed via TARGET2. TARGET2 is used to make large-value and time-critical payments, including payments to facilitate settlements in other interbank fund transfer systems (e.g. Continuous Linked Settlement or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments. TARGET2 provides intraday finality for transactions and allows the funds credited to a participant's account to become immediately available for other payments.

PAYMENT FLOWS IN TARGET2

In the fourth quarter of 2011 TARGET2 settled 22,935,865 transactions with a total value of €169,681 billion, which corresponds to a daily average of 358,373 transactions with a value of €2,651 billion. The highest level of TARGET2 traffic in this quarter was recorded on 30 December, when 484,267 payments were processed. With a market share of 58% in terms of volume and 91% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms banks' strong interest in settlement in central bank money, particularly in times of market turbulence. The average proportion of interbank payments was 40% in terms of volume and 94% in terms of value. The average value of an interbank payment processed in the system was €17.2 million, while that of a customer payment was €0.8 million. 67% of the payments had a value of less than €50,000, while 11.3% had a value of more than €1 million. On average, there were 323 payments per day with a value of more than €1 billion.

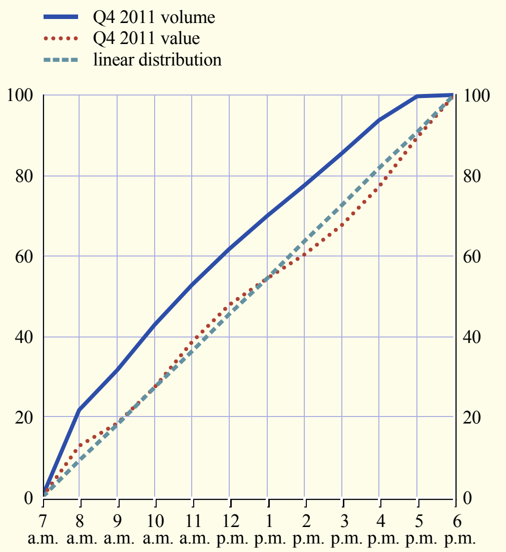
INTRADAY PATTERN OF VOLUMES AND VALUES

The chart shows the intraday distribution of TARGET2 traffic, i.e. the percentage of daily volumes and values processed at different times of the day, for the fourth quarter of 2011. In volume terms, the curve is well above the linear distribution, with 70% of the volume already exchanged by 1 p.m. CET and 99.6% by one hour before the close of the system. By 1 p.m. CET, 54% of the value exchanged in TARGET2 had already been settled, a figure that rose to 89% one hour before the close of the system. In value terms, the curve is very close to the linear distribution. This indicates that turnover was evenly spread throughout the day and that liquidity circulated appropriately among participants, thereby ensuring the smooth settlement of TARGET2 transactions.

1 TARGET2 is the second generation of TARGET and was launched in 2007.

Intraday pattern

(percentages)



Source: ECB.

TARGET2 AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2011 TARGET2 achieved 100% overall availability. Incidents considered in the calculation of TARGET2's availability are those that completely prevent the processing of payments for ten minutes or more on TARGET2 business days between 7 a.m. and 6.45 p.m. Nevertheless, there was one incident that caused a reduction in the service, but without affecting the overall availability (e.g. slowdown). As a result, 99.96% of all payments, on average, were processed in less than five minutes, still fully meeting the expectations set for the system. On three occasions, the closing of TARGET2 was extended for 1 hour (namely on 11 November, on 30 November and on 5 December). These extensions were linked to technical difficulties faced by different critical ancillary systems.

Table 1 Payment instructions processed by TARGET2 and EURO1: volume of transactions

(number of payments)

	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
TARGET2					
Total volume	22,790,133	21,856,960	22,410,209	22,362,663	22,935,865
Daily average	349,305	341,515	355,718	338,828	358,373
EURO1 (EBA)					
Total volume	15,445,811	14,829,518	15,372,628	15,482,902	16,637,217
Daily average	230,124	231,711	244,010	234,589	259,957

Table 2 Payment instructions processed by TARGET2 and EURO1: value of transactions

(EUR billions)

	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
TARGET2					
Total	150,795	146,071	142,356	154,829	169,681
Daily average	2,285	2,282	2,260	2,346	2,651
EURO1 (EBA)					
Total	15,563	15,261	15,222	16,322	17,215
Daily average	241	238	242	247	269

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

GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee or per hour worked: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees or by the total number of employees' hours worked.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. the general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

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.

Current transfers account: a technical b.o.p. account in which the value of real resources or financial items is recorded when these are transferred without receiving anything in exchange. Current transfers cover all transfers that are not capital transfers.

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 significant and persistent decline in the prices of a very broad set of consumer goods and services that 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 ten non-euro area EU Member States and ten 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. These securities are backed by a portfolio of assets (typically loans) which are held by the FVC. In some cases, a securitisation transaction may involve a number of FVCs, where one FVC holds the securitised assets and another issues the securities backed by those assets.

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.

Income account: a b.o.p. account that covers two types of transactions with non-residents, namely (i) those involving compensation of employees that is paid to non-resident workers (e.g., cross-border, seasonal, and other short-term workers) and (ii) those involving investment income receipts and payments on external financial assets and liabilities, with the latter including receipts and payments on direct investment, portfolio investment and other investment, as well as receipts on reserve assets.

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: 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 36 months 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 (i) the Eurosystem, (ii) resident credit institutions (as defined in EU law), (iii) other 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, as well as electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money, and (iv) money market funds, i.e. collective investment undertakings that invest in short-term and low-risk instruments.

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.

ISSN 1561-0136
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