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EUROPEAN CENTRAL BANK

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MONTHLY BULLETIN 04 | 2008

01 | 2008

02 | 2008

03 | 2008

04 | 2008

05 | 2008

06 | 2008

07 | 2008

08 | 2008

09 | 2008

10 | 2008

11 | 2008

12 | 2008

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In 2008 all ECB publications feature a motif taken from the €10 banknote.

MONTHLY BULLETIN
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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 9 April 2008.

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

CONTENTS

ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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

EDITORIAL

At its meeting on 10 April 2008, the Governing Council of the ECB decided, on the basis of its regular economic and monetary analyses, to leave the key ECB interest rates unchanged. The latest information has confirmed the existence of strong short-term upward pressure on inflation. In fact, the euro area is experiencing a rather protracted period of temporarily high annual rates of inflation, resulting mainly from increases in energy and food prices. The latest information also clearly confirms the Governing Council's assessment of prevailing upside risks to price stability over the medium term, in a context of continuing very vigorous money and credit growth. The economic fundamentals of the euro area are sound. Incoming macroeconomic data continue to point to moderate but ongoing real GDP growth. However, the level of uncertainty resulting from the turmoil in financial markets remains unusually high and tensions may last longer than initially expected. Against this background, the Governing Council emphasises that maintaining price stability in the medium term is the primary objective in accordance with its mandate. The firm anchoring of medium to longer-term inflation expectations is of the highest priority to the Governing Council and there is certainly no room for complacency in this regard. The Governing Council believes that the current monetary policy stance will contribute to achieving this objective, and remains strongly committed to preventing second-round effects and the materialisation of upside risks to price stability over the medium term. The Governing Council will continue to monitor very closely all developments over the coming weeks.

Starting with the economic analysis, according to Eurostat's second estimate, quarter-on-quarter real GDP growth in the fourth quarter of 2007 was 0.4%, following 0.7% in the previous quarter. The latest information on economic activity also underpins previous expectations of moderate but ongoing growth in the first quarter of 2008. Overall, the euro area economy has sound fundamentals and does not suffer from major imbalances.

Looking ahead, both domestic and foreign demand are expected to support ongoing real GDP growth in the euro area in 2008, albeit to a lesser extent than during 2007. While moderating, growth in the world economy is expected to remain resilient, benefiting in particular from strong growth in emerging economies. This should continue to support euro area external demand. Meanwhile, investment growth in the euro area should provide ongoing support to economic activity, as capacity utilisation is high, profitability has been sustained and there are no significant signs of supply constraints on bank loans. At the same time, as a result of the improved economic conditions and wage moderation, employment and labour force participation have increased significantly and unemployment rates have fallen to levels not seen for 25 years. While being dampened by the impact of higher energy and food prices on purchasing power, consumption growth should continue to contribute to economic expansion, in line with real disposable income growth.

The uncertainty surrounding this outlook for economic growth remains high, and downside risks prevail. The risks relate mainly to the financial market turbulence, which could last longer than initially thought and could have a broader than currently expected impact on the real economy. Moreover, downside risks also stem from the dampening impact on consumption and investment of further unanticipated increases in energy and food prices, as well as from protectionist pressures and the possibility of disorderly developments owing to global imbalances.

With regard to price developments, according to Eurostat's flash estimate, the annual HICP inflation rate was 3.5% in March 2008, after 3.3% in February. This outturn confirms the ongoing strong and lately further increasing short-term upward pressure on inflation, resulting largely from sharp increases in energy and food prices in recent months. Looking ahead, the annual HICP inflation rate is likely to remain significantly above 2% in the coming months, moderating only gradually over the course of 2008. Accordingly, the euro area is currently experiencing a rather protracted period of temporarily high annual rates of inflation.

The risks to the outlook for inflation over the medium term remain clearly on the upside. These risks include the possibility of further rises in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. Most importantly, there is a risk that price and wage-setting behaviour could add to inflationary pressures. In particular, the pricing power of firms, notably in market segments with low competition, may prove stronger than currently expected, and stronger than expected wage growth may emerge, taking into account high capacity utilisation and tight labour market conditions.

Against this background, it is imperative that all the parties concerned meet their responsibilities. Second-round effects stemming from the impact of higher energy and food prices on wage and price-setting behaviour must be avoided. In the view of the Governing Council, this is of key importance in order to preserve price stability in the medium term and thereby the purchasing power of all euro area citizens. The Governing Council is monitoring wage negotiations in the euro area with particular attention. In this context, the Governing Council is concerned about the existence of schemes in which nominal wages are indexed to consumer prices. Such schemes involve the risk of upward shocks in inflation leading to a wage-price spiral, which would be detrimental to employment and competitiveness in the countries concerned. The Governing Council therefore calls for such schemes to be avoided.

The monetary analysis confirms the prevailing upside risks to price stability at medium to longer-term horizons. Annual M3 growth remained very vigorous at 11.3% in February, supported by the continued strong growth of MFI loans to the private sector. While annual M1 growth has moderated further in recent months, as higher short-term interest rates have increased the opportunity cost of holding the most liquid components of M3, the growth of time deposits remains extremely strong. This reflects the relatively flat yield curve, which has made it more attractive to hold monetary assets remunerated at close to market rates than to hold riskier, longer-maturity instruments. Overall, the impact of the flat yield curve and a number of other temporary factors suggest that annual M3 growth currently overstates the pace of the underlying monetary expansion. However, even after taking such effects into account, a broad-based assessment of the latest data confirms that the underlying rate of money and credit growth remains strong.

The growth of household borrowing has moderated over recent months, reflecting the impact of higher key ECB interest rates since December 2005 and cooling housing markets in several parts of the euro area. However, the growth of loans to non-financial corporations has remained very robust. Bank borrowing by euro area non-financial corporations grew at an annual rate of 14.8% in the year to February 2008. Overall, bank loans to the domestic private sector have grown at around 11% on an annual basis for the past two years.

For the time being, there is little evidence that the financial market turbulence seen since early August 2007 has strongly influenced the overall dynamics of broad money and credit aggregates. Notwithstanding the tightening of credit standards reported in the bank lending survey for the euro area, continued strong loan growth to non-financial corporations suggests that the supply of bank credit to firms in the euro area has not been significantly impaired by the financial turmoil thus far. Further data and analysis will be required in order to obtain a more complete picture of the impact of the financial market developments on banks' balance sheets, financing conditions and money and credit growth.

To sum up, a cross-check of the outcome of the economic analysis with that of the monetary analysis clearly confirms the assessment that upside risks to price stability prevail over the medium term, in a context of very vigorous money and credit growth and with no significant signs of supply constraints on bank loans to households and non-financial corporations. The economic fundamentals of the euro area are sound. Incoming macroeconomic data continue to point to moderate but ongoing real GDP growth. However, the level of uncertainty resulting from the turmoil in financial markets remains unusually high and tensions may last longer than initially expected. Against this background, the Governing Council emphasises that the firm anchoring of medium to longer-term inflation expectations is of the highest priority. The Governing Council believes that the current monetary policy stance will contribute to achieving this objective and remains strongly committed to preventing second-round effects and the materialisation of upside risks to price stability over the medium term. The Governing Council will continue to monitor very closely all developments over the coming weeks.

Regarding fiscal policies, the intentions reflected in the latest round of stability programmes imply a rise in the euro area general government deficit ratio in 2008. Further fiscal pressures are likely to arise as overly optimistic macroeconomic assumptions are already being revised downwards and political demands for fiscal loosening are increasing. In this situation, countries with fiscal imbalances are urged to make further progress with structural consolidation, in line with the requirements of the Stability and Growth Pact. At the current juncture, particularly prudent and stability-oriented fiscal policies would also contribute to containing inflationary pressures.

Turning to structural reforms, the Governing Council welcomes the launch of the 2008-10 cycle of the renewed Lisbon strategy for growth and jobs by the European Council. The favourable labour market trends in the euro area suggest that economic reforms are paying off. However, many challenges remain as overall employment is still below the Lisbon target of 70% and unemployment is still unacceptably high. Moreover, productivity growth remains weak, constraining general income growth. Therefore, the Governing Council strongly encourages euro area countries to increase reform efforts, in particular to foster market integration and to reduce rigidities in product and labour markets that restrict competition, employment flexibility and wage differentiation, and it supports them in these efforts. They would not only promote employment and support potential growth, but would also contribute to moderating price pressures.

This issue of the Monthly Bulletin contains three articles. The first article reviews the importance of firms' financial positions for investment dynamics in the euro area. The second article describes some of the statistical tools based on higher-frequency indicators that are available for short-term forecasting of euro area GDP. The third article presents an overview of the main initiatives at the EU level aiming to reinforce the financial stability arrangements.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

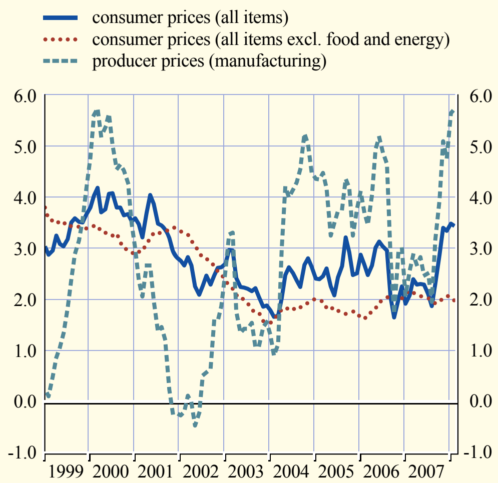
Both the weakness of US economic activity and high financial market volatility are having a dampening effect on the pace of global economic expansion. However, global economic activity still continues to be supported by the resilience of economic growth in emerging markets, particularly in Asia. Headline consumer price inflation in OECD countries remains at elevated levels as a result of protracted upward pressures on commodity prices. On balance, the risks to the outlook for global growth continue to lie on the downside.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Both the weakness of US economic activity and high financial market volatility are having a dampening effect on the pace of global economic expansion. However, global economic activity still continues to be supported by the resilience of economic growth in emerging markets, particularly in Asia. Survey evidence in February indicated that global economic activity might decelerate further in the coming months, owing mainly to a further weakening of manufacturing sector activity.

Chart 1 Price developments in OECD countries

(annual percentage changes; monthly data)



Source: OECD.

Headline consumer price inflation in OECD countries remains at elevated levels as a result of protracted upward pressures on commodity prices (see Chart 1). For the OECD countries, the annual rate of change of the CPI was 3.4% in February (down from 3.5% in January), while the CPI excluding food and energy remained unchanged at an annual rate of 2.0%. Survey evidence on global input prices suggests that cost pressures remain high, particularly in the manufacturing sector.

UNITED STATES

In the United States, the pace of economic activity slowed strongly in the fourth quarter of 2007 from the above-trend growth rates observed in the second and third quarters. According to final estimates, real GDP grew by 0.6% on a quarterly annualised basis in the last quarter of the year, down from 4.9% in the third quarter. The magnitude of the slowdown is related in part to the inventory correction, which shaved 1.8 percentage points off annualised GDP growth in the fourth quarter. In addition, a worsening contraction in residential investment (by over 25% in quarterly annualised terms) continued to be a major strain on the economy. Other components of domestic demand remained relatively strong at the end of 2007, as did net trade. However, indications from surveys and from monthly activity data suggest that the US economy may have slowed further in the first three months of 2008.

As regards price developments, headline CPI inflation stood at 4.0% in February, down from 4.3% in January. However, renewed increases in energy prices to new highs in March could exert some upward pressure on headline inflation in the near term. The core CPI index (excluding food and energy) increased by 2.3% in February compared with a year earlier.

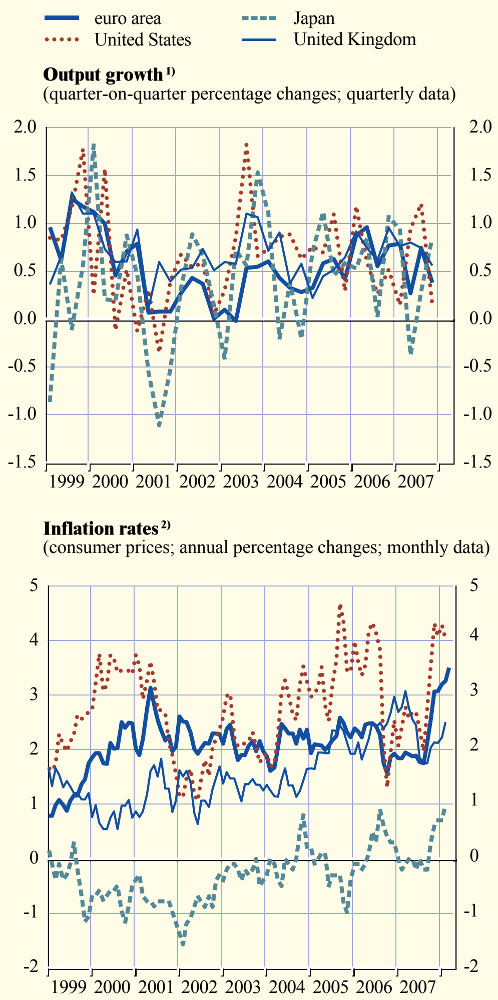
On 18 March the US Federal Open Market Committee decided to cut its target for the federal funds rate by 75 basis points, to 2.25%. In addition, the Federal Reserve System cut the spread between federal funds and discount rates to 25 basis points, and used other monetary policy tools such as the introduction of new Primary Dealer Credit and Term Securities Lending Facilities.

JAPAN

In Japan there has been a slowdown in economic activity in recent months, following the revision of the Building Standard Law in June 2007 which resulted in a significant drop in housing and corporate construction starts in the second half of last year. Moreover, private consumption growth has remained limited, against the background of declining consumer confidence and increasing headline inflation. In the fourth quarter of 2007, according to the second preliminary data released by Japan's Cabinet Office, real GDP grew by 0.9% quarter on quarter (up from 0.3% in the third quarter), supported by strong export and business investment growth over the quarter.

Consumer price inflation has returned to positive territory in recent months (see Chart 2) as a result of the rise in the price of imported raw materials, while domestic inflationary pressures have remained subdued. In February 2008 the annual change in the CPI was 1.0%, up from 0.7% in January; this acceleration was driven mainly by energy and food product inflation. The annual change in the CPI excluding fresh food was 1.0%, up from 0.8% in January, while the annual change in the CPI excluding food and energy was -0.1%, the same as in January.

Chart 2 Main developments in major industrialised economies



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

At its meeting on 7 March 2008 the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50%.

UNITED KINGDOM

In the United Kingdom, the quarterly rate of real GDP is expected to have moderated somewhat in the first quarter of 2008, having stood at 0.6% in the last quarter of 2007. Although retail sales in the three months to February increased by 1.0% on the previous three months, consumer confidence indicators were down and growth in predominantly non-food sales was weak. Furthermore, the Bank of England Agents' summary of business conditions in March again indicated falling investment and employment intentions. In February 2008 annual HICP inflation increased to 2.5%, up from 2.2% in January. The largest upward contribution was from gas and electricity bills. Moreover, growth in manufacturing producer prices remained at a high level in February, reflecting higher food and petrol prices as well as the depreciation of the pound sterling.

On 10 April 2008 the Bank of England's Monetary Policy Committee decided to cut its main policy rate by 25 basis points to 5.00%.

OTHER EUROPEAN COUNTRIES

In the other large EU countries outside the euro area, trends in GDP growth and short-term indicators have remained mixed. Inflation remains at rather high levels.

In the fourth quarter of 2007 quarterly GDP growth in Denmark (0.4%) and Sweden (0.8%) was at or was just below long-term averages for each country. Economic growth is expected to have moderated somewhat in the first quarter of 2008 in both countries. Indicators from European Commission confidence surveys across all main sectors of the two economies have fallen below the long-term average in the last three months. In February annual HICP inflation increased to 3.3% in Denmark, mainly on account of goods prices, whereas in Sweden it declined marginally to 2.9%.

In three of the four largest central and eastern European countries GDP growth accelerated in the last quarter of 2007. Robust growth in Poland and Romania was driven by buoyant domestic demand, while in the Czech Republic net exports also contributed positively. In Hungary quarterly growth in the fourth quarter was still very weak (0.1%). European Commission confidence indicators do not point to any major changes in activity trends in the first quarter of 2008 in these four countries. In February 2008 annual HICP inflation increased further in Romania (8.0%) and, to a lesser extent, in Poland (4.6%), while it decreased somewhat in the Czech Republic (7.6%) and in Hungary (6.7%). Energy price increases accounted for most of the rise in inflation in Romania and Poland, while the fading impact of last year's price increases resulted in lower annual inflation in the Czech Republic and Hungary. On 26 March Banca Națională a României and Narodowy Bank Polski, and on 31 March Magyar Nemzeti Bank, increased their main policy rates by 50 (to 9.50%), 25 (to 5.75%) and 50 (to 8.00%) basis points respectively.

EMERGING ASIA

In emerging Asia, economic activity continued to be strong in the first few months of 2008. While there are signs of moderating export growth due to weaker external conditions, domestic demand remained robust and helped to sustain overall growth. High food and commodity prices have fuelled further increases in consumer prices, and rising prices at the earlier stages of production have indicated that price pressures may remain strong in the months ahead.

In China industrial production grew by 15.7% year on year in the period from January to February. The slowdown from 17.4% in December 2007 was partly due to the further weakening of global demand, but also to one-off factors such as local energy and supply shortages caused by severe weather conditions early this year. As a result of less favourable external conditions and strong domestic demand, the cumulated trade balance for January and February 2008 stood at USD 28 billion, a drop of 30% compared with the same period last year. Annual CPI inflation reached 8.7% in February, driven mainly by rising food and commodity prices. The continuous upward cost pressure for a range of commodities, energy resources and raw materials raised the risk of stronger price increases in a broader segment of consumer goods. In March the People's Bank of China again raised the banks' reserve requirements ratio by 50 basis points, to 15.5%.

LATIN AMERICA

In Latin America, economic activity continued to expand at a fast pace, driven by robust domestic demand and elevated commodity prices. In Brazil, real GDP growth increased to an annual rate of 6.1% in the fourth quarter of 2007, up from 5.6% in the third quarter. Private consumption and investment were the main drivers of growth. Moreover, private consumption continued to be strong in January of this year, with retail sales rising by 10.9% compared with a year earlier. Activity also remained robust in Argentina, where real GDP expanded by 9.2% compared with a year earlier in the fourth quarter of 2007. Inflationary pressures remained strong, however, with annual inflation at 8.4% in February 2008. In Mexico, industrial production rebounded in January, increasing by 3.1% compared with a year earlier. Annual inflation stood at 3.7% in February, broadly unchanged since December.

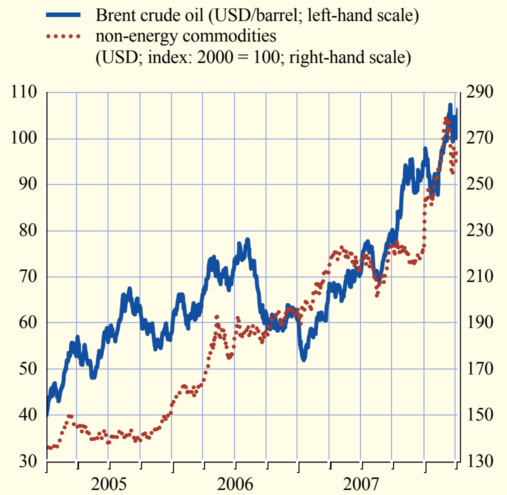
1.2 COMMODITY MARKETS

Against the background of tight fundamentals, oil prices reached historically high levels and became increasingly volatile in March and early April amid financial market uncertainties and geopolitical tensions. Brent crude oil prices increased to peaks well above USD 100 in mid-March (peak on 17 March: USD 107.4) to stand at a level of USD 106.5 on 9 April. In USD terms oil prices increased by around 13% between the beginning of the year and 9 April, but by only around 5% in euro terms. OPEC decided not to increase production at its meeting on 5 March and scheduled the next meeting for September, underlining its intention to keep production constant despite the high oil prices and relatively robust demand. In addition, non-OPEC production continued to fall short of expectations. Geopolitical tensions and an explosion of a pipeline in Iraq resulted in additional upward pressure on oil prices. The International Energy Agency's (IEA) assessment points to tight supply-demand balances for 2008. After revising downwards their global oil demand forecast at the beginning of the year, owing to an expected slowdown in OECD economies, the IEA still predicts a pick-up in oil demand growth in 2008, driven mainly by strong non-OECD demand.

Limited spare capacity in OPEC countries and sluggish growth in non-OPEC output, amid relatively robust oil demand and continued geopolitical and supply risks, is likely to keep oil prices at elevated levels. Throughout the recent period of high volatility of spot prices and despite market concerns about a global economic slowdown, longer-term futures prices for Brent crude oil have increased to unprecedented levels, with December 2010 futures currently trading at around USD 100.

After surging to historical peaks, the prices of non-energy commodities plunged in an overall sell-off of commodities related to profit-taking activity amid financial market uncertainty in mid-March. The biggest price drops occurred in tropical beverages and oilseed markets. Despite losing almost 20% from their peak levels, prices are still as high as their end-January levels, as

Chart 3 Main developments in commodity markets

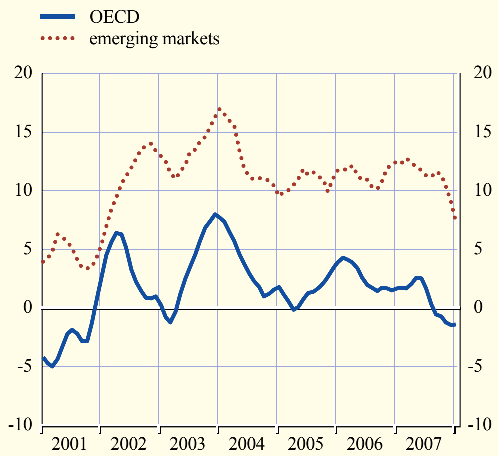


Sources: Bloomberg and HWWI.

these commodities registered very high price increases in February. Some downward price corrections in the food market may also reflect more optimistic projections for production. Most of the new harvest will, however, only be available in mid-2008 and remains subject to external (for example weather-related) risks. Overall, short-run fundamentals in commodities markets remain tight following continued strong demand from non-OECD countries. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 20% higher in early April than a year earlier.

Chart 4 OECD composite leading indicator (CLI)

(six-month rate of change)



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

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The moderation in global expansion is likely to translate into some weakening of external demand for euro area goods and services. The OECD composite leading indicator (CLI) for January suggests that a slowdown in economic activity lies ahead in OECD countries (see Chart 4). For major non-OECD economies, the CLI also points to a potential downturn in China and India, while it signals continued expansion in Brazil and Russia.

On balance, downside risks to the outlook for growth continue to exist. These relate mainly to the financial market turbulence, which could last longer than initially thought and could have a broader than currently expected impact on the real economy. Moreover, downside risks also stem from further unanticipated increases in energy and food prices, as well as from protectionist pressures and the possibility of disorderly developments owing to global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

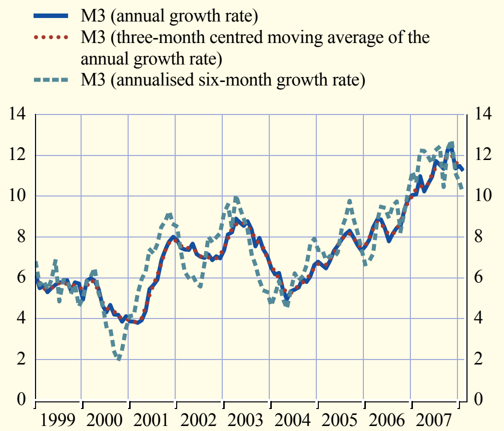
The underlying pace of monetary expansion in the euro area remained robust in February, supported by the continued strong expansion of MFI loans to the non-financial private sector. The annual growth rate of M3 moderated slightly in February, but remained robust. Indeed, it continued to overstate the underlying pace of monetary expansion owing to the stimulative impact of the relatively flat yield curve on demand for monetary assets. The annual growth rate of M1 continued the downward trend seen over the past year and a half. This reflects the lagged effects on monetary developments of the increases in key ECB interest rates since December 2005. Thus far, the ongoing financial turmoil does not appear to have had a substantial direct impact on developments in the broad money and credit aggregates, although there is again evidence of effects on specific components and counterparts of M3. Overall, the robust underlying monetary dynamics continue to point to upside risks to price stability over the medium to longer term.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of M3 was 11.3% in February 2008, down from 11.5% in January (see Chart 5), with the month-on-month growth rate standing at 0.6%. Looking beyond the volatility associated with end-of-year effects, the data for the past few months imply some moderation in shorter-term M3 dynamics, as reflected in the annualised six-month rate of growth.

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The February data support the assessment made over the past few months regarding the factors currently influencing monetary developments.

In particular, the strong annual growth rate of M3 continues to overstate the underlying pace of monetary expansion in the euro area. The prevailing relatively flat yield curve renders the remuneration of shorter-term monetary assets attractive by comparison with riskier, longer-maturity assets outside M3, thereby stimulating M3 growth. However, even taking these elements into account, the underlying rate of monetary expansion remains robust, supported by the continued strong expansion of MFI loans to the non-financial private sector.

At the same time, the monetary data for February confirm that the higher interest rates resulting from the increases in key ECB rates since December 2005 continue to influence money and credit developments. This is visible, in particular, in the further moderation of both the annual growth rate of loans to households and the annual growth rate of M1.

Thus far, the financial turmoil does not appear to have had a substantial direct impact on the growth of broad money and credit aggregates, although there is again evidence of effects on some specific components and counterparts of M3 that are closely related to the nature of the turmoil. For instance, on the counterpart side, the very strong growth of MFIs' purchases of private sector debt securities could to some extent reflect banks' provision of support to associated special-purpose entities experiencing funding difficulties.

MAIN COMPONENTS OF M3

The annual growth rate of M1 declined to 3.7% in February 2008, down from 4.3% in January, thereby continuing the downward trend seen over recent quarters. Both components of M1 contributed to the moderation of its growth rate, with the annual growth rate of currency in circulation declining to 7.6% in February and that of overnight deposits declining to 2.9% (see Table 1). This moderation in M1 dynamics partly reflects the lagged impact of increases in key ECB interest rates since December 2005. This is particularly visible in the subdued growth of overnight deposits, which are poorly remunerated by comparison with market rates. At the same time, the strength of economic activity in recent quarters implies a countervailing, supportive impact on M1.

Short-term deposits other than overnight deposits continued in February to make the largest contribution to annual M3 growth. The annual growth rate of this component rose to 19.4%, up from 17.9% in the previous month, reflecting the dynamism of deposits with an agreed maturity of up to two years (i.e. short-term time deposits), which continued to grow at an annual rate of more than 40%. In recent quarters the remuneration of time deposits has risen broadly in line with money market interest rates, implying a significant spread against the remuneration of deposits such as short-term savings deposits and overnight deposits. Such developments in interest rates support strong shifts into time deposits. At the same time, the annual rate of decline of deposits redeemable at notice of up to three months (i.e. short-term savings deposits) moderated slightly in February. Thus, both components contributed to the overall strengthening observed in the growth rate of other short-term deposits.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Jan.	2008 Feb.
M1	**43.6**	**7.0**	**6.2**	**6.6**	**5.9**	**4.3**	**3.7**
Currency in circulation	7.2	10.5	10.0	8.8	8.0	7.8	7.6
Overnight deposits	36.4	6.3	5.5	6.2	5.5	3.6	2.9
M2 - M1 (= other short-term deposits)	41.3	11.9	13.1	15.0	16.8	17.9	19.4
Deposits with an agreed maturity of up to two years	23.9	29.5	33.0	37.6	40.7	41.1	43.1
Deposits redeemable at notice of up to three months	17.4	-0.8	-2.1	-3.2	-4.0	-3.6	-3.2
M2	**84.9**	**9.1**	**9.2**	**10.3**	**10.7**	**10.4**	**10.7**
M3 - M2 (= marketable instruments)	15.1	16.9	19.3	18.7	19.6	18.2	14.6
M3	**100.0**	**10.2**	**10.6**	**11.5**	**12.0**	**11.5**	**11.3**
Credit to euro area residents		**8.0**	**8.1**	**8.8**	**9.3**	**10.0**	**9.8**
Credit to general government		-4.5	-4.4	-4.0	-3.8	-2.2	-2.5
Loans to general government		-1.3	-1.2	-0.9	-1.8	-0.5	-1.0
Credit to the private sector		11.1	11.0	11.7	12.3	12.7	12.5
Loans to the private sector		10.6	10.5	11.0	11.1	11.1	10.9
Longer-term financial liabilities (excluding capital and reserves)		**10.0**	**10.3**	**10.3**	**8.5**	**7.7**	**6.4**

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

The annual growth rate of marketable instruments fell to 14.6% in February 2008, down from 18.2% in the previous month. This decline masks divergent developments across the various components. The annual growth rate of repurchase agreements increased slightly, standing at 17.5% in February, up from 17.1% in the previous month, while that of money market fund shares/units remained broadly unchanged at 10.9% in February, having stood at 11.0% in January. In the first two months of this year the financial turmoil did not have a noticeable impact on marketable instruments of the kind observed, for instance, in the outflows from money market funds in August and September of last year. The annual growth rate of short-term MFI debt securities declined sharply in February, falling to 20.6%, down from 40.4% in January.

The annual growth rate of short-term deposits and repurchase agreements with MFIs ("M3 deposits", the broadest aggregation of M3 components for which information is available by holding sector) increased to 11.7% in February, up from 11.4% in January. The robust growth of these M3 deposits continues to be explained mainly by the contribution of households. In February the annual growth rate of households' holdings of M3 deposits remained broadly unchanged at 9.0%, while the annual growth rate of M3 deposits held by financial intermediaries (insurance corporations and pension funds, and other non-monetary financial intermediaries) increased somewhat to stand at 22.4%, up from 21.7% in the previous month, and that of M3 deposits held by non-financial corporations also increased, standing at 11.7%, up from 10.8%.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of total credit to euro area residents declined slightly to stand at 9.8% in February, down from 10.0% in January. This reflects a stronger decline in credit to general government and a slight moderation in the annual rate of growth of credit to the private sector (see Table 1). As regards credit to general government, MFIs continued, on a net basis, to remove general government debt securities from their portfolios. The amounts sold have remained broadly in line with the levels observed prior to the financial turmoil and may in the recent period partly reflect a need to generate liquidity in order to cover funding needs. The decline observed in February in the growth rate of credit to the private sector was due mainly to the moderation in the annual growth rate of loans to the private sector, which declined to 10.9% in that month, down from 11.1% in the previous month. The short-term dynamics of such loans, as reflected, for instance, in the six-month annualised rate of growth, also continued to show some moderation.

Turning to the individual components of MFI loans to the private sector, the annual growth rate of loans to non-monetary financial institutions other than insurance corporations and pension funds (OFIs) fell to 22.7% in February, down from 25.9% in the previous month. The total volume of loans to OFIs in the seven months from August 2007 to February 2008 was (at €113 billion) only slightly larger than in the seven-month period prior to the onset of the financial turmoil (when it stood at €94 billion). Most of this increased flow was for a maturity of up to one year, which would be consistent with MFIs' provision of credit lines to conduits and structured investment vehicles that were experiencing funding problems in the context of the current financial turmoil. At the same time, the annual growth rate of MFIs' holdings of securities remains strong at more than 40%. This suggests that MFIs have provided special-purpose entities with financial support mainly through the purchase of debt securities issued by such entities in the context of securitisation activities.

The annual growth rate of loans to households has been on a downward trend since early 2006 and moderated further in February, declining to 5.8%, down from 6.0% in the previous month. This trend reflects the impact of higher bank lending rates and the moderation seen in housing market dynamics in a number of euro area economies. There is, moreover, little indication that developments in household loans have been affected by the financial turmoil or that the supply of bank loans has been disrupted. The breakdown of household loans by purpose supports this view. The decline in the growth rate of loans to households reflects the moderation observed in the growth rate of loans for house purchase, which declined to 6.7% in February, down from 6.9% in January (see Table 2). This moderation was observed throughout the euro area and was particularly marked in countries that had previously experienced strong borrowing dynamics.

The annual growth rate of MFI loans to non-financial corporations rose to 14.8% in February, up from 14.5% in the previous month. Overall, in the seven months from August 2007 to February 2008, the total value of MFI loans to euro area non-financial corporations was €312 billion, compared with €328 billion in the seven months prior to the financial turmoil. This offers little indication that the supply of bank credit has been seriously hampered by the financial turmoil. Looking at the maturity breakdown, lending dynamics over this period were due mainly to stronger borrowing at medium to long maturities (i.e. lending with a maturity of over one year), which accounts for the bulk of loans to non-financial corporations. Thus, recent data provide no evidence of overall flows having increased as a result of banks experiencing difficulties in removing short-term bridge loans (related to LBOs and/or M&A deals) from their balance sheets. Overall, there continues to be no clear evidence of the turmoil having had an impact on the growth of MFI loans to the non-financial private sector.

Among the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) fell to 6.4% in February, down from 7.7% in January. Although declines were observed in the annual growth rates of all sub-components, the strongest was observed for longer-term debt securities. Looking at the sectoral breakdown of longer-term deposits, the non-financial private sector continued to reduce its holdings of long-term deposits, which is to be expected in an environment characterised by a relatively flat yield curve. At the same time, the ongoing robust growth observed in non-monetary financial intermediaries' holdings of long-term deposits may be related to securitisation activity.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Jan.	2008 Feb.
Non-financial corporations	**43.4**	**13.0**	**12.7**	**13.8**	**14.0**	**14.5**	**14.8**
Up to one year	29.1	9.9	10.1	12.1	11.9	12.4	13.1
Over one and up to five years	19.7	19.8	19.0	19.9	21.0	22.6	22.6
Over five years	51.2	12.4	12.0	12.7	12.8	12.8	12.9
Households [2]	**46.9**	**8.1**	**7.5**	**7.0**	**6.6**	**6.0**	**5.8**
Consumer credit [3]	12.7	7.1	6.5	5.7	5.3	5.3	5.3
Lending for house purchase [3]	71.6	9.4	8.6	8.1	7.7	6.9	6.7
Other lending	15.7	3.2	3.6	3.2	3.1	2.5	2.6
Insurance corporations and pension funds	**1.0**	**27.6**	**23.7**	**26.6**	**21.9**	**2.3**	**6.4**
Other non-monetary financial intermediaries	**8.7**	**12.3**	**16.1**	**20.0**	**23.2**	**25.9**	**22.7**

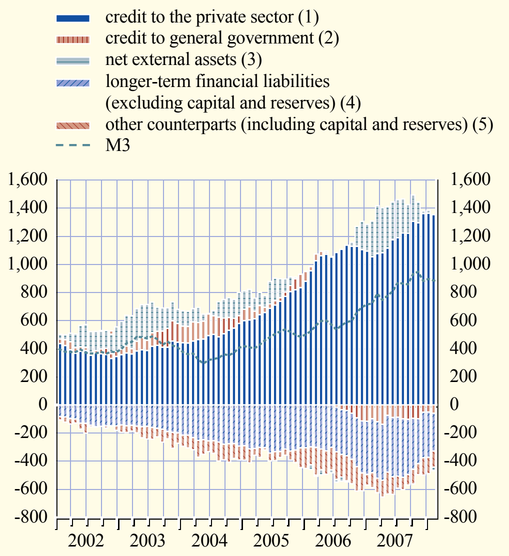
Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown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

Over the 12 months to February 2008 MFIs' net external asset position recorded an outflow of €25 billion, compared with an inflow of €21 billion in the 12 months to January, bringing the annual flow back to approximately the level recorded a year and a half ago (see Chart 6). Monthly developments in MFI net external assets have remained fairly volatile, as is often the case at times of heightened uncertainty, with an outflow of €13 billion in February following an inflow of €5 billion in the previous month.

Overall, the data for February 2008 show continued strong growth in the broad money and credit aggregates. Although an impact was again visible in specific components and counterparts of M3, the financial turmoil does not appear – at least thus far – to have had a significant direct impact on the overall dynamics of broad money and credit aggregates. The underlying pace of monetary expansion remains strong, supported by robust growth in MFI loans to the non-financial private sector, and thereby points to upside risks to price stability in the euro area over the medium to longer term.

Chart 6 Counterparts of M3

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



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

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents remained robust in January 2008, although it declined slightly from December 2007. Following the pattern observed since the onset of the market turmoil in July, long-term securities issuance growth moderated further, while short-term securities issuance proved buoyant as a consequence of the tensions in credit markets and of the repricing of credit risk. Issuance of quoted shares increased slightly, in line with the previous month.

DEBT SECURITIES

Debt securities issuance among euro area residents remained robust in January 2008. The annual growth rate stood at 8.5% in January, only slightly lower than the 9.1% recorded in December (see Table 3). The overall figure hides significant differences in behaviour across the maturity spectrum. Short-term securities issuance continued to grow at the sustained rate of 25.7%, compared with 26.0% in December, whereas long-term securities issuance growth moderated further, from 7.4% to 6.7%.

This pattern has been observable since the onset of the market turmoil in summer 2007. To put the January 2008 figures in perspective, growth rates for short-term and long-term securities issuance in July 2007 stood at 12.9% and 8.8% respectively. The shift from long-term to short-term financing, a consequence of the tensions in credit markets, mainly concerns MFIs and, to a lesser extent, central government and non-financial corporations.

Table 3 Securities issued by euro area residents

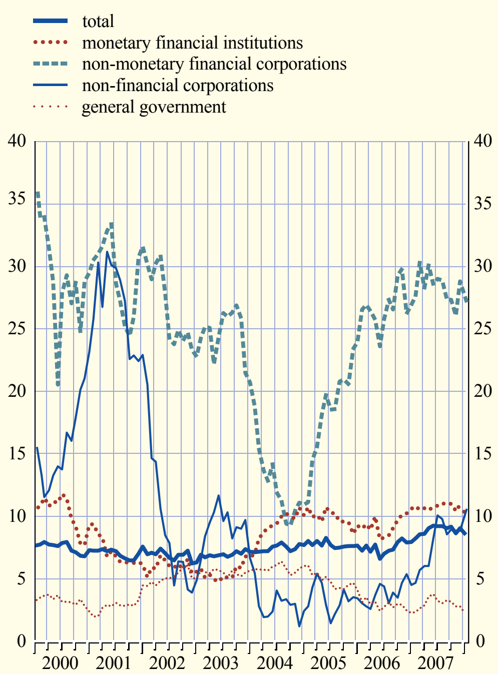
Issuing sector	Amount outstanding (EUR billions) 2008 Jan.	Annual growth rates [1] 2007 Q1	2007 Q2	2007 Q3	2007 Q4	2007 Dec.	2008 Jan.
Debt securities:	**12,138**	**8.1**	**8.8**	**9.2**	**9.0**	**9.1**	**8.5**
MFIs	5,103	10.6	10.6	10.9	10.7	10.5	9.9
Non-monetary financial corporations	1,477	27.6	29.3	28.6	27.2	28.8	27.4
Non-financial corporations	697	4.9	6.3	9.4	8.8	8.8	10.6
General government	4,861	2.4	3.2	3.3	3.0	2.8	2.3
of which:							
Central government	4,546	2.1	3.0	3.3	2.9	2.7	2.2
Other general government	315	6.8	5.7	3.0	4.6	3.6	3.0
Quoted shares:	**5,750**	**1.1**	**1.3**	**1.5**	**1.6**	**1.5**	**1.5**
MFIs	888	2.5	2.2	1.8	1.6	1.5	1.1
Non-monetary financial corporations	497	1.0	1.5	1.4	3.0	3.0	2.9
Non-financial corporations	4,365	0.8	1.0	1.4	1.4	1.4	1.4

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

The annual growth rate of debt securities issued by non-financial corporations increased to 10.6% in January, up from 8.8% in the previous month (see Chart 7). The annual growth rate of short-term debt securities issued by non-financial corporations increased to 36.5% in January, from 29.1% in December, while the corresponding figure for long-term issues was 5.9%, up slightly from 5.3%. Seasonally adjusted data, which are helpful in detecting short-term dynamics, show that long-term debt issuance by the non-financial sector was quite subdued in the latter part of 2007. This slowdown in long-term funding is at least partly related to the financial market turbulence, which has led to an increase in the cost of market debt financing, in particular for less creditworthy borrowers. For instance, spreads on euro-denominated non-financial BBB bonds rose by 25 basis points in January, while in the same period spreads on speculative grade bonds widened by 165 basis points. Consistent with these facts, data from commercial providers show that high yield issues have all but disappeared in the euro area market since August 2007, suggesting that the repricing of credit risk has severely affected the riskiest categories of corporate borrowers.

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

(annual growth rates)



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

Turning to the financial sector, in January the annual growth rate of debt securities issued by MFIs was 9.9%, down from 10.5% in December. Seasonally adjusted data for MFIs confirmed this pattern. The three-month annualised growth rate of seasonally adjusted issuance declined from 11.3% in December to 7.3% in January.

Short-term securities issues continued to grow strongly at a rate of 32.1%, just 2.4% lower than the historical peak reached in the previous month. In parallel, growth in long-term issues continued to decline, recording its lowest reading since end-2003 (6.5%, down from 7.1% in December). The shift from long-term to short-term funding seems directly related to the sharp increase in the market's perception of credit risk at major financial institutions. Since the summer of 2007, bond spreads for financial sector issuers have widened markedly on account of market concerns about possible mortgage-related losses and the related uncertainty about the soundness of banks' balance sheets.

The issuance by non-monetary financial institutions in the euro area reflects for a large part the activity of financial vehicles created for the purpose of securitisation by MFIs. The financial market turmoil has severely hampered the working of the securitisation market, dramatically reducing the issuance of collateralised securities. Nonetheless, the annual growth rate of debt securities issued by non-monetary financial corporations in the euro area proved extremely resilient, decreasing slightly from 28.8% in December to 27.4% in January. The resilience of euro area non-monetary financial corporations' issues since the turmoil can be traced back to the significant growth of non-market-based transactions: in recent months, large collateralised deals have been mainly placed privately between MFIs and sometimes the collateralised securities have been directly purchased by MFIs from their related special purpose vehicles.

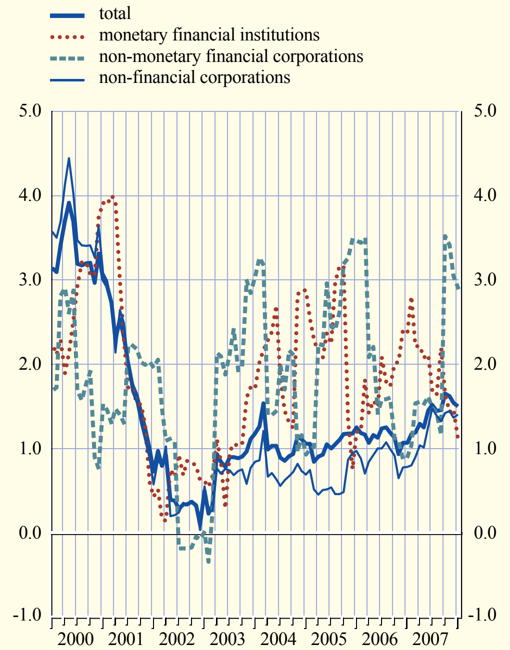
The annual growth rate of debt securities issued by the general government sector dropped slightly in January to 2.3%, from 2.8% in December. This reduction reflected a slowdown in the growth of debt securities issued by both the central government sector and the other general government sector.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents stood at 1.5% in January 2008, the same level as in the previous month (see Table 3). The annual growth rate of quoted shares issued by non-financial corporations, which constitute the largest sector by issuance, remained unchanged at 1.4% (see Chart 8). The growth rates of issuance of quoted shares by MFIs declined from 1.5% to 1.1%, while issuance by non-monetary financial corporations remained stable at 2.9%.

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

(annual growth rates)



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

2.3 MONEY MARKET INTEREST RATES

Unsecured money market interest rates increased in March, reflecting renewed tensions partly related to end-of-quarter effects. As a result, spreads between unsecured and secured money market rates rose again, reaching levels comparable to those observed in September 2007. The money market yield curve steepened in March and early April, with the spread between unsecured twelve-month and one-month money market interest rates rising to 39 basis points.

Unsecured money market interest rates increased in March. On 9 April the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 4.35%, 4.74%, 4.75% and 4.75% respectively, i.e. 15, 34, 34 and 35 basis points higher than the levels observed on 5 March (see Chart 9).

The spread between the twelve-month and one-month EURIBOR rates increased to 39 basis points on 9 April, compared with 20 basis points on 5 March (see Chart 9). This increase in the slope of the money market yield curve partly reflected an increase in medium-term market expectations regarding the future path of key ECB interest rates and the fact that unsecured interest rates with longer maturities increased by more than rates with shorter maturities. Spreads between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) increased in the context of renewed tensions, particularly in the term money market. At a three-month maturity the spread between the unsecured EURIBOR and secured rates increased from 43 basis points on 5 March to 74 basis points on 9 April.

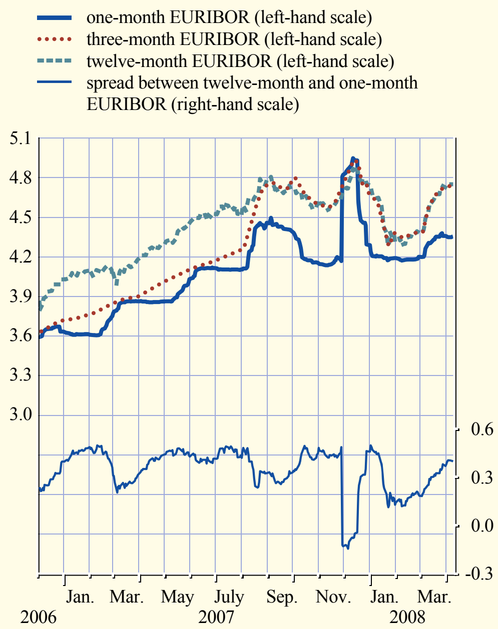
The interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2008 stood at 4.61%, 4.31% and 4.09% respectively on 9 April, representing increases of 41, 44 and 46 basis points respectively by comparison with 5 March.

On 6 March the Governing Council decided to keep the key ECB interest rates unchanged, with the minimum bid rate in the Eurosystem's main refinancing operations remaining at 4.00%. Given the liquidity situation anticipated by the ECB at the end of the second maintenance period of 2008, which ended on 11 March, a liquidity-providing fine-tuning operation with a maturity of one day was launched on the last day of that period, through which the ECB injected €9 billion. The EONIA stood at 4.23% on that day (see Chart 10). In the first few days of the following maintenance period (which ended on 15 April) the EONIA declined before stabilising at around 4%. In the second half of March the EONIA rose above 4%, reflecting increased money market tensions related in part to the end of the quarter and the Easter weekend. At the beginning of April the EONIA returned to more normal levels close to 4%.

In the third maintenance period of the year, in order to accommodate counterparties' need to fulfil their reserve requirements early in the maintenance period, the ECB continued its policy of allotting liquidity in excess of the benchmark amount in its main refinancing operations while still aiming for balanced liquidity conditions at the end of the maintenance period. Consequently, in the Eurosystem's regular weekly main refinancing operations on 11, 18 and 25 March and 1 and 8 April the ECB allotted €25 billion, €25 billion, €50 billion, €35 billion and €5 billion in excess of the respective benchmark amounts. The resulting marginal tender rates for these five operations were 4.12%, 4.16%, 4.23%, 4.21% and 4.23% respectively. A number of fine-tuning operations were conducted in March in order to provide the market with liquidity.

Chart 9 Money market interest rates

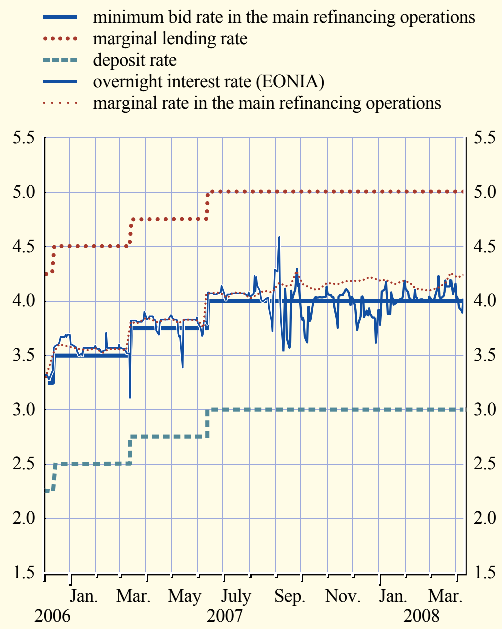
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 10 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

A supplementary longer-term refinancing operation (with a fixed allotment amount of €60 billion) was conducted on 12 March. The ECB allotted the full amount, resulting in marginal and weighted average rates of 4.25% and 4.40% respectively. In the Eurosystem's regular longer-term refinancing operation on 26 March (which was conducted with a fixed allotment amount of €50 billion) the marginal and weighted average rates were 4.44% and 4.53% respectively. The marginal rate in this operation was 28 basis points lower than the three-month EURIBOR prevailing on that date. On 2 April the ECB provided liquidity for the first time through a supplementary longer-term refinancing operation with a maturity of six months. This operation, which had a fixed allotment amount of €25 billion, resulted in marginal and weighted average rates of 4.55% and 4.61% respectively.

2.4 BOND MARKETS

In March euro area and US long-term government bond yields moved only a little overall. In the US case, the moderate overall change masks a strong decline in government bond yields in the first half of March. Towards the end of March, US long-term government bonds yields rebounded. At the same time, implied bond market volatility remained at rather elevated levels in the euro area and in the United States.

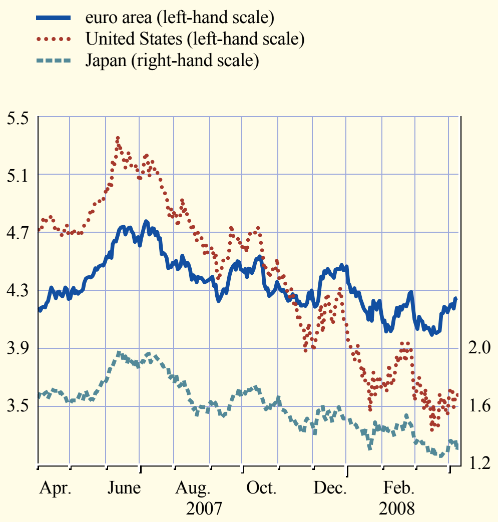
In the course of March developments in euro area and US government bond yields uncoupled temporarily. Whereas US long-term government bond yields declined strongly in the first half of March, euro area long-term government bond yields remained relatively stable. Towards the end of March, US long-term government bond yields picked up. Overall, ten-year government bond yields increased slightly in the euro area between end-February and 9 April, to stand at 4.2% on the latter date (see Chart 11). In the same period long-term government bond yields in the United States remained broadly unchanged, standing at 3.5% at the end of the period under review. As a consequence, the differential between US and euro area long-term interest rates widened somewhat in absolute terms over this period. In Japan, ten-year government bond yields remained unchanged compared with end-February, at around 1.4% on 9 April. Market participants' uncertainty regarding short-term bond market developments, as measured by the implied volatility extracted from options, remained at the highest levels seen since 2003 both in the euro area and the United States. This reflects market participants' ongoing concerns about future developments in the financial sector and in the rest of the economy.

The strong decline in long-term bond yields in the United States in the beginning of March was probably caused by increasing market concerns about the liquidity situation of major US financial institutions. Following the announcement on 16 March that the US Federal Reserve had decided to cut interest rates further and to back up the financial arrangements announced by JP Morgan and Bear Stearns, long-term bond yields rebounded markedly.

In March and early April euro area nominal long-term government bond yields showed more muted movements compared with developments in the United States. This suggests that market participants consider the uncertainties related to the economic outlook in the euro area to be less pronounced. Moreover, five-year real yields in the euro area – extracted from inflation-linked government bonds – rebounded by about 10 basis points, to stand at 1.6% on 9 April (see Chart 12).

Chart 11 Long-term government bond yields

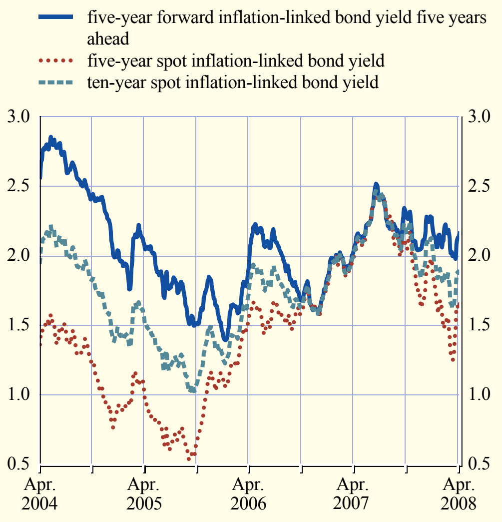
(percentages per annum; daily data)



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

Chart 12 Euro area zero coupon inflation-linked bond yields

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



Sources: Reuters and ECB calculations.

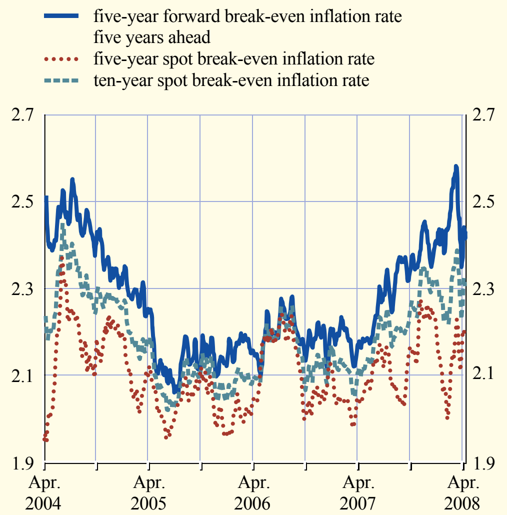
Euro area five-year forward break-even inflation rates five years ahead declined overall in March and stabilised at about 2.4% in early April (see Chart 13). This decline masks a rise to about 2.6% in early March apparently driven mainly by liquidity effects in bond markets. It is likely that flight-to-liquidity portfolio shifts amid the market turmoil affected nominal bond yields more strongly than comparable real yields and thus induced downward distortions in spot break-even inflation rates. However, as medium-term nominal bond yields appeared to be more affected by flight-to-liquidity effects than long-term bond yields, differentials in liquidity effects may even have led to a temporary upward bias in longer-term forward break-even inflation rates and may have contributed to the marked fluctuations in the long-term forward break-even inflation rate in March (see Box 1).

Between the end of February and early April the implied forward overnight interest rate curve in the euro area shifted upwards considerably, by around 50 basis points at horizons of one to two years (see Chart 14). This upward shift probably reflects both revisions in market participants' expectations about the future course of short-term interest rates and a rebound in risk premia embedded in yields on short-term government debt securities.

In general, euro area investment-grade credit spreads in the corporate bond market increased further in March and early April. In particular, the relative cost of bond financing of financial institutions, as measured by the differential vis-à-vis comparable government bond yields, increased considerably towards the end of the review period for all rating classes except AAA-rated companies.

Chart 13 Euro area zero coupon break-even inflation rates

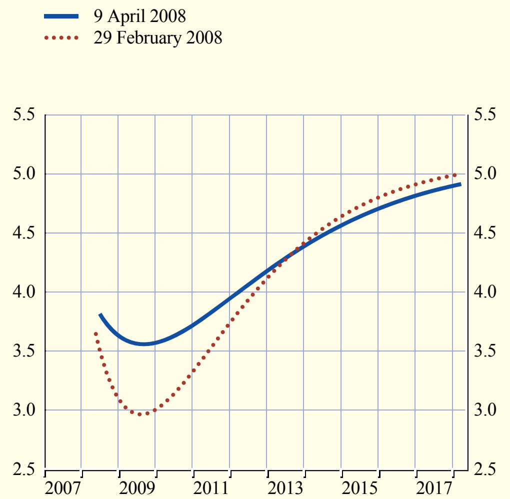
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Reuters and ECB calculations.

Chart 14 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).
Notes: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects market expectations of future levels for short-term interest rates. The method used to calculate these implied forward yield curves is outlined in the "Euro area yield curve" section of the ECB's website. The data used in the estimate are euro area AAA-rated government bond yields.

The elevated current levels of corporate bond spreads for such institutions reflect the severe strains in the financial sector as perceived by investors. At the same time, the fact that credit spreads for bonds issued by non-financial corporations also increased significantly suggests that the increase in the market price of credit risk was quite general.

Box 1

RECENT DEVELOPMENTS IN BOND MARKET LIQUIDITY PREMIA AND IMPLICATIONS FOR BREAK-EVEN INFLATION RATES

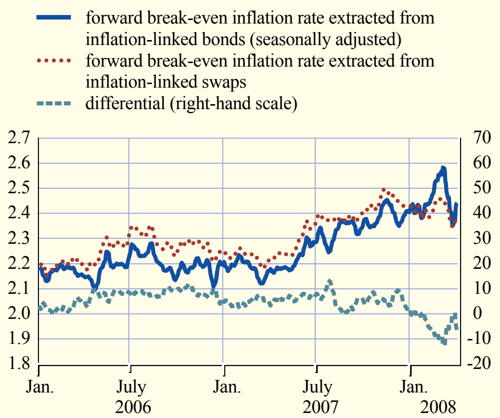
Since the beginning of 2007 longer-term break-even inflation rates extracted from inflation-linked bonds have been on an upward trend. Although the resulting overall increase – which is also confirmed by the comparable measures obtained from inflation-linked swaps – has not been dramatic, it still appears to reflect a genuine increase in longer-term inflation expectations and related inflation risk premia. In the last couple of months, however, break-even inflation rates have experienced some pronounced fluctuations, which seem to be closely related to the ongoing financial turbulence. In particular, the stronger preference among investors for safe and liquid assets has contributed to the substantial decline in the yields of the most liquid government bonds traded in the major markets. This box focuses on the implications of changing bond market liquidity premia for the assessment of developments in break-even inflation rates in the euro area and the United States.

Bond market-based measures of inflation expectations and related premia are obtained by subtracting the real yield on an inflation-linked bond from a nominal yield on a bond of comparable maturity. Although conceptually simple, this computation presumes that liquidity premia in nominal and real yields are of a similar size. In tranquil market conditions, this implicit assumption is roughly satisfied in the euro area and a break-even inflation rate may be interpreted as investors' compensation for exposure to inflation over the given horizon. Since the beginning of 2008, however, this indicator may have been partly obscured by temporary distortions, and particular caution is therefore warranted in its interpretation.

During the recent episodes of market stress, euro area nominal government bond yields declined more swiftly than yields on inflation-linked bonds of comparable maturities. Although this appeared mainly to reflect rising demand for the most liquid assets in an environment of severe market stress, it mechanically led to a pronounced decline and subsequent rebound in five-year spot break-even inflation rates in particular. In consequence, such movements are unlikely to

Chart A Five-year forward euro area break-even inflation rates five years ahead extracted from inflation-linked bonds and swaps

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



Sources: Reuters and ECB calculations.
Note: The data used are zero coupon rates.

reflect genuine changes in inflation compensation. While flight-to-liquidity episodes as a rule tend to cause an underestimation of spot break-even inflation rates, the effect on forward break-even rates is generally more ambiguous. In fact, both the size and the sign of the distortions in the forward rates depend on the relative size and synchronicity of the fluctuations in spot liquidity premia across maturities. Liquidity effects may even have led to a temporary upward bias in longer-term forward break-even inflation rates.

Indeed, as shown in Chart A, the five-year forward euro area break-even inflation rate five years ahead derived from inflation-linked bonds became unusually high compared with the corresponding rate derived from inflation-linked swaps in February and March 2008.[1] The usually rather stable spread between the two measures temporarily moved well beyond its typical range. As inflation-linked swaps in principle should be unaffected by liquidity effects in government bond yields, the emergence of this wedge appears consistent with the notion that the large swings in break-even inflation rates since the beginning of this year mainly emanated from liquidity effects.

Turning to the United States, the computation of break-even inflation rates is further complicated at present by a pronounced widening of the so-called on-the-run yield premium. This premium, which is mainly a US phenomenon, can be measured as the difference between the yield on the most recently issued (also called on-the-run) nominal ten-year note, and the yield obtained when

1 Sizeable deviations between break-even inflation rates derived from inflation-linked bonds and swaps have also been observed in the spot measures. However, a meaningful comparison of these measures requires an appropriate adjustment for seasonal effects in the prices of index-linked bonds as is done with data reported in the Monthly Bulletin. For methodological details, see J. Ejsing, J. A. García and T. Werner, "The term structure of euro area break-even inflation rates: the impact of seasonality", ECB Working Paper No 830, 2007.

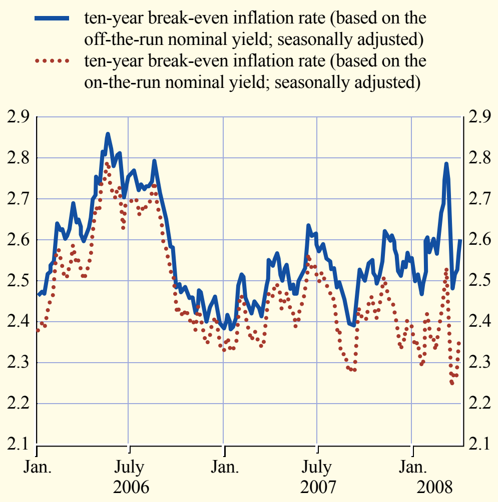
Chart B Ten-year on-the-run premium in the United States

(basis points; daily data)

Sources: Board of Governors of the Federal Reserve System, ECB calculations.

Chart C Measures of the spot ten-year break-even inflation rate in the United States

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



Sources: Board of Governors of the Federal Reserve System, ECB calculations.
Note: The on-the-run comparable nominal yield was computed by subtracting the on-the-run yield premium from an estimated zero coupon off-the-run nominal yield.

pricing identical cash flows using a yield curve estimated using all other bonds and notes ("off-the-run"). For reasons partly related to the functioning of the repo market, the on-the-run note is in particular high demand also under normal market conditions, and trades at a lower yield than otherwise comparable securities.[2] As can be seen from Chart B, this premium has increased substantially since mid-2007 and reached a level of about 25 basis points in February. Hence, using the on-the-run yield as the comparable nominal yield for break-even calculations, which is a common practice, currently leads to a significant underestimation of the ten-year break-even inflation rate (see Chart C) and even more so of long-term forward rates. It is preferable instead to perform the calculation based on nominal yields from an estimated off-the-run curve, as this reduces significantly the discrepancy between the liquidity premia embedded in the real and the comparable nominal yields.

To sum up, sizeable liquidity effects in the government bond markets have recently complicated the interpretation of important indicators derived from bond market data. Specifically, it seems that temporary liquidity factors and their subsequent unwinding, rather than genuine changes in inflation expectations and inflation risk premia, have been the principal factor behind the recent large swings in break-even inflation rates in both the euro area and the United States.

2 For a discussion of the rationale behind the on-the-run premium, see M. Fisher (2002), "Special Repo Rates", Economic Review, Federal Reserve Bank of Atlanta, second quarter, pp. 27-43.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In January 2008 MFI interest rates on loans to non-financial corporations decreased moderately, although to a lesser extent than their respective risk-free rates. Interest rates on loans to households remained broadly unchanged. Since the onset of the financial market turmoil, short-term MFI interest rates have increased broadly in line with money market rates, while developments in long-term MFI interest rates have mainly reflected the rise in the cost of funding on the bond market for MFIs.

In January the broad decline in money market interest rates did not have a clear-cut effect on MFI rates on deposits and loans (see Table 4 and Chart 15). The interest rates on deposits from households and non-financial corporations diminished for short-term loans (less than a year). However, developments in these rates should be cautiously evaluated as they tend to be quite volatile. As regards short-term loans to households, a significant change took place in interest rates on new loans to households for consumption, which increased by 24 basis points between December and January. However, interest rates on new loans to households for house purchase with a floating rate and an initial rate fixation period of up to one year remained unchanged in January. With regard to short-term loans to non-financial corporations, MFI interest rates on both small and large new loans with floating rates and an initial rate fixation period of up to one year dropped by 15 and 21 basis points respectively. These developments suggest that the sharp decline in the three-month money market rate of 37 basis points in January was only partially reflected in MFI rates. Available data for February suggest that, overall, MFI short-term interest rates continued to decline slightly, in parallel with, but by less than, money market rates.

Overall, since June 2007, short-term MFI interest rates have increased broadly in line with movements in money market rates. Between June and January 2008, the three-month money market rate rose by 33 basis points. Over the same period, MFI short-term interest rates on deposits

Table 4 MFI interest rates on new business

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

	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Dec.	2008 Jan.	Change in basis points up to Jan. 2008[2] 2007 June	2007 Sep.	2007 Dec.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	3.27	3.51	3.77	4.07	4.28	4.17	40	10	-11
with an agreed maturity of over two years	2.84	2.71	2.73	3.08	3.09	3.31	58	23	22
redeemable at notice of up to three months	2.37	2.38	2.41	2.57	2.61	2.60	19	3	-1
redeemable at notice of over three months	2.86	3.14	3.31	3.50	3.67	3.75	44	25	8
Overnight deposits from non-financial corporations	1.53	1.72	1.79	1.92	1.97	2.01	22	9	4
Deposits from non-financial corporations									
with an agreed maturity of up to one year	3.47	3.67	3.93	4.13	4.26	4.12	19	-1	-14
with an agreed maturity of over two years	4.03	3.61	4.09	4.37	4.18	4.64	55	27	46
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	7.60	7.69	8.09	8.50	8.24	8.48	39	-2	24
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	4.55	4.78	4.99	5.23	5.31	5.30	31	7	-1
with an initial rate fixation of over five and up to ten years	4.55	4.69	4.89	5.08	5.06	5.07	18	-1	1
Bank overdrafts to non-financial corporations	5.80	6.06	6.18	6.50	6.63	6.62	44	12	-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	5.08	5.29	5.53	5.92	6.08	5.93	40	1	-15
with an initial rate fixation of over five years	4.67	4.83	5.00	5.24	5.28	5.28	28	4	0
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	4.50	4.68	4.90	5.21	5.33	5.12	22	-9	-21
with an initial rate fixation of over five years	4.63	4.86	5.17	5.43	5.47	5.26	9	-17	-21
Memo items									
Three-month money market interest rate	3.68	3.89	4.15	4.74	4.85	4.48	33	-26	-37
Two-year government bond yield	3.79	3.94	4.45	4.10	4.05	3.73	-72	-37	-32
Five-year government bond yield	3.83	3.95	4.57	4.19	4.14	3.86	-71	-33	-28

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

from households and non-financial corporations rose by 40 and 19 basis points respectively. At the same time, short-term rates on loans to non-financial corporations of up to €1 million increased by 40 basis points, whereas rates on household loans for consumption and house purchase rose by 39 and 31 basis points respectively.

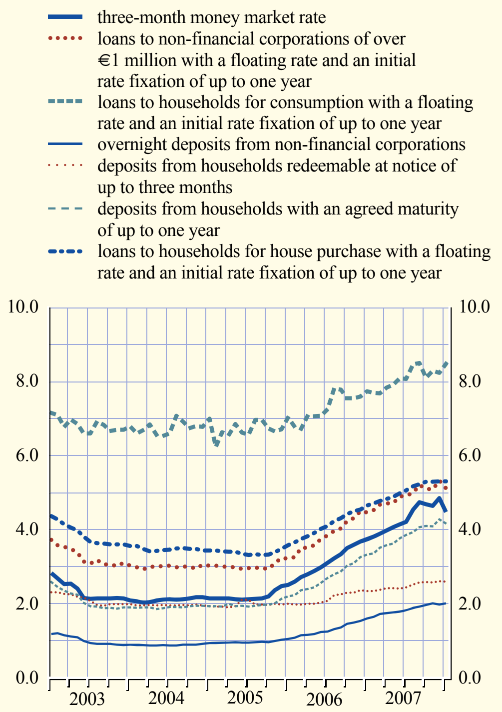
In January 2008 long-term MFI interest rates on deposits with a maturity of over two years increased by 22 basis points for deposits from households and by 46 basis points for deposits from non-financial corporations (see Table 4 and Chart 15). This surge in deposit rates may reflect MFIs' difficulties in accessing market funding, especially when compared with the 32 and 28 basis point drops in the yields on two and five-year government bonds over the same period. Long-term

MFI rates on loans to households for house purchase, as well as on loans of up to €1 million to non-financial corporations, remained broadly unchanged, while rates on long-term loans of over €1 million to non-financial corporations decreased by 21 basis points (see Chart 16). Available evidence for February hints at some limited decrease in MFI long-term interest rates, against the backdrop of a sharp decline in government bond yields.

Looking again at developments since June 2007, longer-maturity MFI deposit and lending rates have been edging upwards. MFI interest rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years rose by 18 basis points. In the case of loans to non-financial corporations with an initial rate fixation period of over five years, MFI interest rates increased by between 28 basis points for loans up to €1 million and by 9 basis points for larger loans. While this development contrasts with the decline of around 70 basis points in five-year government bond yields, it is clearly in line with the sharp increase in the cost of market funding for MFIs. Indeed, taking into account the increase in the yields on bonds issued by MFIs, which between end-June 2007 and end-January 2008 stood at around 45 basis

Chart 15 Short-term MFI interest rates and a short-term market rate

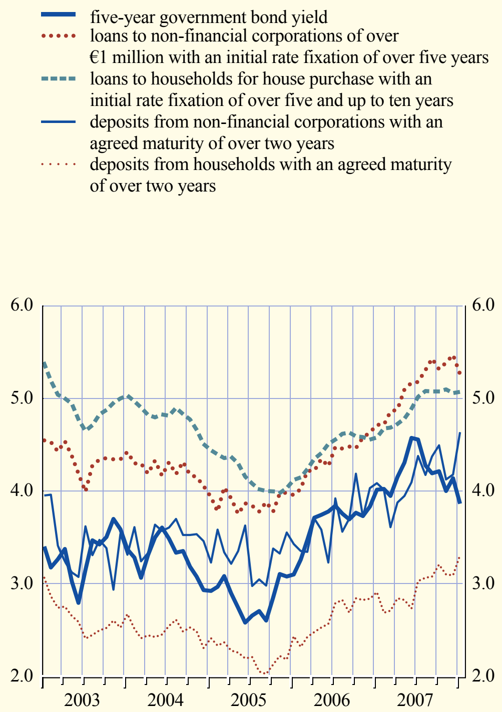
(percentages per annum; rates on new business; weight-adjusted[1])



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

Chart 16 Long-term MFI interest rates and a long-term market rate

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



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

points, banks do not appear to have significantly widened their margins beyond the cost of market funding as yet.

2.6 EQUITY MARKETS

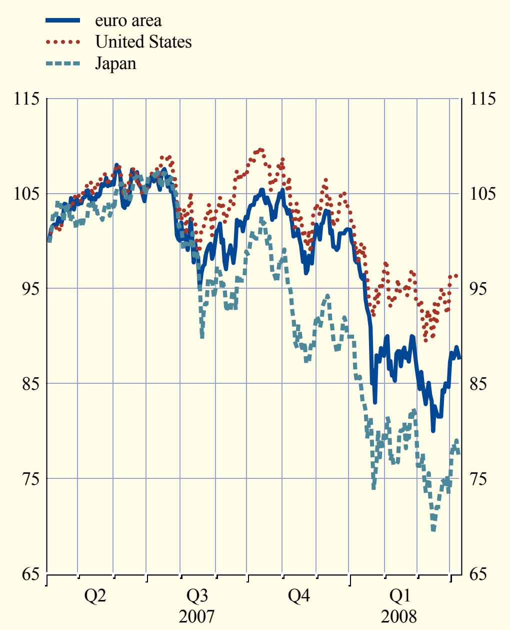
There were volatile movements in equity markets amid continuing stress in global financial markets. In the first half of March US equity prices declined considerably amid increasing market concerns about the liquidity situation of major US financial institutions. Following the announcement of a further interest rate cut by the Federal Reserve, US stock prices recovered considerably. Euro area stock prices mirrored the movements in the US market, albeit with a somewhat more pronounced amplitude.

Broad-based stock price indices in the euro area and the United States were rather volatile in March (see Chart 17). In the first half of March stock prices declined significantly on both sides of the Atlantic. Later, in late March and early April, stock markets rebounded amid partial resolutions of the uncertainty surrounding the size of write-downs of large financial institutions. Overall, stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, increased by above 1% between the end of February and 9 April. Stock prices in the United States, as measured by the Standard & Poor's 500 index, increased somewhat more by around 2%, while stock prices in Japan, as measured by the Nikkei 225 index, experienced a decline of about 4%.

The volatile behaviour of stock prices in the United States probably reflected, among other things, uncertainty on the part of market participants amid the Bear Stearns liquidity crisis. In the first half of March US equity prices declined considerably amid increasing market concerns about the liquidity situation of major US financial institutions. Following the announcement by the Federal Reserve on 16 March of a further interest rate cut and the backing-up of the financing arrangements between JP Morgan and Bear Stearns, stock prices recovered. The main factors behind the overall increase in US stock prices were an increase in equity prices in the industrial sectors and a more modest decrease of share prices of financial institutions. Actual year-on-year growth in earnings per share for firms in the Standard & Poor's 500 index further declined in March compared with the previous month. At the same time, stock market analysts expected that earnings per share for companies in that index would continue to grow at double-digit annual rates over the next 12 months and over the next three to five years. The overall better performance of the US stock market compared

Chart 17 Stock price indices

(index: 1 April 2007 = 100; daily data)



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

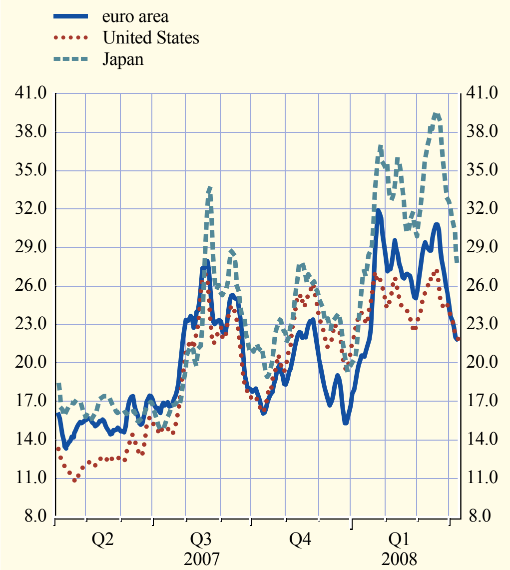
with developments in euro area stock prices has to be seen in the light of developments in the dollar-euro exchange rate, which have probably improved the relative price competitiveness of US firms.

Euro area stock prices mirrored the movements in the US market, albeit with a somewhat more pronounced amplitude. The persistently robust growth of euro area companies' actual and expected earnings in March provided ongoing support to euro area stock prices. Actual year-on-year growth in earnings per share for firms in the Dow Jones EURO STOXX index stood at 11% in March, almost unchanged from the previous month. Stock market analysts expected earnings per share for companies in that index to grow at an annual rate of 8% over the next 12 months, which was somewhat lower than the 10% reported in February. At the same time, the expected annual rate of growth of earnings per share over the next three to five years remained unchanged at 8%. As regards the sectoral stock price performance, despite new announcements of write-downs by major financial institutions in the euro area, the financial sector strongly outperformed the overall index. The relative good performance of this sector probably reflects the fact that possible write-downs of financial institutions related to the financial turmoil were already priced in during previous months. In addition, the announcements of write-downs by major financial institutions reduced the uncertainty about the solvency situation in the financial sector.

Implied stock market volatility, a measure of market participants' uncertainty about short-term stock market developments, remained at relatively high levels in March and early April (see Chart 18).

Chart 18 Implied stock market volatility

(percentages per annum; five-day moving averages 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.

3 PRICES AND COSTS

In March 2008 annual euro area HICP inflation is estimated to have reached 3.5%, up from 3.3% in February, driven by further increases in energy and food commodity prices. These also led to some further increase in industrial producer price inflation. While there are indications of a moderation in the month-on-month growth rates of food producer prices, past developments imply significant pipeline pressures which have not yet reached the consumer level. Labour cost developments continued to be contained on average in 2007, although some increase was visible in the fourth quarter, and preliminary information at country level suggests an acceleration in wages in early 2008. Ongoing short-term inflationary pressures, stemming mainly from oil and food commodity price increases, are likely to keep the annual HICP growth rate significantly above 2% in the coming months. Annual HICP inflation is expected to moderate only gradually over the course of 2008. Risks to the medium-term outlook for inflation remain clearly on the upside. These risks include the possibility of further rises in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. Most importantly, there is a risk that price and wage-setting behaviour could add to inflationary pressures. In particular, the pricing power of firms, notably in market segments with low competition, may prove stronger than currently expected, and stronger than expected wage growth may emerge, taking into account high capacity utilisation and tight labour market conditions.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, overall annual HICP inflation increased to a new high of 3.5% in March 2008, compared with 3.3% in February (see Table 5). Since the autumn of 2007 annual HICP inflation has been driven by strong contributions from both energy and food components, due to a surge in oil and food commodity prices in global markets. Available evidence suggests that strong annual increases in these components continued in March, although a full breakdown of the HICP is not yet available.

In February, the latest month for which detailed information is available, energy and food price increases were again the main sources of short-term inflationary pressure (see Chart 19). The annual rate of change in HICP energy prices was 10.4%, down slightly from 10.6% in January but considerably above the average rate of 2.6% observed over 2007 as a whole. The further increase

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2006	2007	2007 Oct.	2007 Nov.	2007 Dec.	2008 Jan.	2008 Feb.	2008 Mar.
HICP and its components								
Overall index [1]	2.2	2.1	2.6	3.1	3.1	3.2	3.3	*3.5*
Energy	7.7	2.6	5.5	9.7	9.2	10.6	10.4	.
Unprocessed food	2.8	3.0	3.1	3.0	3.1	3.3	3.2	.
Processed food	2.1	2.8	3.8	4.6	5.1	5.8	6.5	.
Non-energy industrial goods	0.6	1.0	1.1	1.1	1.0	0.7	0.8	.
Services	2.0	2.5	2.5	2.5	2.5	2.5	2.4	.
Other price indicators								
Industrial producer prices	5.1	2.8	3.3	4.3	4.4	5.0	5.3	.
Oil prices (EUR per barrel)	52.9	52.8	57.7	62.8	62.8	62.4	64.1	66.1
Non-energy commodity prices	24.8	9.2	3.5	-0.1	1.4	10.4	15.0	10.3

Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream data.
Note: Data on industrial producer prices refer to the euro area including Cyprus and Malta.
1) HICP inflation in March 2008 refers to Eurostat's flash estimate.

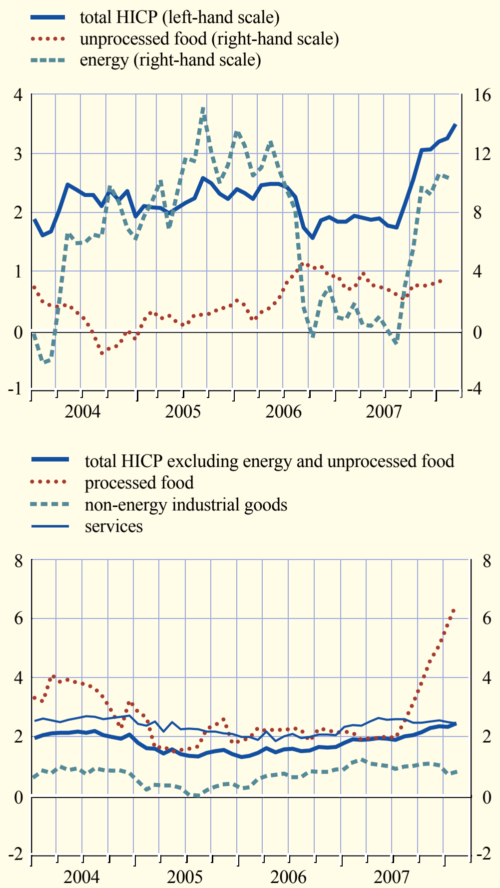
in oil prices in dollars in February, from the already very high levels reached at the beginning of the year, was only partly absorbed by the appreciation of the exchange rate of the euro.

Besides energy price developments, a further sharp increase in food prices strongly contributed to overall HICP inflation in February. With a joint weight of 19.6% in the HICP basket, both processed and unprocessed food price developments contributed on average around 0.8 percentage point to annual HICP inflation between September 2007 and February 2008.

The rise in food price inflation in the euro area largely reflects the sharp increase since mid-2007 in the prices of nearly all major agricultural commodities on global markets, owing to a combination of factors. On the demand side, three major structural causes of upward pressure on international food prices can be identified. First, changes in food consumption patterns in many emerging market economies, induced by strong income growth, has resulted in a steep rise in global demand for foodstuffs. Second, and somewhat more recently, the production of biofuels has increased global demand for certain agricultural crops (e.g. maize) and also affected the supply and demand conditions for a number of substitute crops (e.g. wheat and soybeans). Finally, high energy prices have contributed to raising the cost of energy-intensive inputs for agriculture, such as fertilisers and fuel for transport and machinery. At the same time, several shocks have affected the global supply of agricultural commodities, including wheat crop disruptions due to adverse weather conditions in some major agricultural commodity-exporting countries. Protectionist measures and market speculation are also reported to have influenced global food prices, although to an extent which is difficult to quantify.

Chart 19 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

As regards the transmission of the global food commodity price shock to the consumer level in the euro area,[1] the annual growth rate of processed food prices reached a new high of 6.5% in February, pushed up by a simultaneous rise in all sub-components (particularly in dairy, cereals and oil products). In month-on-month terms, however, the rate of growth in processed food prices has moderated somewhat over the recent months. In the absence of a further shock in global food prices, this moderation should also become visible in terms of annual growth rates in the coming months. By

1 The extent to which the global food price shock is transmitted to the consumer level varies significantly across countries. This reflects the fact that the euro area retail food market is segmented along national lines, due to differences in local preferences, production structures and regulations, as well as in competitive conditions in the retail and distribution sectors.

contrast, the annual growth rate of unprocessed food prices has been relatively little affected so far. It was 3.2% in February, only slightly above its average of 2007, and has shown little volatility in recent months. Nevertheless, prices in the meat sub-component (which account for half of the weight of unprocessed food) have increased over recent months, probably in connection with the recent hikes in animal feed prices. Looking ahead, the outlook for food prices at the global level remains highly uncertain. While it is likely that food demand will remain strong, food price developments will depend notably on the speed at which the supply of agricultural products responds to these pressures.

Excluding food and energy, the annual HICP growth rate was broadly unchanged in February and has been relatively stable since the beginning of 2007. There is so far no evidence of an acceleration in the prices of the two largest HICP components, services and non-energy industrial goods. Despite rising domestic input cost pressures and a still high capacity utilisation rate in the manufacturing sector, the annual rate of change in consumer prices for non-energy industrial goods was 0.8% in February, only slightly up from the previous month and below the growth rates of around 1.0% observed throughout 2007. Short-term inflation dynamics in this component appear to have been significantly dampened by the appreciation of the euro exchange rate and strong international competition. The annual rate of change in services prices was 2.4% in February; it has hovered around the elevated rate of 2.5% since early 2007. However, this masks contrasting developments across sub-categories of services, resulting from different sources of price pressure. Box 2 takes a look at the factors driving the recent developments in services price inflation.

Box 2

RECENT DEVELOPMENTS IN EURO AREA SERVICES PRICE INFLATION

Services prices play an important role in euro area inflation, given that the sector accounts for 40.9% of the HICP index and services prices tend to display elevated growth rates.[1] This box reviews recent developments in euro area services price inflation at both aggregate and disaggregated levels. It assesses price pressures resulting from labour costs and the prices of inputs – such as food and crude oil – that are used intensively by some market services sub-sectors.

Annual euro area HICP inflation in services rose in 2007 to 2.5% for the year as a whole, from 2.0% in 2006 (see Table A). This was above annual overall HICP inflation for 2007 (2.1%). The increase in annual services inflation was more marked over the first half of the year, to some extent owing to the VAT increase in Germany, thereafter receding slightly. In 2007 as a whole, growth in compensation per employee for market services averaged 2.4%, while the corresponding unit labour costs rose at an only moderately slower pace in light of low labour productivity growth in market services (see Table B). The hourly labour cost index for market services rose by 2.4% in 2007 as a whole.[2] Data

1 The share of the services sector in overall gross value added is much larger, at about 70% (some 50% in the case of market services and some 20% for non-market services), using the latest data from the EU KLEMS database for 2005. See M. Timmer, T. van Moergastel, E. Stuivenwold, G. Ypma, M. O'Mahony and M. Kangasniemi, "EU KLEMS growth and productivity accounts,Version 1.0", March 2007. The groupings under market services are listed in Table B. Non-market services include public administration, education, health and some other services.

2 The hourly labour cost index refers to total compensation for all employees divided by all hours worked by employees (including overtime). The index primarily covers the non-agricultural business sector. See the boxes entitled "A comparison of the available labour cost indicators in the euro area: conceptual differences and their behaviour in the period 1999-2002" and "Latest developments in sectoral wages and labour costs in the euro area" in the June 2003 and April 2006 issues, respectively, of the ECB's Monthly Bulletin.

Table A HICP services inflation

(annual percentage changes, unless otherwise indicated)

	Weights										
	% of total services	% of total HICP index	2006	2007	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2007 Dec.	2008 Jan.	2008 Feb.
Total services	**100.0**	**40.9**	**2.0**	**2.5**	**2.4**	**2.6**	**2.5**	**2.5**	**2.5**	**2.5**	**2.4**
Recreation and personal	35.9	14.7	2.3	2.9	2.8	2.9	3.0	3.0	3.0	3.0	3.1
Transport	14.9	6.1	2.5	2.6	2.9	2.6	2.4	2.6	2.8	3.0	3.0
Communications	8.0	3.3	-3.3	-1.9	-2.1	-1.9	-1.5	-2.1	-2.3	-2.9	-3.1
Housing	24.6	10.0	2.5	2.7	2.6	2.7	2.7	2.7	2.6	2.6	2.5
Miscellaneous	16.6	6.8	2.3	3.2	2.5	3.6	3.4	3.2	3.2	3.2	3.2

Source: Eurostat.
Note: Weights are 2008 HICP index weights.

on compensation per employee and the hourly labour cost index both point to a levelling-off in wage pressure in the second half of 2007 (see Table B).[3]

More recently, annual services price inflation has decreased slightly, to 2.4% in February 2008. It has been below the latest figures for overall annual HICP inflation (3.5% in March, according to the flash release), which have been affected in particular by higher prices for food and energy – the most volatile of the index's main components.

3 Moreover, all labour cost indicators suggest less intense wage pressure in trade and repairs, hotels and restaurants, and transport and communications than in financial intermediation and in real estate, renting and business activities (see Table B).

Table B Labour cost indicators in market services

(annual percentage changes, unless otherwise indicated)

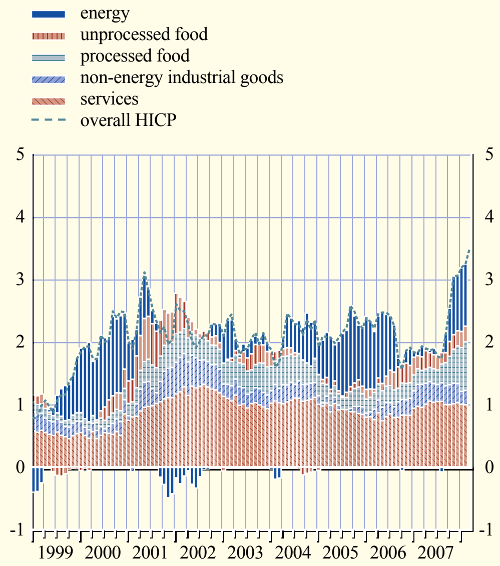
	Weights							
	% of market services	% of total economy	2006	2007	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Hourly labour cost index								
Total market services	**100.0**	**39.9**	**2.1**	**2.4**	**2.1**	**2.4**	**2.5**	**2.5**
Trade and repairs	37.1	14.8	2.3	1.9	1.7	2.0	1.9	1.8
Hotels and restaurants	11.6	4.6	2.8	1.8	0.8	2.2	2.3	1.7
Transport and communications	13.7	5.5	2.0	2.5	2.1	2.9	2.6	2.5
Financial intermediation	7.0	2.8	1.8	3.3	4.0	3.4	2.0	3.9
Real estate, renting and business activities	30.6	12.2	1.9	2.5	1.8	2.2	3.2	2.8
Compensation per employee								
Total market services	**100.0**	**39.9**	**1.9**	**2.4**	**2.7**	**2.5**	**2.1**	**2.2**
Trade and repairs; hotels and restaurants; transport and communications	62.4	24.9	1.6	1.8	1.8	1.9	1.8	1.8
Financial intermediation; real estate, renting and business activities	37.6	15.0	1.7	2.7	3.2	2.8	2.3	2.4
Unit labour costs								
Total market services	**100.0**	**39.9**	**1.1**	**1.7**	**1.4**	**1.8**	**1.6**	**2.1**
Trade and repairs; hotels and restaurants; transport and communications	62.4	24.9	0.4	0.5	-0.4	0.1	0.7	1.4
Financial intermediation; real estate, renting and business activities	37.6	15.0	2.0	3.3	3.5	3.8	2.8	3.1

Sources: Eurostat and ECB calculations.
Note: Weights are 2005 shares in the number of employees recorded in the national accounts. Data for compensation per employee and unit labour costs for 2007 as a whole are averages up to the third quarter. Growth rates for total market services are not weighted averages of growth rates for sub-sectors. The categories shown correspond to the broad NACE Rev. 1.1 groupings: trade and repairs (G), hotels and restaurants (H), transport and communications (I), financial intermediation (J) and real estate, renting and business activities (K).

As in past years, services items made the largest contribution to overall HICP inflation throughout 2007. In January and February 2008, however, energy equalled services' contribution, with both components contributing 1.0 percentage point (see Chart).

Contributions to HICP inflation

(percentage points; annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: The latest observation refers to March 2008 and corresponds to the flash release for overall HICP inflation.

At a disaggregated level, annual services price inflation was in 2007 led by prices for recreational and personal services (2.9% year on year) and miscellaneous items such as education and financial services (3.2%) (see Table A). Inflation in these two sub-sectors has remained high at the start of 2008. Inflation in recreational and personal services has been driven by rises exceeding 3% year on year in the category "restaurants, cafés and the like", which represents almost 7% of the HICP index.[4] In the first half of 2007, the German VAT increase seems to have contributed to the higher inflation in the items included in this category, which, from the second half, experienced inflationary pressure from the sharp increase in food input prices. Most recently, the PPI for food and beverages recorded an increase of 9.4% year on year on average in January and February 2008, while the HWWI index for food and tropical beverages (in euro) rose at an even faster pace in the same period. By contrast, growth in the hourly labour cost index (available only for the group "hotels and restaurants") has remained muted, at 1.8% in 2007 as a whole and even lower in the fourth quarter of the year (see Table B).

Turning to inflation in miscellaneous services, the most dynamic item has been education (9.5% year on year on average in January and February 2008),[5] whose prices have been affected in particular by the marked rise in German university tuition fees in April 2007. Annual inflation in miscellaneous services items relating to financial services has recently eased markedly, which is in line with evidence of a slowdown in financial activity and in part stems from favourable base effects relating to the German insurance tax increase in January 2007. The moderation in inflation in financial services at the beginning of 2008 has taken place despite a period of relatively fast growth in the hourly labour cost index for overall financial intermediation in 2007 (see Table B). The Purchasing Managers' index (PMI) for total costs in financial intermediation services reflects this wage pressure. Although it dropped from 60.2 in the fourth quarter of 2007 to 57.7 on average in January and February 2008, it remained significantly above the 50 level indicating no change in prices.

Among the remaining services sub-components, transport and housing services price inflation slightly exceeded the overall services average in 2007, whereas inflation in communications was negative (see Table A). At the start of 2008, inflation in transport rose to 3.0% in both January and

4 Annual inflation in canteen prices – an item constituting 0.7% of the HICP index – has been rising at a somewhat slower pace.
5 The groups in the category "education" are pre-primary, primary, secondary, post-secondary non-tertiary, tertiary, and education not definable by level.

February, while housing services still registered annual inflation slightly above the overall services average and communications prices stood even more markedly below levels a year previously. In the case of transport, which amounts to slightly over 6% of the HICP index, the recent upward pressure appears to result mainly from oil price rises. The annual rate of increase in the PPI for refining products increased in the second half of 2007 and reached 23.6% in February 2008, while the price of Brent crude oil (in euro) has recently displayed even faster year-on-year rises. By contrast, the hourly labour cost index (available only for the total of transport and communications) suggests that wage growth may have levelled off in the second half of 2007 (see Table B).

In sum, services price inflation has remained elevated in recent months. For individual sub-components, recent cost pressures can be detected in food input prices for restaurants, cafés and related services activities, as well as in oil costs for transport. By contrast, softer price pressures are evident in financial services, where, in particular, economic activity appears to be slowing down. The latest data point to a levelling-off in the faster wage growth observed in market services in 2007. However, tighter labour market conditions represent an upside risk to euro area services price inflation, as does the possibility of a strengthening in the pricing power of firms, especially in market segments with low competition.

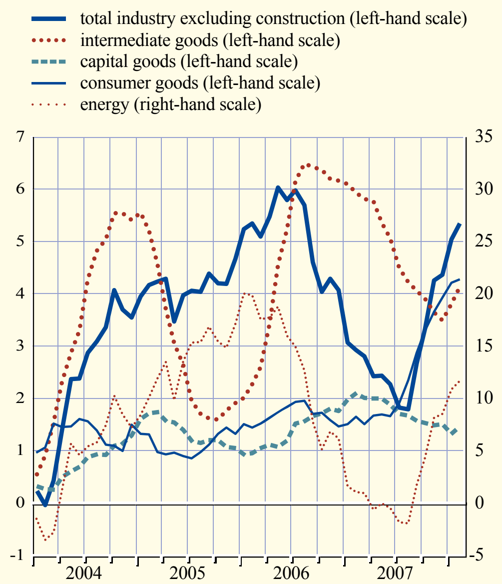
3.2 INDUSTRIAL PRODUCER PRICES

The further acceleration in overall industrial producer prices (excluding construction) in February 2008, which increased by 5.3% in annual terms after 5.0% in January (see Chart 20), points to an ongoing build-up of inflationary pressures in the initial stages of the production chain, mostly stemming from continued oil and food commodity price increases. Among the components of industrial producer prices, there was a further strong increase in the annual rate of change in energy producer prices, following the rise in crude oil prices. However, the annual rate of change in industrial producer prices excluding energy also edged up, to 3.6%, in February. This was mainly due to an increase in the annual rate of change in intermediate goods prices for the second month in a row, indicating some reversal of the downward path followed between October 2006 and December 2007. This increase reflects higher industrial raw material prices and strong oil price increases, which have been only partly compensated by the appreciation of the euro. The annual rate of change in capital goods prices in February remained below its 2007 average.

Producer prices for consumer goods increased further in February, largely driven by food producer prices, which rose by 9.5% in annual terms. Nevertheless, the decline in the month-on-month rate of change in the latter item observed over the period from November 2007 to February 2008 might indicate that the recent strong upward food price dynamics have started to weaken. Notably, producer prices for dairy products, one of the largest food components, did not change between January and

Chart 20 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

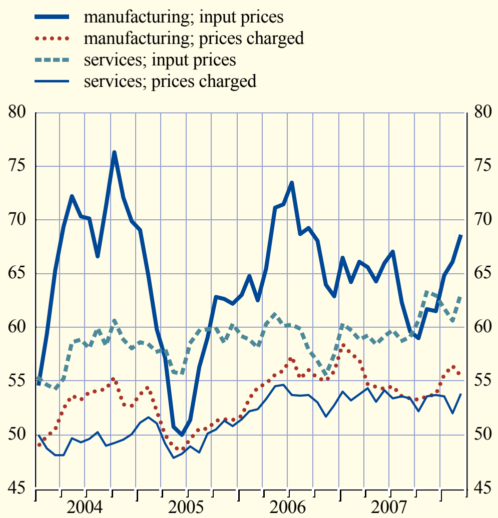


Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Cyprus and Malta.

February, after having increased by an average monthly rate of 1.4% over the period from May 2007 to January 2008. Despite this moderation in short-term movements, past developments still imply significant accumulated pipeline pressures which have not yet reached the consumer level. In particular, these pressures could have a further impact on the consumer prices charged by food-related service providers. By contrast, the annual rate of change in producer prices for consumer goods excluding tobacco and food prices continued in February to move around the moderate level observed since the beginning of last year. Thus there is so far no evidence of an increase in pipeline pressures on consumer prices for non-energy industrial goods.

Chart 21 Producer input and output price surveys

(diffusion indices; monthly data)



Source: NTC Economics.
Note: An index value above 50 indicates an increase in prices, whereas a value below 50 indicates a decrease. Data refer to the euro area including Cyprus and Malta.

The ongoing build-up of inflationary pipeline pressures evidenced by producer price data appears to be confirmed by the latest information on firms' price-setting behaviour from the NTC Economics Purchasing Managers' Index (PMI) (see Chart 21). In the manufacturing sector, the input cost indicator increased strongly in March 2008 for the third consecutive month. Survey respondents again said that the rising input cost pressures in manufacturing were due to higher prices for oil, energy, metal and food products. In the services sector, the indicator of input costs also rose to a high level, close to its seven-year peak of November 2007, with respondents citing higher costs of food and energy. Output price indicators showed divergent developments in March, with an easing in manufacturing and a rise in the services sector. Nevertheless, they stand well above their historical averages.

3.3 LABOUR COST INDICATORS

The picture emanating from the labour cost indicators confirms that wage developments continued to be contained in 2007, with average annual growth rates over the year more or less in line with those of 2006 (see Table 6 and Chart 22). Some increase was observable in the last quarter of 2007,

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2006	2007	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Negotiated wages	2.3	2.2	2.5	2.0	2.3	2.2	2.1
Total hourly labour costs	2.5	2.5	2.1	2.2	2.6	2.5	2.7
Compensation per employee	2.2	2.3	1.8	2.4	2.2	2.2	2.5
Memo items:							
Labour productivity	1.2	0.8	1.6	1.4	0.8	0.8	0.5
Unit labour costs	1.0	1.5	0.2	1.0	1.4	1.4	2.0

Sources: Eurostat, national data and ECB calculations.
Note: Data on negotiated wages and hourly labour costs do not include Cyprus and Malta.

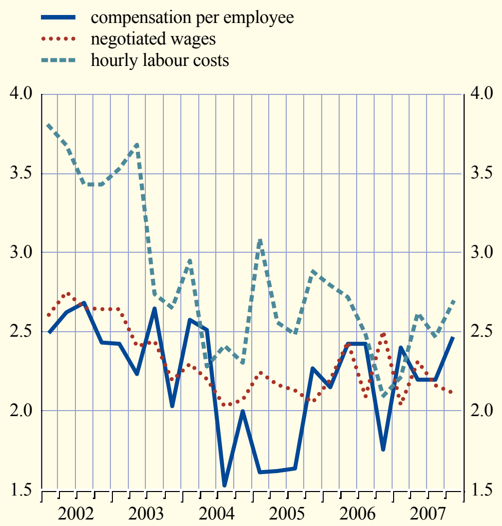
however, pointing to a likely increase in labour cost growth in 2008.

The annual growth rate of hourly labour costs was 2.7% in the fourth quarter of 2007, up slightly from the rates of growth recorded earlier in the year. This increase comes mainly from a rise in the annual growth rate of wage costs, while the growth rate of other labour costs (mainly social security contributions) moderated somewhat. The annual growth rate of compensation per employee likewise increased, to 2.5% in the last quarter of 2007. Combined with a further slowdown in productivity, this led to a noticeable rise in unit labour cost growth to 2.0% in the fourth quarter of 2007.

The aggregate figure for compensation per employee in 2007 conceals opposing sectoral developments (see Chart 23). On the one hand, the average annual growth rate of compensation per employee in industry recorded a significant slowdown in 2007 compared with 2006. However, alternative data sources (in particular the Eurostat short-term statistics dataset) suggest that this was driven mainly by a substantial decline in wage growth in the energy sector, while wage growth dynamics in the manufacturing sector appear to have been comparable to those observed in 2006. On the other hand, the annual growth of compensation per employee in services increased, reflecting a noticeable increase in wage growth in all market services, as well as some exceptional developments in the non-market services sector in 2007.

Chart 22 Selected labour cost indicators

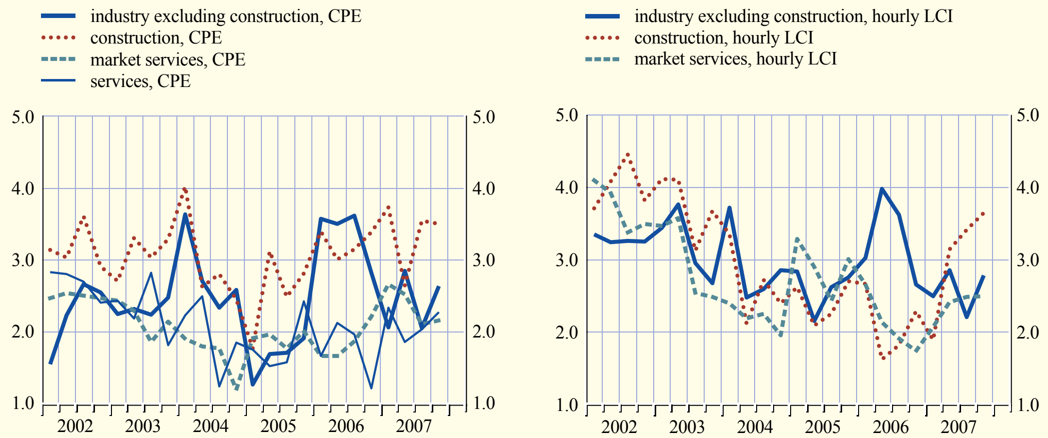
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.
Note: Data on compensation per employee refer to the euro area including Cyprus and Malta.

Chart 23 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".

Looking ahead, the rise in labour cost growth is expected to continue in 2008, as anticipated in the March 2008 ECB staff macroeconomic projections. This is expected to stem from both a phasing-out of policies aiming at reducing social security contributions and a rise in actual wage growth. According to preliminary data available at country level, some first signs of an acceleration in wages have become visible in the first months of the year. This is confirmed by information from the latest wage negotiations in several euro area countries, against a background of tighter labour markets.

3.4 THE OUTLOOK FOR INFLATION

In the short run, annual HICP inflation is likely to remain at a high level for some time to come. In the light of the latest oil price developments and ongoing food price pressures, headline inflation rates are expected to remain well above 2% in the coming months, moderating only gradually over the course of 2008. Risks to the outlook for inflation over the medium term remain clearly on the upside. These risks include the possibility of further rises in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. Most importantly, there is a risk that price and wage-setting behaviour could add to inflationary pressures. In particular, the pricing power of firms, notably in market segments with low competition, may prove stronger than currently expected, and stronger than expected wage growth may emerge, taking into account high capacity utilisation and tight labour market conditions.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest information on economic activity confirms the expectation of moderate but ongoing economic growth at the beginning of 2008. Surveys of business and consumer confidence, which have indicated a decline in confidence since the summer of 2007, suggest that the moderation continued in the first quarter of 2008, despite some improvement in both the industrial and construction sectors. The fundamentals of the euro area economy remain sound, however, and the euro area economy does not suffer from major imbalances. Profitability has been sustained, employment growth has been robust and unemployment rates have fallen to levels not seen for 25 years. Uncertainty about the prospects for economic growth remains high. The financial market turbulence may last longer than initially expected and the risks surrounding the outlook for economic activity lie on the downside

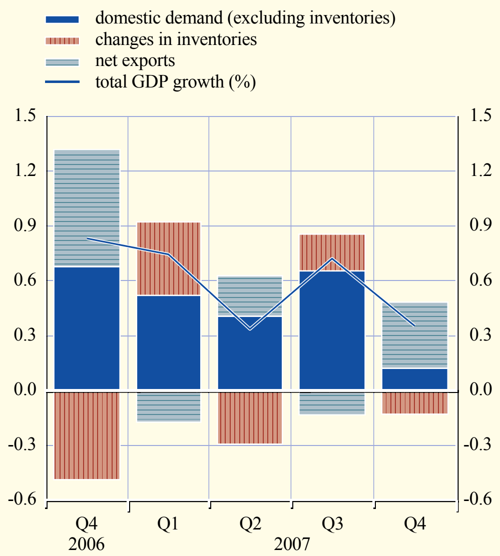
4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's second estimate of national accounts data confirmed that real GDP growth was 0.4% in the fourth quarter of 2007, while it was 0.7% in the previous quarter (see Chart 24). The composition of GDP growth was left broadly unchanged from the first estimate. This moderation in economic activity in the fourth quarter is mainly explained by lower domestic demand, which contributed by only 0.1 percentage point to real GDP growth. Private consumption declined by 0.1% on a quarter-on-quarter basis, while investment slightly decelerated, to 0.8%, on the same basis, reflecting zero growth in construction investment but strong growth in non-construction investment. The moderation in domestic demand was partly compensated by a strong net trade contribution to GDP growth, of 0.4 percentage point, mainly on account of a decline in imports. Inventories made a small negative contribution to real GDP growth of -0.1 percentage point.

Chart 24 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Cyprus and Malta.

SECTORAL OUTPUT

The contribution of the services sector to euro area total value added was 0.2 percentage point in the fourth quarter of 2007, compared with 0.4 percentage point in the previous quarter. The industrial sector provided a weak contribution to value added growth in the fourth quarter, at 0.1 percentage point, having made a contribution of 0.3 percentage point in the third quarter.

Euro area industrial production (excluding construction) rebounded to 0.6% month on month in January 2008 (see Chart 25), which was well above market expectations. In particular, the production of capital goods was very strong (2.7%). The level of industrial production in January was 0.5% above its average level in the previous quarter, which bodes well for the first quarter of 2008. This is supported by a rebound in industrial new orders (excluding heavy transport equipment), a leading indicator of industrial production, which increased by 1.2% month on month in January.

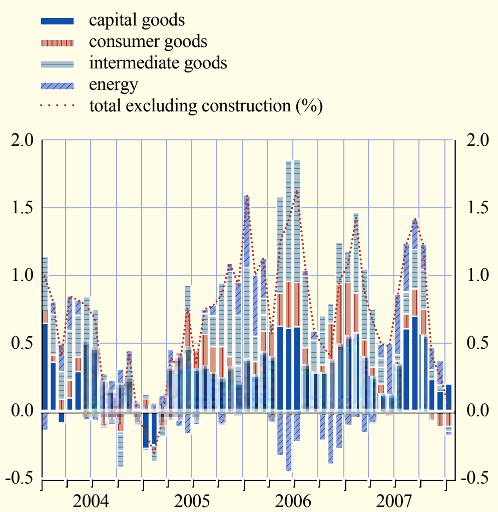
These positive developments should not be seen as indicating a change in the trend of moderating growth observed in the industrial sector in recent months, however. The Purchasing Managers' Index (PMI) for the manufacturing sector fell further in the course of the first few months of 2008 (see Chart 26). While, on average, it is broadly unchanged compared with the last quarter of 2007, it currently stands below its long-term average, at a level consistent with ongoing but moderating growth. A similar picture is conveyed by the European Commission's industrial confidence indicator, which declined in the first quarter of 2008, although it is somewhat more optimistic as the indicator remains above its historical average.

Production in the construction sector rebounded strongly in January, to 1.2% month on month, having declined for two consecutive months. The increase in January reflects the exceptionally good performance of Austria and Germany (monthly growth of 22.3% and 11.4% respectively) and, to a lesser extent, of the Netherlands (4.8%), which was partly on account of very mild weather conditions. However, this rebound comes in the wake of a slowdown in construction activity seen since late 2006 and is likely to be short-lived. Construction confidence fell further in March 2008, according to the European Commission's indicator, and was on average lower in the first quarter of 2008 than in the previous quarter.

As regards services, survey data available up to March point to moderating growth in this sector also. On average, the level of the PMI for business activity in the services sector in the first quarter of 2008 was well below the level observed in the fourth quarter of last year. In March 2008 the PMI for services declined further, to 51.6, standing below its historical average of 54.4. A similar picture

Chart 25 Industrial production growth and contributions

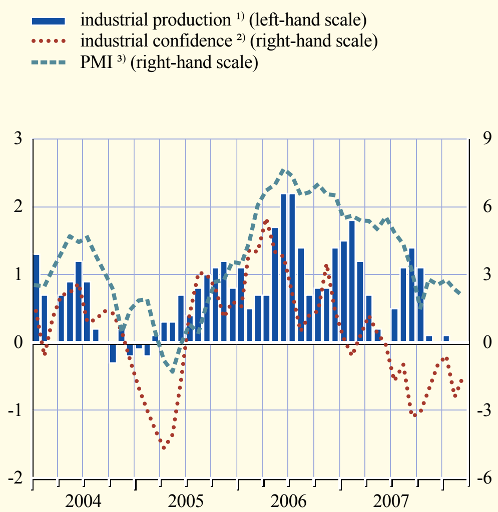
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



Sources: Eurostat and ECB calculations.
Notes: Data shown are calculated as three-month moving averages against the corresponding average three months earlier. Data refer to the euro area including Cyprus and Malta.

Chart 26 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.
Note: Data on industrial production refer to the euro area including Cyprus and Malta.
1) Three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

is conveyed by the Commission's services confidence indicator, which dropped again in March. Available information on the sub-sectoral breakdown suggests that the weaker performance of the services sector may reflect the impact of the various shocks that have affected the euro area economy in the recent past. These shocks stem from food prices (affecting the hotels and restaurants sub-sector), oil prices (affecting transport) and financial tightening and the financial turmoil (affecting the real estate services and financial intermediation sub-sectors). However, survey data remain consistent with positive growth in the services sector as a whole in the first quarter of 2008.

Overall, the survey data for both the industrial and services sectors suggest that the GDP growth rate in the first quarter of 2008 may be in line with that seen in the fourth quarter of last year.

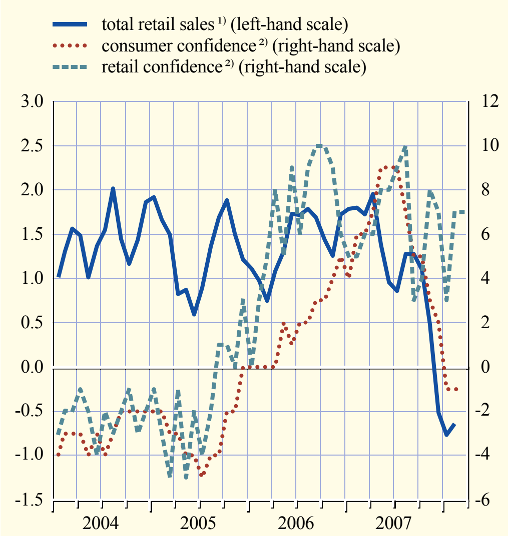
INDICATORS OF HOUSEHOLD SPENDING

The latest information on household spending indicates a significant weakening in private consumption in late 2007. Euro area private consumption declined by 0.1% quarter on quarter in the fourth quarter, compared with an increase of 0.5% in the previous quarter. According to the available data, this was partly due to a fall in spending on retail goods, with retail sales declining by 0.8% quarter on quarter (see Chart 27). The drop in euro area private consumption in the fourth quarter partly reflected developments in households' decisions on saving and spending in Germany, where private consumption contracted substantially. However, it also resulted from a deceleration in private consumption in other euro area countries, such as France and Spain.

In February retail sales shrank by 0.6% month on month, reversing the previous month's increase. Meanwhile, new passenger car registrations in the euro area increased by 3.2% month on month in February, following a decrease of a comparable magnitude in the previous month. The European Commission's retail trade confidence indicator, which captures the perceptions of retailers, was unchanged in March. This indicator, which has been affected by significant volatility in the recent past, remained at a historically high level but declined notably in the course of 2007. Euro area consumer confidence remained unchanged in March vis-à-vis February and January, standing at a level below its long-term average for the third consecutive month. On a three-month moving average basis, however, consumer confidence declined, thereby continuing the downward movement that started in mid-2007. In contrast, conditions are favourable in the labour market, providing support for private consumption in 2008.

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

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
Note: Data on total retail sales refer to the euro area including Cyprus and Malta.
1) Annual percentage changes; three-month moving averages; working day-adjusted.
2) Percentage balances; seasonally and mean-adjusted.

4.2 LABOUR MARKET

The euro area labour market has shown a clear improvement in recent years, and, despite slowing somewhat, this favourable trend has continued according to the latest data. Employment expectations, although weakening, remain at a high level and underpin the assessment that labour market prospects are broadly positive. The improvement in the labour market also reflects structural reforms. However, there is still scope for further reforms as noted in the update of the integrated policy guidelines for the implementation of the Lisbon strategy (see Box 3).

Box 3

THE 2008 UPDATE OF THE INTEGRATED POLICY GUIDELINES OF THE LISBON STRATEGY

In March 2008 the European Council launched the 2008-10 cycle of the Lisbon strategy for growth and jobs. Among other objectives, the Lisbon strategy aims to increase economic growth, productivity and labour utilisation in the European economy.

The Lisbon strategy was renewed in spring 2005 when the European Council endorsed a new governance framework. At the core of this new framework are the Integrated Guidelines for Growth and Jobs which cover a three-year policy cycle and bring together the Broad Economic Policy Guidelines and the Employment Guidelines.[1] Reviewing the results at the end of the 2005-08 cycle, the European Council concluded at its meeting in March 2008 that the Lisbon strategy is starting to deliver results and confirmed that the current Integrated Guidelines continue to provide the right framework for economic policies aimed at enhancing growth and employment in Europe. Therefore, the Integrated Guidelines remain unchanged and the focus for the new cycle (2008-10) should be on the implementation and delivery of reforms.[2] As regards the euro area, the Council noted that further significant reform efforts are still required to prepare countries for the challenges of globalisation, strengthen the foundations for economic success and ensure the smooth functioning of Economic and Monetary Union. The recommendations for euro area countries include: pursuing their medium-term budgetary consolidation objectives in line with the Stability and Growth Pact, improving the quality of public finances by reviewing public expenditure and taxation, increasing competition, especially in services, and improving the flexibility and security of labour markets. This box reviews the progress made in the implementation of the guidelines, as well as the recommendations for the new 2008-10 cycle.

Progress with economic policy reforms

Economic conditions have been favourable since 2005 when the Lisbon strategy for growth and jobs was relaunched. This can be seen in an average annual euro area GDP growth rate of 2.4% for the period 2005-07 and a fall in the unemployment rate from 8.8% in 2005 to 7.4% in 2007. While the favourable labour market developments mainly reflect cyclical effects, there is also some evidence of a structural component linked to past reforms enacted by euro area countries.

Progress in implementing structural reforms is evident in higher levels of employment, in particular among women and older people. Furthermore, a number of euro area countries have been successful in implementing measures to increase competition in some areas of the services sector and some have cut the administrative burden and put in place measures to facilitate starting a business.

1 See the box entitled "The Integrated Guidelines for Growth and Jobs 2005-2008" in the August 2005 issue of the Monthly Bulletin.
2 See "Integrated Guidelines for Growth and Jobs (2008-2010) including a draft for a Council recommendation on the broad guidelines for the economic policies of the Member States and the Community" in the 28 February 2008 draft report from the ECOFIN Council to the European Council on the Broad Economic Policy Guidelines 2008-2010.

Regarding public finances, several countries have made significant progress on moving to sound budgetary positions. Moreover, some countries have reported measures intended to both reduce public expenditure and improve its composition, while others have announced revenue measures focused on reducing the distortions arising from the tax system and administrative charges.

Continuing challenges

While these achievements are encouraging, euro area countries still suffer from structural weaknesses that hamper labour supply, job creation, innovation and the adoption of technological advances and limit their capacity to respond to economic shocks.

In recent years productivity growth has remained weak, constraining general income growth. A sustained improvement in productivity growth therefore remains a key challenge for economic policies in the euro area.[3] This holds true in particular in several services sectors where productivity growth has stalled. Over the period 1995-2005, compared with the previous 15 years, euro area labour productivity growth fell in most non-information and communications technology-related sectors and especially in market services, including distribution and financial and business services, whereas it significantly accelerated in the United States and other countries. It is therefore imperative that euro area countries implement measures to enhance competition, including across countries. This can be achieved by reducing rigidities in product markets, in particular energy markets, and by the implementation of the Services Directive in its entirety.[4] Further product and services market reforms aimed at increased cross-border competition and further integration of markets across the euro area countries would strengthen incentives for firms to eliminate inefficiencies, improve their performance and innovate. This would increase their capacity to smoothly and quickly adjust to economic shocks.[5] It would also provide incentives to increase research and development spending, which in 2006 averaged less than 2% of GDP in the euro area countries and is very likely to fall short of the Lisbon target of reaching 3% of GDP by 2010. Efforts to improve the business environment have sometimes been implemented in a piecemeal way as opposed to being part of an integrated approach geared towards encouraging entrepreneurship, in particular among small and medium-sized enterprises.

In addition, while higher levels of employment have been achieved, employment rates in many euro area countries still fall short of the Lisbon target of 70% and continue to be low compared with other OECD countries. Long-term unemployment and unemployment in certain segments of the labour market, especially among young people, remain far too high in several countries. Policies that allow for wage differentiation and increase flexibility in the labour market, such as the expansion of part-time work and temporary agency work, could help to address these problems. Such policies could also assist in alleviating the "insider-outsider" phenomenon in the European labour market. Tax and benefit systems could be further restructured so as to minimise disincentives to employment and investment.[6]

3 The article entitled "Productivity developments and monetary policy", in the January 2008 issue of the ECB's Monthly Bulletin provides a detailed analysis of productivity developments in the euro area.

4 The Directive on services in the internal market – which aims to bolster the freedom of EU companies to establish themselves in other Member States and the free movement of services – was adopted by the European Parliament and the Council in December 2006, and must be transposed by the Member States into national law by the end of 2009. See "Competition and economic performance of the euro area services sector", in the May 2007 issue of the ECB's Monthly Bulletin.

5 For a detailed analysis of the degree of competition in the euro area services sector and its effects on labour productivity and prices, see the article entitled "Competition and economic performance of the euro area services sector", in the May 2007 issue of the ECB's Monthly Bulletin.

6 For a review of recent structural developments in the euro area labour markets, see the article entitled "Developments in the structural features of the euro area labour markets over the last decade", in the January 2007 issue of the ECB's Monthly Bulletin.

Looking ahead, increasing labour supply and employment would help to counter the economic and budgetary effects of population ageing. In this regard, countries must also take measures to ensure that public finances are sustainable, by speeding up the pace of budgetary consolidation, further reforming pension and health care systems and shifting public spending and revenues towards more productive uses.

Continuing with reform efforts is key

Overall, it is essential to ensure that euro area countries continue to pursue macroeconomic policies aimed at enhancing growth and employment, maintaining sound and sustainable fiscal positions and improving the efficiency of public spending and revenues in order to address the issues reported above. Well-designed structural policies, which promote flexibility in product and labour markets, enhance education and training and foster research and development, are crucial for the long-run performance and smooth functioning of an economy. This is particularly true of a monetary union like the euro area, in which national monetary and exchange rate policies can no longer be used as adjustment mechanisms.[7] The Lisbon strategy for growth and jobs provides the right framework for the euro area countries to accelerate structural reform efforts. It is now crucial that the reform agenda is put into practice.

7 See N. Leiner-Killinger, V. López Pérez, R. Stiegert and G. Vitale, "Structural Reforms in EMU and the Role of Monetary Policy", ECB Occasional Paper No 66, July 2007.

UNEMPLOYMENT

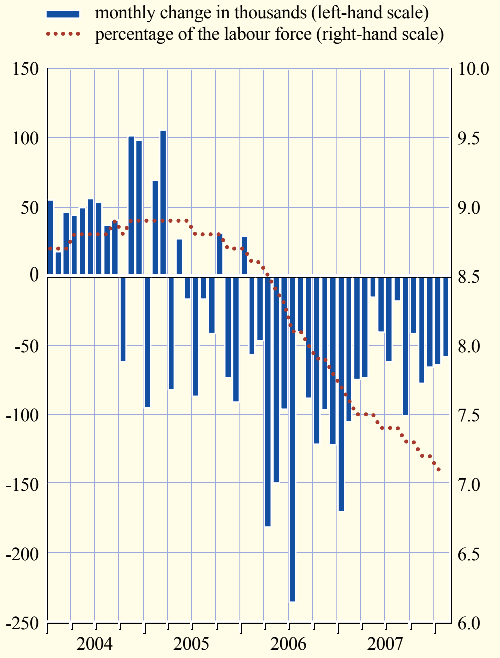
The euro area unemployment rate stood at 7.1% in February, unchanged with respect to January (see Chart 28). This figure is the lowest rate seen since the early 1980s. The number of unemployed persons declined by 59,000 in February, a rate of change slightly below the average monthly decline observed in the previous two quarters. In annual terms, unemployment was down by 700,000 persons compared with February 2007. Across countries, the unemployment rate remained stable or declined in all euro area countries except Luxembourg, Ireland and Spain, where it increased. The latter two euro area countries recorded booming activity in the construction sector in previous years, and employment in these countries is now affected by the fact that construction activity has cooled very rapidly in recent months.

EMPLOYMENT

Following strong economic activity in the euro area, employment growth rose substantially in 2006 and 2007 compared with 2005 (see Table 7), and the available information points to continued expansion in early 2008.

Chart 28 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.
Note: Data refer to the euro area including Cyprus and Malta.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2006	2007	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Whole economy	1.6	1.8	0.4	0.6	0.5	0.4	0.2
of which:							
Agriculture and fishing	-1.4	-0.8	-0.5	1.2	-0.6	-1.1	-0.5
Industry	0.6	1.5	0.5	0.7	0.2	0.0	0.1
Excluding construction	-0.4	0.5	0.1	0.2	0.1	0.1	0.0
Construction	2.8	3.8	1.5	1.9	0.4	-0.2	0.2
Services	2.1	2.0	0.4	0.5	0.6	0.7	0.3
Trade and transport	1.5	1.7	0.1	0.5	0.8	0.8	0.0
Finance and business	3.7	3.8	0.7	1.2	1.0	0.7	0.8
Public administration [1]	1.8	1.3	0.4	0.2	0.4	0.5	0.2

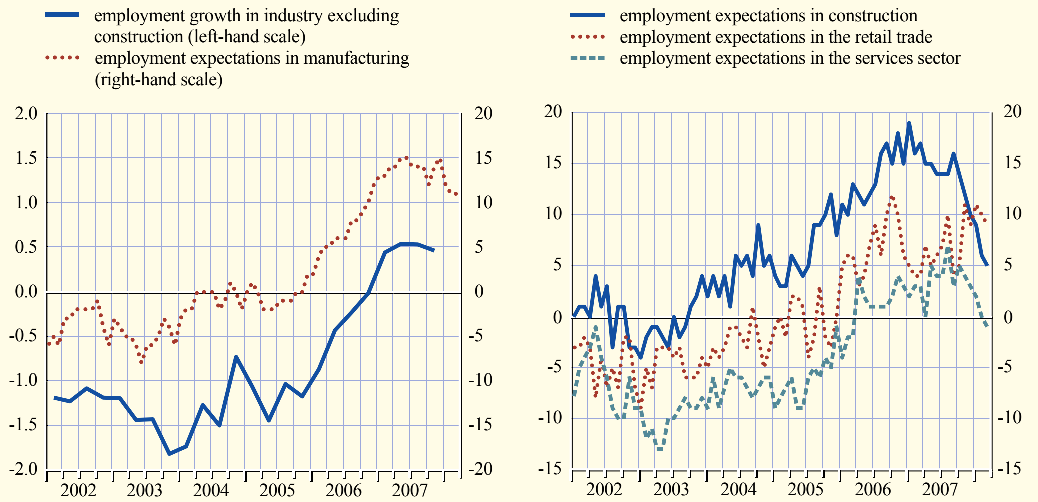
Sources: Eurostat and ECB calculations.
1) Also includes education, health and other services.

Euro area employment growth was 0.2% quarter on quarter in the fourth quarter of 2007, following an increase of 0.4% in the previous quarter. The sectoral breakdown shows that the moderation in employment growth in the second half of 2007 was broadly based across sectors, with a more pronounced deceleration in the construction sector. Among services, lower rates of employment growth in the second half of 2007 were observed in both the trade and transport sub-sector and the finance and business sub-sector.

The favourable developments in the euro area labour market in recent years appear to have persisted at the beginning of 2008, based on survey data available up to March (see Chart 29). According to the NTC Economics PMI survey, job creation continued in March in both the industrial and services sectors. The employment expectations reported in the European Commission's Business and Consumer

Chart 29 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



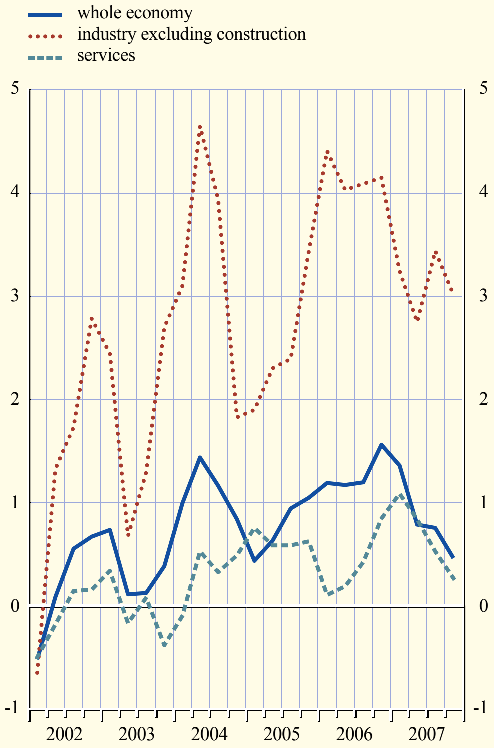
Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

Survey convey a similar picture. Notwithstanding the slight decline in employment indicators observed in both surveys in recent months, labour market conditions have so far remained broadly resilient to the recent increase in uncertainty regarding economic growth prospects.

Year-on-year labour productivity growth (per person employed) was 0.5% in the fourth quarter of 2007, compared with 0.8% in the previous quarter (see Chart 30). At the sectoral level, the decline in productivity growth recorded in the second half of 2007 is mainly explained by the services sector. Survey data available from the PMI survey to February 2008 point to a further small deterioration in labour productivity growth in the first quarter of 2008, in particular in the services sector.

Chart 30 Labour productivity

(annual percentage changes)



Sources: Eurostat and ECB calculations.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest information on economic activity confirms the prospect of moderating economic growth around the end of 2007 and beginning of 2008. Following the quarter-on-quarter real GDP growth rate of 0.4% in the fourth quarter of 2007, the results of surveys of business and consumer confidence, which have followed a downward trend since the summer of 2007, overall remain consistent with ongoing growth.

Looking ahead, both domestic and foreign demand are expected to support ongoing real GDP growth in the euro area in 2008, albeit to a lesser extent than during 2007. While moderating, growth in the world economy is expected to remain resilient, benefiting in particular from strong growth in emerging economies. This should continue to support euro area external demand. Meanwhile, investment growth in the euro area should provide ongoing support to economic activity, as capacity utilisation is high, profitability has been sustained and there are no significant signs of supply constraints on bank loans. At the same time, as a result of the improved economic conditions and wage moderation, employment and labour force participation have increased significantly and unemployment rates have fallen to levels not seen for 25 years. While being dampened by the impact of higher energy and food prices on purchasing power, consumption growth should continue to contribute to economic expansion, in line with real disposable income growth.

The uncertainty surrounding this outlook for economic growth remains high, and downside risks prevail. The risks relate mainly to the financial market turbulence, which could last longer than initially thought and could have a broader than currently expected impact on the real economy. Moreover, downside risks also stem from the dampening impact on consumption and investment of further unanticipated increases in energy and food prices, as well as from protectionist pressures and the possibility of disorderly developments owing to global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In March 2008 the euro appreciated in nominal effective terms after three months of relative stability. This strengthening of the euro was broad-based and on 9 April the euro stood 3.5% above its level at the end of 2007 in nominal effective terms.

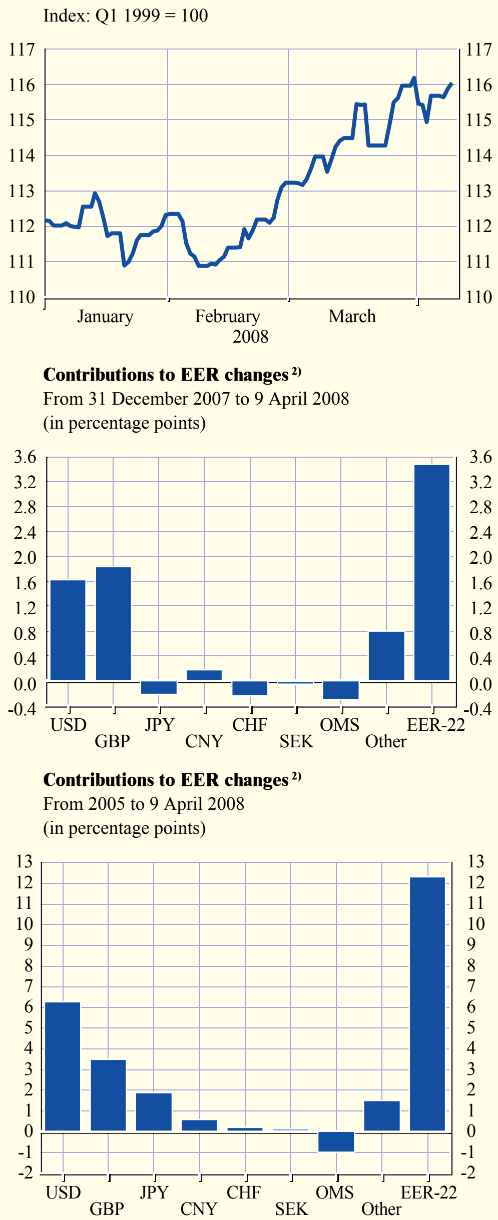
EFFECTIVE EXCHANGE RATE OF THE EURO

On 9 April 2008 the nominal effective exchange rate of the euro – as measured against the currencies of 22 of the euro area's important trading partners – stood 3.5% above its level at the end of 2007 and almost 8% higher than its average level in 2007 (see Chart 31). In the course of March, the euro underwent a sizeable strengthening. This was partly owing to its appreciation against the US dollar, as renewed concerns about global credit markets led market participants to expect a widening gap in future policy interest rates between the United States and the euro area amid significant downward revisions in the growth forecasts for the United States. This strengthening of the euro contrasts with its relative stability in the three-month period ending mid-February. Taking a longer-term perspective, the current nominal effective exchange rate of the euro stands about 12% higher than its average level in 2005. This appreciation is mainly attributable to a strengthening of the single currency vis-à-vis the US dollar, the pound sterling and the Japanese yen (see Chart 31).

In addition to its appreciation against the US dollar, the higher nominal effective exchange rate of the euro in March also reflects a more broad-based strengthening of the single currency, especially vis-à-vis the pound sterling, the Korean won and the Canadian dollar. By contrast, since the end of 2007, the euro has weakened vis-à-vis the Swiss franc and the Japanese yen. The stronger effective exchange rate of the euro in March was also associated with a rapid increase in expected volatility in the main bilateral exchange rates over short horizons, implied from the prices of currency

Chart 31 Euro effective exchange rate 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 the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-22 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States (OMS)" refers to the aggregate contribution of the currencies of the non-euro area Member States (except the GBP and SEK).
The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-22 index. Changes are calculated using the corresponding overall trade weights in the EER-22 index.

options, whereas this measure of volatility had remained broadly stable in the previous two months.

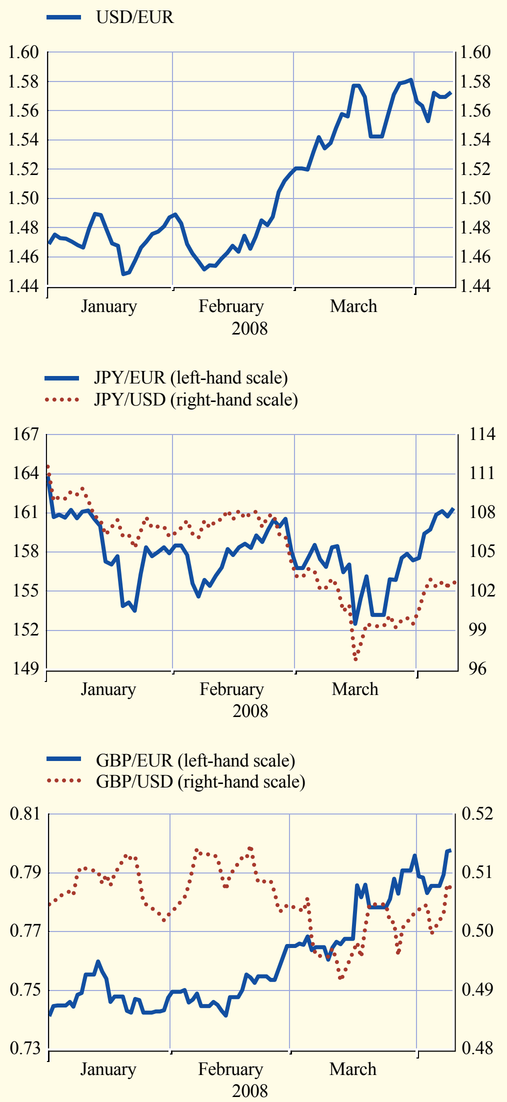
As regards indicators of international price competitiveness of the euro area, in March 2008 the CPI-deflated real effective exchange rate of the euro – calculated vis-à-vis the currencies of 22 of the euro area's important trading partners – was 8% above its average level in 2007.

US DOLLAR/EURO

Over the first two months of 2008, the exchange rate of the US dollar vis-à-vis the euro moved broadly sideways, oscillating around USD 1.47. From the end of February, the euro recorded a sudden appreciation and, by 9 April, the single currency had gained just over 7% vis-à-vis the US dollar. The strengthening of the euro reflected weaker US macroeconomic data, renewed credit-related concerns and associated market participants' expectations of further reductions in US policy rates in the first half of 2008. Thereafter, the single currency tended to remain broadly stable vis-à-vis the US currency, amid historically high expectations of exchange rate volatility over the short term. On 9 April the euro traded at USD 1.57, 6.8% above its level at the end of December 2007 and 14.7% stronger than its average level in 2007 (see Chart 32).

Chart 32 Patterns in exchange rates

(daily data)



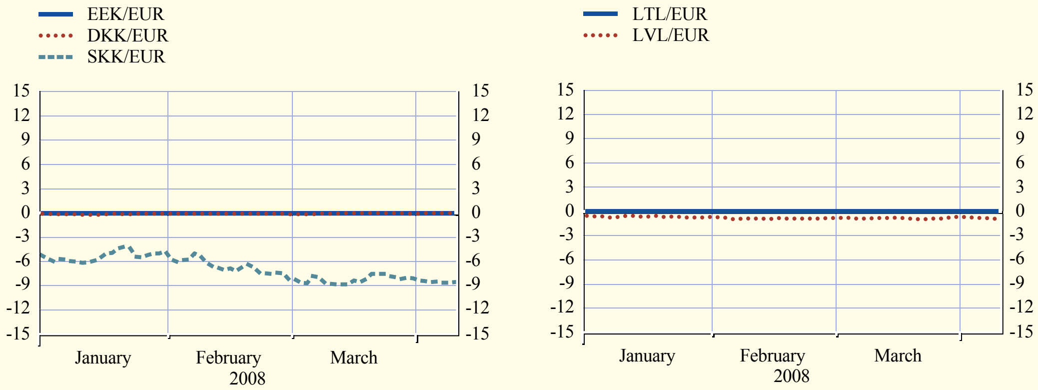
Source: ECB.

JAPANESE YEN/EURO

Over the past three months, the oscillations characterising the exchange rate of the euro vis-à-vis the Japanese yen since the summer of 2007 have tended to narrow. However, expectations of future volatility in the bilateral JPY/EUR exchange rate remained persistently close to historical highs, which may have discouraged potential carry trades. Partly on account of this high perception of risk, over the past three months, the Japanese currency has traded around stronger levels than those prevailing at the end of 2007. The deterioration in the macroeconomic outlook for Japan does not seem to have weighed on the Japanese yen, possibly because market participants have remained extremely focused on developments in the global credit market. On 9 April 2008, the euro stood at JPY 161.36, 2.2% weaker than its level at the end of December 2007 and at broadly the same as its average level in 2007 (see Chart 32).

Chart 33 Patterns in exchange rates in ERM II

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



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

EU MEMBER STATES' CURRENCIES

Since the end of December 2007, most currencies participating in ERM II have remained stable vis-à-vis the euro and continued to trade at, or close to, their respective central rates (see Chart 33). The Slovak koruna, which, following the revaluation in March 2007, continued to trade on the strong side of its new central rate, has further strengthened since the beginning of 2008. Overall it rose by 3.5% vis-à-vis the euro between the end of December 2007 and 9 April 2008, resulting in a deviation from its ERM II central rate of 8.6%. The Latvian lats remained broadly stable vis-à-vis the euro in the first three months of 2008 and, on 9 April, was 0.8% stronger than the central rate of the unilaterally set fluctuation band of ±1%.

With regard to the currencies of other EU Member States not participating in ERM II, between the end of 2007 and 9 April 2008, the euro appreciated by almost 9% vis-à-vis the pound sterling. The strengthening of the euro against the pound sterling, which was already rapid in the last two months of 2007 as market expectations of further interest rate cuts in the United Kingdom grew, paused in January to then intensify in February and March 2008. Over the first three months of 2008, the euro appreciated by 1.7% vis-à-vis the Romanian leu, while it depreciated by about 6% against the Czech koruna and by about 4% against the Polish zloty.

OTHER CURRENCIES

Between the end of December 2007 and 9 April 2008, the euro depreciated by 3.7% vis-à-vis the Swiss franc, while it appreciated by 10.3% against the Canadian dollar and by 1.1% vis-à-vis the Australian dollar, and remained broadly stable vis-à-vis the Norwegian krone. Meanwhile, the euro strengthened vis-à-vis some of the currencies of the main Asian trading partners, especially against the Korean won (11.4%) and the Hong Kong dollar (6.7)%. Over the same period, the euro appreciated by almost 2.5% against the Chinese renminbi.

5.2 BALANCE OF PAYMENTS

The euro area current account showed a surplus of €1.3 billion (in seasonally adjusted terms) in the 12-month period to January 2008, compared with a deficit of €11.6 billion a year earlier. This shift mainly resulted from an increase in the goods surplus. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €118.7 billion in the 12-month period to January 2008, compared with net inflows of €213.7 billion a year earlier. This decrease mainly reflected lower net inflows in portfolio investment.

TRADE AND THE CURRENT ACCOUNT

According to the latest balance of payments data, the value of extra-euro area exports of goods and services grew by 0.6% in seasonally adjusted terms in the three-month period to January 2008, representing a marked slowdown compared with the developments in the three-month period ending October 2007 (see Table 8). Although growth in services exports also weakened, this was primarily owing to developments in goods exports. Growth in the value of imports of goods and services picked up over the same period, rising to 2.9% in seasonally adjusted terms.

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2007 Dec.	2008 Jan.	2007 Apr.	2007 July	2007 Oct.	2008 Jan.	2007 Jan.	2008 Jan.
EUR billions								
Current account	-3.5	-10.6	0.0	3.2	1.9	-4.6	-11.6	1.3
Goods balance	-1.9	0.1	5.3	5.3	5.9	0.9	21.7	52.1
Exports	125.9	131.1	122.9	124.3	128.0	128.4	1,398.0	1,511.0
Imports	127.8	131.0	117.6	119.1	122.1	127.5	1,376.4	1,458.9
Services balance	3.9	4.2	4.5	3.5	4.2	4.0	39.0	48.5
Exports	40.4	40.8	38.8	38.7	39.7	40.3	431.7	472.7
Imports	36.6	36.6	34.3	35.2	35.5	36.4	392.7	424.2
Income balance	0.6	-4.7	-0.9	-0.3	-0.2	-1.5	2.7	-9.0
Current transfers balance	-6.0	-10.3	-8.8	-5.3	-8.0	-8.0	-75.0	-90.3
Financial account [1]	-21.2	29.1	1.2	7.8	-9.5	-1.1	162.1	-4.8
Combined net direct and portfolio investment	-17.5	22.1	25.8	12.8	-7.1	8.1	213.7	118.7
Net direct investment	-21.0	-32.2	-3.2	-19.8	-5.4	-13.9	-141.9	-127.2
Net portfolio investment	3.5	54.3	29.0	32.6	-1.7	22.1	355.6	246.0
Equities	-1.1	55.9	8.0	41.5	-4.0	15.3	207.6	182.4
Debt instruments	4.6	-1.6	21.0	-8.9	2.3	6.8	147.9	63.6
Bonds and notes	14.0	28.0	20.4	-2.2	-0.2	17.0	215.7	104.9
Money market instruments	-9.4	-29.6	0.6	-6.7	2.5	-10.2	-67.7	-41.3
Percentage changes over previous period								
Goods and services								
Exports	-0.9	3.3	1.9	0.8	2.9	0.6	12.1	8.4
Imports	3.1	1.9	0.7	1.5	2.2	3.9	13.5	6.4
Goods								
Exports	-1.7	4.1	0.9	1.1	3.0	0.3	13.9	8.1
Imports	3.5	2.5	0.2	1.2	2.6	4.4	15.6	6.0
Services								
Exports	1.7	0.9	5.0	-0.2	2.5	1.7	6.5	9.5
Imports	1.9	0.0	2.6	2.5	0.8	2.5	6.4	8.0

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

The breakdown of trade in goods by volumes and prices, available up to December 2007, indicates that export volumes accounted for most of the drop in the growth rate of export values of goods in the last quarter of 2007. The slowdown largely reflected developments in foreign demand, owing mostly to moderating import demand from the United States, the United Kingdom and other EU Member States. Although the loss in price competitiveness arising from the appreciation of the euro also had a dampening impact, this effect appears to have remained relatively contained, partly owing to moderate growth in export prices. In the last quarter of 2007, export prices declined further, indicating that euro area firms might have reduced their profit margins to partially offset the decline in price competitiveness resulting from the appreciation of the euro. The recent slowdown in export volumes notwithstanding, it is noteworthy that 2007 marked the fourth consecutive year of strong export performance (see Box 4).

Box 4

DEVELOPMENTS IN EXTRA-EURO AREA EXPORTS

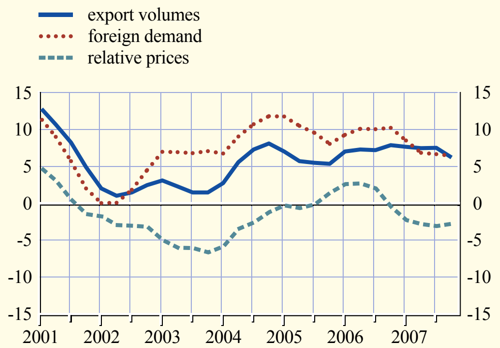
Some slowdown notwithstanding, extra-euro area exports continued to grow robustly in 2007 by around 6% (in volume terms), compared with 8% in 2006. In order to place recent developments in perspective, this box reviews the medium-term trends in extra-euro area exports and focuses more generally on the main drivers of euro area export performance.

After a period of rather subdued growth from 2001 to the end of 2003, extra-euro area export volumes rebounded strongly in 2004, entering a phase of sustained expansion and high growth rates. Despite the slowdown observed towards the end of the year, 2007 marked the fourth consecutive year of strong euro area export performance (see Chart A). The boom in export volumes since 2004 appears to have been largely driven by developments in foreign demand. This, in turn, reflects the strength of the global economy and the rapid expansion in global trade over this period. Euro area export volumes have benefited, in particular, from the strong rise in demand for imports from emerging countries in Asia, oil-exporting countries and the countries that have joined the European Union since 2004.

Robust growth in foreign demand has more than compensated for the dampening effect of a stronger euro. Meanwhile, export prices have increased only moderately since 2006, somewhat alleviating the losses in euro area price competitiveness. On the one hand, the moderation in export prices reflects the adjustment by euro area firms of their profit margins as a means of offsetting the decline in price competitiveness resulting from exchange rate appreciation; on the other, it might also reflect more favourable developments on the

Chart A Extra-euro area exports

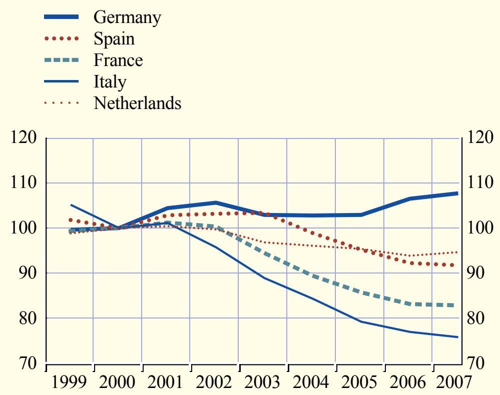
(annual percentage changes; quarterly data)



Sources: ECB, Eurostat.
Note: Relative prices equal competitors' export prices divided by extra-euro area export prices (both in euro terms). An increase reflects a gain in competitiveness. Last observation refers to Q4 2007.

Chart B Export market share of selected euro area countries

(index, 2000=100; annual data)



Sources: Eurostat and ECB calculations.

cost side, as the strengthening of the euro has reduced the price of imported intermediate goods, to some extent shielding euro area firms from the surge in oil and non-oil commodity prices. In this context, the negative effect of higher oil prices has also been partially mitigated by higher euro area exports to oil-exporting countries.[1]

However, while the euro area has clearly benefited from the increasing integration of emerging markets in the world economy and strong growth in world trade over the past decade, the emergence of cost-competitive countries as major exporters has also led to growing challenges. As Chart A shows, export volumes generally grew less rapidly than foreign demand over the period from 2002 to 2006, reflecting the losses in export market shares experienced by the euro area over the past decade. Although this partly reflects a decline in price competitiveness against other advanced competitors, the increase in China's world export market share seems to be the main counterpart of this decline in the export market shares of the euro area and other major trading countries over this period.

Nevertheless, there are important differences in export performance across euro area countries. While Germany has increased its market share in recent years, unfavourable price and cost developments often seem to have been a major cause of weaker export performance by other countries (see Chart B). To some extent, these discrepancies may also reflect differences in export specialisation. For example, some countries appear to be overly concentrated in labour-intensive sectors, where emerging economies have a relative advantage. Furthermore, sectoral specialisation may also have made some euro area countries more sensitive to exchange rate movements. Countries that are more specialised in consumer or intermediate goods, or in sectors where products are mainly priced in US dollars, tend to be more affected by exchange rate movements than countries with a higher degree of specialisation in exports of capital goods.

Overall, this analysis suggests that, despite the euro's appreciation, euro area exports continued to grow robustly in 2007, driven primarily by continued robust growth in foreign demand. Looking forward, the latest data on extra-euro area export volumes and survey data on export order books point to a gradual weakening of the growth in export volumes in early 2008. Thereafter, the prospects for extra-euro area exports will largely depend on developments in foreign demand. In this respect, world economic growth is expected to remain resilient overall, supported by robust economic conditions in emerging markets. However, global activity is expected to be less buoyant than in previous years, mainly owing to the economic slowdown in the United States.

1 For more details, see Box 8 "Oil-bill recycling and extra-euro area exports" in the April 2007 issue of the Monthly Bulletin.

Turning to imports, import volumes in the fourth quarter of 2007 followed fairly closely the patterns in euro area demand, especially for import-intensive categories of expenditure – such as capital expenditure and, in particular, exports. Accordingly, the decline in import volumes was particularly marked for capital and intermediate goods. The upward impact on import volumes that, ceteris paribus, should have resulted from the appreciation of the euro was counterbalanced by a moderation in euro area demand and the continuing strong rise in import prices. The rise in import values in the final quarter of 2007 resulted from the increase in import prices (by 2.0% compared with the previous quarter). This mostly reflected a rise in the price of petroleum products and, to a lesser extent, some rebound in the price of non-oil commodities.

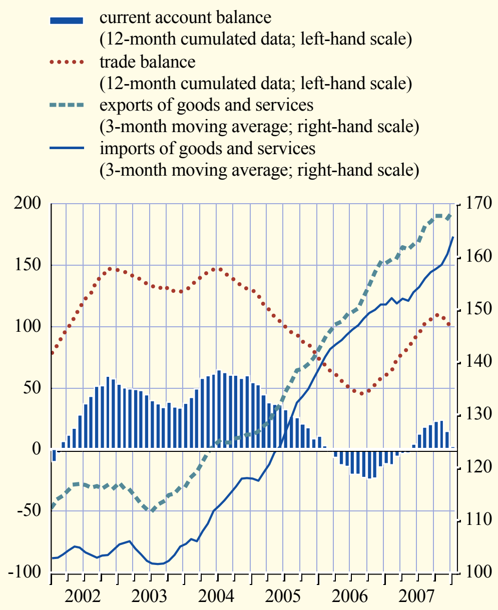
Taking a longer-term perspective, the 12-month cumulated current account to January 2008 recorded a surplus of €1.3 billion compared with a deficit of €11.6 billion a year earlier (see Chart 34). This shift resulted mainly from developments in the goods balance, which – in 12-month cumulated terms – rose by €30.4 billion. While both goods exports and imports grew at a slower pace compared with the previous year, the more marked decline in the growth in goods imports was the main factor behind the overall improvement. There was a more moderate improvement in the services balance, which posted an increase of €9.5 billion. These developments were partly offset by an increase in the current transfer deficit (by €15.3 billion) and a shift in the income balance to a deficit of €9.0 billion from a surplus of €2.7 billion a year earlier.

FINANCIAL ACCOUNT

In the three-month period to January 2008, euro area combined direct and portfolio investment recorded average monthly net inflows of €8.1 billion, as opposed to net outflows of €7.1 billion in the three-month period ending October 2007 (see Chart 35). This switch in direction of financial flows reflected a similar shift in both portfolio equities and bonds and notes, which was partly offset by developments in money market instruments and higher net outflows in direct investment.

Chart 34 The euro area current account and trade balances

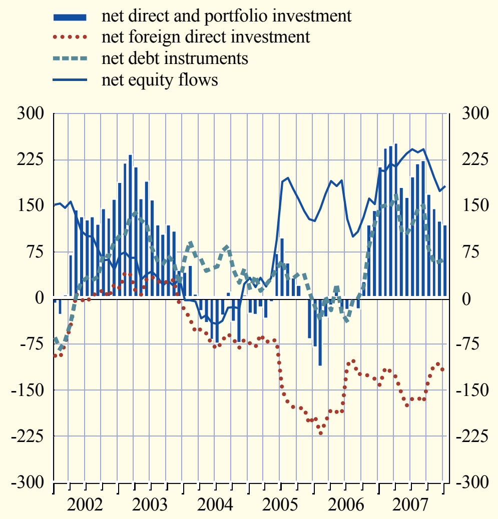
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 35 Euro area combined direct and portfolio investment

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



Source: ECB.

The January data suggest that cross-border portfolio investment continued to be affected by the credit market turmoil which began in August 2007. While non-residents showed renewed interest in cross-border investment in euro area equities and bonds in the three-month period to January 2008, euro area residents have remained cautious in their foreign investment strategies and even reduced their equity investment abroad. Meanwhile, net investment by euro area residents in foreign bonds and net investment by non-residents in euro area equities and bonds remained below pre-turmoil levels.

In the 12-month period to January 2008 cumulative net inflows in combined direct and portfolio investment amounted to €118.7 billion, compared with net inflows of €213.7 billion a year earlier. This decrease largely resulted from lower net inflows in portfolio investment, reflecting lower net purchases of both debt instruments and equity securities by non-residents. These were only partly compensated for by lower net purchases of foreign securities by euro area residents. However, net outflows in direct investment decreased, mainly owing to higher direct investment into the euro area.

ARTICLES

BUSINESS INVESTMENT IN THE EURO AREA AND THE ROLE OF FIRMS' FINANCIAL POSITIONS

Investment is both a component of aggregate demand and a factor of aggregate supply. Thus, understanding its determinants is important for the assessment of macroeconomic developments. These determinants include financial factors such as cash flow, leverage, debt burden and the cost of financing. This article reviews the link between firms' financial positions and investment from macroeconomic and microeconomic perspectives. It shows that investment dynamics are largely explained by developments in economic activity; however, high cash flows and favourable financing conditions have persistently supported investment in recent years. Firm-level data reveal that firms with different financial positions tend to have different investment rates, indicating that investment is indeed affected by firms' financial positions.

1 INTRODUCTION

Analysis of investment prospects plays a crucial role in the assessment of the economic outlook. First, investment, which accounts for around 20% of euro area GDP, is one of the main forces driving the business cycle, being almost three times more volatile than private consumption spending. Second, business investment increases the production capacity of the economy – and may increase future productivity if it is accompanied by an increase in the amount of capital per worker. Overall, it tends to support economic growth.

This article explores the link between financial factors and investment. In traditional investment models, the role played by these factors is fairly limited. For instance, in the neoclassical model, firms choose the level of capital that maximises the discounted value of all future income streams. While the outcome of the model is affected by the cost of financing, it is assumed to be independent of firms' financial positions. Hence, in this model, other financial factors such as a firm's cash flow, level of indebtedness or debt burden do not influence the cost of external financing (nor, as a result, investment).

In practice, this is an oversimplification. First, some firms may have limited access to external funds as a result of asymmetric information (the lender has less information than the firm about the quality of the investment project) or agency problems (the interests of the firm and the lender are not necessarily aligned). As a result, firms may be forced to rely to a large extent on internally generated funds as a source of financing. Second, even firms with access to external funds are more likely to rely on cash flow as a source of finance, given that external funds imply additional costs such as administrative fees or potential bankruptcy costs.

The extent to which asymmetric information problems and agency and bankruptcy costs affect investment spending depends on the structure of a firm's balance sheet, which determines its creditworthiness. Higher debt servicing payments or higher leverage, as well as lower cash flow, have a negative impact on creditworthiness and hence, all else being equal, increase the external finance premium (the gap between the cost of funds raised externally and the return on internally generated funds) and, as a result, reduce firms' demand for loans.

This article focuses on the impact of such financial factors on corporate investment decisions in the euro area. The topic seems especially relevant in the light of the fact that recent events in financial markets have resulted in a repricing of risk, which has negatively affected external financing conditions. This follows a period in which non-financial corporations benefited from very favourable financing conditions, partly driven by an increased appetite for risk on the part of financial investors and the compression of spreads, and have substantially increased their levels of indebtedness. Consequently, attention has been brought to bear on the impact of financial factors on spending decisions.

The structure of this article is as follows. Section 2 presents recent developments in euro area investment. In Section 3, the role of financial factors in explaining investment dynamics is addressed from a theoretical point of view. Section 4 presents empirical evidence based on macroeconomic and microeconomic data; it also includes some econometric results, which are detailed in two boxes. Finally, Section 5 concludes.

2 EURO AREA INVESTMENT FROM A CYCLICAL PERSPECTIVE

In this section, developments in euro area investment in the period from 1980 to the third quarter of 2007 are assessed from a cyclical perspective.[1]

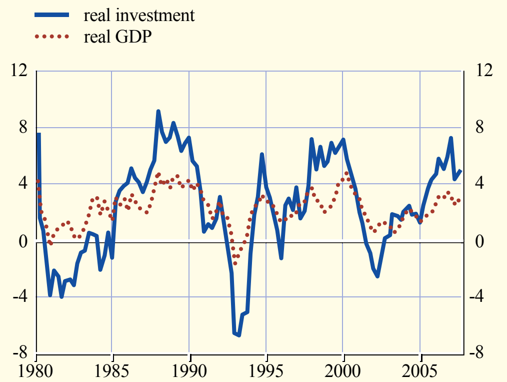
During this period, real investment in the euro area grew on average at roughly the same rate as real GDP, i.e. slightly above 2% per year (see Chart 1). As a result, the share of investment in GDP has remained unchanged over the long run, at slightly above 20%. This is in line with the standard growth literature which posits that output grows at the same rate as investment, so that investment is a constant fraction of output. However, in spite of this long-run stability, the investment-to-GDP ratio has fluctuated widely over the business cycle. In developed economies, investment dynamics display a clear pro-cyclical pattern, accelerating more than overall economic activity at the beginning of a recovery and decelerating more during a slowdown. As a result of this phenomenon, which reflects what is termed the "demand accelerator", the investment-to-GDP ratio is pro-cyclical. Accordingly, investment accounts for a large part of the volatility of GDP, being more volatile than private consumption with a standard deviation that is around three times higher.

Over the period under review, two cycles can be identified. The first one started in the mid-1980s – when investment began to recover from the recession that followed the "second oil shock" – and peaked at the beginning of the 1990s. The second one started in the mid-1990s and peaked at the beginning of the current century. These cycles are also discernible in the investment-to-GDP ratio (see Chart 2). In both cycles, the ratio experienced similar fluctuations and oscillated between 19% and 22%.

1 For a broad description of trends in the last two decades, see the article entitled "Trends in euro area gross fixed capital formation" in the July 2003 issue of the Monthly Bulletin.

Chart 1 Investment and economic activity

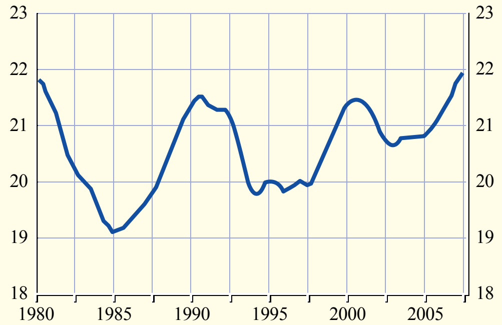
(annual percentage changes)



Source: ECB computation based on Eurostat data and the Area Wide Model (AWM) database.
Notes: The latest data refer to the third quarter of 2007. The AWM database is available at http://www.eabcn.org/data/awm/index.htm.

Chart 2 Share of real investment in real GDP

(four-quarter moving average; percentages)



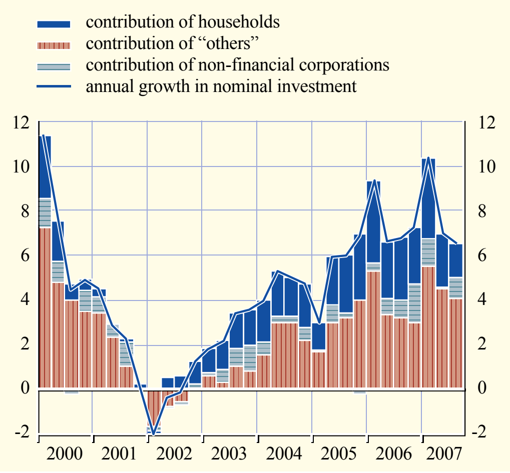
Source: ECB computation based on Eurostat data and the AWM database.
Notes: The latest data refer to the third quarter of 2007. The AWM database is available at http://www.eabcn.org/data/awm/index.htm.

Thereafter, in the early part of the current decade, a deceleration in investment was observed. Investment started to pick up again in 2005 as the pace of economic activity accelerated, with real investment reaching an annual rate of growth of around 7% at the beginning of 2007. Over this period, movements in investment do not seem to have departed significantly from the pattern observed during previous recoveries, and the share of investment in GDP has developed broadly in line with its historical behaviour. The share of real investment is now above the value reached at the two previous peaks and around the peak recorded at the beginning of the 1980s.

In terms of institutional sectors, both the household sector (which also includes small businesses) and the non-financial corporations sector have contributed to the recent acceleration in investment.[2] Since 2000 the non-financial corporations sector has accounted for slightly more than half of the increase in euro area investment and the household sector for one-third. The rest has been accounted for by the public sector and, to a lesser extent, by the financial sector (see Chart 3).

Chart 3 Contribution of institutional sectors to nominal investment growth

(percentage point contributions; annual percentage changes)



Source: ECB computation based on euro area integrated accounts.
Note: The latest data refer to the third quarter of 2007. "Others" includes the public sector and the financial sector.

The relationship between investment and economic activity, together with the relationship between investment and the cost of capital, is the basis for standard investment models. The following sections explore the role of financial factors.

3 THE IMPACT OF FINANCIAL FACTORS ON INVESTMENT FROM A THEORETICAL PERSPECTIVE

The neoclassical theory has provided the basis for a large part of the research in the field of investment. In the neoclassical model, a firm chooses a level for its stock of capital that maximises the present value of all future net profits. This results in a relationship between the level of capital stock, the level of output and the user cost of capital. The latter represents the cost of using the assets during a period. It depends on the purchase price of new capital relative to the output prices, on the financing costs and on the depreciation rate of the capital stock.

The empirical results of the approach based on the neoclassical theory have not been entirely satisfactory. Investment is generally found to be responsive to output but less responsive than theory would suggest to the user cost of capital.[3] Instead, other factors, such as cash flow, seem to explain a large part of investment movements. One avenue that has proved to be useful in explaining investment dynamics is to consider other financial factors in addition to the user cost of capital.

2 As defined in the national accounts data, the household sector comprises all households, as consumers of goods and services, as well as resident unincorporated enterprises, which comprise sole proprietorships and most partnerships that do not have an independent legal status. The non-financial corporations sector comprises all private and public corporate enterprises that produce goods and non-financial services.

3 See Chirinko, R. (1993), "Business Fixed Investment Spending: Modeling Strategies, Empirical Results, and Policy Implications", *Journal of Economic Literature*, vol. 31(4), pp. 1875-1911.

Financial factors have generally been introduced in standard investment models in the form of information asymmetries or agency costs. As has been extensively argued, financial market imperfections, such as information asymmetries or the limited enforceability of contracts, can result in divergences between the cost of funds raised externally and the return on internally generated earnings. As a result, the investment spending of firms that face a larger gap between the cost of internal and external funds is expected to be more sensitive to cash flow.

The extent to which asymmetric information problems and agency and bankruptcy costs affect investment spending depends on the structure of a firm's balance sheet. Accordingly, the structure of a firm's balance sheet influences its investment decisions.[4] For example, higher cash flow or net worth can reduce the cost of external funds by lowering the external finance premium. The impact of changes in cash flow may be greater for highly leveraged firms (or firms with high debt servicing obligations relative to the cash flow that they generate) than for firms with lower leverage. As a result, the investment spending of highly leveraged firms may be more sensitive to changes in cash flow.

Finally, it is also worth mentioning that the external finance premium required by lenders also depends in practice on other factors (such as their appetite for risk), which, in turn, are linked to the financial factors mentioned above.

4 EMPIRICAL EVIDENCE CONCERNING THE EFFECT OF FINANCIAL FACTORS ON EURO AREA INVESTMENT

This section focuses on the role played by the cost of financing, indebtedness, debt burden and cash flow in determining the level of euro area investment. An investigation is first carried out using macroeconomic data from quarterly national and euro area accounts.[5] The analysis also incorporates firm-level data, which are derived from the AMADEUS database of Bureau van Dijk Electronic Publishing. The sample used consists of around 120,000 firms in six euro area countries (Belgium, Germany, Spain, Italy and the Netherlands for the period 1997-2005, and France for the period 1998-2005).[6]

The availability of microdata allows for an investigation of heterogeneity in the behaviour of different types of firm that would be impossible using only aggregate data. In particular, with firm-level data it is possible to analyse differences in investment rates across firms facing different degrees of financial pressure. In this respect, there is evidence that firms in more fragile financial positions make different investment decisions from those in better financial health when facing changes in financial pressure.[7] Hence, a micro analysis is useful in order to make a proper assessment of the financial situation of non-financial corporations for macroeconomic policy purposes, since the financial fragility of certain firms may be compensated for by the soundness of others using aggregate data.

THE REAL COST OF FINANCING

A key financial factor affecting investment is the cost of financing, which determines the user cost of capital and, hence, the rate of return needed

4 See "Corporate finance in the euro area" (2007), ECB Occasional Paper No 63, for a review of studies on the impact of financing constraints on investment.

5 National accounts data enable us to focus on non-construction investment, which accounts for most corporate investment, while euro area accounts provide information on all investment by non-financial corporations. These sources do not provide a decomposition of investment by both type of capital goods (construction and non-construction, for example) and sector (the household and non-financial corporations sectors, for example).

6 At the firm level, no breakdown between construction and non-construction investment is available. It is important to bear in mind that, owing to differences between the macro and firm-level datasets, as well as the incompleteness of the latter dataset, the firm-level data cannot simply be aggregated in order to derive aggregate euro area investment data.

7 See Hernando, I. and C. Martínez-Carrascal (2008), "The impact of financial variables on firms' real decisions: Evidence from Spanish firm-level data", *Journal of Macroeconomics*, vol. 30, pp. 543-561.

from an investment project in order for it to be profitable. As mentioned above, the user cost of capital is determined by the financial cost of capital (the weighted cost of alternative sources of finance, i.e. equity and debt), as well as its depreciation rate and the price of capital goods relative to output prices.

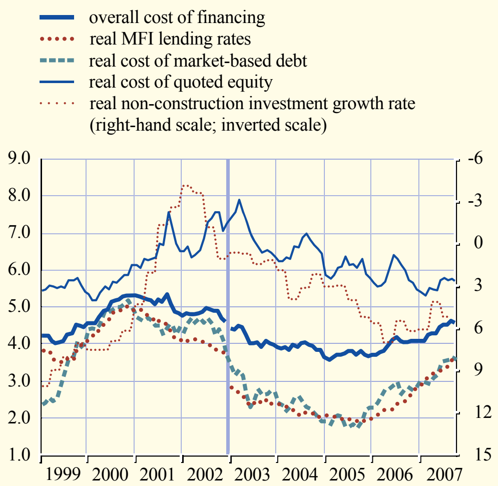
Focusing on the financial cost component of the user cost of capital, the real cost of financing may be proxied by the long-term interest rate deflated by a measure of cost inflation, with the addition of depreciation and risk premium terms. However, in some circumstances, this simplified approach may miss important explanatory factors and an analysis based on a composite cost of financing might give better insight.

Indeed, while corporate investment in the euro area is primarily financed internally by firms, it also relies on external financing – mainly through loans, debt securities and equities. Although the various measures of the cost of capital co-move, they also exhibit different short-term patterns and different volatilities. As shown in Chart 4, there can be marked differences in the cost of capital depending on the source of financing. The overall cost of financing – which includes the costs of bank lending, debt securities and equity, according to the extent to which they are used by firms for financing – may prove a better measure of the cost of capital than market interest rates for two reasons. First, it takes into account the cost of each type of financing. Second, it takes into consideration the evolution of the share of each component in firms' financing.

Chart 4 shows that investment growth rates and financing costs have both tended to decrease during most of the current decade, but started to increase from 2006. Hence, it is not possible to infer a negative relationship between these two variables from the chart. This fact seems to indicate that other factors, such as GDP growth, have tended to more than offset interest rate effects on investment. Other financial factors, such as profit developments or balance sheet

Chart 4 Investment and the real cost of financing of euro area non-financial corporations

(percentages per annum; annual percentage changes)



Sources: ECB, Eurostat, Thomson Financial Datastream, Merrill Lynch and Consensus Economics Forecasts.
Notes: The real cost of financing for non-financial corporations is calculated as a weighted average of the cost of bank lending, debt securities and equity, based on the outstanding amounts of each component, deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of harmonised lending rates of MFIs at the beginning of 2003 (marked by a vertical line in the chart) led to a break in the statistical series.

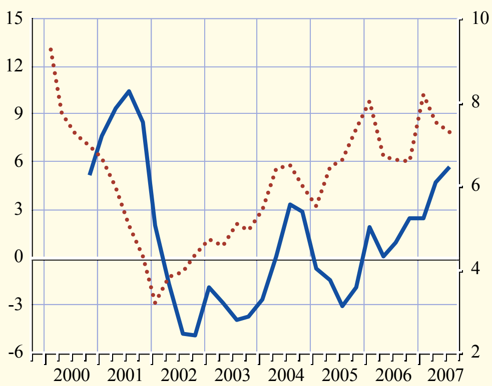
restructuring, may have also contributed to counterbalancing the impact of recent trends in financing costs on investment.

INTERNAL FINANCING AND THE ROLE OF PROFITS

As can be seen in Chart 5, there is a strong co-movement between investment and a profit indicator, namely the gross operating surplus. At the beginning of 2000 a marked deceleration in the growth of investment by non-financial corporations occurred, together with a deceleration in the growth of their gross operating surpluses; more recently, there has been an acceleration in the growth of investment by non-financial corporations, accompanied by an acceleration in the growth of their gross operating surpluses, which rose from around 3% year on year in 2005 to above 6% in the third quarter of 2007. However, to some extent these co-movements may reflect a correlation due to common determinants, rather than causality.

Chart 5 Internal financing and investment of non-financial corporations

(annual percentage changes)

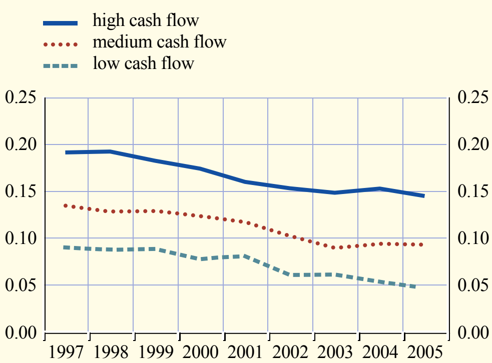


Source: ECB computation based on euro area integrated accounts.
Note: The latest data refer to the third quarter of 2007.

The relationship between internally generated funds and investment is also clear from firm-level data. Chart 6 presents the euro area weighted mean of the median investment rates in Belgium, Germany, Spain, France, Italy and the Netherlands for firms with a high cash flow-to-assets ratio (above the 90th percentile), a medium ratio (between the 45th and 55th percentiles) and a low ratio (lowest decile).[8] As can be seen, there is a clear relationship between the availability of internal funds and firms' capital demand, since firms with a higher ratio of cash flow to assets have higher investment rates.[9]

Chart 6 Investment rates for firms with different cash flow levels

(euro area weighted average of country median investment rates)



Sources: Bureau van Dijk Electronic Publishing and ECB calculations.
Notes: The investment rate is defined as the ratio of gross fixed capital formation to capital stock, while cash flow is defined as the ratio of cash flow to total assets. The lines present the euro area weighted mean (according to the shares of euro area gross fixed capital formation of Belgium, Germany, Spain, France, Italy and the Netherlands) of the median investment rate for firms with a high cash flow (above the 90th percentile), medium cash flow (between the 45th and 55th percentiles) and low cash flow (lowest decile).

EXTERNAL FINANCING AND INDEBTEDNESS

The financing gap can be defined as the ratio of investment less gross operating surplus to investment. It indicates the extent to which firms require external funds to finance investment and, hence, a high ratio is expected to exert a dampening effect on investment.[10] The econometric results reported in Box 1 illustrate that an increase in the size of this gap has a negative impact on fixed capital investment, once other investment determinants are controlled for. The intensity of the relationship may, however, be limited for various reasons. For instance, profits or external funds may be used for other purposes, such as financial investment or internal restructuring. Indeed, between the late 1990s and early 2000s firms in the euro area increased their liabilities (and their indebtedness) not only to finance the expansion

8 The euro area weighted mean is calculated using as weights the shares of each country in aggregate gross capital formation by non-financial corporations in all six countries, on the basis of national accounts data. The average patterns presented in Charts 6, 8 and 9 mask some variability observed at the country level, where the same relationship between financial ratios and investment rates applies (see Martínez-Carrascal, C. and A. Ferrando (2007), "The impact of firms' financial positions on investment decisions: an analysis with firm-level data", at http://www.ecb.europa.eu/events/conferences/html/ws_eccbsd.en.html).

9 This positive relationship is not, per se, evidence of the existence of financing constraints: if current cash flow is correlated with future profitability, the positive relationship between the two variables could simply reflect an improvement in business prospects. See, for example, Fazzari, S.M., R.G. Hubbard and B.C. Petersen (1988), "Financing constraints and corporate investment", Brookings Papers on Economic Policy, pp.141-206.

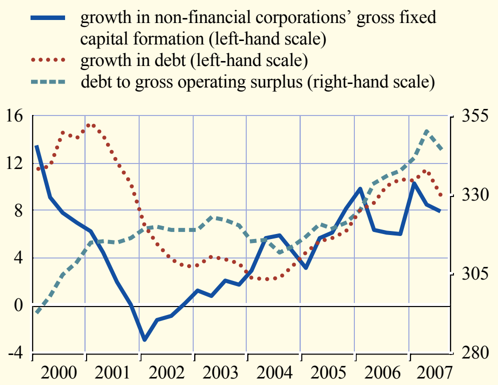
10 The retained earnings of non-financial corporations would be a better proxy than the total gross operating surplus of the economy. However, data on retained earnings are only available in the euro area integrated accounts (hence, from 1999).

of fixed capital investment, but also to carry out mergers and acquisitions. In this period firms' indebtedness – relative to their gross operating surpluses – rose rapidly. Thereafter, and especially in 2002, corporate balance sheet restructuring, including a reduction in debt in many sectors, probably contributed to dampening fixed capital investment. Since early 2005 the growth rate of both debt and investment have accelerated (see Chart 7).

The dampening effect that indebtedness may have on investment may be better captured at the firm level. Firm-level data indicate that highly leveraged firms have the lowest investment rates, which may point towards a negative relationship between leverage and investment

Chart 7 Gross indebtedness, debt flows and investment of non-financial corporations

(annual percentage changes; percentages)



Source: ECB computation based on euro area integrated accounts.
Note: The latest data refer to the third quarter of 2007.

Box 1

QUANTIFYING THE IMPACT OF FINANCIAL FACTORS ON INVESTMENT USING A MACROECONOMIC APPROACH

This box considers in detail whether a study of financial factors may improve the understanding of investment dynamics. An equation for non-construction investment is estimated and used as the basis for a contribution analysis.

A standard specification of the production function is used to derive an equation in which investment is a function of economic activity and the real cost of capital. In this approach, the desired level of capital stock is related to the level of output and (expected) relative factor prices, and firms choose an investment level that allows the capital stock to converge to its desired level. In the long run, the capital-to-output ratio remains stable and, hence, the investment flow is such that it not only covers the depreciation of the capital stock but also ensures that it grows at the same rate as the trend increase in output.[1] Accordingly, investment dynamics depend on an error correction term, which is based on the co-integrating (or long-run equilibrium) relationship between investment and overall economic activity. In addition to the error correction term, the equation incorporates as explanatory variables demand factors (proxied by the growth of real GDP excluding investment), a measure of the cost of capital (which takes into account both the cost of equity and the cost of lending) and the financing gap. The following reduced form is estimated:

$$\Delta\log(I_t) = \alpha_1 + \alpha_2.\log\left(\frac{I_{t-t}}{Y_{t-1}}\right) + \alpha_3.OCF_{t-1} + \alpha_4.\Delta\log(YWI_{t-1}) + \alpha_5.\frac{FG_{t-1}}{FG_{t-5}} + \alpha_7.D_{9293}$$

1 For a discussion of the standard approach to model investment, see Baumann, U. and S. Price (2007), "Understanding investment better: insights from recent research", Bank of England Quarterly Bulletin. For an estimation at the euro area level, see Fagan, G., J. Henry and R. Mestre (2001), "An area-wide model for the euro area", ECB Working Paper No 42.

Relationship between investment and financial factors

log(I(-1)/Y(-1))	OCF (-1)	Δlog(YWI(-1))	FG(-1)/FG(-5)	D_{9293}
-0.11	-0.91	0.92	-0.07	-0.02
[0.03]	[0.18]	[0.32]	[0.02]	[0.00]
R squared (%)	69.4			
residual standard error	0.9			

Source: ECB computations.
Note: The estimation is based on data covering the period from the first quarter of 1991 to the second quarter of 2007.

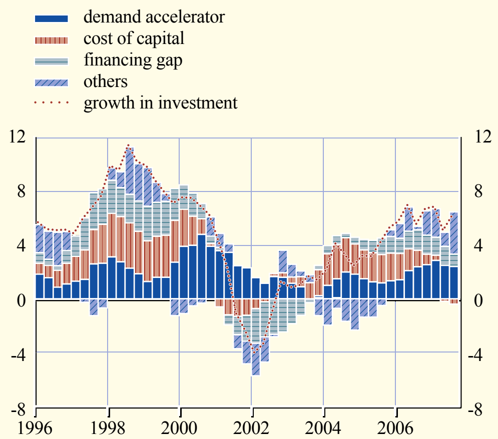
where I stands for real non-construction investment, Y is real GDP, YWI stands for real GDP excluding investment, OCF is the real overall cost of financing, FG is the financing gap, and D is an intervention variable.[2] An increase in economic activity is expected to have a positive impact on investment, while an increase in the cost of capital or in the financing gap is expected to exert negative pressure.

As can be seen from the table, the equation explains a large proportion of the movements in non-construction investment (69%), and all the coefficients have the expected sign and are highly significant. The expected long-run relationship between investment and economic activity appears to be statistically significant. With an error correction of around 11% per quarter, the half-life of a deviation from the long-term equilibrium is close to one year. The elasticity of investment to the cost of capital is negative and close to one, so that the hypothesis of a Cobb-Douglas production function, which would imply a unit elasticity, does not seem to be rejected by the data. Finally, the two financial variables considered (financing costs and the financing gap) enter negatively and significantly in the equation.

The estimated equation can be used to compute the contributions of the exogenous variables to non-construction investment growth (see the chart).[3] Over the estimation period, a large part of the investment dynamics is explained by changes in economic activity (the demand accelerator effect). Financial factors also contribute substantially to investment dynamics. This is clearly evident at the end of the 1990s. It is also interesting to note that since 2004 these factors have contributed positively, and in mid-2007 continued to account for around 1 percentage point of the annual growth of non-construction investment. Focusing on the synthetic measure of the cost of capital, it appears that financing conditions were persistently supportive from mid-2003 until the beginning

Contributions to non-construction investment growth[3]

(annual percentage changes; percentage point contributions)



Source: ECB computations.
Notes: Computed on the basis of the equation estimated from the first quarter of 1991 to the second quarter of 2007. The component labelled "others" merges the intervention variable, the residuals and the lasting impact of initial conditions.

2 The financing gap is defined as the difference between nominal investment and gross operating surplus divided by nominal investment. Data used in the estimation are computed on the basis of Eurostat national accounts data. The intervention variable takes the value 1 between the first quarter of 1992 and the third quarter of 1993, and zero otherwise.

3 The contribution of a determinant is obtained as the difference between the simulated growth in investment when all the determinants follow their historical paths and the simulations obtained when keeping the determinant in question unchanged and using the historical paths for all the other determinants.

of 2007. However, as monetary policy rates rose, financing conditions became progressively less supportive in the period from the beginning of 2006. More recently, the contribution of the cost of capital has become close to zero.

The chart also highlights the poor performance of the equation on some occasions, such as during the latest downturn where a considerable share of actual developments is accounted for by large negative residuals. This may reflect specific factors, for example the balance sheet restructuring that occurred around 2002.

(see Chart 8, which depicts the euro area weighted mean of the median investment rates in Belgium, Germany, Spain, France, Italy and the Netherlands for firms facing different degrees of indebtedness). However, firms with medium leverage levels show similar (in fact, slightly higher) investment levels to less indebted firms. Hence, the relationship between the two variables does not appear to be clear at a merely descriptive level.

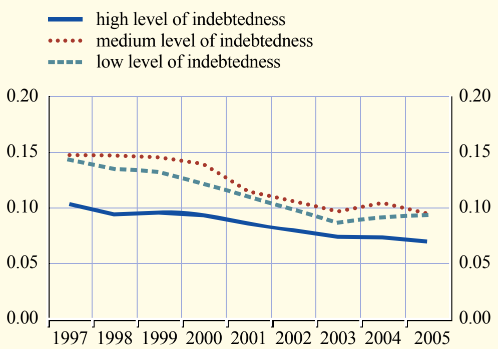
Together with indebtedness, the amount of funds devoted to debt repayments out of internally generated funds determines the level of financial pressure faced by firms and, hence, the external finance premium. As a result, a negative relationship between investment rates and the debt burden may exist.

Chart 9 compares the investment rates for three groups of firms with high, medium and low debt burdens. The debt burden is defined as the ratio of interest payments to gross operating surplus plus financial revenue. A clear negative relationship between investment and the debt burden emerges, as firms with a higher debt burden have substantially lower investment rates.

This section has discussed the main channels through which financial factors may affect corporate investment. It has shown that the level of internal funds seems to affect the level of investment. A relationship between the latter and balance sheet indicators has also been found. The econometric analysis presented in Box 2 supports the evidence of a negative relationship between financial pressure and firms' investment. This analysis, carried out at the country level, broadly confirms the descriptive results and sheds light on the different behaviours of firms across countries.

Chart 8 Investment rates for firms with different indebtedness levels

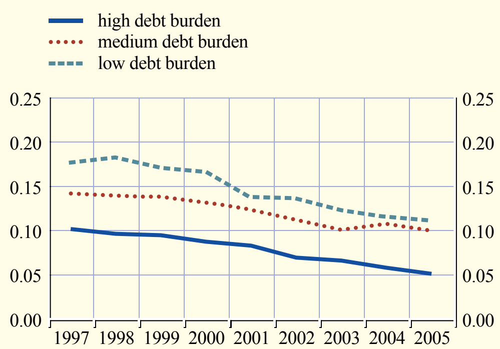
(euro area weighted averages of country median investment rates)



Sources: Bureau van Dijk Electronic Publishing and ECB calculations.
Notes: Indebtedness is the ratio of net debt (debt, including trade credit, minus cash and cash equivalents) to total assets. For details on the euro area weighted mean, see the notes to Chart 6.

Chart 9 Investment rates for firms with different debt burden levels

(euro area weighted averages of country median investment rates)



Sources: Bureau van Dijk Electronic Publishing and ECB calculations.
Notes: Debt burden is the ratio of interest payments to gross surplus plus financial revenue. For details on the euro area weighted mean, see the notes to Chart 6.

Box 2

QUANTIFYING THE IMPACT OF FINANCIAL FACTORS ON INVESTMENT USING A MICROECONOMIC APPROACH

The econometric investigation presented in this box aims to examine the responsiveness of fixed capital investment to changes in the financial pressure faced by a firm, which is proxied by means of three financial variables: cash flow, indebtedness and debt burden. The equation to be estimated is:

$$\left(\frac{I_{it}}{K_{it-1}}\right) = \beta_1\left(\frac{I_{it-1}}{K_{it-2}}\right) + \beta_2 \Delta \ln Y_{it} + \beta_3 \Delta \ln Y_{it-1} + \beta_4 (\ln K_{it-2} - \ln Y_{it-2}) + \gamma X_{it-1} + \alpha_i + \theta_t + S_i + \varepsilon_{it}$$

where i indexes firms i=1,2..N and t indexes years from 1 to T. Δ denotes a first difference, I/K is the investment rate, Y is real sales, K is real fixed capital stock, and X represents a financial pressure indicator (cash flow, indebtedness or debt burden). α_i is firm-specific fixed effects, θ_t, is time effects that control for macroeconomic influences on fixed investment common across firms, and S_i controls for sectoral effects that are constant over time. ε_{it} is the error term.[1] The coefficients β_2 and β_3 indicate the short-run responsiveness of fixed investment to sales growth, while the coefficient β_4 indicates the speed of adjustment of the capital stock towards its desired level. γ captures the impact of the financial ratio introduced in the equation. A positive coefficient is expected for cash flow, and negative ones for debt burden and indebtedness ratios.

The equation is estimated separately for six euro area countries (Belgium, Germany, Spain, France, Italy and the Netherlands) using the AMADEUS database of Bureau van Dijk Electronic Publishing.[2] The table shows the estimated coefficients for each country for each of the financial ratios considered, together with the p-value associated with the significance of each coefficient.[3]

As can be seen in the table, the financial factors affect investment rates in the expected directions. Cash flow is significant (and positive) for all the countries analysed, indicating that there is a positive relationship between this variable and firms' investment rates (see columns 1 and 2 in the table). If a weighted mean of the estimated coefficients is computed to calculate a coefficient for the euro area,[4] a value of 0.4 is obtained, that is, if cash flow increases by 1 percentage point, firms increase their investment rates by nearly half a percentage point.

The third column in the table shows the coefficients obtained for the indebtedness ratio when it is included in the baseline investment equation (p-values are in the fourth column). A negative

1 The depreciation rate is included in the unobserved firm-specific effects and it is assumed that the variation in the user cost of capital can be controlled for by including time-specific, sectoral-specific and firm-specific effects.
2 When interpreting the country-level results reported in this box, it is important to bear in mind that these firm-level data cannot be compared across countries in the same way as aggregate national accounts data on investment, since the representativeness of firm samples differs across countries.
3 A GMM-system estimator has been used. For the non-financial variables, the results are as expected: the error correction term ($\ln K_{it-2}$- $\ln Y_{it-2}$) is correctly signed and statistically significant, while sales growth has a positive short-run impact on investment. For more details, see Martínez-Carrascal, C. and A. Ferrando (2007) at http://www.ecb.europa.eu/events/conferences/html/ws_eccbsd.en.html.
4 The weight for the coefficient for each country is equal to non-financial corporations' gross fixed capital formation in that country over gross fixed capital formation for all six countries.

Relationship between investment and financial position

	Profitability		Indebtedness		Debt burden	
	coefficient	p-value	coefficient	p-value	coefficient	p-value
Belgium	0.49	0.01	-0.06	0.07	-0.07	0.07
Germany	0.28	0.09	-0.02	0.85	-0.06	0.14
Spain	0.33	0.04	-0.06	0.03	-0.07	0.05
France	0.54	0.00	-0.06	0.01	-0.07	0.07
Italy	0.60	0.08	-0.08	0.03	-0.12	0.06
Netherlands	0.37	0.07	-0.11	0.18	-0.17	0.04
Euro area weighted mean 1)	0.43		-0.04 2)		-0.08	

Notes: For each financial indicator and each country, the coefficient captures the impact of a 1 percentage point increase in the ratio (for example, an increase in profitability from 5 to 6 percentage points). The investment rate is defined as the ratio of gross fixed capital formation to capital stock, cash flow as the ratio of cash flow to total assets, indebtedness as the ratio of debt minus cash and cash equivalents to assets, and debt burden as the ratio of interest payments to gross operating surplus plus financial revenue.
1) The coefficients for each country are weighted according to the share of that country in the aggregate gross fixed capital formation of Belgium, Germany, Spain, France, Italy and the Netherlands.
2) The coefficients on indebtedness for Germany and the Netherlands are set to zero as indebtedness is not found to be significant in these two countries.

(and significant) coefficient is obtained in most countries for this variable, suggesting that a high level of debt can lead to balance sheet adjustments whereby firms defer or forego investment projects. Finally, the last two columns of the table report the results when financial pressure is proxied by debt burden. A clear negative effect is found, suggesting that debt servicing plays an important role in influencing the investment levels of firms.

The results presented above can be used, together with the information on the average levels of debt burden across countries in 2005, to quantify the impact of a 25% increase in debt burden on investment, which approximately corresponds to a 100-basis-point increase in financing costs from the levels observed at the end of 2005. This simple calculation shows that the impact varies considerably across countries, with the reduction in investment rates ranging between 0.3 percentage point and 0.9 percentage point. This heterogeneity is the result of differences across countries in both the marginal impact of the debt burden on investment rates and firms' financial positions. To evaluate the impact of this increase in debt burden in the euro area as a whole, the impact in each country is weighted according to the relative share of that country in the aggregate gross fixed capital formation of non-financial corporations for the six countries (derived on the basis of national accounts). According to this simple exercise, this 25% increase in debt burden would imply a reduction of slightly more than 0.4 percentage point in the euro area investment rate in the following year.

5 CONCLUSION

As a result of capital market imperfections, financial factors, such as internally generated funds, indebtedness or the debt burden, have an impact on investment spending, in addition to the cost of capital. This article has explored the role that these financial factors have in explaining corporate investment developments in the euro area. It shows that firms with different financial positions tend to have different investment rates: firms with a higher cash flow tend to have higher investment rates, while firms with a higher debt burden or high indebtedness levels record lower capital expenditure.

Econometric evidence corroborates the descriptive evidence on the relationship between investment and firms' financial positions, indicating that the assessment of investment prospects can be improved by considering financial factors.

At the macroeconomic level, financial factors seem to contribute substantially to investment dynamics in specific circumstances, such as in periods of balance sheet restructuring and strong profit growth. Quantifying the role that financial factors have in explaining investment dynamics at the aggregate level is, however, difficult and microdata seem better able to provide evidence on the role that financial factors have in investment decisions.

SHORT-TERM FORECASTS OF ECONOMIC ACTIVITY IN THE EURO AREA

Given the lags in the publication of statistical information on economic developments, higher frequency data from economic indicators are an important source of information for monitoring economic activity. This article describes some of the tools available for the short-term forecasting of euro area GDP growth from such data. These tools provide valuable input for monetary policy, as they improve the understanding of ongoing economic developments and thereby help in assessing inflation trends in a forward-looking manner.

1 INTRODUCTION

In view of the lags in the publication of economic data and statistical estimates of macroeconomic variables, the monitoring of current economic conditions is based on incomplete data. In particular, the monitoring of GDP growth must rely on indicators that are released with a higher frequency and that are available ahead of the release of the national accounts data. The monitoring of current economic conditions is an important input for monetary policy, as it facilitates the timely detection of underlying changes in economic activity and thereby may also affect the assessment of the economic outlook and associated risks in the context of a monetary policy strategy aimed at preserving price stability over the medium term.

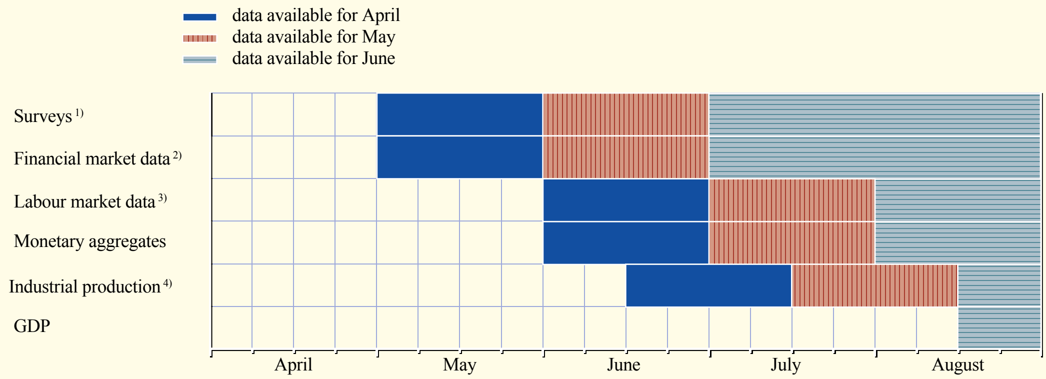
For the euro area, a flash estimate of GDP is released by Eurostat about six weeks after the end of the reference quarter. For instance, the flash estimate for the second quarter of 2008 will become available in mid-August 2008. As regularly reported in the ECB's Monthly Bulletin, there are many data releases available for assessing the most recent economic developments. Important data for this purpose include monthly data on economic activity, such as industrial production, retail sales and unemployment. In addition, various data are available that reflect market sentiment and expectations about future economic activity, such as business and consumer surveys, as well as financial market data. The range of data that contain information about the current economic situation is much wider and also includes monetary and trade statistics and data on the international environment.

By way of an example, the table depicts the data release calendar for important indicators referring to the second quarter of the year in a stylised way. The horizontal time axis is broken down into weeks, thereby showing the availability of the various indicators as time goes by. As noted above, the GDP flash estimate for the second quarter becomes available in mid-August. Before that, there is a constant influx of data that provide an increasing amount of information on economic activity within the quarter. Release dates of the individual data vary substantially. For instance, financial market data are published on a daily basis and, hence, monthly averages of these data, which are used in the models discussed below, are immediately available at the end of the month. Similarly, consumer and business surveys are published at the end of the reference month, or early in the month thereafter. Data on monetary aggregates and the unemployment rate are available with a delay of about one month, while industrial production data are published about six weeks after the end of the reference month. Hence, a full set of indicators for the second quarter is not available any earlier than the flash estimate of GDP.

This article reviews the application of statistical tools to obtain short-term forecasts of quarterly euro area GDP from these higher frequency indicators. It discusses the use of these tools in real-time applications and assesses the information content of individual data releases. In practice, the delay in the publication of GDP data means that GDP growth in the current quarter, and occasionally the previous quarter, needs to be "forecasted".

Generally, these tools for monitoring economic activity deliver quantitative estimates and short-term forecasts of GDP ahead of the release of the flash estimate. In this respect, they are suitable for efficiently processing

Stylised weekly data release calendar



Sources: Eurostat and ECB.
1) At the euro area level there are two main sources for survey data, namely the results of the Joint Harmonised EU Programme of Business and Consumer Surveys and those of the Purchasing Managers Surveys conducted by NTC Economics, United Kingdom.
2) Includes monthly data for exchange rates, interest rates, and commodity and equity prices.
3) Includes the unemployment rate and monthly indices of employment. For illustrative purposes, the table shows only the release of the unemployment rate.
4) Includes overall industrial production and numerous series at sub-sector levels.

and synthesising information contained in a large data set. Indicators appear to differ in respect of the information content they have for predicting euro area GDP, and different indicators may occasionally give diverging signals. Therefore, when confronted with a large number of economic indicators, a purely judgmental approach has severe limitations in terms of its ability to produce a comprehensive and consistent assessment.

2 SHORT-TERM FORECASTING OF GDP ON THE BASIS OF MONTHLY DATA

The purpose of the statistical methods described in this section is to obtain short-term forecasts of quarterly GDP growth from the higher frequency data presented in the table by taking advantage of the earlier publication of the latter. This approach is often referred to as one of "bridging" monthly and quarterly information.

There are two main issues when it comes to optimising forecasts obtained by "bridging" in order to exploit the available information in an efficient way. The first issue relates to the staggered release of the monthly data. Monthly indicators are released with different publication lags. Hence, data availability differs across indicators, and the latest observations on survey and financial data refer to a more recent period than the other indicators. For short-term forecasts to be reliable, tools must be able to make efficient use of all observations available at a given point in time. This also allows forecasts to be updated after each new data release.

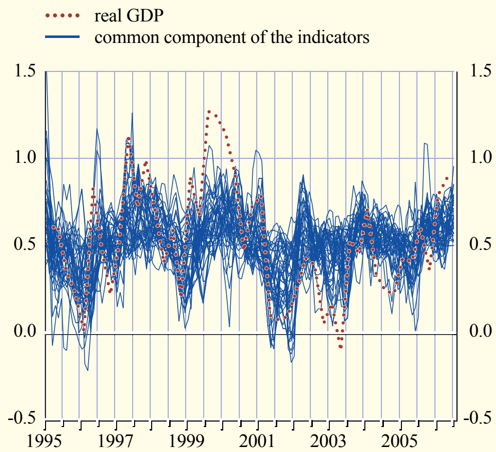
The second major issue in the short-term forecasting of GDP growth is the need to take a large number of potentially informative monthly indicators into consideration. While forecasts may, in principle, be based on a small set of selected indicators, using many indicators has the advantage of enhancing the robustness of the resulting forecasts. A number of studies have argued that large data sets tend to yield more precise forecasts than data sets which only comprise a selected set of indicators.

Two approaches have been pursued in this respect, namely forecast averaging on the basis of many bridge equations and dynamic factor models. Forecast averaging derives the final GDP forecast in the form of an average of forecasts based on a number of different equations, where the individual equations contain a few selected indicators. Dynamic factor models, in turn, are designed to extract the common movements from a large set of data series and to synthesise them into a few artificial latent factors, which represent the main sources of variation in the data set.

The two methods are briefly described in the box. Both methods aim to extract the underlying common tendencies across the set of indicators, while abstracting the idiosyncratic irregular movements in individual series. Their use is warranted by the fact that many indicators of economic activity tend to move closely together. This is exemplified in Chart 1, which illustrates the close co-movements of 41 selected series related to economic activity (mostly industrial production, survey and labour market data) alongside euro area GDP growth. More precisely, the chart shows the common component in the quarterly rates of change of the series, as explained by a factor model, in comparison with quarterly GDP growth.

Chart 1 Real euro area GDP and selected monthly indicators

(quarter-on-quarter percentage GDP growth)



Sources: Eurostat and ECB calculations.
Note: The vertical scale refers to percentage GDP growth. The monthly data are appropriately standardised to match the mean and variability of GDP growth. The factor model used is described in the box.

Box

METHODS FOR THE SHORT-TERM FORECASTING OF EURO AREA GDP GROWTH

All methods described in this article comprise two steps. Consider a simple forecasting equation, which predicts quarterly GDP growth in a certain period t (gdp_t) from a certain indicator (x_t):

$$gdp_t = c + \beta x_t + u_t \qquad (1)$$

where c and u_t denote a constant and a residual term respectively, while β denotes the coefficient related to the monthly indicator. When using this equation in real time, monthly observations for the indicator are often incomplete within the quarter. The missing observations must be forecasted in order to obtain a quarterly value of x_t. Standard time series models may be used for this purpose, as is the case for the forecast averaging system of bridge equations.

Forecast averaging from bridge equations

Bridge equations used to forecast euro area activity should generally be cross-checked against each other because, given the uncertainties surrounding the results, it may be misleading to rely only on one of them. A study by Diron employs 8 equations to forecast euro area GDP directly.[1] These equations make use of data on industrial production, construction output, retail sales, unemployment, etc. An extension of this approach is based on equations to predict the aggregate

1 M. Diron, “Short-term forecasts of euro area real GDP growth: an assessment of real-time performance based on vintage data”, ECB Working Paper No 622, 2006.

euro area demand components of GDP, from which another forecast for euro area GDP can be derived. For each of the expenditure components, the forecast is obtained as the average of forecasts from around ten equations. In Section 3 of the article, the bridge equation forecast is based on an average of all the equations described above.

Dynamic factor models

With the dynamic factor model approach, factors can be constructed from the monthly data set and forecasted over the desired horizon. GDP growth can then be predicted from the factors in a second step as described in equation (1) above. The factors represent linear combinations of the observable monthly data, which are constructed to explain to the maximum extent possible the variation in the latter. A dynamic factor model developed by Angelini et al. uses 88 series, including data on industrial production, surveys, labour markets and financial markets for the euro area as well as international variables.[2] The model builds on earlier work by Giannone et al. and allows efficient forecasts of factors to be obtained in the presence of different lags in the publication of the data.[3] Extended models have also been developed to produce forecasts of the demand and value added components as well as models for the major euro area economies.

It should also be noted that many central banks and other policy-making institutions have developed similar tools for the short-term forecasting of GDP growth. For instance, the EuroCOIN indicator, presented by Altissimo et al., provides a coincident indicator of euro area trend GDP growth based on a large data set.[4]

2 E. Angelini, G. Camba-Mendez, D. Giannone, L. Reichlin and G. Rünstler, "Short-term forecasts of euro area GDP", CEPR Discussion Paper 6746, 2008.
3 D. Giannone, L. Reichlin and D. Small, "Nowcasting GDP and inflation", CEPR Discussion Paper 5178, 2005, forthcoming in the Journal of Monetary Economics.
4 F. Altissimo, R. Cristadoro, M. Forni, M. Lippi and G. Veronese, "New EuroCOIN: tracking economic growth in real time", CEPR Discussion Paper 5633, 2007.

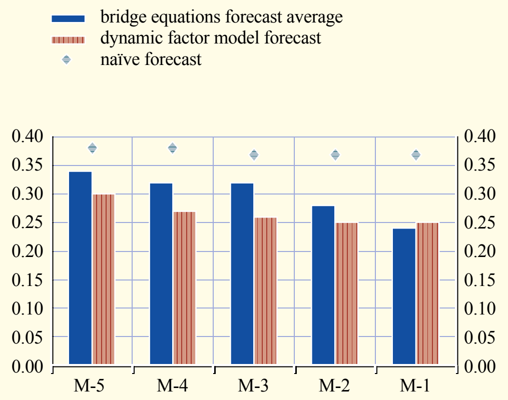
3 ILLUSTRATIVE APPLICATION OF THE TOOLS

Based on the stylised data release calendar (see the table), this section presents some empirical results obtained by using the tools described in the box, including the evolution of forecasting precision over time as more monthly data become available for the quarter considered. In this context, the influence of the individual data on the forecast is also assessed.

The average uncertainty of a sequence of forecasts of quarter-on-quarter real GDP growth in the second quarter, conducted in five consecutive months, can be seen in Chart 2. More precisely, the forecast evaluation exercise replicates the forecasts conducted mid-month after the release of industrial production data. Each forecast uses only the information that was available at the time. The uncertainty measure used is the root mean squared error (RMSE), which is evaluated from the third quarter of 1998 to the third quarter of 2005. The chart illustrates the decline in uncertainty over time, as information increases. The first forecast, conducted five months ahead of the data release, improves only marginally upon a naïve forecast (which assumes unchanged quarter-on-quarter GDP growth from the previous quarter). As more information comes in, the forecast uncertainty declines and is some 40% below the RMSE of a naïve forecast one month ahead of the release of the flash estimate.

Chart 2 Evolution of GDP forecast precision

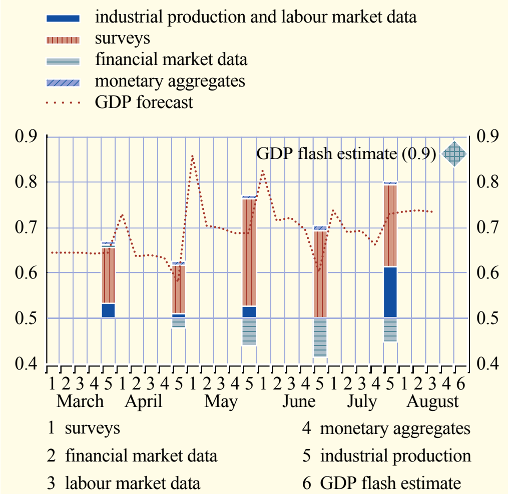
(root mean squared error of percentage GDP growth, 1998-2005)



Source: ECB calculations.
Notes: The horizontal axis shows the months remaining until the GDP release. For example, the Q2 GDP forecast M-5 is done using the data structure that was available in mid-March, while the flash estimate is released in August (Month M). While care was taken to replicate the data release calendar as depicted in the table, final data releases are used in the forecast evaluation exercise. Note that the uncertainty of the naïve forecast changes as a new observation for GDP growth in the previous quarter becomes available.

Chart 3 Contributions of data groups to the GDP forecast for the second quarter of 2006

(quarter-on-quarter percentage growth; quarter-on-quarter percentage contributions)



Sources: Eurostat and ECB calculations.
Note: For further information on the data groups and their release dates, see the table. The contributions are expressed in terms of deviations from average GDP growth.

The relative performance of the two methods, illustrated by the two bars in Chart 2, suggests that the dynamic factor model-based forecasts tend to be more precise than the forecast averages derived from bridge equations – at least at longer horizons. However, for the final forecast conducted one month ahead of the GDP data release, the performance of the bridge equations is about equal to that of the dynamic factor model. One reason for the shifts in relative performance over time is the richer information set exploited by the dynamic factor model and, in particular, the more extensive use of survey and financial market data. On account of their earlier availability, survey and financial market data are an important source of information at longer forecasting horizons, whereas industrial production data, and "hard" data in general, gain importance only for the final forecasts, when they become available for the quarter of reference.[1]

Chart 3 shows an example of the evolution of forecasts for the second quarter of 2006, as derived from the dynamic factor model following the various data releases within the period from mid-March to mid-August. The example illustrates the analysis of information obtained from individual data releases and makes clear that such releases may occasionally provide conflicting signals on economic activity. After predicting values slightly above 0.6% throughout March, the forecast jumped to above 0.8% with the release of survey data for April. It fell back thereafter, once other data had come in. However, survey data continued to give positive signals, as also evidenced by the increases in forecasted values after the various releases of survey data. The final forecasts produced from mid-July then remained above 0.7%, due to a positive contribution from industrial production data. According to the flash estimate, quarter-on-quarter GDP growth was 0.9%, while the final outcome was 1.0 %.

1 See M. Banbura and G. Rünstler, "A look into the factor model black box: publication lags and the role of hard and soft data in forecasting GDP", ECB Working Paper No 751, 2007.

4 CONCLUSIONS

Policy-makers depend on accurate information, including reliable short-term analysis of economic activity. The lags in the publication of national accounts data imply that current GDP growth must be assessed on the basis of higher frequency data from indicators which are published earlier than the national accounts estimates. The tools for the euro area that have been discussed in this article synthesise the information contained in a large set of indicators in an efficient way. Short-term forecasts of GDP from these data also provide important inputs into macroeconomic projections, as they help to improve the understanding of economic developments in the current quarter and the subsequent quarter. Such forecasts are optimally based on a range of tools using different methodologies in order to enhance robustness, and are usually combined with expert judgement when preparing macroeconomic projections beyond the short term.

DEVELOPMENTS IN THE EU ARRANGEMENTS FOR FINANCIAL STABILITY

The financial system is undergoing important changes as a result of several structural developments, which have a bearing on the functioning of the EU arrangements for safeguarding financial stability and may require their enhancement. These developments include financial integration, the growing number and prominence of cross-border banking groups, and financial innovation with the emergence and growth of new and complex financial instruments. There are a number of policy initiatives at the EU level aiming to reinforce the financial stability arrangements over the medium term so as to cope more effectively with the challenges stemming from such changes. These initiatives include the strengthening of the financial crisis management arrangements, in line with the strategic roadmap adopted by the ECOFIN Council in October 2007, and the enhancement of the Lamfalussy framework for regulation and supervision, as agreed by the ECOFIN Council in December 2007. Several policy actions are also being considered at the international and EU level, with a view to addressing issues stemming from the experience of the financial market turbulence.

1 INTRODUCTION

The financial system is undergoing important changes as a result of several developments, which have a bearing on the functioning of the EU arrangements for safeguarding financial stability and may require their enhancement. The first set of developments relates to the increasing financial integration in the EU. The progress towards a single financial market has been fostered by the introduction of the euro and the progressive integration of markets and market infrastructures, which has supported in turn the increase in the access to, and the provision of, financial services on a cross-border basis.[1] Second, the financial landscape in Europe is now characterised by a growing number and increasing prominence of banking groups with significant cross-border activities, which hold a considerable share of total EU banking assets. A third set of developments relates to financial innovation, which has involved the rapid growth of new and complex financial instruments for transferring risk and of structured credit markets. In turn, this has fostered the activities of non-bank intermediaries, many of which are highly leveraged and mostly unregulated. These developments have facilitated the transfer and redistribution of risks across the financial system, thus increasing its efficiency and potentially its resilience to shocks. At the same time, as the recent developments in financial markets have shown, the growing complexity of financial instruments and the opacity of exposures of financial institutions can give rise to increased uncertainty regarding the risk involved, the ultimate bearer of risk and the extent of potential losses.

These developments involve a number of challenges to the financial stability arrangements. In particular, given the increasing interlinkages across EU countries between markets, market infrastructures and institutions in the EU financial system, potential disturbances may propagate across Member States. The EU arrangements for financial stability should thus be in place to allow authorities and market participants to effectively detect the risks to the stability of the EU financial system as a whole and to handle any financial crisis with a cross-border dimension in an efficient manner.

Against this background, there are a number of policy initiatives at the EU level, some pre-dating the financial market turbulence, to refine and reinforce over the medium term the ability to cope more effectively with such challenges. These initiatives include the strengthening of the financial crisis management arrangements, in line with the strategic roadmap adopted by the ECOFIN Council in October last year, and the enhancement of the Lamfalussy framework for financial regulation and supervision, as agreed by the ECOFIN Council

1 For an overview, see the report on "Financial integration in Europe", ECB, March 2008.

last December. In addition, a list of actions was endorsed by the ECOFIN Council in October 2007 with a view to addressing challenges following the recent financial market turbulence. These actions may have a long-term positive impact on the further strengthening of the EU financial stability arrangements.

This article aims to provide an overview of the main policy initiatives under way and is composed of two main parts. The first one focuses on the review of the Lamfalussy framework for financial regulation and supervision, and describes the main elements of the individual assessments carried out by the Inter-Institutional Monitoring Group (IIMG), the European Commission and the Eurosystem, and the decision taken by the ECOFIN Council in December 2007. The second part addresses the initiatives for strengthening the EU institutional framework for financial stability, in particular in the field of crisis management, through the adoption of a strategic roadmap by the ECOFIN Council.

2 THE REVIEW OF THE LAMFALUSSY FRAMEWORK FOR FINANCIAL REGULATION AND SUPERVISION

Since the extension of the Lamfalussy framework[2] in 2004 to the banking and insurance sectors,[3] EU institutions have devoted considerable attention to the effective implementation and operation of this framework. This is in order to ensure that it remains capable of meeting current and future challenges and delivers the degree of supervisory convergence and smooth cooperation between competent authorities required by a single market for financial services.

In 2007, the functioning of the Lamfalussy framework across financial sectors was subject to a full review,[4] which led to the adoption by the ECOFIN Council on 4 December 2007 of some recommendations for improvement. In formulating its assessment, the Council took into account earlier evaluations of the Lamfalussy framework expressed by various EU institutions and fora, and in particular by the IIMG, the Commission and the Eurosystem.[5]

2.1 CONTRIBUTIONS TO THE REVIEW OF THE LAMFALUSSY FRAMEWORK

THE IIMG REPORT

The IIMG was re-established in 2005[6], following the extension of the Lamfalussy framework, with a mandate from the European institutions to assess the progress made in implementing the Lamfalussy process to secure a more effective regulatory and supervisory system for financial services and to identify any possible emerging bottlenecks in this process.

After a broad consultation process[7], the IIMG published its final report on 15 October 2007, which provided a general assessment of the Lamfalussy framework and an evaluation of its

2 The Lamfalussy process is composed of four levels. At Level 1, the basic principles of the legislation are laid down via the normal legislative process: a co-decision procedure involving the European Parliament and the EU Council, acting on a proposal of the European Commission. At Level 2, measures for the implementation of Level 1 legislation are adopted and amended via fast-track procedures. Level 3 relates to the work of the Level 3 Committees composed of supervisors to strengthen supervisory convergence and cooperation. Level 4 relates to Commission measures to strengthen the enforcement of EU law, underpinned by enhanced cooperation between Member States, their regulatory bodies and the private sector.

3 In 2001 the European Council decided to introduce the Lamfalussy framework in the securities sector. The aim was to adopt a procedure for the regulation of securities markets, notably with respect to the adoption and implementation of the Financial Services Action Plan (FSAP), which was sufficiently flexible to respond to market developments and regulatory standards, and to create conditions for smooth decision-making so as to ensure the EU's competitiveness in the securities area while respecting the requirements of transparency, legal certainty and institutional balance. The framework was then extended to the insurance and banking sector in 2004 with the establishment of new Committees by Commission decisions. See for further details the article entitled "Developments in the EU framework for financial regulation, supervision and stability" published in the October 2004 issue of the Monthly Bulletin.

4 The review was required by Directive 2005/1/EC of 9 March 2005, which extended the Lamfalussy framework to the banking and insurance sectors.

5 The European Parliament's "Report on financial services policy (2005-2010)", published in June 2007, should be mentioned as well as specific contributions provided by the Level 3 Committees.

6 The first IIMG, limited to securities markets, was set up in October 2002 to assess the framework.

7 In March 2006 and January 2007 the IIMG published its first and second interim reports for public consultation. All the reports are available at http://ec.europa.eu/internal_market/finances/committees/index_en.htm.

ability to deliver results, and proposed certain recommendations for the improvement of the process. The IIMG considered that the Lamfalussy process had significantly contributed to the integration of European financial markets and made some suggestions for possible improvements as regards both the adoption of regulations and their enforcement, which relate to Levels 1, 2 and 4 of the Lamfalussy framework. The IIMG addressed in particular the role of Level 3 Committees[8] as a platform for the coordination of supervision and regulation, which should aim at achieving the following objectives: (i) contributing to the full and high quality implementation of the EU legislation; (ii) enhancing supervisory convergence and cooperation; (iii) improving the supervision on a cross-border basis of banking groups; and (iv) facilitating market infrastructure oversight.

In this respect, the IIMG stressed that the Level 3 Committees need to be appropriately equipped to fulfil such objectives and made a number of suggestions to improve their functioning in terms of enhancing their accountability and the effectiveness of their decision-making. First, the mandate and work programme of Level 3 Committees should be endorsed by the EU Council, the European Parliament and the Commission. At the Member State level, national supervisory bodies should have mission statements that require them to cooperate at the EU level and to take into account the European interest and the importance of strengthening an effective European Single Market. Second, the Level 3 Committees may need to be permitted to vote by qualified majority in a limited number of cases – other than when providing technical advice to the Commission, as is the current practice. All other decisions with regard to supervisory convergence and cooperation should be subject to consensus, while a "comply or explain" mechanism should be developed for those Member States' authorities that wish to deviate from the decisions of the committees. Finally, in order to match the scale of the tasks which the IIMG recommends be entrusted to the Level 3 Committees, a considerable increase in resources would be needed.

THE COMMISSION'S COMMUNICATION ON THE REVIEW OF THE LAMFALUSSY FRAMEWORK

Drawing also on the aforementioned recommendations by the IIMG, the Commission presented in a communication (published on 20 November 2007)[9] a number of practical proposals to enhance the Lamfalussy structure and in particular improve the functioning of the Level 3 Committees, in order to strengthen supervisory convergence and cooperation. The Commission's proposals comprised the following enhancements. First, the Level 3 Committees' political accountability in relation to the EU institutions should be strengthened. Second, while the decisions taken by the Level 3 Committees should remain not legally binding, compliance with them by national supervisory authorities should be strengthened. Third, the current legal basis of the Level 3 Committees provided by Commission decisions might need to be reviewed in order to better reflect the committees' tasks and functions. Lastly, the Level 3 Committees' internal decision-making procedures should be improved and, subject to possible safeguards, allow for qualified majority voting on all decisions.

THE EUROSYSTEM'S CONTRIBUTION

The Eurosystem confirmed its broad support for the Lamfalussy framework in its published contribution to the Lamfalussy review[10] carried out in the last quarter of 2007. In particular, the Eurosystem considered that the Lamfalussy framework provides the appropriate regulatory

8 The Level 3 Committees, composed of representatives of national supervisory authorities, were established on the basis of the following decisions by the Commission: Decision 2004/5/EC establishing the Committee of European Banking Supervisors (CEBS – located in London); Decision 2004/6/EC establishing the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS – located in Frankfurt); and Decision 2004/7/EC establishing the Committee of European Securities Regulators (CESR – located in Paris).
9 Commission Communication, "Review of the Lamfalussy process: Strengthening supervisory convergence", (13364/07).
10 "Eurosystem contribution to the review of the Lamfalussy framework", published on 30 November 2007 on the ECB's website. The support for the Lamfalussy framework was expressed in previous public statements: "Review of the application of the Lamfalussy framework to EU securities markets legislation", Eurosystem contribution to the Commission's public consultation, 17 February 2005; "Green Paper on Financial Services Policy (2005-2010)", Eurosystem contribution to the Commission's public consultation, 1 August 2005 (also available on the ECB's website).

and supervisory setting to support the stability, integration and competitiveness of the EU financial sector and supported a number of measures to further strengthen the Lamfalussy framework, in terms of fostering regulatory convergence (at the Level 1 and 2) and the efficient functioning of Level 3 Committees to reach the aim of improved supervisory convergence (see further details below).

2.2 THE MAIN CONCLUSIONS OF THE REVIEW OF THE LAMFALUSSY FRAMEWORK

On 4 December 2007, the ECOFIN Council assessed the experience to date with the Lamfalussy framework as broadly positive, on the basis of the contributions provided by the EU institutions, the IIMG and the Level 3 Committees. In particular, there was broad agreement that the Lamfalussy approach had significantly increased the efficiency and effectiveness of the EU regulatory and supervisory framework, as well as the quality of the legislative process in accordance with the "better regulation" goals, namely through improved consultation, transparency and impact analysis. Accordingly, the Lamfalussy framework is widely supported by stakeholders. Nevertheless, the Council considered that, without changing the inter-institutional balance between the European Parliament, the Council and the Commission, further improvements should be introduced at all levels of the framework.

More specifically, recommendations were endorsed concerning: (a) the arrangements for regulation (Levels 1 and 2 of the Lamfalussy framework); and (b) the institutional setting of the Level 3 Committees. The main decisions taken by the ECOFIN Council as regards each of these aspects of the Lamfalussy framework are briefly assessed below, in the light of the Eurosystem's contribution.

THE ARRANGEMENTS FOR REGULATION (LEVELS 1 AND 2 OF THE LAMFALUSSY FRAMEWORK)

As regards Level 1, the ECOFIN Council indicated a number of measures to limit the use of national options and discretion in EU directives and in implementing legislation[11] as supported also by the Eurosystem.

An additional aspect highlighted by the Eurosystem's contribution concerned the need to ensure a clear distinction between Level 1 and Level 2 legislation as a key feature of the Lamfalussy process in terms of fostering regulatory convergence: Level 1 rules should be limited as much as possible to legislative framework principles, while the technical aspects should be specified in Level 2 measures, which can be quickly modified through more flexible legislative procedures. However, so far the distinction between Level 1 and Level 2 has been implemented only to a very limited degree in the banking sector. More specifically, the Eurosystem noted that the Capital Requirements Directive (CRD) was a missed opportunity to revise the EU capital requirements in line with the Lamfalussy framework,[12] as it has only a limited number of provisions which can be adjusted via comitology procedures. In the medium term, there should be an assessment of the need to restructure the CRD and other

11 According to the Council conclusions, the Council "(…) NOTES that the main responsibility for limiting the number of options and discretions in the EU Directives, and thus creating the necessary preconditions for further supervisory convergence, is with the legislator (the Council and the European Parliament), and UNDERTAKES to limit the use of national discretions and "gold-plating" to the minimum extent necessary, given the specificities of national markets and INVITES the European Parliament to join in this effort; – INVITES Member States to keep under review the options and discretions implemented in their national legislation, limit their use (wherever possible) and report to the Commission on these findings, and INVITES the Institutions to introduce a "review clause" in future EU legislation on all options and discretions included in the respective acts. When this review clause comes into effect after a specified time, the necessity and use of the options and discretions should be reviewed and, where necessary, abolished where there is no demonstrated need; (…)".

12 See in this respect the Opinion of the European Central Bank of 17 February 2005 at the request of the Council of the European Union on a proposal for directives of the European Parliament and of the Council recasting Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions and Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions (CON/2005/4), available at: http://www.ecb.europa.eu/ecb/legal/pdf/c_05220050302en00370046.pdf.

banking acts in line with the spirit of the Lamfalussy framework on the basis of an effective cost-benefit analysis.

THE INSTITUTIONAL SETTING OF THE LEVEL 3 COMMITTEES

The Eurosystem, as well as the other contributions to the Lamfalussy review, supported a further enhancement of the institutional setting and functioning of the Level 3 Committees. More specifically, the contributions similarly highlighted possible improvements on some critical features of the Level 3 Committees, as regards the legal basis, accountability and decision-making.

First, the legal basis of Level 3 committees for activities promoting supervisory convergence and cooperation should be further clarified. For instance, the CEBS role of giving advice to the Commission to enact Level 2 rules is clearly underlined in the Commission's decision establishing the CEBS and in the respective EU banking legislation. There is, however, no clear legal basis as regards the CEBS's role in the Level 3 activities promoting supervisory convergence and cooperation, for which it works as a network of national supervisors. The Eurosystem noted that a clarification of the EU legal basis of the CEBS (for instance through a legal text adopted by the Council and the European Parliament) would certainly underscore the importance of the work of the CEBS and facilitate the introduction of respective references in relevant Level 1 rules.

On this issue, the ECOFIN Council asked the Commission to undertake further analysis "to clarify the role of the Level 3 Committees and consider all different options to strengthen the working of these committees, without unbalancing the current institutional structure or reducing the accountability of supervisors".

Second, the accountability of the Level 3 Committees and their members would be enhanced by the specification of the objectives to be achieved by these committees and the reporting to EU bodies of periodic work programmes for comments and high-level political guidance, with due respect for their operational independence. In addition, a reference to a requirement to foster EU convergence and cooperation could be introduced in the national mission statements of supervisors.

These proposals were endorsed by the ECOFIN Council, which invited the Level 3 Committees to report annually to the Commission, the Council and the European Parliament as regards their draft work programmes (so as to allow them to express their view on the key priorities) and on the achievement of their objectives. Moreover, the ECOFIN Council mandated the Financial Services Committee and the Economic Financial Committee to examine further the possibility of including in the mandates of national supervisors, as an explicit task, to cooperate within the EU to work towards European supervisory convergence, and to take into account the financial stability concerns in all Member States.

Third, the committees' decision-making process could be improved with the introduction of majority voting with a view to fostering further progress in the convergence of supervisory requirements. The ECOFIN Council mandated the Level 3 Committees to introduce, where necessary, in their charters the possibility to apply qualified majority voting, with the obligations for those who do not comply to explain their decisions publicly.

The decisions made by the ECOFIN Council confirm the central importance of the Lamfalussy approach to reach the shared objectives of strengthening supervisory convergence and cooperation. Work has already been started by the Commission and the Level 3 Committees to implement the pertinent political decisions. The ECB is contributing to such follow-up work, with the firm belief that the political reflections made last year as regards the review of the Lamfalussy arrangements should now be accompanied by concrete actions, which will ensure further progress in convergence and cooperation in day-to-day supervisory processes with particular regard to cross-border financial institutions.

3 THE EU FINANCIAL STABILITY ARRANGEMENTS

3.1 OVERVIEW

The institutional framework for safeguarding financial stability comprises the arrangements that are necessary for the financial system to cope with disturbances, which may impair its smooth functioning. This framework is based on three major components: crisis prevention, crisis management and crisis resolution. Crisis prevention relates to the performance of the functions of supervisory authorities, which undertake the surveillance of the safety and soundness of financial institutions, and of central banks, which conduct financial stability monitoring and assessment relying on macro-prudential analysis. Crisis management can be defined as the set of tools that public authorities may deploy if a disturbance occurs in the financial markets. Supervisors may, for instance, take measures regarding the management of a financial institution, require additional capital from shareholders, or impose reorganisation measures. Central banks may take actions aiming at restoring normal liquidity conditions in money markets or at ensuring the smooth operation of market infrastructures. Finally, crisis resolution relates to the arrangements aiming at an orderly handling of a financial institution facing solvency problems and the protection of the rights of creditors, notably depositors. Table 1 below provides a broad overview of the EU financial stability arrangements.

Table 1 The EU framework for safeguarding financial stability

Functions	Structures for cross-border cooperation between authorities	Legislative framework
Crisis Prevention		
Supervisory functions	Level 3 Committees for the convergence of supervisory practices Colleges of Supervisors [1]	National laws, largely harmonised by EU legislation
Financial stability monitoring by central banks	ESCB Committees	EU Treaty, ESCB Statute, and national central banking laws
Crisis Management		
Supervisory measures	Colleges of Supervisors EU MoUs	National laws, largely harmonised by EU legislation
Provision of liquidity by central banks	Eurosystem	National central banking laws
Actions on payment systems	ESCB Committees EU MoUs	ESCB Statute, and national central banking laws
Crisis Resolution		
Private sector solutions	EU MoUs	n/a
Public sector measures by finance ministries	EU MoUs	National laws EU competition law
Reorganisation and winding-up of financial institutions	Bilateral relationships between the competent authorities of Member States	National laws, partly harmonised by EU legislation
Deposit guarantee schemes	Bilateral relationships between the competent authorities of Member States	National laws, partly harmonised by EU legislation

1) Colleges of Supervisors are permanent, although flexible, structures for cooperation and coordination among the authorities responsible for and involved in the supervision of the different components of cross-border banking groups (“College”). See “Range of practices on supervisory colleges and home-host cooperation” by the CEBS of 27 December 2007.

There is a close interrelationship between these three components of the financial stability framework. The effectiveness of crisis management and resolution largely depends on the existence of an efficient supervisory and central banking framework able to identify and react at an early stage to potential threats to financial stability. Conversely, the effectiveness of supervisory action depends also on the existence of appropriate arrangements to support an orderly exit from the market by insolvent institutions. The possibility that financial institutions can exit the market if they are affected severely by a crisis provides a powerful incentive for them to optimise risk management and draw up proper business plans.

At the EU level, the arrangements for safeguarding financial stability have to address the particular cross-border challenges raised by the development of the single financial market. This requires, in particular, smooth and efficient cross-border interplay among the set of authorities involved in crisis prevention, management and resolution. In this context, the EU arrangements for crisis prevention are based on a developed prudential and supervisory framework, largely harmonised by EU legislation, and supported by the activities of the Level 3 Committees, as described in the previous sections.

The arrangements and tools for crisis management and resolution should be based on an efficient framework that maintains the necessary degree of flexibility to cope with a financial crisis. Given the unique nature of a potential financial crisis, and due to institutional factors specific to each Member State, such as insolvency laws, authorities require a higher degree of flexibility than in crisis prevention in the deployment of the necessary policy actions to address financial disturbances. Accordingly, the emphasis on crisis management and resolution arrangements at the EU level has focused on the development of information-sharing and cooperation procedures among EU supervisory authorities, central banks and finance ministries. In this context, these authorities adopted in May 2005 a Memorandum of Understanding (MoU) on cooperation in financial crisis situations, which consists of a set of principles and procedures for sharing information, views and assessments, in order to facilitate the pursuance of their respective policy functions and preserve the overall stability of the financial systems of Member States and of the EU as a whole.[13]

Against this background, the effectiveness of crisis management and resolution arrangements at the EU level depends on the efficiency with which authorities share information and cooperate on a cross-border basis. Such effectiveness has been tested in several financial crisis simulation exercises, the last of which was the EU-wide simulation exercise carried out by the Economic and Financial Committee (EFC) in April 2006. This exercise, while confirming the adequacy of existing arrangements, suggested a number of areas for further enhancement.[14] This provided the basis for a number of policy initiatives at the EU level to strengthen the EU arrangements for financial stability, which are addressed in the following sections.

3.2 A STRATEGIC ROADMAP FOR STRENGTHENING THE EU ARRANGEMENTS FOR FINANCIAL STABILITY

In September 2006, an ad hoc working group of the EFC was mandated to explore ways to further develop financial stability arrangements in the EU, on the basis of the useful insights provided by the EU-wide financial crisis simulation exercise of April 2006. Building on the existing, largely national responsibilities and focusing on reinforcing the EU mechanisms for cross-border cooperation, the ad hoc working group identified a number of actions to ensure consistency between the arrangements for crisis management and resolution, on the one hand, and the arrangements for crisis prevention, on the other. The recommendations proposed by the ad hoc

13 For a description of this Memorandum of Understanding, see the ECB's press release of 18 May 2005, available at http://www.ecb.europa.eu/press/pr/date/2005/html/pr050518_1.en.html.

14 This exercise was organised by the Economic and Financial Committee with the aim of testing the Memorandum of Understanding on cooperation in financial crisis situations among banking supervisors, central banks and finance ministries. For more details, see the ECB's Annual Report 2006, pp. 138-139.

working group were approved by the EFC in September 2007, and subsequently endorsed by the ECOFIN Council in October 2007 as part of a strategic roadmap for strengthening the arrangements for financial stability at both the EU and national levels.[15] The strategic roadmap comprises the following measures.

MEMORANDUM OF UNDERSTANDING ON CRISIS MANAGEMENT

The first measure consists of the preparation of a new EU MoU on cooperation among EU supervisory authorities, central banks and finance ministries. This MoU should build on the previous agreement of 2005 – as described above – and should include three main components. First, there should be a set of common principles at the EU level for cross-border financial crisis management. The second component is a common analytical framework for the assessment of the systemic implications of a potential crisis which has been developed by the ESCB Banking Supervision Committee (BSC) in cooperation with the CEBS. This framework provides common terminology regarding the assessment of a cross-border systemic crisis. The third component consists of common practical guidelines for crisis management, which should reflect a common understanding of the steps and procedures that need to be taken and followed in a cross-border crisis situation.

EU COMMON PRINCIPLES FOR FINANCIAL CRISIS MANAGEMENT

In order to provide a consistent and sound basis for addressing a financial crisis in the EU, the ECOFIN Council adopted a set of nine common principles to be followed by the Member States in the management of any cross-border financial crisis which involves at least one banking group which: (i) has substantial cross-border activities; (ii) is facing severe problems which are expected to trigger systemic effects in at least one Member State; and (iii) is assessed to be at risk of becoming insolvent.

The common principles highlight the consensus of Member States on the fundamental basis for safeguarding the stability of the financial system both at the domestic and at the EU level. Three main elements may be highlighted. First, cross-border crisis management is a matter of common interest to Member States. Second, private sector solutions should be given primacy in the resolution of a crisis. Third, if public resources are used, the direct budgetary costs will be shared among affected Member States on the basis of equitable and balanced criteria, including the economic impact of the crisis and the framework of home and host countries' supervisory powers. Accordingly, these common principles will be formalised in the new EU MoU (see the box below).

15 Luxembourg ECOFIN Council conclusions on "Enhancing the arrangements for financial stability in the EU".

Box

COMMON PRINCIPLES FOR CROSS-BORDER FINANCIAL CRISIS MANAGEMENT, AS ADOPTED BY THE ECOFIN COUNCIL IN OCTOBER 2007

1. The objective of crisis management is to protect the stability of the financial system in all countries involved and in the EU as a whole and to minimise potential harmful economic impacts at the lowest overall collective cost. The objective is not to prevent bank failures.

2. In a crisis situation, primacy will always be given to private sector solutions which as far as possible will build on the financial situation of a banking group as a whole. The management of an ailing institution will be held accountable, shareholders will not be bailed out and creditors and uninsured depositors should expect to face losses.

3. The use of public money to resolve a crisis can never be taken for granted and will only be considered to remedy a serious disturbance in the economy and when overall social benefits are assessed to exceed the cost of recapitalisation at public expense. The circumstances and the timing of a possible public intervention can not be set in advance. Strict and uniform conditions shall be applied to any use of public money.

4. Managing a cross-border crisis is a matter of common interest for all Member States affected. Where a bank group has significant cross-border activities in different Member States, authorities in these countries will carefully cooperate and prepare in normal times as much as possible for sharing a potential fiscal burden. If public resources are involved, direct budgetary net costs are shared among affected Member States on the basis of equitable and balanced criteria, which take into account the economic impact of the crisis in the countries affected and the framework of home and host countries' supervisory powers.

5. Arrangements and tools for cross-border crisis management will be designed flexibly to allow for adapting to the specific features of a crisis, individual institutions, balance sheet items and markets. Cross-border arrangements will build on effective national arrangements and cooperation between authorities of different countries. Competent authorities in the Member States affected by a crisis should be in a position to promptly assess the systemic nature of the crisis and its cross-border implications based on common terminology and a common analytical framework.

6. Arrangements for crisis management and crisis resolution will be consistent with the arrangements for supervision and crisis prevention. This consistency particularly refers to the division of responsibilities between authorities and the coordinating role of home country supervisory authorities.

7. Full participation in management and resolution of a crisis will be ensured at an early stage for those Member States that may be affected through individual institutions or infrastructures, taking into account that quick actions may be needed to solve the crisis.

8. Policy actions in the context of crisis management will preserve a level playing field. Especially, any public intervention must comply with EU competition and state-aid rules.

9. The global dimension will be taken into account in financial stability arrangements whenever necessary. Authorities from third countries will be involved where appropriate.

A COMMON ANALYTICAL FRAMEWORK FOR THE ASSESSMENT OF SYSTEMIC IMPLICATIONS

The second component of the new EU MoU is the analytical framework developed by the BSC and the CEBS in 2007, which aims at providing a common language for discussions among authorities in Member States affected by a cross-border financial crisis. This would support the fulfilment of two main objectives.

First, it should allow authorities in different Member States to address more clearly any differences in their views on the impact of the crisis on their domestic financial systems and real economies. In this context, a common language does not imply a common assessment among authorities.

The analytical framework developed by the BSC and the CEBS does not provide a single, uniform measure of the systemic impact of a financial crisis. Instead, it calls for separate assessments of the impact on financial institutions, financial markets, financial infrastructure and the real economy. Each of these components should be considered with regard to the extent of the systemic impact of the crisis, taking into account both the critical importance of the component's affected parts and the extent of their disturbance. A number of indicators are included in the framework to support the authorities' assessment.

The second objective is, at the same time, to reduce the risk that under the pressure of circumstances authorities might take measures that put public money at risk before assessing the potential impact of the crisis. Accordingly, such a framework supports the basic principle that in order to resolve a financial crisis, primacy should always be given to private sector solutions.

In accordance with the time frame set by the ECOFIN Council, this analytical framework should be used by the authorities in the various Member States by the end of 2008.

COMMON PRACTICAL GUIDELINES FOR CRISIS MANAGEMENT

The third component of the EU MoU consists of common practical guidelines for crisis management, which will be developed in order to reflect a common understanding of the steps and procedures that need to be taken and followed in a cross-border crisis situation. These practical guidelines may cover elements such as the operational procedures for information-sharing among authorities, the conduct of systemic assessments, the coordination of decision-making, the handling of communication with the public, and the related allocation of tasks among the authorities involved in the management of a financial crisis.

VOLUNTARY SPECIFIC COOPERATION AGREEMENTS BETWEEN RELEVANT AUTHORITIES

In addition to the extended EU-wide MoU, the ECOFIN Council indicated other mechanisms to support cross-border cooperation among the authorities of the Member States that may be affected by a crisis. In particular, the ECOFIN Council encourages the authorities in different Member States that share financial stability concerns to start developing, as soon as possible, voluntary cooperation agreements consistent with the new EU-wide MoU and building on cross-border supervisory arrangements for crisis prevention. These agreements would focus on detailed principles and procedures, taking into account particular needs of crisis management in a specific cross-border context.

3.3 OTHER INITIATIVES IN THE STRATEGIC ROADMAP

In the framework of the measures listed in the strategic roadmap adopted by the ECOFIN Council, the Commission has been invited, in close cooperation with the Member States, to examine possible enhancements, and where necessary propose regulatory changes with regard to cooperation obligations and tools to manage a cross-border crisis, as follows.

REVIEW OF THE CAPITAL REQUIREMENTS DIRECTIVE

With the purpose of clarifying the nature and the extent of the legal obligations relating to the exchange of information and cooperation in crisis situations, the Commission has been examining, in close cooperation with Member States, possible amendments to the Capital Requirements Directive. More specifically, the objective of a possible revision of the legal framework is to: (i) clarify the existing obligations of supervisory authorities, central banks and finance ministries to exchange information and to cooperate in a crisis situation; (ii) increase the information rights and involvement of host countries; (iii) clarify the role of the consolidating supervisors and facilitate the timely involvement of relevant parties in a crisis situation; and (iv) examine whether, to this end, legislative changes are necessary, including reinforcing the legal requirements for supervisory collaboration and information-sharing.

In accordance with the strategic roadmap, the relevant proposals by the Commission should be finalised by the end of 2008, while the adoption of the proposals of new legislation by the Council and the European Parliament should take place by the end of 2009.

ENHANCING TOOLS TO MANAGE A CROSS-BORDER CRISIS

In order to improve the availability, as well as the cross-border functionality, of tools specifically designed to manage a crisis or to facilitate private sector solutions with a view to minimising economic and social costs, the Commission has been analysing possible enhancements, and, where necessary, proposing regulatory changes in several fields.

The first field is the transfer of assets within a banking group. Since the subsidiaries of a banking group are separate legal entities subject to the legislation of the Member State in which they are established, national laws may hinder the transfer of assets between them for the purpose of protecting creditors and depositors. In the event of a financial crisis, such obstacles may generate difficulties relating to the transfer of assets to the components of the banking group where they are required, for instance, for the purpose of participating in monetary policy operations. In this context, the Commission has been requested to perform a feasibility study on reducing barriers to cross-border asset transferability, while introducing appropriate safeguards within banking, insolvency and company law, taking into account that the reallocation of assets in a crisis affects the ability of stakeholders in different legal entities to pursue claims. The overall objective is to reinforce the primacy of private sector solutions, avoid counterproductive ring-fencing of assets, and facilitate the smooth management of a crisis.

The second field is that of deposit guarantee schemes. Overall, although there is a degree of harmonisation through the EU Deposit Guarantee Schemes Directive, the features of deposit guarantee schemes vary across Member States, which may hinder their interoperability in the case of cross-border financial crises. In this context, the Commission is requested to clarify the scope of the application of this directive relating to the tasks of deposit guarantee schemes, the arrangements for compensating the schemes of the Member States where branches are established (the so-called "topping-up" arrangements), the information exchange among schemes, the possibility to reduce delays in compensating depositors, and the means to improve depositor information. The Commission is expected to report back by March 2009.

The third field is public financial support. In some cases, such support may be needed to rescue a bank whose failure would have a significant economic impact and could lead to a cross-border crisis. In this context, the Commission has been requested to work towards clarifying when a banking crisis could be considered as "a serious disturbance for the economy" under the Treaty and state aid rules. In addition, the Commission has been invited to consider streamlining procedures, focusing on how state aid enquiries under critical circumstances can be treated rapidly, given the requirement to handle a crisis quickly and effectively.

Lastly, the Commission has been requested to assess the possible extension of the scope of the present EU directive on the reorganisation and winding-up of credit institutions to include subsidiaries, with the objective of increasing the efficiency in the reorganisation and winding-up of cross-border banking groups taking due consideration of the interests of all stakeholders concerned. This directive ensures that a credit institution is treated as one entity and its assets are included in a single process, ruling out the conduct of secondary proceedings. However, the directive does not cover subsidiaries, thus the reorganisation or the winding-up of a cross-border banking group necessarily involves various national regimes. Hence, a revision of the current directive could cover subsidiaries by providing joint insolvency proceedings. The Commission launched a public consultation on this directive in October 2007 and is expected to release the results of its feasibility study by end-2008.

4 RESPONSES TO THE RECENT FINANCIAL MARKET TURMOIL

Since the start of the financial market turmoil in August 2007, reflections have been set in motion to reach a common understanding on the determinants of the disturbance, to draw policy lessons and take measures necessary to avoid recurrence of a similar disruption. In this respect, initiatives are under way both at the European and international levels.

At the EU level, the ECOFIN Council[16] agreed on a list of actions that needed to be undertaken by 2008 at the latest. The main areas of work are aimed at: (i) enhancing transparency; (ii) improving valuation processes, in particular for complex or illiquid financial instruments; (iii) strengthening market functioning, in particular by reviewing the role of credit rating agencies, the due diligence process of investors and the underpinnings of the "originate and distribute" banking model; and (iv) improving the prudential framework and banks' risk management. In this respect, the full implementation of the Basel II framework, by introducing more risk-sensitive rules and comprehensive provisions on disclosure, will contribute to improving the regulatory setting. But additional important work is necessary in other areas, for example on liquidity risk management, concentration risk and securitisation. The Commission is expected to come forward with amendments to the Capital Requirements Directive in the autumn.

Parallel to this work, wider international cooperation to address these issues is also advancing at the global level, namely under the aegis of the Financial Stability Forum (FSF)[17], which is preparing a report with specific recommendations for the April 2008 meeting of the G7 finance ministers and central bank governors. In its interim report, published in February 2008, the FSF sets out six areas where improvements are warranted in order to strengthen the resilience of the financial system: (i) the supervisory framework and oversight, including the implementation of possible refinements to the Basel II framework, as well as the strengthening of banks' liquidity risk management and stress-testing techniques; (ii) the underpinnings of the "originate and distribute" banking model, in particular ensuring that an appropriate incentive structure is put in place; (iii) the uses and role of credit ratings, namely reviewing methodologies and excessive reliance on ratings as well as addressing potential conflicts of interest; (iv) market transparency, providing enhanced disclosures of structured products and off-balance-sheet vehicles and improving valuation methodologies, in particular when markets are illiquid; (v) supervisory and regulatory responsiveness to risks, calling for enhanced cooperation and exchange of information both at national and international levels and coordination between the supervision of individual institutions and the broader view arising from central banks' financial stability analysis; and finally (vi) authorities' ability to respond to crises, entailing the review by central banks of their operational frameworks including an examination of the scope for greater consistency in eligible collateral policies, and the need for authorities to strengthen, where appropriate, their arrangements for dealing with ailing banks both nationally and across borders.

16 2822nd Economic and Financial Affairs Council Meeting, press release, Luxembourg, 9 October 2007.

17 The FSF comprises high-level representatives of national ministries of finance, central banks and supervisory authorities and international institutions and forums, namely: the BIS, the IMF, the ECB, the Basel Committee on Banking Supervision (BCBS), the International Organization of Securities Commissions (IOSCO), the Committee on the Global Financial System (CGFS), the Committee on Payment and Settlement Systems (CPSS), the Joint Forum and the International Accounting Standards Board (IASB).

The ECB strongly supports the initiatives taken by the ECOFIN Council and the FSF, in particular concerning the key areas for policy consideration, and is contributing to the pertinent work. In this context, the ECB considers that existing arrangements for information-sharing among authorities, including between supervisory authorities and central banks, could be further developed and enhanced. In particular, a more effective interplay between the monitoring and assessment of the stability of the financial system as a whole, performed by central banks, and the supervision of individual institutions, carried out by supervisory authorities, should be ensured.

5 CONCLUSION

The significant changes that have occurred in the financial markets over the past decade, the progress in financial integration and the emergence of cross-border banking groups with significant activities in a number of EU countries call for continuous efforts to ensure an efficient regulatory and supervisory framework that promotes financial integration and does not impose an undue regulatory burden on financial groups. At the same time, it is important for the competent authorities to ensure that the EU arrangements for crisis prevention and management are able to safeguard financial stability in an effective way. In that context, the policy decisions adopted at the EU level at the end of 2007, as regards the review of the Lamfalussy framework and the further strengthening of EU financial stability arrangements, are important steps. In addition, the experience with the recent financial market turmoil provides an opportunity to refine the arrangements for financial stability in a number of policy areas.

EURO AREA STATISTICS

CONTENTS[1]

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

ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2008 TO INCLUDE CYPRUS AND MALTA

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (the euro area including Cyprus and Malta) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001, 2007 and 2008, calculated from a base in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta are available on the ECB web site at http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-MFI corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of-period) [3]
	1	2	3	4	5	6	7	8
2006	8.6	8.7	8.4	-	10.9	15.8	3.08	3.91
2007	6.4	9.9	11.1	-	10.8	18.9	4.28	4.38
2007 Q2	6.2	9.2	10.6	-	10.5	18.7	4.07	4.51
Q3	6.6	10.3	11.5	-	11.0	20.2	4.49	4.38
Q4	5.9	10.7	12.0	-	11.1	19.8	4.72	4.38
2008 Q1	.	.	.	-	.	.	4.48	4.13
2007 Oct.	6.4	11.2	12.3	12.0	11.3	19.7	4.69	4.29
Nov.	6.3	11.0	12.4	12.0	11.1	19.2	4.64	4.21
Dec.	3.7	10.0	11.4	11.7	11.2	21.9	4.85	4.38
2008 Jan.	4.3	10.4	11.5	11.4	11.1	21.8	4.48	4.05
Feb.	3.7	10.7	11.3	.	10.9	.	4.36	4.06
Mar.	.	.	.	.	.	.	4.60	4.13

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2006	2.2	5.1	2.5	2.8	4.0	83.2	1.6	8.2
2007	2.1	2.8	2.6	2.6	3.4	84.2	1.8	7.4
2007 Q3	1.9	2.1	2.5	2.7	3.9	84.0	1.9	7.3
Q4	2.9	4.0	2.7	2.2	3.1	84.0	1.7	7.2
2008 Q1	.	.	.	.	.	.	.	.
2007 Oct.	2.6	3.3	-	-	4.3	84.0	-	7.3
Nov.	3.1	4.3	-	-	3.1	-	-	7.2
Dec.	3.1	4.4	-	-	1.7	-	-	7.2
2008 Jan.	3.2	5.0	-	-	3.3	83.9	-	7.1
Feb.	3.3	5.3	-	-	.	-	-	7.1
Mar.	3.5	.	-	-	.	-	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-22 [4] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2006	-3.2	18.5	-131.3	273.7	325.8	103.6	104.5	1.2556
2007	29.8	55.8	-107.8	233.6	347.4	107.7	108.3	1.3705
2007 Q2	-2.2	19.0	-68.2	72.8	325.3	107.1	107.7	1.3481
Q3	11.3	16.9	-38.1	75.5	340.5	107.6	108.2	1.3738
Q4	16.2	12.5	12.1	-43.5	347.4	110.5	111.2	1.4486
2008 Q1	.	.	.	.	.	112.7	113.1	1.4976
2007 Oct.	4.9	8.1	21.7	-55.3	346.6	109.4	110.1	1.4227
Nov.	3.5	5.8	11.4	8.3	339.2	111.0	111.7	1.4684
Dec.	7.7	-1.4	-21.0	3.5	347.4	111.2	111.7	1.4570
2008 Jan.	-16.7	-8.1	-32.2	54.3	374.8	112.0	112.3	1.4718
Feb.	.	.	.	.	375.3	111.8	112.0	1.4748
Mar.	.	.	.	.	.	114.6	114.8	1.5527

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.
1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.
2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
3) Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
4) For the 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

	2008 14 March	2008 21 March	2008 28 March	2008 4 April
Gold and gold receivables	201,192	201,137	201,136	209,735
Claims on non-euro area residents in foreign currency	139,148	139,399	140,856	136,677
Claims on euro area residents in foreign currency	24,434	25,288	34,620	31,658
Claims on non-euro area residents in euro	14,843	14,843	14,915	14,759
Lending to euro area credit institutions in euro	476,464	484,635	484,539	444,566
Main refinancing operations	209,032	201,734	216,130	151,420
Longer-term refinancing operations	267,366	267,366	268,377	293,110
Fine-tuning reverse operations	0	15,000	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	49	498	0	2
Credits related to margin calls	17	37	32	34
Other claims on euro area credit institutions in euro	33,450	34,236	34,840	34,182
Securities of euro area residents in euro	107,291	107,287	108,332	109,612
General government debt in euro	38,640	38,640	38,640	38,614
Other assets	331,648	333,249	335,415	351,552
Total assets	1,367,110	1,378,714	1,393,293	1,371,355

2. Liabilities

	2008 14 March	2008 21 March	2008 28 March	2008 4 April
Banknotes in circulation	658,690	665,749	661,022	662,561
Liabilities to euro area credit institutions in euro	229,454	220,598	224,581	195,625
Current accounts (covering the minimum reserve system)	228,959	219,593	223,384	194,746
Deposit facility	227	727	962	591
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	268	278	235	288
Other liabilities to euro area credit institutions in euro	214	216	212	209
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	71,000	80,715	84,815	76,344
Liabilities to non-euro area residents in euro	36,101	36,796	47,603	48,020
Liabilities to euro area residents in foreign currency	585	1,517	1,259	1,216
Liabilities to non-euro area residents in foreign currency	19,356	18,802	19,589	17,979
Counterpart of special drawing rights allocated by the IMF	5,311	5,311	5,311	5,148
Other liabilities	128,134	130,740	130,641	136,608
Revaluation accounts	147,666	147,666	147,666	156,231
Capital and reserves	70,599	70,604	70,594	71,414
Total liabilities	1,367,110	1,378,714	1,393,293	1,371,355

Source: ECB.

1.2 Key ECB interest rates
(levels in percentages per annum; changes in percentage points)

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

Source: ECB.

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

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

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7
	Main refinancing operations						
2007 12 Dec.	280,565	284	218,500	4.00	4.18	4.21	7
19	377,148	390	348,607	4.00	4.21	4.21	16
28	47,652	118	20,000	4.00	4.20	4.27	7
2008 4 Jan.	275,291	269	128,500	4.00	4.18	4.21	5
9	283,354	301	151,500	4.00	4.20	4.22	7
16	242,078	281	190,500	4.00	4.16	4.21	7
23	234,633	276	175,500	4.00	4.16	4.19	7
30	253,268	264	167,500	4.00	4.18	4.20	7
6 Feb.	223,805	226	161,500	4.00	4.17	4.20	7
13	223,706	229	187,500	4.00	4.10	4.18	7
20	226,655	262	178,000	4.00	4.10	4.15	7
27	233,242	260	183,000	4.00	4.10	4.15	7
5 Mar.	240,542	264	176,500	4.00	4.11	4.14	7
12	260,402	298	209,500	4.00	4.12	4.16	7
19	295,701	336	202,000	4.00	4.16	4.20	7
26	302,534	301	216,000	4.00	4.23	4.28	7
2 Apr.	283,699	306	150,000	4.00	4.21	4.25	7
9	247,590	295	130,000	4.00	4.23	4.24	7
	Longer-term refinancing operations						
2007 13 Sep.	139,021	140	75,000	-	4.35	4.52	90
27	85,353	159	50,000	-	4.50	4.63	84
1 Nov.	87,587	157	50,000	-	4.45	4.53	91
23	147,977	130	60,000	-	4.55	4.61	90
29	132,386	175	50,000	-	4.65	4.70	91
12 Dec.	105,126	122	60,000	-	4.81	4.88	92
20	48,476	97	48,476	-	4.00	4.56	98
2008 31 Jan.	98,183	151	50,000	-	4.21	4.33	92
21 Feb.	110,490	105	60,000	-	4.15	4.26	91
28	109,612	165	50,000	-	4.16	4.23	91
13 Mar.	132,591	139	60,000	-	4.25	4.40	91
27	131,334	190	50,000	-	4.44	4.53	91
3 Apr.	103,109	177	25,000	-	4.55	4.61	189

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate [4]	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2007 7 Dec.	Collection of fixed-term deposits	37,615	30	8,000	4.00	-	-	-	5
11	Collection of fixed-term deposits	23,550	20	21,000	4.00	-	-	-	1
17	Collection of fixed-term deposits	36,610	25	36,610	4.00	-	-	-	2
19	Collection of fixed-term deposits	133,610	52	133,610	4.00	-	-	-	1
20	Collection of fixed-term deposits	165,815	58	150,000	4.00	-	-	-	1
21	Collection of fixed-term deposits	141,565	55	141,565	4.00	-	-	-	6
27	Collection of fixed-term deposits	145,640	49	145,640	4.00	-	-	-	1
28	Collection of fixed-term deposits	160,450	52	150,000	4.00	-	-	-	3
2008 2 Jan.	Collection of fixed-term deposits	168,640	54	168,640	4.00	-	-	-	1
3	Collection of fixed-term deposits	212,620	69	200,000	4.00	-	-	-	1
15	Collection of fixed-term deposits	45,712	28	20,000	4.00	-	-	-	1
12 Feb.	Collection of fixed-term deposits	29,155	22	16,000	4.00	-	-	-	1
11 Mar.	Reverse transaction	45,085	32	9,000	-	4.00	4.13	4.14	1
20	Reverse transaction	65,810	44	15,000	-	4.00	4.13	4.20	5
31	Reverse transaction	30,720	25	15,000	-	4.00	4.06	4.13	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

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

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007 Q1	16,253.0	8,634.2	657.4	2,009.8	1,358.8	3,592.8
Q2	16,753.3	8,940.5	677.6	2,066.6	1,383.5	3,685.1
Q3	16,968.2	9,073.2	745.5	2,075.7	1,424.9	3,649.0
2007 Aug.	16,890.0	8,994.1	713.9	2,086.8	1,407.8	3,687.5
Sep.	16,968.2	9,073.2	745.5	2,075.7	1,424.9	3,649.0
Oct. [2]	17,242.4	9,255.8	799.4	2,098.1	1,425.0	3,664.2
Nov. [2]	17,338.9	9,302.0	804.7	2,096.9	1,489.0	3,646.4
Dec. [2]	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008 Jan.	17,678.5	9,525.5	845.1	2,140.6	1,512.9	3,654.4

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2005	152.0	153.0	1.0	0.0	2.07
2006	172.5	173.2	0.7	0.0	3.30
2007 Q2	185.3	186.2	0.9	0.0	3.80
Q3	191.9	192.7	0.9	0.0	4.09
2007 11 Dec.	195.9	196.8	1.0	0.0	4.17
2008 15 Jan. [3]	199.8	200.9	1.1	0.0	4.20
12 Feb.	201.6	202.4	0.8	0.0	4.17
11 Mar.	204.6	205.3	0.7	0.0	4.10
15 Apr.	206.9	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations [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
2005	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007 Q1	321.6	288.7	134.6	0.0	0.0	0.5	0.8	606.2	47.1	-90.0	180.6	787.2
Q2	326.4	284.9	150.0	0.3	0.0	0.2	0.2	625.2	49.1	-99.4	186.2	811.7
Q3	317.3	268.7	171.7	0.2	10.7	0.4	1.7	639.2	52.3	-117.8	192.7	832.4
2008 12 Feb.	353.6	173.8	268.5	0.2	0.0	0.4	0.6	651.7	51.7	-110.7	202.4	854.5
11 Mar.	343.3	181.3	268.5	0.1	0.3	0.3	0.0	653.2	59.7	-125.0	205.3	858.7

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Malta and Cyprus. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Malta and Cyprus. Starting from the reserve base as at end-January 2008, the standard treatment applies (see Regulation (EC) No 1348/2007 of the ECB of 9 November 2007 concerning transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Cyprus and Malta (ECB/2007/11)).

3) Owing to the adoption of the euro by Cyprus and Malta on 1 January 2008, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 13 countries of the euro area for the period 12-31 December 2007 and the reserve requirements for the 15 countries now in the euro area for the period 1-15 January 2008.

4) Starting from 1 January 2008, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by the Central Bank of Malta and the Central Bank of Cyprus before 1 January 2008 and were still outstanding after this date.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2005	1,404.9	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.2
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007 Q1	1,576.7	693.3	19.7	0.6	673.0	238.0	205.5	2.1	30.4	-	17.4	359.6	14.8	253.6
Q2	1,651.5	751.5	17.7	0.6	733.1	249.8	213.2	2.2	34.3	-	17.8	354.1	15.4	263.0
Q3	1,707.3	753.5	17.8	0.6	735.1	259.5	219.3	2.2	38.0	-	17.7	368.8	15.6	292.3
2007 Oct.	1,781.8	800.2	17.8	0.6	781.8	262.3	220.4	2.2	39.8	-	17.9	378.1	15.6	307.6
Nov.	1,805.1	814.3	17.8	0.6	795.9	266.9	223.3	2.1	41.6	-	17.6	367.9	15.6	322.8
Dec.	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008 Jan.	1,934.2	886.8	19.4	0.7	866.7	273.5	230.2	2.0	41.3	-	16.3	401.3	15.4	341.1
Feb. (p)	1,954.2	901.3	19.4	0.7	881.2	277.3	233.6	2.2	41.5	-	16.6	400.4	15.3	343.3
	MFIs excluding the Eurosystem													
2005	23,631.5	13,681.7	826.9	8,285.1	4,569.7	3,498.6	1,429.4	551.5	1,517.7	83.1	1,008.7	3,652.8	165.7	1,540.9
2006	25,974.6	14,904.3	810.5	9,160.3	4,933.5	3,555.4	1,276.5	645.9	1,632.9	83.5	1,194.5	4,330.4	172.6	1,733.9
2007 Q1	27,107.8	15,340.0	801.4	9,441.0	5,097.6	3,661.0	1,282.2	685.8	1,693.0	92.4	1,244.5	4,684.7	195.1	1,890.1
Q2	28,066.3	15,775.4	798.2	9,712.6	5,264.5	3,759.6	1,281.6	761.5	1,716.4	96.6	1,273.9	4,888.4	201.7	2,070.9
Q3	28,476.3	16,172.0	793.0	9,948.6	5,430.4	3,748.7	1,215.1	805.1	1,728.5	95.9	1,257.2	4,878.5	203.1	2,120.9
2007 Oct.	29,163.6	16,554.4	944.0	10,027.4	5,583.0	3,833.7	1,214.0	878.2	1,741.4	98.6	1,307.9	4,987.6	216.6	2,164.9
Nov.	29,442.5	16,723.6	944.9	10,110.1	5,668.6	3,850.9	1,212.2	892.6	1,746.0	99.2	1,296.4	5,023.4	215.4	2,233.6
Dec.	29,397.0	16,887.0	956.1	10,154.1	5,776.9	3,882.8	1,194.2	951.9	1,736.6	93.3	1,311.4	4,874.7	206.8	2,141.0
2008 Jan.	30,047.1	17,109.1	961.0	10,295.7	5,852.3	3,974.3	1,219.9	962.3	1,792.1	98.1	1,315.3	5,091.4	206.3	2,252.7
Feb. (p)	30,207.3	17,141.2	953.2	10,351.9	5,836.0	4,023.2	1,216.8	981.2	1,825.1	102.7	1,302.6	5,133.4	201.3	2,302.9

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2005	1,404.9	582.7	385.4	24.4	14.5	346.5	-	0.1	202.9	27.6	206.2
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007 Q1	1,576.7	632.7	455.6	44.8	17.5	393.3	-	0.3	216.3	39.5	232.4
Q2	1,651.5	652.6	495.2	51.2	23.3	420.7	-	0.1	207.0	51.0	245.6
Q3	1,707.3	657.2	510.7	51.7	19.1	439.9	-	0.1	222.6	48.3	268.4
2007 Oct.	1,781.8	661.9	561.6	54.9	22.9	483.8	-	0.1	228.7	51.8	277.7
Nov.	1,805.1	665.5	570.0	48.2	24.1	497.7	-	0.1	226.0	53.9	289.6
Dec.	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Jan.	1,934.2	671.3	626.6	54.6	21.0	551.1	-	0.1	254.5	72.9	308.9
Feb. (p)	1,954.2	674.2	650.5	48.1	23.3	579.0	-	0.1	259.2	58.3	311.9
	MFIs excluding the Eurosystem										
2005	23,631.5	-	12,212.2	149.2	7,211.9	4,851.2	698.9	3,858.3	1,310.6	3,518.0	2,033.5
2006	25,974.6	-	13,257.2	124.2	7,890.6	5,242.4	698.3	4,247.6	1,449.7	3,991.1	2,330.6
2007 Q1	27,107.8	-	13,595.8	139.0	8,060.9	5,395.9	758.7	4,424.8	1,529.7	4,255.7	2,543.1
Q2	28,066.3	-	14,021.0	169.8	8,278.3	5,572.9	795.6	4,523.4	1,551.2	4,451.8	2,723.2
Q3	28,476.3	-	14,250.3	144.3	8,408.9	5,697.1	778.4	4,577.2	1,589.5	4,525.8	2,755.1
2007 Oct.	29,163.6	-	14,624.8	129.4	8,631.1	5,864.2	782.9	4,648.2	1,643.3	4,630.9	2,833.6
Nov.	29,442.5	-	14,803.3	151.6	8,692.3	5,959.4	796.2	4,649.5	1,641.0	4,641.2	2,911.3
Dec.	29,397.0	-	15,076.7	128.4	8,859.9	6,088.4	754.1	4,643.5	1,678.2	4,529.3	2,715.3
2008 Jan.	30,047.1	-	15,182.1	114.2	8,925.7	6,142.1	835.5	4,684.7	1,698.7	4,795.1	2,851.0
Feb. (p)	30,207.3	-	15,214.8	137.8	8,939.8	6,137.2	853.1	4,682.7	1,702.8	4,862.0	2,891.9

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
3) Amounts held by euro area residents.
4) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005	17,870.7	9,133.3	847.5	8,285.7	2,148.5	1,595.0	553.6	710.5	3,989.7	180.4	1,708.2
2006	19,743.9	9,991.1	830.2	9,161.0	2,112.4	1,464.0	648.4	829.9	4,681.8	187.3	1,941.4
2007 Q1	20,649.7	10,262.7	821.1	9,441.6	2,175.6	1,487.7	687.9	857.6	5,044.2	209.9	2,099.5
Q2	21,413.8	10,529.2	816.0	9,713.2	2,258.6	1,494.9	763.7	880.3	5,242.5	217.1	2,286.1
Q3	21,691.8	10,760.0	810.8	9,949.2	2,241.7	1,434.4	807.3	857.8	5,247.2	218.7	2,366.4
2007 Oct.	22,241.4	10,989.8	961.8	10,028.0	2,314.8	1,434.4	880.4	914.8	5,365.6	232.2	2,424.1
Nov.	22,440.7	11,073.4	962.6	10,110.7	2,330.2	1,435.5	894.7	905.5	5,391.3	231.0	2,509.5
Dec.	22,300.0	11,128.6	973.9	10,154.7	2,373.2	1,419.3	953.9	906.0	5,248.4	221.9	2,422.0
2008 Jan.	22,850.8	11,276.8	980.5	10,296.4	2,414.4	1,450.1	964.3	899.6	5,492.6	221.7	2,545.6
Feb. (p)	22,988.2	11,325.2	972.7	10,352.6	2,433.9	1,450.4	983.4	878.1	5,533.8	216.6	2,600.5
	Transactions										
2005	1,608.0	708.9	12.8	696.0	156.2	76.2	80.0	53.2	448.0	1.4	240.4
2006	1,998.4	877.3	-14.4	891.6	10.7	-96.8	107.5	98.5	802.0	6.4	203.5
2007 Q1	884.2	254.0	-8.2	262.2	63.0	19.0	44.1	20.8	394.1	0.5	151.8
Q2	787.7	282.0	-5.4	287.4	84.6	11.0	73.7	16.7	221.8	3.2	179.4
Q3	378.5	246.3	-5.1	251.4	-15.3	-61.5	46.2	-18.0	84.7	1.6	79.1
2007 Oct.	369.7	77.4	-3.2	80.6	46.5	6.7	39.9	48.4	150.0	4.8	42.6
Nov.	260.6	88.0	0.9	87.1	14.6	-0.7	15.3	-5.8	80.4	-1.3	84.7
Dec.	-135.2	62.7	11.2	51.5	45.4	-13.2	58.6	-3.1	-137.7	-8.8	-93.7
2008 Jan.	474.3	95.3	3.6	91.7	20.1	13.1	7.0	10.7	239.2	-1.5	110.5
Feb. (p)	187.9	53.8	-7.7	61.6	20.9	0.4	20.4	-21.3	86.9	-5.0	52.6

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2005	17,870.7	532.8	173.6	7,226.4	615.8	2,322.6	1,200.6	3,545.6	2,239.7	13.7
2006	19,743.9	592.2	158.0	7,906.5	614.7	2,587.8	1,276.5	4,026.5	2,566.2	15.6
2007 Q1	20,649.7	588.4	183.8	8,078.4	666.3	2,701.6	1,341.8	4,295.3	2,775.4	18.7
Q2	21,413.8	604.9	221.0	8,301.6	699.0	2,772.8	1,346.8	4,502.8	2,968.8	-4.0
Q3	21,691.8	610.4	196.0	8,428.0	682.5	2,810.8	1,395.1	4,574.1	3,023.4	-28.6
2007 Oct.	22,241.4	613.5	184.3	8,654.0	684.2	2,867.0	1,461.1	4,682.7	3,111.3	-16.7
Nov.	22,440.7	618.6	199.8	8,716.4	696.9	2,862.0	1,458.5	4,695.1	3,200.9	-7.5
Dec.	22,300.0	638.5	152.3	8,879.0	660.7	2,865.4	1,493.3	4,595.2	3,045.6	-30.1
2008 Jan.	22,850.8	623.1	168.8	8,946.7	737.3	2,851.5	1,521.3	4,868.0	3,159.8	-25.8
Feb. (p)	22,988.2	628.4	185.9	8,963.1	750.4	2,816.2	1,521.1	4,920.2	3,203.8	-1.0
	Transactions									
2005	1,608.0	64.4	10.9	495.7	-3.1	213.5	95.5	448.0	333.9	-50.8
2006	1,998.4	59.4	-15.2	683.7	27.6	285.5	57.2	601.6	253.3	45.3
2007 Q1	884.2	-4.2	24.8	157.1	53.9	117.6	38.9	292.5	196.7	6.9
Q2	787.7	16.5	37.2	225.1	30.5	70.5	2.4	230.5	183.4	-8.4
Q3	378.5	5.5	-25.6	140.5	-17.0	59.0	44.8	152.5	29.9	-11.1
2007 Oct.	369.7	3.1	-16.5	76.3	12.1	14.1	43.3	138.4	76.8	22.1
Nov.	260.6	5.1	15.5	67.1	11.7	2.9	5.0	52.2	85.9	15.0
Dec.	-135.2	19.9	-47.5	162.9	-36.4	4.9	38.4	-91.2	-164.7	-21.5
2008 Jan.	474.3	-16.6	13.9	21.7	43.6	1.7	10.0	260.2	128.7	11.1
Feb. (p)	187.9	5.3	17.1	23.3	12.2	-26.4	2.6	90.8	31.0	31.9

Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Amounts held by euro area residents.
3) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics [1)]

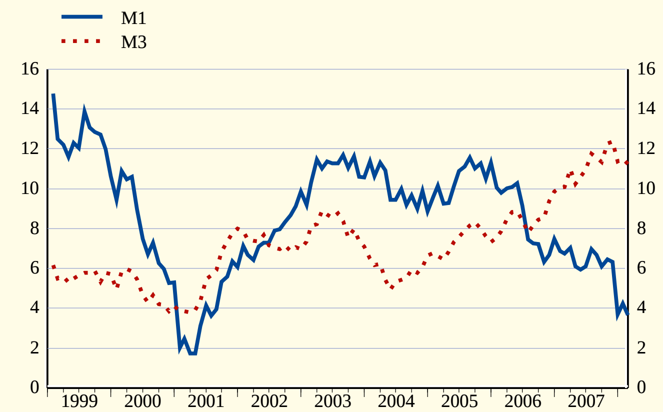
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2)] and counterparts

	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	
	M1	M2-M1									
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2005	3,419.4	2,653.2	6,072.6	999.4	7,072.0	-	5,000.2	2,472.5	9,561.0	8,287.3	425.8
2006	3,676.6	2,953.1	6,629.7	1,102.6	7,732.3	-	5,428.6	2,321.2	10,658.6	9,167.4	637.1
2007 Q1	3,746.8	3,064.9	6,811.8	1,190.3	8,002.0	-	5,604.1	2,301.4	10,978.1	9,444.7	755.9
Q2	3,785.4	3,170.7	6,956.1	1,227.9	8,184.0	-	5,728.2	2,297.8	11,325.2	9,684.5	727.8
Q3	3,821.2	3,316.7	7,138.0	1,261.5	8,399.5	-	5,799.1	2,253.7	11,648.1	9,958.2	668.2
2007 Oct.	3,836.2	3,421.1	7,257.3	1,272.1	8,529.4	-	5,916.4	2,400.9	11,856.8	10,045.4	667.1
Nov.	3,859.2	3,447.7	7,306.9	1,313.9	8,620.8	-	5,905.5	2,389.1	11,918.2	10,106.8	690.8
Dec.	3,814.2	3,506.1	7,320.3	1,310.4	8,630.8	-	5,980.0	2,417.6	12,038.5	10,164.2	634.1
2008 Jan.	3,850.3	3,572.9	7,423.1	1,352.5	8,775.6	-	6,036.6	2,434.7	12,162.3	10,293.4	632.0
Feb. (p)	3,848.5	3,638.7	7,487.1	1,332.2	8,819.3	-	6,005.9	2,425.7	12,221.3	10,357.3	611.7
	Transactions										
2005	337.0	138.9	475.9	8.5	484.4	-	400.8	94.5	835.5	700.4	0.1
2006	255.5	309.9	565.4	130.7	696.1	-	426.9	-114.1	1,105.2	896.5	200.5
2007 Q1	63.6	105.4	169.0	90.5	259.6	-	150.0	-23.7	298.6	258.8	126.7
Q2	38.0	108.0	146.0	31.6	177.6	-	123.9	-0.2	355.2	255.6	-27.6
Q3	39.1	151.3	190.3	40.1	230.4	-	87.1	-45.0	345.5	289.1	-60.8
2007 Oct.	16.3	73.5	89.8	19.6	109.3	-	50.0	-0.7	168.3	89.1	0.7
Nov.	24.1	28.8	52.9	41.2	94.1	-	5.6	-13.6	70.4	65.8	38.6
Dec.	-45.3	58.6	13.3	-3.7	9.6	-	80.3	31.6	123.6	64.9	-60.0
2008 Jan.	23.6	35.9	59.5	20.0	79.4	-	39.2	-3.7	87.6	79.3	5.4
Feb. (p)	1.8	67.9	69.7	-20.7	49.1	-	-18.1	-8.9	65.9	69.3	-13.1
	Growth rates										
2005 Dec.	11.3	5.4	8.5	0.9	7.3	7.5	8.9	4.1	9.6	9.2	0.1
2006 Dec.	7.5	11.7	9.3	13.3	9.9	9.8	8.5	-4.7	11.6	10.8	200.5
2007 Mar.	7.0	12.7	9.5	20.1	11.0	10.4	9.1	-4.9	10.9	10.6	339.6
June	6.1	13.9	9.5	19.8	11.0	11.1	9.3	-3.7	11.6	10.8	269.4
Sep.	6.1	15.4	10.2	18.0	11.3	11.7	9.0	-4.3	11.7	11.0	203.1
2007 Oct.	6.4	17.0	11.2	19.0	12.3	12.0	9.1	-4.0	12.4	11.3	187.0
Nov.	6.3	16.7	11.0	20.8	12.4	12.0	8.5	-4.2	12.2	11.1	147.6
Dec.	3.7	17.7	10.0	19.9	11.4	11.7	9.1	-2.3	12.8	11.2	17.6
2008 Jan.	4.3	17.9	10.4	18.2	11.5	11.4	9.2	-2.2	12.7	11.1	20.8
Feb. (p)	3.7	19.4	10.7	14.6	11.3	.	8.0	-2.5	12.5	10.9	-24.7

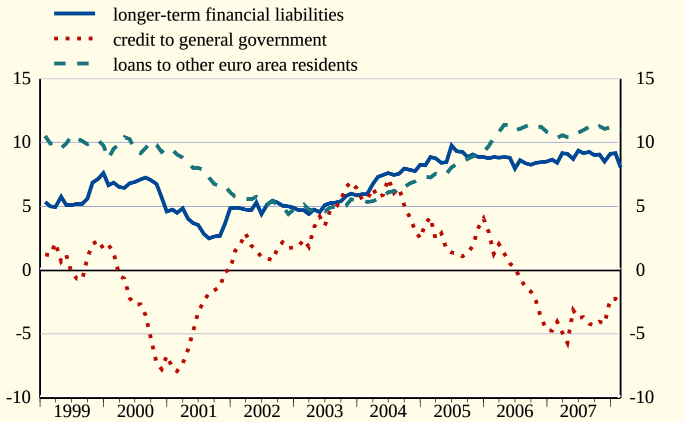
C1 Monetary aggregates [1)]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1)]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

2.3 Monetary statistics [1]

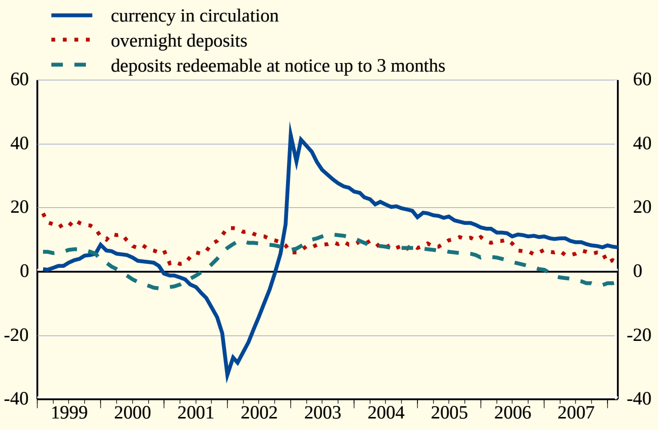
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2005	521.5	2,897.9	1,109.9	1,543.2	236.4	636.8	126.2	2,202.6	86.9	1,511.2	1,199.6
2006	579.0	3,097.5	1,401.7	1,551.4	263.0	641.0	198.7	2,396.1	102.4	1,654.6	1,275.6
2007 Q1	592.1	3,154.7	1,528.2	1,536.8	281.2	669.1	239.9	2,461.4	107.8	1,696.4	1,338.5
Q2	599.2	3,186.3	1,645.2	1,525.5	290.6	694.9	242.4	2,522.4	109.4	1,748.6	1,347.7
Q3	610.6	3,210.6	1,808.2	1,508.5	295.6	683.7	282.2	2,528.7	113.0	1,769.6	1,387.9
2007 Oct.	617.8	3,218.4	1,883.7	1,537.4	286.5	687.1	298.6	2,558.8	120.6	1,780.6	1,456.5
Nov.	618.8	3,240.4	1,914.3	1,533.4	301.9	698.8	313.2	2,542.2	120.5	1,780.9	1,461.9
Dec.	626.9	3,187.3	1,971.5	1,534.6	299.4	693.3	317.7	2,555.0	119.9	1,812.4	1,492.8
2008 Jan.	629.8	3,220.4	2,038.4	1,534.4	309.2	745.0	298.3	2,573.7	123.2	1,817.2	1,522.5
Feb. (p)	634.6	3,213.9	2,105.3	1,533.4	306.5	757.5	268.2	2,553.8	121.8	1,810.3	1,520.0
					Transactions						
2005	63.2	273.8	69.1	69.8	-9.0	1.1	16.4	198.4	-4.3	111.2	95.5
2006	57.5	198.0	300.8	9.2	27.4	33.2	70.1	216.2	15.5	137.8	57.4
2007 Q1	12.6	51.0	120.9	-15.4	18.3	30.4	41.9	68.4	4.6	40.4	36.6
Q2	7.0	30.9	118.5	-10.5	8.0	23.6	0.0	62.9	1.7	52.9	6.5
Q3	11.5	27.6	168.1	-16.8	8.3	-11.6	43.4	23.6	3.6	23.2	36.7
2007 Oct.	7.2	9.1	83.9	-10.4	-9.2	13.7	15.0	-10.5	0.8	13.7	46.0
Nov.	1.0	23.1	32.7	-3.9	15.5	10.7	15.0	-9.1	-0.1	1.7	13.0
Dec.	8.1	-53.4	57.5	1.1	-2.5	-5.7	4.5	14.4	-0.7	32.0	34.5
2008 Jan.	1.6	22.0	41.8	-6.0	9.8	18.4	-8.1	23.0	2.0	2.5	11.7
Feb. (p)	4.7	-2.9	68.8	-0.9	-2.7	11.8	-29.7	-11.3	-1.4	-5.7	0.4
					Growth rates						
2005 Dec.	13.8	10.9	6.5	4.4	-3.7	0.2	15.7	10.0	-4.7	8.1	8.9
2006 Dec.	11.0	6.8	27.2	0.6	11.7	5.4	54.5	9.9	17.8	9.1	4.7
2007 Mar.	10.5	6.4	32.3	-1.7	19.5	12.1	51.9	11.0	20.6	9.0	5.3
June	9.2	5.5	35.1	-2.5	15.1	14.1	48.9	11.0	17.6	9.6	5.4
Sep.	8.2	5.7	38.2	-3.6	11.6	9.8	55.6	10.0	15.1	9.0	6.8
2007 Oct.	8.1	6.1	41.8	-4.2	12.7	11.4	50.8	8.6	13.8	8.9	9.6
Nov.	7.7	6.1	40.4	-4.1	16.2	10.9	58.3	7.1	11.5	8.4	10.8
Dec.	8.2	2.8	41.4	-3.6	14.7	9.6	60.3	6.3	9.7	9.9	13.3
2008 Jan.	7.8	3.6	41.1	-3.6	17.1	11.0	40.4	6.4	9.2	9.5	13.9
Feb. (p)	7.6	2.9	43.1	-3.2	17.5	10.9	20.6	4.7	6.3	8.8	13.3

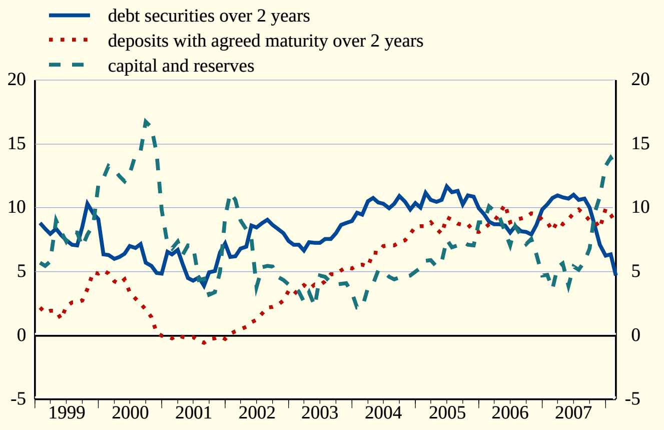
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



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

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

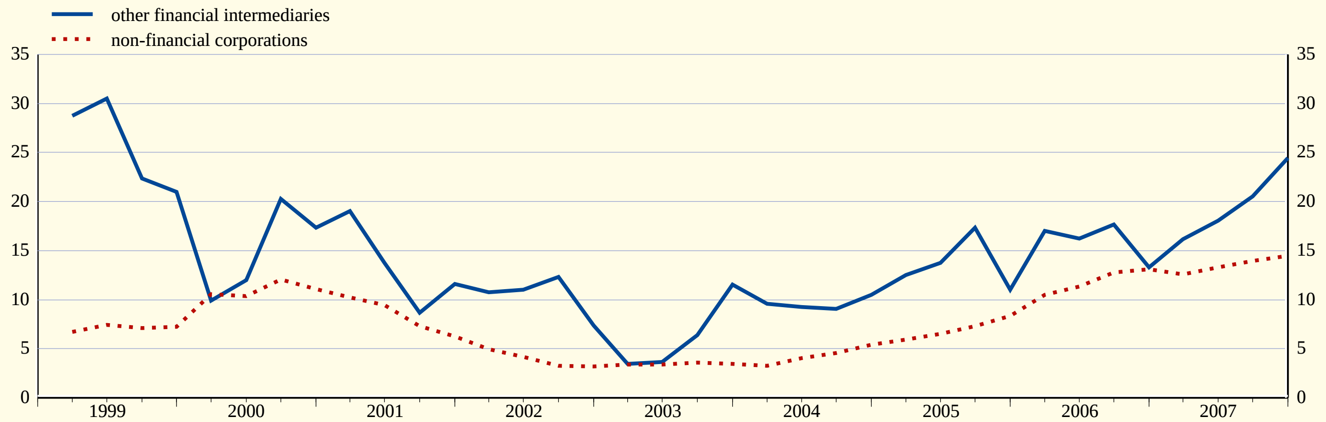
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries [4)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.7	594.0	1,777.3
2006	82.8	55.2	696.0	420.6	3,844.5	1,137.9	707.1	1,999.5
2007 Q1	98.5	71.7	775.5	488.6	3,956.3	1,172.1	737.8	2,046.4
Q2	110.5	83.5	803.2	502.3	4,106.8	1,223.3	776.1	2,107.5
Q3	112.0	87.7	853.8	534.2	4,230.6	1,248.1	814.1	2,168.4
2007 Oct.	115.5	90.3	868.0	528.9	4,271.7	1,246.6	830.8	2,194.3
Nov.	108.8	83.3	876.4	532.0	4,325.5	1,266.0	842.2	2,217.4
Dec.	95.9	70.2	862.9	521.9	4,387.4	1,276.5	857.7	2,253.2
2008 Jan.	101.7	75.9	897.4	555.0	4,461.2	1,296.4	877.7	2,287.1
Feb. (p)	102.7	76.9	899.4	556.1	4,497.4	1,308.2	887.2	2,302.0
	Transactions							
2005	15.0	9.8	60.8	29.2	262.7	56.8	54.3	151.6
2006	18.1	13.9	81.9	57.7	446.2	100.5	123.1	222.6
2007 Q1	15.8	16.6	72.1	67.9	105.1	31.2	28.6	45.3
Q2	12.0	11.8	29.0	13.9	161.0	57.8	40.0	63.2
Q3	1.7	4.4	56.5	36.3	129.3	25.7	39.6	64.0
2007 Oct.	3.6	2.6	15.9	-4.2	39.5	-0.7	16.3	23.8
Nov.	-6.6	-6.9	10.7	5.0	56.1	19.6	12.5	24.0
Dec.	-12.9	-13.1	-12.4	-9.7	64.8	11.4	17.5	35.9
2008 Jan.	5.8	5.7	31.5	30.5	45.8	12.7	14.1	19.1
Feb. (p)	1.1	1.0	3.8	2.5	38.6	12.9	10.7	15.1
	Growth rates							
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Dec.	28.0	33.3	13.3	15.6	13.1	9.7	20.8	12.4
2007 Mar.	20.4	26.1	16.1	19.6	12.6	9.9	18.6	12.1
June	30.7	40.6	18.0	20.4	13.3	11.1	19.9	12.2
Sep.	25.6	40.0	20.5	23.0	14.0	12.6	20.3	12.5
2007 Oct.	30.2	46.4	23.2	22.7	13.9	11.5	20.9	12.8
Nov.	14.9	22.9	23.8	23.9	14.0	11.5	21.1	12.8
Dec.	16.3	27.8	24.5	25.9	14.5	12.7	21.8	12.8
2008 Jan.	2.3	5.6	25.9	27.4	14.5	12.4	22.6	12.8
Feb. (p)	6.4	10.1	22.7	22.3	14.8	13.1	22.6	12.9

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

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
4) This category includes investment funds.

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

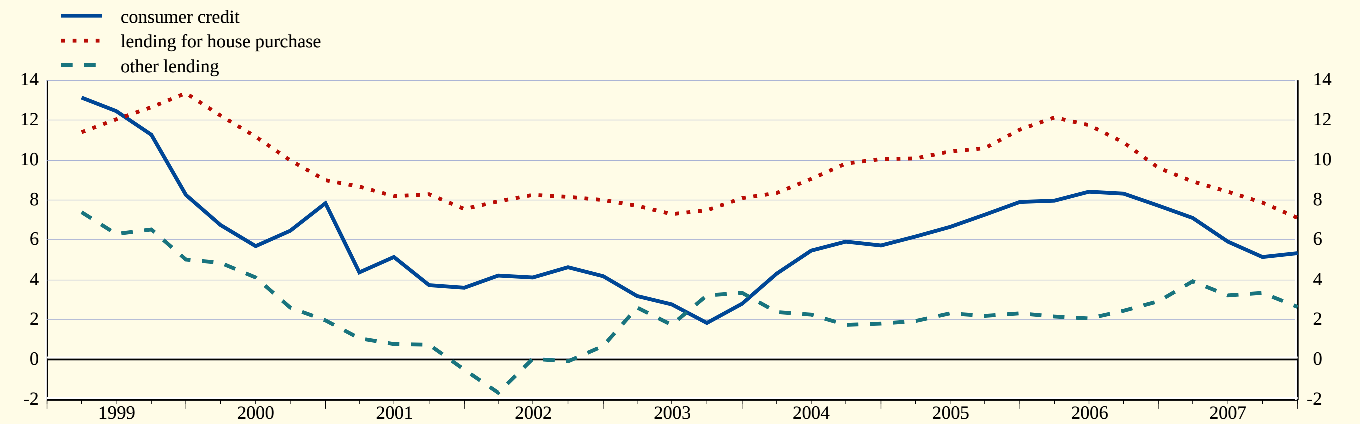
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [3)]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2005	4,191.0	554.1	129.1	200.7	224.3	2,915.3	15.2	67.5	2,832.6	721.6	147.3	99.9	474.4
2006	4,537.0	586.5	135.3	202.7	248.5	3,212.1	15.6	72.1	3,124.5	738.4	146.2	101.5	490.7
2007 Q1	4,610.7	590.1	132.0	202.4	255.7	3,272.1	16.1	71.9	3,184.1	748.5	147.5	102.5	498.5
Q2	4,692.1	602.3	134.9	204.6	262.8	3,336.7	16.4	72.6	3,247.7	753.1	150.3	103.8	499.0
Q3	4,752.3	607.3	134.1	203.1	270.1	3,392.3	16.1	73.4	3,302.9	752.7	146.6	104.2	501.9
2007 Oct.	4,772.2	613.2	136.0	203.9	273.2	3,407.2	16.0	73.7	3,317.5	751.8	145.4	104.2	502.2
Nov.	4,799.4	613.7	132.9	205.1	275.8	3,427.7	15.9	73.6	3,338.2	757.9	150.1	104.6	503.2
Dec.	4,807.9	617.9	136.2	205.4	276.3	3,436.8	16.0	73.7	3,347.1	753.3	147.4	103.8	502.1
2008 Jan.	4,835.4	619.5	135.2	206.0	278.2	3,457.2	16.0	73.6	3,367.5	758.7	146.6	104.5	507.5
Feb. (p)	4,852.4	618.4	133.8	203.1	281.4	3,473.0	15.9	73.4	3,383.7	760.9	145.2	105.4	510.3
	Transactions												
2005	357.5	40.7	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1
2006	345.4	42.6	8.2	4.8	29.5	281.8	1.5	4.6	275.8	20.9	1.4	3.8	15.7
2007 Q1	69.2	2.1	-3.2	-0.7	5.9	58.7	0.6	0.2	58.0	8.4	0.7	0.7	7.1
Q2	85.3	13.6	3.1	2.5	8.0	65.9	0.3	0.8	64.8	5.8	2.9	1.9	1.1
Q3	64.0	4.8	-0.5	-1.4	6.7	57.3	0.1	0.8	56.4	1.9	-3.4	0.9	4.5
2007 Oct.	21.7	5.7	2.0	0.9	2.8	15.8	-0.1	0.3	15.6	0.1	-1.1	0.3	0.9
Nov.	27.0	-0.2	-3.1	0.9	2.1	20.7	0.0	0.0	20.7	6.5	4.8	0.5	1.2
Dec.	12.0	5.3	3.7	0.8	0.9	10.0	0.2	0.1	9.7	-3.3	-2.7	0.0	-0.6
2008 Jan.	8.7	-1.6	-1.6	-0.7	0.8	11.2	-0.1	-0.2	11.6	-1.0	-1.9	-0.2	1.0
Feb. (p)	18.1	-1.3	-1.3	-2.8	2.9	16.2	-0.1	-0.2	16.5	3.1	-1.3	0.9	3.5
	Growth rates												
2005 Dec.	9.4	7.9	7.5	6.1	9.8	11.5	5.1	7.5	11.7	2.3	2.6	1.3	2.4
2006 Dec.	8.2	7.7	6.5	2.4	13.2	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Mar.	7.9	7.1	5.7	1.5	12.8	8.9	13.6	6.4	9.0	3.9	1.6	4.1	4.6
June	7.2	5.9	4.4	0.6	11.3	8.4	11.0	4.6	8.5	3.2	0.5	5.3	3.6
Sep.	6.8	5.1	3.9	-0.5	10.5	7.9	7.1	4.4	8.0	3.4	1.0	5.3	3.7
2007 Oct.	6.8	5.6	4.2	0.0	11.0	7.9	9.0	4.4	7.9	3.2	0.7	5.1	3.5
Nov.	6.5	5.1	1.6	0.0	11.2	7.6	6.8	4.6	7.7	3.1	1.3	4.7	3.3
Dec.	6.2	5.3	1.5	1.5	10.6	7.1	6.7	3.0	7.2	2.6	0.9	4.1	2.9
2008 Jan.	6.0	5.3	0.7	1.7	10.7	6.9	7.8	2.2	7.0	2.5	0.4	4.7	2.7
Feb. (p)	5.8	5.3	1.3	0.6	11.2	6.7	5.2	1.8	6.8	2.6	-0.8	5.7	3.0

C6 Loans to households [2)]

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households. Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

2.4 MFI loans, breakdown 1), 2)

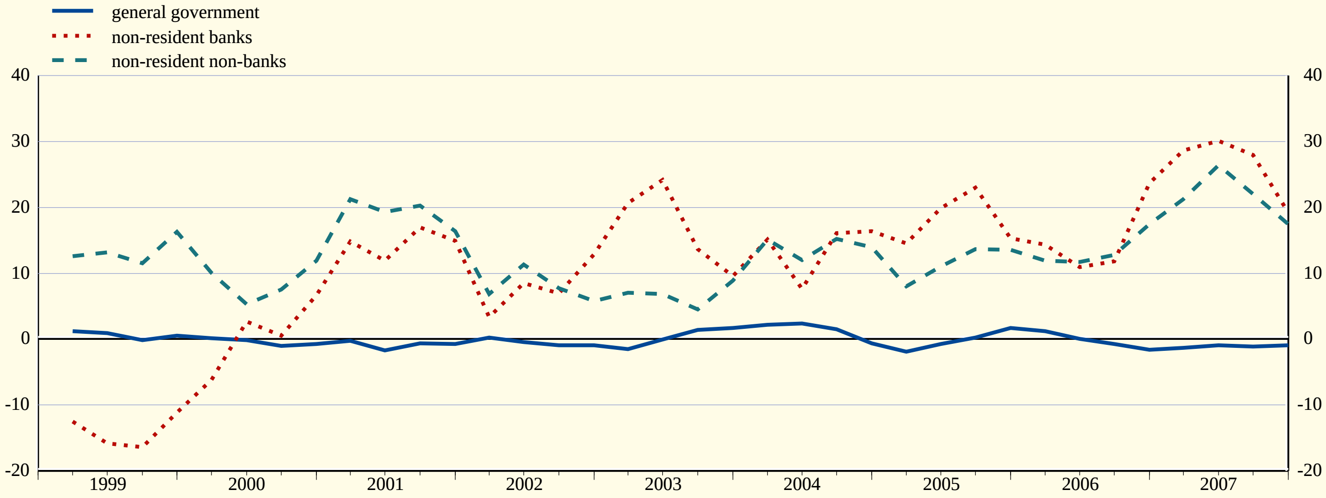
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks 3)	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007 Q1	801.4	97.2	225.2	447.8	31.2	3,169.7	2,265.1	904.6	60.0	844.6
Q2	798.2	95.7	218.8	446.1	37.6	3,286.4	2,334.3	952.0	61.4	890.6
Q3	793.0	91.8	213.9	446.0	41.4	3,301.6	2,353.2	948.5	61.3	887.2
Q4 (p)	956.1	213.0	217.6	485.0	40.5	3,295.8	2,349.7	946.1	60.3	885.8
	Transactions									
2005	13.7	-5.6	-8.1	21.9	5.5	296.8	207.9	89.0	1.3	87.7
2006	-13.4	-17.6	-14.3	21.9	-3.4	532.5	402.9	129.6	-0.1	129.6
2007 Q1	-8.2	-6.9	-6.3	-0.3	5.3	272.7	222.0	50.8	-2.7	53.4
Q2	-3.4	-1.8	-5.5	-2.5	6.4	135.3	79.6	55.7	1.8	53.9
Q3	-5.1	-3.8	-5.0	-0.2	3.8	76.1	56.5	19.6	1.2	18.3
Q4 (p)	9.0	7.6	3.8	-1.4	-0.9	58.6	36.3	22.4	0.3	22.0
	Growth rates									
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	2.0	14.9
2006 Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.8	23.7	17.4	-0.1	19.1
2007 Mar.	-1.3	-15.2	-6.1	4.6	6.8	26.4	28.7	21.2	-0.9	23.2
June	-0.9	-7.7	-5.9	2.0	17.3	29.0	30.1	26.5	-5.2	29.4
Sep.	-1.2	-8.8	-6.3	1.9	16.0	26.2	28.0	22.0	-2.0	24.1
Dec. (p)	-1.0	-4.7	-5.6	-1.0	56.5	18.7	19.2	17.4	1.2	18.7

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

(annual growth rates)



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

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

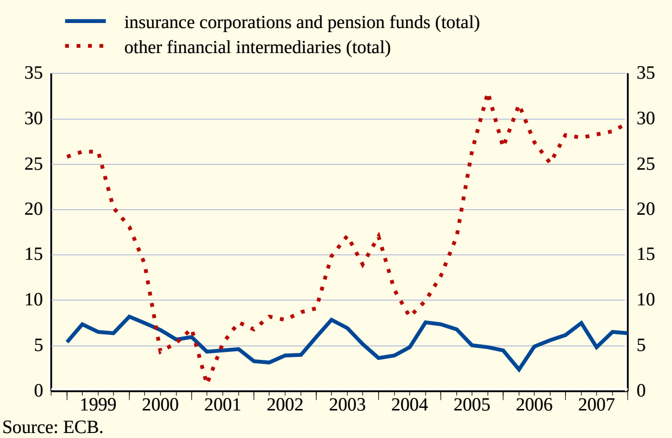
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	880.4	233.9	185.0	329.8	10.5	0.1	121.1
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,140.3	283.1	251.8	469.4	10.6	0.2	125.1
2007 Q1	658.8	72.3	58.4	503.0	1.1	1.2	22.9	1,264.7	318.6	267.7	515.7	11.4	0.3	151.0
Q2	656.4	65.0	58.0	512.2	0.8	1.2	19.2	1,347.3	321.1	288.2	571.7	11.5	0.2	154.6
Q3	676.6	67.9	62.9	522.9	0.8	1.1	21.0	1,391.8	331.7	305.9	580.9	13.0	0.8	159.5
2007 Oct.	695.9	73.7	73.9	524.6	0.8	1.1	21.8	1,430.8	323.4	339.6	599.9	12.4	0.8	154.6
Nov.	691.7	69.0	76.6	524.6	0.8	1.1	19.6	1,451.8	339.7	327.9	607.1	11.7	0.9	164.4
Dec.	688.0	71.1	68.9	525.3	0.8	1.1	20.9	1,468.1	308.8	348.4	653.1	12.2	0.3	145.4
2008 Jan.	714.7	83.6	76.3	526.6	1.5	1.4	25.2	1,502.0	329.0	345.2	651.8	12.9	0.3	162.8
Feb. (p)	707.7	72.8	76.4	530.7	1.6	1.6	24.7	1,499.8	311.8	367.4	643.9	11.9	0.3	164.5
	Transactions													
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	176.1	40.1	37.3	96.8	1.5	0.0	0.4
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.2	45.5	67.8	130.5	0.3	0.1	4.9
2007 Q1	8.6	2.1	1.0	7.6	0.1	-0.2	-2.0	124.8	35.8	16.2	46.2	0.7	0.0	26.0
Q2	-2.8	-7.7	-0.3	9.2	-0.2	0.0	-3.7	82.8	3.0	21.0	56.5	0.1	0.0	2.2
Q3	22.9	3.0	5.1	13.1	0.0	-0.1	1.8	50.0	12.0	19.8	7.9	1.6	0.6	8.2
2007 Oct.	19.4	5.9	11.1	1.6	0.0	0.0	0.8	41.4	-7.7	34.5	19.9	-0.5	0.0	-4.8
Nov.	-2.9	-4.6	2.5	1.4	0.0	0.0	-2.2	20.7	17.0	-12.8	7.2	-0.7	0.0	9.9
Dec.	-3.7	2.1	-7.7	0.7	0.0	0.0	1.3	16.9	-30.9	20.6	46.3	0.5	-0.5	-19.0
2008 Jan.	23.8	12.2	5.9	1.2	0.1	0.0	4.4	31.0	18.3	-3.8	-1.1	0.5	-0.1	17.2
Feb. (p)	-6.8	-10.8	0.2	4.1	0.1	0.2	-0.5	2.4	-14.6	23.0	-6.9	-0.9	0.0	1.8
	Growth rates													
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	-	-0.8	26.9	22.2	25.0	47.3	14.3	-	0.4
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-	21.2	28.2	19.5	36.8	38.9	2.9	-	4.0
2007 Mar.	7.5	10.4	15.9	5.9	-2.9	-	16.0	27.9	15.6	37.6	38.1	4.1	-	12.4
June	4.8	-5.6	21.1	5.7	-20.8	-	-13.3	28.3	13.5	35.6	41.4	5.9	-	10.5
Sep.	6.5	1.5	23.4	6.6	-18.2	-	-13.7	28.6	20.7	31.1	38.5	29.0	-	11.0
2007 Oct.	9.5	11.5	53.5	6.9	-19.8	-	-22.0	32.3	23.2	43.7	37.0	23.1	-	15.1
Nov.	9.3	8.2	51.7	7.3	-18.8	-	-28.0	30.2	23.8	35.2	34.5	9.0	-	21.2
Dec.	6.4	1.1	20.5	6.8	-22.5	-	-16.3	29.6	10.2	39.6	39.2	15.9	-	17.7
2008 Jan.	9.2	15.9	30.1	6.2	-21.5	-	4.0	28.4	7.8	41.2	37.4	24.1	-	20.5
Feb. (p)	7.9	4.3	29.0	6.3	-21.4	-	2.1	28.5	5.3	50.3	34.5	16.6	-	20.1

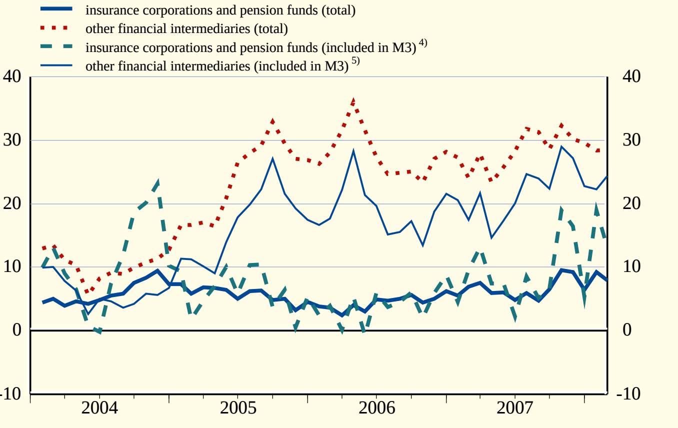
C8 Total deposits by sector [2)]

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

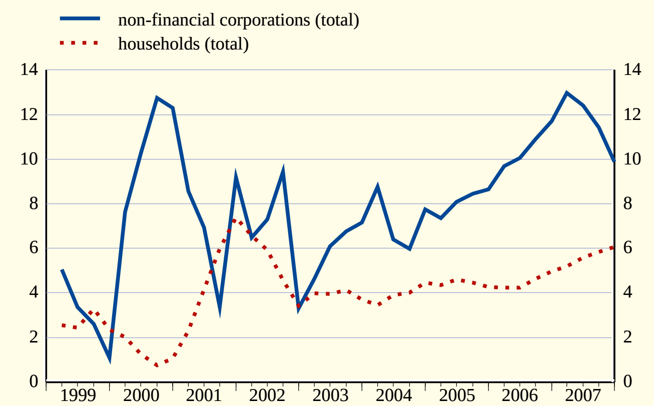
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

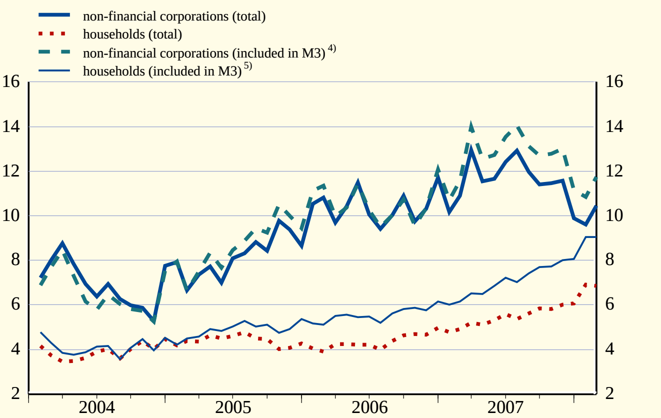
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households 3)						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2005	1,211.9	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.7	1,354.2	84.5	52.8
2006	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007 Q1	1,349.0	833.0	379.3	68.9	39.4	1.3	27.0	4,589.5	1,727.5	745.0	593.1	1,342.2	105.4	76.4
Q2	1,386.0	861.6	392.5	68.2	36.1	1.3	26.4	4,678.1	1,785.8	802.3	577.1	1,329.0	106.2	77.7
Q3	1,405.0	844.6	438.8	64.1	31.6	1.4	24.3	4,706.3	1,754.3	886.5	565.7	1,308.0	107.9	84.0
2007 Oct.	1,415.3	836.7	460.1	63.8	29.0	1.4	24.2	4,855.0	1,730.3	927.5	559.5	1,442.3	109.0	86.3
Nov.	1,429.6	850.9	460.5	61.3	31.3	1.4	24.2	4,876.4	1,734.2	953.9	556.3	1,434.7	110.0	87.3
Dec.	1,468.8	881.0	474.3	59.2	29.1	1.4	23.7	4,988.9	1,777.7	994.6	560.7	1,457.7	111.1	87.1
2008 Jan.	1,425.9	840.7	471.5	60.6	29.4	1.6	22.2	5,044.8	1,763.0	1,057.3	558.5	1,462.4	112.0	91.6
Feb. (p)	1,439.1	833.2	492.5	60.0	28.6	1.5	23.3	5,052.2	1,748.8	1,081.4	553.5	1,461.6	111.1	95.9
Transactions														
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007 Q1	3.3	-19.8	23.5	-0.6	-1.4	-0.7	2.2	25.1	-29.1	70.9	-14.8	-13.9	5.5	6.4
Q2	38.1	29.2	13.6	-0.6	-3.4	0.0	-0.6	89.5	58.5	58.0	-15.9	-13.1	0.8	1.4
Q3	23.3	-15.6	48.0	-2.6	-4.4	0.1	-2.0	29.5	-31.1	85.3	-11.6	-21.0	1.7	6.3
2007 Oct.	10.9	-7.4	20.7	-0.3	-1.9	-0.1	-0.2	2.6	-23.9	40.4	-4.5	-12.9	1.1	2.4
Nov.	17.6	14.4	3.4	-2.4	2.3	0.0	0.0	21.7	4.0	26.7	-3.4	-7.5	1.0	1.0
Dec.	39.3	29.9	13.9	-1.8	-2.2	0.0	-0.5	112.3	43.3	40.8	4.5	22.8	1.1	-0.2
2008 Jan.	-53.3	-42.6	-8.8	0.9	-1.3	0.0	-1.5	26.2	-21.3	45.6	-4.1	1.4	0.0	4.6
Feb. (p)	14.6	-6.8	21.6	-0.5	-0.8	-0.1	1.1	8.1	-14.0	24.5	-5.0	-0.8	-0.8	4.2
Growth rates														
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.1	-0.4	3.3	-4.5	-5.1
2006 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Mar.	13.0	12.0	22.6	-2.2	-16.1	-29.8	25.4	5.2	2.9	35.0	-4.8	-1.9	22.1	38.7
June	12.4	10.1	26.2	-4.8	-18.0	-29.5	20.0	5.6	3.2	40.2	-6.3	-2.5	19.2	32.9
Sep.	11.4	7.1	32.5	-8.8	-28.4	-26.9	-2.9	5.8	2.7	43.9	-7.2	-3.5	16.0	29.6
2007 Oct.	11.5	7.4	31.2	-9.2	-30.7	-31.9	-3.0	5.8	1.8	46.6	-7.4	-4.1	14.6	29.1
Nov.	11.6	6.7	32.7	-11.7	-24.4	-31.8	1.8	6.0	1.8	47.1	-7.5	-4.0	12.5	27.5
Dec.	9.9	3.6	34.7	-12.2	-26.9	-31.6	-4.5	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2008 Jan.	9.6	4.3	31.3	-11.0	-27.6	-34.7	-10.8	6.9	2.3	48.6	-7.4	-3.5	9.2	25.7
Feb. (p)	10.5	3.2	36.7	-11.1	-26.9	-37.4	-11.4	6.9	1.5	47.7	-7.4	-2.8	6.2	27.9

C10 Total deposits by sector [2)]
(annual growth rates)



C11 Total deposits and deposits included in M3 by sector [2)]
(annual growth rates)



Source: ECB.

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

2.5 Deposits held with MFIs, breakdown 1), 2)

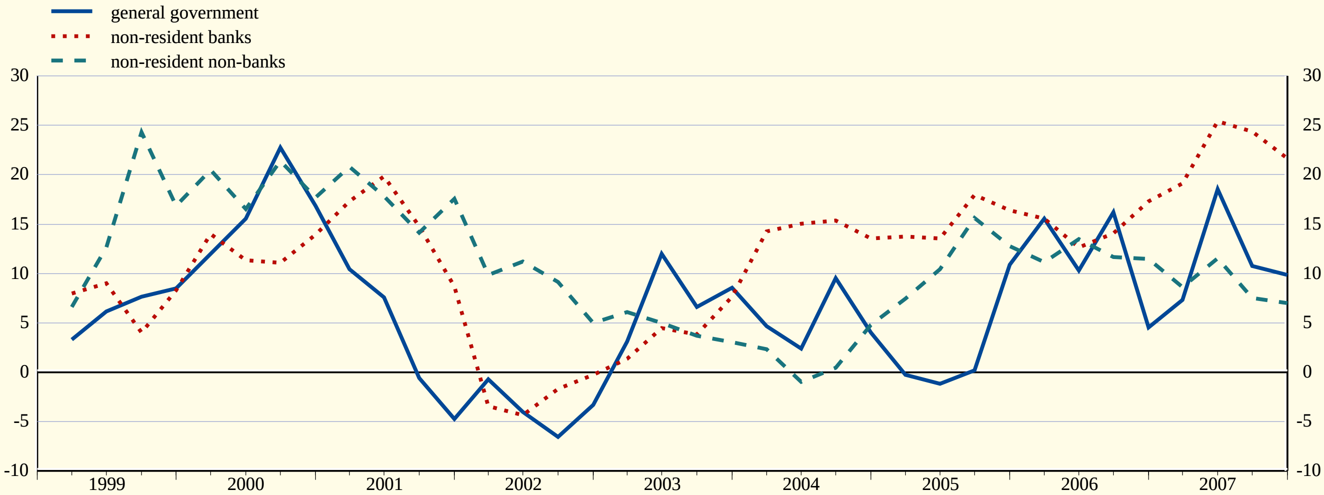
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks 3)	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006	329.0	124.2	45.4	90.8	68.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q1	337.8	139.0	42.1	88.8	67.9	3,663.9	2,778.3	885.6	132.4	753.2
Q2	380.2	169.8	43.8	95.2	71.4	3,821.5	2,898.7	922.8	137.5	785.3
Q3	373.5	144.3	60.0	97.2	72.0	3,875.5	2,962.0	913.6	145.9	767.6
Q4 (p)	374.5	128.4	58.5	107.7	79.9	3,852.2	2,964.2	888.0	141.5	746.5
	Transactions									
2005	30.8	11.2	7.8	11.5	0.3	381.1	292.8	88.3	17.8	70.5
2006	14.2	-24.5	7.0	7.8	23.9	476.6	385.8	90.8	6.6	84.2
2007 Q1	7.8	14.1	-3.3	-2.3	-0.7	256.6	237.2	19.4	4.2	15.2
Q2	42.4	30.8	1.7	6.4	3.5	177.7	136.1	41.6	5.7	35.9
Q3	-7.3	-26.1	16.1	2.0	0.6	128.5	119.2	9.4	10.8	-1.4
Q4 (p)	-10.4	-20.6	-1.4	3.7	7.9	47.9	57.1	-9.3	-2.5	-6.8
	Growth rates									
2005 Dec.	10.9	8.1	25.4	16.6	0.6	15.4	16.4	12.7	16.8	12.0
2006 Dec.	4.5	-16.5	18.4	9.6	53.5	15.8	17.3	11.5	5.3	12.6
2007 Mar.	7.3	-6.3	10.4	12.2	38.6	16.4	19.2	8.6	5.8	9.1
June	18.5	21.9	10.5	12.2	25.3	21.8	25.4	11.5	8.9	12.0
Sep.	10.7	-3.5	44.0	13.3	19.4	20.0	24.4	7.5	13.2	6.5
Dec. (p)	9.9	-1.3	29.0	10.7	16.4	17.9	21.6	7.0	14.2	5.8

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

(annual growth rates)



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

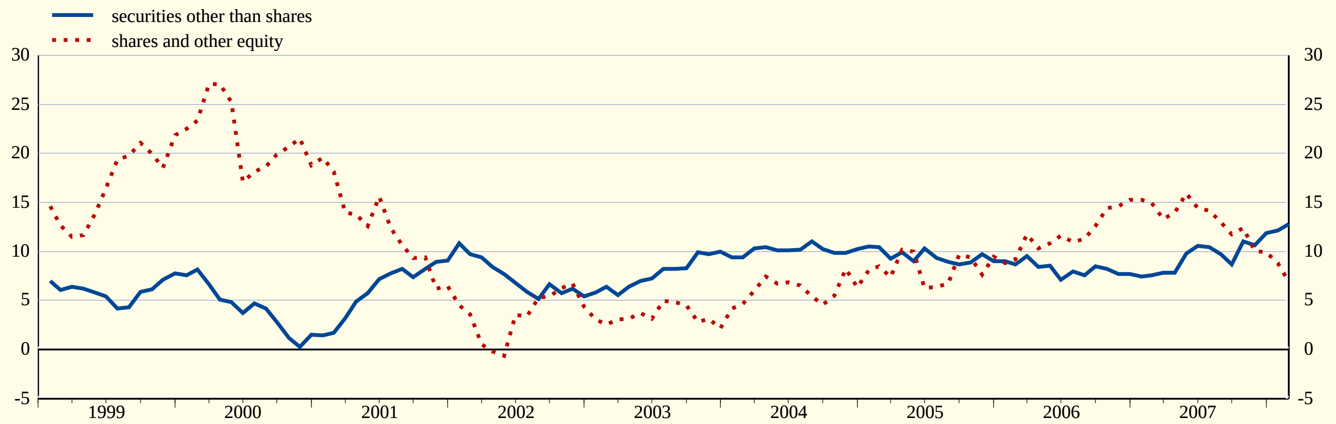
2.6 MFI holdings of securities, breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2005	4,418.9	1,450.4	67.3	1,412.5	17.0	525.7	25.8	920.3	1,254.7	308.5	700.1	246.1
2006	4,664.3	1,560.6	72.3	1,260.4	16.2	615.8	30.1	1,108.9	1,490.3	377.3	817.2	295.8
2007 Q1	4,842.7	1,616.6	76.5	1,266.6	15.6	651.7	34.1	1,181.7	1,576.5	399.7	844.8	332.0
Q2	5,010.7	1,637.5	79.0	1,266.0	15.6	727.4	34.1	1,251.1	1,623.3	406.8	867.1	349.4
Q3	4,973.8	1,646.4	82.1	1,200.4	14.7	769.4	35.7	1,225.2	1,607.5	412.5	844.6	350.3
2007 Oct.	5,092.9	1,656.0	85.5	1,199.3	14.7	839.5	38.7	1,259.2	1,655.7	406.5	901.4	347.8
Nov.	5,126.8	1,664.1	81.9	1,197.7	14.5	858.6	34.1	1,276.0	1,644.0	404.0	892.4	347.6
Dec.	5,116.9	1,652.7	83.9	1,177.6	16.6	918.5	33.4	1,234.1	1,654.8	418.3	893.1	343.4
2008 Jan.	5,252.7	1,698.3	93.7	1,202.4	17.6	925.5	36.9	1,278.4	1,647.0	427.4	887.9	331.7
Feb. (p)	5,316.7	1,730.2	94.9	1,201.1	15.8	947.7	33.5	1,293.5	1,630.2	436.5	866.1	327.6
	Transactions											
2005	356.3	85.7	2.0	52.3	-0.9	71.9	7.7	137.6	109.1	26.5	53.4	29.2
2006	337.4	122.8	10.6	-122.7	0.5	100.6	6.5	219.0	194.4	58.8	97.0	38.6
2007 Q1	189.6	55.5	5.2	2.7	-0.8	36.9	7.6	82.6	78.5	20.6	20.7	37.2
Q2	172.3	26.5	2.4	-0.1	0.3	73.4	0.2	69.6	35.2	5.5	16.6	13.2
Q3	-6.1	6.4	5.7	-66.0	-0.4	43.2	3.0	2.0	-8.6	7.6	-18.0	1.8
2007 Oct.	148.0	50.6	4.3	6.0	0.2	36.3	3.5	47.1	40.9	-5.4	48.4	-2.1
Nov.	49.3	7.7	-2.1	-3.1	0.0	19.4	-4.0	31.5	-4.1	-2.0	-5.8	3.7
Dec.	-0.9	-10.6	2.6	-18.2	2.3	59.5	-0.7	-35.7	6.4	13.0	-3.0	-3.5
2008 Jan.	101.4	29.4	7.3	13.7	0.7	3.7	3.3	43.4	21.1	9.3	10.7	1.1
Feb. (p)	81.8	30.9	2.8	-1.5	-1.5	22.8	-2.6	31.0	-14.8	8.9	-21.6	-2.1
	Growth rates											
2005 Dec.	9.0	6.3	3.6	4.2	-4.5	16.0	43.8	18.2	9.4	9.4	8.0	13.6
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.7	13.7	15.2
2007 Mar.	7.8	7.9	18.4	-10.2	-3.3	21.3	40.6	25.2	13.3	21.0	6.4	24.1
June	10.6	8.6	26.0	-8.8	-7.0	28.1	43.4	29.4	14.4	17.7	7.5	31.0
Sep.	8.7	6.3	27.2	-9.8	-5.7	31.4	49.2	21.1	11.8	19.2	3.9	25.3
2007 Oct.	11.0	8.8	32.7	-8.7	-3.5	34.6	55.9	23.3	12.4	17.6	7.7	19.7
Nov.	10.6	8.2	25.6	-9.0	-5.8	36.1	42.6	22.2	10.0	7.8	6.4	23.6
Dec.	11.9	8.7	25.5	-6.2	10.7	43.1	33.6	17.9	9.9	10.4	7.2	17.0
2008 Jan.	12.1	8.9	32.6	-6.3	20.0	44.0	32.3	18.0	8.8	10.7	6.8	12.1
Feb. (p)	12.8	10.2	28.5	-6.2	9.3	44.9	14.1	18.7	6.9	10.2	5.5	6.6

C13 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007 Q1	-1.0	-0.3	-0.3	-0.5	-0.7	-0.1	0.0	-0.6	-1.9	-0.4	-0.3	-1.2
Q2	-0.7	-0.2	-0.3	-0.3	-0.4	0.0	0.0	-0.4	-1.4	0.0	-0.5	-0.8
Q3	-0.8	-0.3	-0.2	-0.3	-0.4	0.0	0.0	-0.4	-1.3	-0.2	-0.5	-0.7
2007 Oct.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.2	-0.2
Nov.	-0.3	0.0	-0.1	-0.1	-0.2	0.0	-0.1	-0.1	-0.4	0.0	-0.1	-0.3
Dec.	-1.1	-0.3	-0.5	-0.4	-0.9	-0.1	0.0	-0.7	-1.3	-0.1	-0.8	-0.5
2008 Jan.	-0.5	-0.2	-0.1	-0.2	-0.7	0.0	0.0	-0.6	-0.6	-0.3	0.0	-0.3
Feb. (p)	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.3	-0.1	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007 Q1	-2.8	-0.5	-0.7	-1.7	-0.1	0.0	-0.1
Q2	-3.0	-0.4	-1.4	-1.2	-1.2	0.0	-1.2
Q3	-1.8	-0.4	-0.7	-0.7	-0.2	-0.1	-0.1
2007 Oct.	-0.8	0.0	-0.5	-0.3	-0.9	-0.9	0.0
Nov.	-0.6	-0.1	-0.2	-0.3	-0.1	0.0	-0.1
Dec.	-3.4	-0.8	-1.9	-0.8	-2.7	-2.4	-0.3
2008 Jan.	-1.5	-0.8	-0.3	-0.5	-0.3	-0.1	-0.3
Feb. (p)	-0.4	-0.1	-0.2	-0.1	-0.2	0.0	-0.2

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007 Q1	-4.2	-1.5	-0.2	0.2	0.0	-0.5	-0.1	-2.1	7.4	0.7	6.7	0.0
Q2	-4.0	-0.7	0.0	-3.8	-0.1	0.0	-0.1	0.6	12.7	1.7	6.8	4.2
Q3	-1.6	1.0	0.1	1.0	-0.1	-1.0	-0.2	-2.6	-5.8	-1.7	-3.3	-0.8
2007 Oct.	-3.3	0.6	0.0	-4.3	0.0	-0.4	0.0	0.8	6.0	0.4	2.9	2.6
Nov.	-1.4	-0.6	0.0	1.5	0.0	-0.3	-0.1	-1.8	-7.6	-0.4	-3.2	-3.9
Dec.	-4.7	-1.1	0.0	-1.9	0.0	0.5	-0.1	-2.1	4.4	2.0	3.0	-0.6
2008 Jan.	-7.0	-3.3	0.0	3.2	0.0	-3.1	-0.1	-3.7	-17.2	-2.1	-9.7	-5.4
Feb. (p)	-3.5	0.3	-0.1	0.2	-0.1	-0.5	-0.3	-3.1	-2.0	0.2	-0.2	-2.0

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

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

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007 Q1	5,395.9	90.5	9.5	5.6	0.5	1.4	1.2	8,199.9	96.3	3.7	2.3	0.3	0.1	0.6
Q2	5,572.9	90.5	9.5	5.8	0.4	1.3	1.1	8,448.1	96.3	3.7	2.3	0.3	0.1	0.6
Q3	5,697.1	91.2	8.8	5.3	0.4	1.3	1.0	8,553.2	96.1	3.9	2.4	0.3	0.1	0.6
Q4 (p)	6,088.4	92.1	7.9	4.7	0.4	1.2	1.0	8,988.3	96.4	3.6	2.2	0.4	0.1	0.5
	By non-euro area residents													
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007 Q1	2,778.3	46.4	53.6	34.3	2.5	2.5	11.2	885.6	51.1	48.9	31.8	1.6	2.2	9.4
Q2	2,898.7	45.0	55.0	34.8	2.6	2.4	11.8	922.8	51.2	48.8	32.3	1.3	1.8	9.7
Q3	2,962.0	46.1	53.9	33.6	2.6	2.3	11.9	913.6	49.5	50.5	33.8	1.1	1.9	9.6
Q4 (p)	2,964.2	46.8	53.2	33.3	2.8	2.5	11.5	888.0	50.1	49.9	32.8	1.6	1.6	10.1

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
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007 Q1	4,673.7	80.7	19.3	9.8	1.7	1.9	3.5
Q2	4,797.0	80.2	19.8	10.1	1.6	1.8	3.7
Q3	4,862.4	80.8	19.2	9.7	1.7	1.8	3.6
Q4 (p)	4,946.3	81.4	18.6	9.3	1.6	1.8	3.4

Source: ECB.

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

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

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

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2005	4,569.7	-	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5
2006	4,933.5	-	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5
2007 Q1	5,097.6	-	-	-	-	-	-	10,242.4	96.4	3.6	1.7	0.2	1.1	0.5
Q2	5,264.5	-	-	-	-	-	-	10,510.8	96.2	3.8	1.8	0.2	1.0	0.6
Q3	5,430.4	-	-	-	-	-	-	10,741.6	96.1	3.9	1.9	0.2	1.0	0.5
Q4 (p)	5,776.9	-	-	-	-	-	-	11,110.1	96.2	3.8	1.8	0.2	1.0	0.5
	To non-euro area residents													
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007 Q1	2,265.1	51.7	48.3	27.7	2.2	2.5	10.8	904.6	41.3	58.7	41.8	1.0	4.1	8.1
Q2	2,334.3	50.3	49.7	28.7	1.9	2.4	11.7	952.0	39.4	60.6	43.1	1.0	3.8	8.4
Q3	2,353.2	48.8	51.2	28.4	2.1	2.5	12.9	948.5	39.2	60.8	43.3	1.1	3.9	8.2
Q4 (p)	2,349.7	48.1	51.9	28.9	2.3	2.4	12.7	946.1	40.5	59.5	41.5	1.2	3.7	8.5

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006	1,632.9	95.6	4.4	2.3	0.2	0.3	1.3	1,922.5	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q1	1,693.0	95.5	4.5	2.3	0.3	0.3	1.4	1,968.0	97.5	2.5	1.3	0.3	0.1	0.8
Q2	1,716.4	95.4	4.6	2.2	0.3	0.3	1.6	2,043.1	97.6	2.4	1.3	0.3	0.1	0.7
Q3	1,728.5	95.3	4.7	2.4	0.3	0.2	1.5	2,020.2	97.5	2.5	1.4	0.3	0.1	0.7
Q4 (p)	1,736.6	95.2	4.8	2.4	0.3	0.3	1.5	2,146.1	97.7	2.3	1.4	0.2	0.1	0.5
	Issued by non-euro area residents													
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006	514.5	52.2	47.8	28.8	0.7	0.4	14.5	594.4	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q1	545.5	52.7	47.3	28.5	0.6	0.5	14.4	636.2	38.1	61.9	36.9	4.4	0.6	14.8
Q2	584.0	51.9	48.1	28.5	0.7	0.5	14.6	667.1	37.4	62.6	36.9	4.3	0.7	15.7
Q3	574.3	53.9	46.1	26.7	0.7	0.4	15.0	650.9	35.4	64.6	38.9	4.1	0.7	14.5
Q4 (p)	578.2	53.9	46.1	27.5	0.7	0.4	14.4	655.9	35.7	64.3	39.3	4.0	0.8	13.7

Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
2006 Q3	5,359.0	317.5	1,985.0	178.4	1,806.6	1,874.4	631.3	181.5	369.2
Q4	5,551.3	320.6	2,005.8	170.6	1,835.2	2,022.0	670.6	187.9	344.3
2007 Q1	5,713.3	332.4	2,031.8	181.0	1,850.8	2,068.9	718.7	188.9	372.7
Q2	5,989.1	346.2	2,044.4	192.9	1,851.5	2,216.1	784.1	182.0	416.3
Q3	5,892.3	358.1	2,015.8	187.0	1,828.8	2,165.9	773.3	182.5	396.6
Q4 (p)	5,779.8	353.0	1,994.4	183.8	1,810.6	2,073.7	783.3	190.7	384.7

2. Liabilities

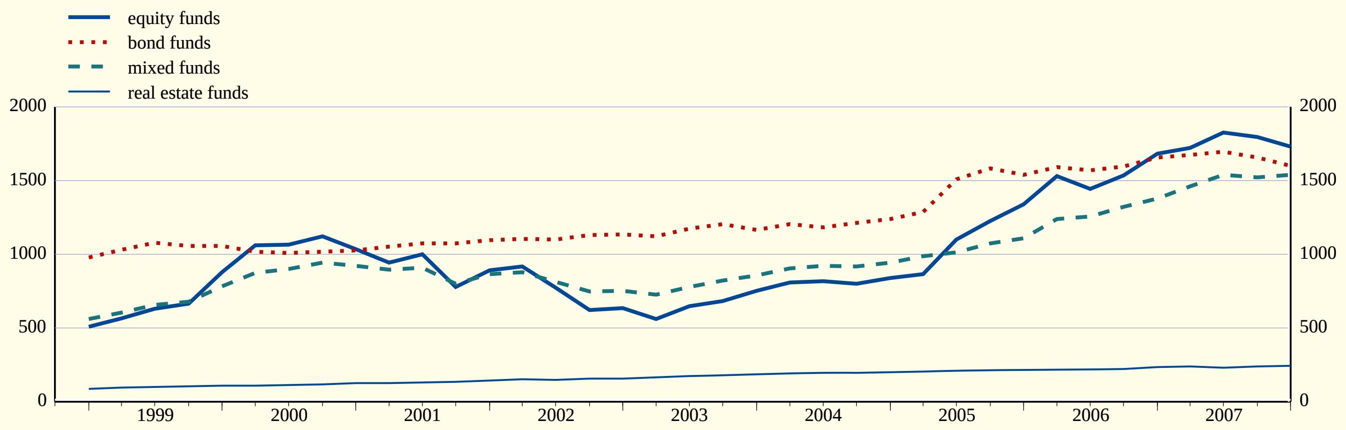
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2006 Q3	5,359.0	75.9	4,999.5	283.7
Q4	5,551.3	77.8	5,217.0	256.4
2007 Q1	5,713.3	82.2	5,349.3	281.8
Q2	5,989.1	85.9	5,586.6	316.6
Q3	5,892.3	80.1	5,495.5	316.7
Q4 (p)	5,779.8	78.2	5,409.4	292.2

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

	Total	Funds by investment policy: Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	Funds by type of investor: General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2006 Q3	5,359.0	1,533.3	1,594.2	1,321.5	221.2	688.9	4,085.5	1,273.5
Q4	5,551.3	1,680.5	1,657.0	1,376.0	231.8	606.0	4,252.1	1,299.2
2007 Q1	5,713.3	1,723.2	1,674.9	1,459.3	238.4	617.5	4,372.8	1,340.6
Q2	5,989.1	1,824.8	1,693.4	1,539.2	230.9	700.7	4,577.2	1,411.8
Q3	5,892.3	1,796.1	1,655.8	1,522.8	236.1	681.4	4,468.4	1,423.9
Q4 (p)	5,779.8	1,732.0	1,598.1	1,537.2	244.0	668.6	4,344.1	1,435.7

C14 Total assets of investment funds

(EUR billions)



Source: ECB.

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

2.10 Assets of euro area investment funds broken down by investment policy and type of investor
(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2006 Q3	1,533.3	53.8	76.1	33.2	42.9	1,284.3	66.8	-	52.3
Q4	1,680.5	56.1	66.0	22.7	43.3	1,429.3	74.3	-	54.8
2007 Q1	1,723.2	59.3	65.7	25.7	40.0	1,461.2	78.4	-	58.6
Q2	1,824.8	60.9	67.9	27.4	40.4	1,546.2	84.0	-	65.9
Q3	1,796.1	71.9	68.6	26.7	41.9	1,505.0	82.2	-	68.4
Q4 (p)	1,732.0	57.7	71.7	26.5	45.2	1,461.4	79.2	-	61.8
	Bond funds								
2006 Q3	1,594.2	105.5	1,288.5	86.8	1,201.8	41.6	48.2	-	110.3
Q4	1,657.0	108.3	1,343.6	91.1	1,252.5	45.4	49.8	-	110.0
2007 Q1	1,674.9	112.3	1,356.5	95.1	1,261.4	44.5	52.5	-	109.0
Q2	1,693.4	114.9	1,346.7	99.5	1,247.2	62.9	55.7	-	113.2
Q3	1,655.8	109.9	1,319.6	97.0	1,222.6	62.6	53.2	-	110.5
Q4 (p)	1,598.1	116.1	1,274.3	92.8	1,181.6	58.1	49.8	-	99.8
	Mixed funds								
2006 Q3	1,321.5	68.5	510.6	45.2	465.4	332.3	272.3	0.3	137.4
Q4	1,376.0	71.0	519.4	43.4	476.0	364.2	292.8	0.4	128.2
2007 Q1	1,459.3	73.8	530.5	45.5	485.0	380.8	322.3	0.3	151.5
Q2	1,539.2	84.0	529.2	50.2	479.0	398.9	346.4	0.9	179.8
Q3	1,522.8	86.2	522.4	46.3	476.1	405.3	345.0	0.5	163.3
Q4 (p)	1,537.2	89.9	546.9	47.0	499.9	394.8	343.3	0.8	161.5
	Real estate funds								
2006 Q3	221.2	16.4	6.0	1.6	4.4	1.9	6.2	180.3	10.4
Q4	231.8	17.6	6.1	1.7	4.4	2.2	7.0	187.0	11.9
2007 Q1	238.4	18.9	6.7	1.9	4.8	2.3	9.6	188.4	12.6
Q2	230.9	18.8	6.6	1.9	4.7	2.0	10.0	180.4	12.9
Q3	236.1	20.7	6.4	1.6	4.8	2.0	13.1	181.1	12.8
Q4 (p)	244.0	19.6	6.0	1.5	4.5	1.7	12.5	189.5	14.7

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2006 Q3	4,085.5	260.6	1,374.1	1,531.3	470.9	151.2	297.3
Q4	4,252.1	265.4	1,402.4	1,650.2	498.2	155.2	280.6
2007 Q1	4,372.8	274.3	1,420.9	1,693.5	529.0	155.6	299.5
Q2	4,577.2	280.9	1,432.0	1,816.8	576.5	147.3	323.7
Q3	4,468.4	287.8	1,376.6	1,788.8	564.0	144.8	306.4
Q4 (p)	4,344.1	279.7	1,337.8	1,714.9	569.1	150.7	291.9
	Special investors' funds						
2006 Q3	1,273.5	56.9	610.9	343.1	160.5	30.2	71.9
Q4	1,299.2	55.2	603.4	371.8	172.4	32.7	63.7
2007 Q1	1,340.6	58.0	610.8	375.4	189.7	33.3	73.2
Q2	1,411.8	65.3	612.4	399.3	207.6	34.7	92.7
Q3	1,423.9	70.3	639.2	377.1	209.3	37.7	90.2
Q4 (p)	1,435.7	73.2	656.5	358.8	214.2	40.0	92.9

Source: ECB.

3 EURO AREA ACCOUNTS

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

Uses 2007 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						496.8
Trade balance [1]						-24.7
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,015.7	106.6	646.7	50.7	211.7	
Other taxes less subsidies on production	27.0	6.4	13.9	3.4	3.3	
Consumption of fixed capital	318.6	86.9	179.2	11.2	41.4	
Net operating surplus and mixed income [1]	609.5	292.0	289.4	28.6	-0.6	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.1
Taxes less subsidies on production						
Property income	776.9	50.9	284.2	378.1	63.7	127.8
Interest	471.5	48.5	78.2	281.2	63.6	80.3
Other property income	305.3	2.4	206.1	96.9	0.0	47.5
Net national income [1]	1,880.9	1,499.6	117.6	55.2	208.5	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	265.7	199.0	55.5	10.9	0.3	2.0
Social contributions	386.5	386.5				1.0
Social benefits other than social transfers in kind	390.7	1.3	15.3	23.4	350.6	0.7
Other current transfers	176.8	68.4	22.8	45.0	40.7	7.8
Net non-life insurance premiums	43.0	32.7	8.8	0.9	0.7	1.0
Non-life insurance claims	42.9			42.9		0.7
Other	90.9	35.7	14.0	1.2	40.0	6.0
Net disposable income [1]	1,858.1	1,318.4	50.7	58.4	430.6	
Use of income account						
Net disposable income						
Final consumption expenditure	1,686.3	1,262.8			423.5	
Individual consumption expenditure	1,520.7	1,262.8			257.9	
Collective consumption expenditure	165.6				165.6	
Adjustment for the change in net equity of households in pension fund reserves	16.3	0.0	2.1	14.3	0.0	0.1
Net saving/current external account [1]	171.8	71.9	48.6	44.1	7.1	-0.9
Capital account						
Net saving / current external account						
Gross capital formation	489.6	162.1	260.6	11.1	55.7	
Gross fixed capital formation	478.4	159.9	252.1	10.8	55.6	
Changes in inventories and acquisitions less disposals of valuables	11.1	2.2	8.6	0.3	0.2	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.5	0.1	0.4	0.1	0.0	-0.5
Capital transfers	33.2	8.9	1.5	1.9	20.8	4.6
Capital taxes	5.9	5.6	0.3	0.0		0.0
Other capital transfers	27.3	3.3	1.3	1.9	20.8	4.6
Net lending (+)/net borrowing (-) (from capital account) [1]	2.6	-3.4	-19.4	43.1	-17.6	-2.6
Statistical discrepancy	0.0	10.2	-10.2	0.0	0.0	0.0

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

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

Resources 2007 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						472.1
Trade balance						
Generation of income account						
Gross value added (basic prices)	1,970.8	491.9	1,129.2	93.9	255.8	
Taxes less subsidies on products	229.7					
Gross domestic product (market prices)[2)]	2,200.5					
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	609.5	292.0	289.4	28.6	-0.6	
Compensation of employees	1,016.6	1,016.6				3.2
Taxes less subsidies on production	255.8				255.8	1.0
Property income	775.9	241.8	112.4	404.6	17.0	128.8
Interest	464.2	73.5	42.9	341.4	6.3	87.6
Other property income	311.7	168.3	69.5	63.2	10.7	41.1
Net national income						
Secondary distribution of income account						
Net national income	1,880.9	1,499.6	117.6	55.2	208.5	
Current taxes on income, wealth, etc.	267.0				267.0	0.7
Social contributions	386.5	1.0	16.6	38.5	330.4	1.0
Social benefits other than social transfers in kind	388.5	388.5				2.9
Other current transfers	155.0	84.6	10.2	44.1	16.2	29.6
Net non-life insurance premiums	42.9			42.9		1.2
Non-life insurance claims	42.4	34.0	7.3	0.9	0.3	1.2
Other	69.7	50.5	2.9	0.4	15.9	27.2
Net disposable income						
Use of income account						
Net disposable income	1,858.1	1,318.4	50.7	58.4	430.6	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	16.4	16.4				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	171.8	71.9	48.6	44.1	7.1	-0.9
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	318.6	86.9	179.2	11.2	41.4	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	35.5	8.8	15.3	0.8	10.5	2.4
Capital taxes	5.9				5.9	0.0
Other capital transfers	29.6	8.8	15.3	0.8	4.6	2.4
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2007 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		17,772.4	14,345.0	21,322.7	10,123.0	6,175.6	2,918.9	14,719.8
Monetary gold and special drawing rights (SDRs)				177.5				
Currency and deposits		5,449.6	1,669.8	2,426.5	1,445.4	761.0	623.9	3,944.1
Short-term debt securities		44.8	136.5	111.2	319.4	238.2	32.4	782.0
Long-term debt securities		1,262.9	255.7	3,520.1	1,857.7	1,944.9	207.6	2,319.7
Loans		35.0	1,779.9	11,485.6	1,360.2	357.9	356.7	1,504.7
of which long-term		18.5	983.9	8,619.0	1,037.7	295.7	314.5	.
Shares and other equity		5,546.1	7,810.2	1,905.7	4,885.3	2,432.7	1,144.9	5,430.5
Quoted shares		1,301.1	1,993.0	749.3	2,545.1	860.0	441.1	.
Unquoted shares and other equity		2,541.5	5,406.5	872.6	1,615.6	482.1	555.3	.
Mutual fund shares		1,703.5	410.7	283.8	724.5	1,090.6	148.4	.
Insurance technical reserves		5,083.1	134.0	1.9	0.0	150.6	3.1	190.7
Other accounts receivable and financial derivatives		350.9	2,558.8	1,694.1	255.1	290.2	550.4	548.2
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		72.1	163.1	372.3	181.7	59.3	-29.6	455.6
Monetary gold and special drawing rights (SDRs)				-1.1				1.1
Currency and deposits		35.4	13.9	78.7	50.0	23.8	-44.6	126.9
Short-term debt securities		11.3	9.9	-3.2	-16.5	-3.9	8.8	15.7
Long-term debt securities		-7.1	-21.1	-8.6	40.2	25.8	5.3	52.4
Loans		0.2	50.0	267.1	137.8	-2.1	1.0	210.8
of which long-term		-0.1	30.1	190.5	151.4	5.1	1.1	.
Shares and other equity		-2.5	78.8	-7.6	-12.6	8.5	0.3	37.9
Quoted shares		-9.6	29.5	-20.9	34.3	2.3	-3.3	.
Unquoted shares and other equity		28.5	83.7	16.8	-27.3	8.7	-1.2	.
Mutual fund shares		-21.4	-34.4	-3.5	-19.6	-2.6	4.7	.
Insurance technical reserves		42.3	0.7	0.0	0.0	1.4	0.0	11.2
Other accounts receivable and financial derivatives		-7.5	30.8	46.9	-17.3	5.8	-0.4	-0.3
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-242.1	-207.3	-79.1	-90.6	-29.2	-7.8	-118.8
Monetary gold and special drawing rights (SDRs)				15.3				
Currency and deposits		-0.3	-2.4	-38.9	-6.7	0.2	0.0	-77.9
Short-term debt securities		-1.2	-4.9	-1.1	0.3	-1.8	-0.1	-0.5
Long-term debt securities		14.7	4.1	-31.9	20.4	-13.2	3.0	0.4
Loans		-0.1	-5.9	-38.9	-1.9	-1.7	0.1	-26.9
of which long-term		-0.1	-3.8	-16.2	-4.1	-0.4	-0.1	.
Shares and other equity		-243.6	-200.1	-13.8	-98.8	-28.8	-10.3	-25.8
Quoted shares		-80.0	-122.1	-15.2	-53.4	-9.5	-14.5	.
Unquoted shares and other equity		-147.3	-73.8	8.1	-38.4	-11.2	7.4	.
Mutual fund shares		-16.2	-4.2	-6.8	-7.0	-8.0	-3.1	.
Insurance technical reserves		-12.5	0.0	0.0	0.0	0.0	0.0	8.6
Other accounts receivable and financial derivatives		0.8	2.0	30.4	-3.9	16.1	-0.5	3.4
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		17,602.4	14,300.8	21,615.8	10,214.2	6,205.7	2,881.5	15,055.6
Monetary gold and special drawing rights (SDRs)				191.7				
Currency and deposits		5,484.8	1,681.3	2,466.3	1,488.8	785.0	579.3	3,993.0
Short-term debt securities		54.8	141.6	106.9	303.2	232.5	41.1	797.2
Long-term debt securities		1,270.5	238.7	3,479.6	1,918.4	1,957.5	215.9	2,372.5
Loans		35.1	1,823.9	11,713.7	1,496.1	354.2	357.8	1,688.6
of which long-term		18.4	1,010.2	8,793.4	1,185.0	300.4	315.5	.
Shares and other equity		5,300.1	7,688.9	1,884.3	4,773.9	2,412.4	1,134.9	5,442.6
Quoted shares		1,211.5	1,900.4	713.2	2,526.1	852.9	423.3	.
Unquoted shares and other equity		2,422.7	5,416.3	897.5	1,549.9	479.6	561.5	.
Mutual fund shares		1,665.9	372.2	273.6	697.9	1,079.9	150.0	.
Insurance technical reserves		5,112.9	134.8	2.0	0.0	152.0	3.1	210.4
Other accounts receivable and financial derivatives		344.2	2,591.7	1,771.4	233.8	312.1	549.4	551.2
Net financial worth								

Source: ECB.

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

Liabilities 2007 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		5,709.4	23,478.2	21,660.9	10,046.3	6,315.1	6,767.3	13,222.7
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.6	13,022.9	221.4	3.8	328.0	2,717.5
Short-term debt securities			304.9	372.0	78.9	0.2	655.7	253.0
Long-term debt securities			438.0	2,674.8	1,422.1	25.2	4,311.6	2,496.9
Loans		5,195.5	6,608.5		1,336.6	193.6	1,079.4	2,466.3
of which long-term		4,879.2	4,426.7		612.0	73.9	919.3	.
Shares and other equity			13,416.1	3,399.8	6,761.4	688.5	5.6	4,884.1
Quoted shares			5,061.3	1,121.1	363.2	338.1	0.0	.
Unquoted shares and other equity			8,354.8	1,222.9	935.0	349.8	5.6	.
Mutual fund shares				1,055.8	5,463.3			.
Insurance technical reserves		32.7	333.9	53.6	0.6	5,142.2	0.5	
Other accounts payable and financial derivatives		481.2	2,350.3	2,137.9	225.3	261.6	386.4	405.0
Net financial worth [1]	-1,319.6	12,063.0	-9,133.3	-338.2	76.7	-139.5	-3,848.4	
Financial account, transactions in liabilities								
Total transactions in liabilities		65.4	192.6	354.6	157.0	58.6	-12.0	458.2
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	245.5	-8.5	0.1	2.3	44.8
Short-term debt securities			-11.0	40.4	7.4	0.3	2.6	-17.6
Long-term debt securities			-2.3	35.9	12.3	0.1	-5.0	45.9
Loans		82.5	168.6		171.1	8.3	-1.4	235.5
of which long-term		85.5	130.9		135.0	0.3	-3.4	.
Shares and other equity			49.2	0.3	-43.2	3.7	0.0	92.8
Quoted shares			8.7	6.9	6.6	0.9	0.0	.
Unquoted shares and other equity			40.5	2.2	11.0	2.8	0.0	.
Mutual fund shares				-8.8	-60.8			.
Insurance technical reserves		0.0	1.9	-0.3	0.0	54.0	0.0	
Other accounts payable and financial derivatives		-17.1	-13.7	32.8	17.9	-8.0	-10.6	56.7
Changes in net financial worth due to transactions [1]	2.6	6.7	-29.6	17.6	24.7	0.7	-17.6	-2.6
Other changes account, liabilities								
Total other changes in liabilities		-0.8	-222.2	-323.9	-61.7	-32.2	49.7	-198.9
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-88.4	0.2	0.0	0.0	-37.8
Short-term debt securities			0.4	-6.9	0.0	0.0	0.0	-3.0
Long-term debt securities			3.0	-20.2	1.0	-0.2	43.5	-29.6
Loans		-2.8	-2.0		-7.6	-2.5	0.3	-60.8
of which long-term		-1.9	-3.0		-2.3	-3.3	0.0	.
Shares and other equity			-263.9	-226.8	-61.0	-39.9	0.4	-30.0
Quoted shares			-135.4	-95.8	-74.0	-44.0	0.0	.
Unquoted shares and other equity			-128.4	-131.5	15.8	4.1	0.4	.
Mutual fund shares				0.4	-2.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-3.9	0.0	
Other accounts payable and financial derivatives		2.0	40.3	18.3	5.7	14.2	5.4	-37.7
Other changes in net financial worth [1]	-64.9	-241.3	14.9	244.8	-28.9	3.0	-57.5	80.2
Closing balance sheet, liabilities								
Total liabilities		5,773.9	23,448.7	21,691.6	10,141.6	6,341.4	6,804.9	13,482.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.6	13,180.0	213.1	3.9	330.3	2,724.5
Short-term debt securities			294.3	405.5	86.3	0.5	658.3	232.3
Long-term debt securities			438.8	2,690.6	1,435.3	25.2	4,350.1	2,513.1
Loans		5,275.2	6,775.1		1,500.2	199.5	1,078.4	2,641.0
of which long-term		4,962.8	4,554.7		744.7	70.9	915.8	.
Shares and other equity			13,201.4	3,173.3	6,657.2	652.3	6.0	4,946.9
Quoted shares			4,934.6	1,032.2	295.8	295.1	0.0	.
Unquoted shares and other equity			8,266.8	1,093.7	961.7	356.6	6.0	.
Mutual fund shares				1,047.4	5,399.7			.
Insurance technical reserves		32.7	335.7	53.3	0.6	5,192.3	0.5	
Other accounts payable and financial derivatives		466.0	2,376.9	2,189.0	248.9	267.8	381.3	424.1
Net financial worth [1]	-1,381.9	11,828.5	-9,148.0	-75.8	72.6	-135.8	-3,923.4	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2003	2004	2005	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2	2006 Q4-2007 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,666.5	3,772.0	3,878.7	3,994.4	4,031.2	4,075.3	4,117.7	4,157.4
Other taxes less subsidies on production	110.3	122.1	129.9	131.8	128.7	130.4	133.0	134.3
Consumption of fixed capital	1,073.7	1,121.3	1,173.1	1,212.4	1,225.0	1,236.7	1,247.5	1,258.9
Net operating surplus and mixed income [1]	1,887.3	1,988.6	2,051.7	2,126.0	2,162.8	2,196.8	2,228.5	2,268.6
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,281.8	2,335.9	2,553.9	2,820.4	2,935.5	3,026.2	3,119.8	3,196.0
Interest	1,267.3	1,242.4	1,328.9	1,525.3	1,602.3	1,671.7	1,737.1	1,798.7
Other property income	1,014.5	1,093.6	1,225.0	1,295.0	1,333.2	1,354.6	1,382.7	1,397.3
Net national income [1]	6,406.2	6,684.1	6,907.9	7,153.9	7,234.6	7,330.4	7,412.5	7,504.2
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	856.8	882.3	932.0	990.6	1,023.4	1,037.2	1,060.5	1,088.2
Social contributions	1,388.2	1,427.4	1,469.5	1,517.9	1,532.8	1,545.1	1,557.4	1,568.6
Social benefits other than social transfers in kind	1,407.9	1,453.1	1,497.1	1,531.5	1,542.2	1,549.6	1,557.7	1,567.6
Other current transfers	658.5	683.2	702.5	703.7	705.8	710.4	718.7	722.0
Net non-life insurance premiums	174.0	175.8	175.7	175.5	174.9	175.7	176.8	177.3
Non-life insurance claims	174.6	176.3	176.8	175.8	175.0	176.0	177.1	177.4
Other	309.9	331.1	350.0	352.3	355.9	358.8	364.8	367.3
Net disposable income [1]	6,336.3	6,606.8	6,821.7	7,067.2	7,145.3	7,240.8	7,323.7	7,415.8
Use of income account								
Net disposable income								
Final consumption expenditure	5,854.7	6,076.3	6,308.3	6,502.7	6,564.7	6,619.5	6,669.3	6,724.0
Individual consumption expenditure	5,234.6	5,432.6	5,647.8	5,830.1	5,886.6	5,935.7	5,981.8	6,031.1
Collective consumption expenditure	620.1	643.7	660.5	672.6	678.2	683.8	687.5	692.9
Adjustment for the change in net equity of households in pension funds reserves	54.6	57.3	59.5	62.2	63.2	63.2	63.4	64.4
Net saving [1]	481.9	530.7	513.7	564.8	581.0	621.6	654.7	692.1
Capital account								
Net saving								
Gross capital formation	1,526.1	1,607.4	1,698.5	1,816.5	1,841.5	1,881.8	1,914.4	1,945.0
Gross fixed capital formation	1,527.3	1,599.9	1,688.2	1,780.5	1,813.5	1,856.5	1,888.7	1,918.0
Changes in inventories and acquisitions less disposals of valuables	-1.2	7.5	10.3	35.9	28.0	25.3	25.7	26.9
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.6	-1.1	-0.1	1.1	1.2	1.0	1.1	1.3
Capital transfers	182.6	167.5	181.6	176.7	191.4	190.3	188.2	171.6
Capital taxes	35.9	29.8	24.2	22.5	22.3	22.9	23.3	23.8
Other capital transfers	146.8	137.7	157.4	154.2	169.1	167.4	164.9	147.8
Net lending (+)/net borrowing (-) (from capital account) [1]	41.1	62.1	1.9	-26.7	-21.7	-6.9	3.6	20.6

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

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

Resources	2003	2004	2005	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2	2006 Q4-2007 Q3
Generation of income account								
Gross value added (basic prices)	6,737.8	7,004.0	7,233.3	7,464.7	7,547.7	7,639.2	7,726.7	7,819.1
Taxes less subsidies on products	761.2	797.2	839.7	885.9	904.5	921.7	934.6	945.2
Gross domestic product (market prices)[2]	7,499.0	7,801.2	8,073.0	8,350.6	8,452.2	8,560.8	8,661.3	8,764.3
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	1,887.3	1,988.6	2,051.7	2,126.0	2,162.8	2,196.8	2,228.5	2,268.6
Compensation of employees	3,673.6	3,779.1	3,884.2	4,000.3	4,037.1	4,081.3	4,123.7	4,163.4
Taxes less subsidies on production	880.7	933.1	981.1	1,028.8	1,044.4	1,061.9	1,077.0	1,088.1
Property income	2,246.4	2,319.3	2,544.8	2,819.2	2,925.8	3,016.7	3,103.1	3,180.1
Interest	1,236.3	1,211.5	1,302.7	1,502.7	1,578.3	1,645.7	1,710.7	1,768.5
Other property income	1,010.1	1,107.8	1,242.1	1,316.6	1,347.5	1,370.9	1,392.4	1,411.5
Net national income								
Secondary distribution of income account								
Net national income	6,406.2	6,684.1	6,907.9	7,153.9	7,234.6	7,330.4	7,412.5	7,504.2
Current taxes on income, wealth, etc.	858.7	885.4	935.7	995.2	1,028.2	1,042.4	1,067.3	1,095.5
Social contributions	1,387.3	1,426.5	1,469.1	1,517.4	1,532.4	1,544.7	1,556.9	1,568.1
Social benefits other than social transfers in kind	1,401.4	1,445.6	1,489.4	1,524.0	1,534.7	1,541.7	1,549.5	1,559.2
Other current transfers	594.1	611.1	620.7	620.3	619.6	623.9	631.7	635.3
Net non-life insurance premiums	174.6	176.3	176.8	175.8	175.0	176.0	177.1	177.4
Non-life insurance claims	171.3	173.5	174.4	173.0	172.4	173.3	174.6	175.1
Other	248.2	261.3	269.5	271.5	272.2	274.7	280.0	282.8
Net disposable income								
Use of income account								
Net disposable income	6,336.3	6,606.8	6,821.7	7,067.2	7,145.3	7,240.8	7,323.7	7,415.8
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	54.8	57.5	59.8	62.5	63.5	63.5	63.7	64.6
Net saving								
Capital account								
Net saving	481.9	530.7	513.7	564.8	581.0	621.6	654.7	692.1
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,073.7	1,121.3	1,173.1	1,212.4	1,225.0	1,236.7	1,247.5	1,258.9
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	194.8	184.0	195.1	190.3	206.4	207.8	205.1	187.6
Capital taxes	35.9	29.8	24.2	22.5	22.3	22.9	23.3	23.8
Other capital transfers	158.9	154.2	170.9	167.9	184.1	185.0	181.8	163.8
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2003	2004	2005	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2	2006 Q4-2007 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	3,673.6	3,779.1	3,884.2	4,000.3	4,037.1	4,081.3	4,123.7	4,163.4
Gross operating surplus and mixed income (+)	1,228.6	1,280.5	1,329.3	1,383.6	1,403.9	1,424.9	1,445.8	1,466.6
Interest receivable (+)	237.5	230.6	228.7	249.6	259.8	267.7	275.2	282.8
Interest payable (-)	124.1	125.2	128.9	148.7	156.9	165.0	173.2	180.5
Other property income receivable (+)	615.4	650.3	696.7	725.4	736.6	742.9	753.0	756.9
Other property income payable (-)	8.9	9.4	9.4	9.5	9.5	9.5	9.5	9.5
Current taxes on income and wealth (-)	702.0	705.5	738.4	770.8	788.8	797.1	810.5	829.5
Net social contributions (-)	1,384.4	1,423.7	1,465.5	1,513.7	1,528.6	1,540.8	1,553.2	1,564.3
Net social benefits (+)	1,396.7	1,440.7	1,484.2	1,518.6	1,529.3	1,536.3	1,544.0	1,553.7
Net current transfers receivable (+)	65.3	64.6	67.4	62.8	62.9	64.5	65.3	66.4
= Gross disposable income	4,997.7	5,182.1	5,348.4	5,497.5	5,545.8	5,605.1	5,660.8	5,705.9
Final consumption expenditure (-)	4,319.7	4,485.4	4,653.3	4,798.2	4,843.5	4,882.1	4,920.9	4,961.2
Changes in net worth in pension funds (+)	54.5	57.1	59.4	62.0	63.1	63.0	63.4	64.4
= Gross saving	732.5	753.8	754.4	761.4	765.4	786.1	803.4	809.1
Consumption of fixed capital (-)	288.1	303.3	318.4	331.0	335.2	338.8	342.1	344.8
Net capital transfers receivable (+)	12.6	18.9	25.0	28.9	32.3	30.3	27.6	20.5
Other changes in net worth [1] (+)	256.1	300.1	617.9	366.5	479.4	386.1	604.1	200.0
= Changes in net worth [1]	713.2	769.5	1,078.9	825.8	941.9	863.7	1,092.9	684.8
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	495.8	526.7	559.7	600.4	612.0	627.1	638.1	644.8
Consumption of fixed capital (-)	288.1	303.3	318.4	331.0	335.2	338.8	342.1	344.8
Main items of financial investment (+)								
Short-term assets	211.3	214.6	207.7	262.2	301.6	345.8	378.5	398.9
Currency and deposits	226.5	213.0	247.9	265.6	283.8	293.2	316.9	328.2
Money market fund shares	25.1	-6.4	-20.2	-17.5	0.3	25.7	44.7	42.9
Debt securities [2]	-40.3	8.0	-20.1	14.0	17.6	26.9	16.8	27.7
Long-term assets	311.0	342.3	443.3	359.7	303.1	257.9	222.5	157.7
Deposits	-5.7	33.7	-10.1	-0.3	-6.7	-19.7	-29.3	-34.1
Debt securities	25.8	65.8	17.0	69.1	62.4	46.4	29.7	-2.0
Shares and other equity	59.9	-8.5	136.1	-7.3	-29.7	-26.3	-32.8	-32.5
Quoted, unquoted shares and other equity	7.6	-13.5	61.4	-8.7	-1.4	30.2	32.2	38.0
Mutual fund shares	52.2	5.0	74.7	1.5	-28.3	-56.5	-65.0	-70.6
Life insurance and pension fund reserves	231.0	251.3	300.4	298.2	277.1	257.4	254.8	226.3
Main items of financing (-)								
Loans	262.8	311.7	390.3	411.4	390.7	382.4	364.6	361.6
of which from euro area MFIs	211.6	280.8	358.3	372.1	346.5	337.2	316.8	302.3
Other changes in financial assets (+)								
Shares and other equity	272.5	256.5	521.4	353.8	460.0	371.4	587.4	196.1
Life insurance and pension fund reserves	29.0	56.9	129.4	55.0	48.5	33.4	66.1	29.8
Remaining net flows (+)	-55.5	-12.5	-73.8	-62.9	-57.4	-50.7	-92.9	-36.0
= Changes in net worth [1]	713.2	769.5	1,078.9	825.8	941.9	863.7	1,092.9	684.8
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,058.0	4,275.7	4,494.8	4,644.7	4,751.6	4,830.1	4,969.5	5,020.9
Currency and deposits	3,710.1	3,926.0	4,176.7	4,318.2	4,456.5	4,497.3	4,613.3	4,653.9
Money market fund shares	321.0	313.9	300.5	285.4	261.3	281.0	305.0	302.8
Debt securities [2]	27.0	35.7	17.6	41.2	33.8	51.8	51.2	64.3
Long-term assets	9,214.9	9,847.5	10,931.5	11,483.6	11,761.0	11,981.2	12,081.2	11,863.0
Deposits	841.9	876.6	883.9	870.9	871.0	847.8	836.3	830.9
Debt securities	1,202.1	1,243.3	1,239.6	1,286.8	1,286.5	1,301.8	1,256.5	1,261.1
Shares and other equity	3,629.8	3,878.4	4,529.1	4,808.2	4,999.0	5,160.4	5,241.1	4,997.3
Quoted, unquoted shares and other equity	2,480.8	2,712.8	3,207.9	3,462.0	3,613.6	3,775.6	3,842.6	3,634.2
Mutual fund shares	1,149.1	1,165.6	1,321.2	1,346.2	1,385.4	1,384.8	1,398.5	1,363.1
Life insurance and pension fund reserves	3,541.0	3,849.2	4,278.9	4,517.6	4,604.6	4,671.1	4,747.3	4,773.7
Remaining net assets (+)	190.2	228.0	184.0	203.9	202.6	215.0	207.8	219.8
Liabilities (-)								
Loans	3,922.2	4,245.6	4,630.0	4,915.9	5,015.6	5,099.1	5,195.5	5,275.2
of which from euro area MFIs	3,521.2	3,812.5	4,195.9	4,464.5	4,543.0	4,611.3	4,692.7	4,752.9
= Net financial wealth	9,540.8	10,105.6	10,980.3	11,416.3	11,699.7	11,927.2	12,063.0	11,828.5

Sources: ECB and Eurostat.
1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.
2) Securities issued by MFIs with a maturity of less than two years and 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)

	2003	2004	2005	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2	2006 Q4-2007 Q3
Income and saving								
Gross value added (basic prices) (+)	3,835.1	3,989.3	4,112.9	4,240.3	4,296.1	4,353.8	4,409.9	4,467.2
Compensation of employees (-)	2,313.0	2,382.6	2,445.6	2,518.8	2,544.8	2,574.4	2,606.7	2,634.9
Other taxes less subsidies on production (-)	58.7	65.2	71.1	72.9	72.7	74.7	77.1	78.1
= Gross operating surplus (+)	1,463.4	1,541.5	1,596.2	1,648.6	1,678.7	1,704.7	1,726.2	1,754.2
Consumption of fixed capital (-)	607.9	632.6	661.7	681.5	688.0	694.0	699.7	706.4
= Net operating surplus (+)	855.4	908.9	934.4	967.1	990.7	1,010.7	1,026.5	1,047.8
Property income receivable (+)	320.6	365.9	423.7	453.0	465.0	470.0	474.8	480.5
Interest receivable	126.6	121.9	132.5	149.3	154.7	159.1	163.7	166.9
Other property income receivable	194.1	244.1	291.2	303.7	310.3	311.0	311.1	313.6
Interest and rents payable (-)	228.6	226.4	235.1	265.0	278.2	290.3	301.5	311.1
= Net entrepreneurial income (+)	947.5	1,048.4	1,123.0	1,155.1	1,177.5	1,190.4	1,199.8	1,217.2
Distributed income (-)	692.6	753.6	839.4	878.9	906.1	913.8	921.4	929.0
Taxes on income and wealth payable (-)	117.1	135.7	148.1	169.5	184.3	189.1	197.7	206.2
Social contributions receivable (+)	73.3	73.5	74.1	76.3	76.7	77.3	74.7	72.5
Social benefits payable (-)	59.7	60.3	62.1	62.4	61.9	62.0	61.9	62.1
Other net transfers (-)	55.9	62.1	60.4	60.1	59.9	60.6	59.9	58.9
= Net saving	95.6	110.1	87.3	60.6	41.9	42.2	33.7	33.5
Investment, financing and saving								
Net acquisition of non-financial assets (+)	193.8	211.8	237.2	287.5	288.0	301.6	316.8	329.7
Gross fixed capital formation (+)	803.6	840.8	888.8	936.7	950.3	973.2	993.8	1,012.0
Consumption of fixed capital (-)	607.9	632.6	661.7	681.5	688.0	694.0	699.7	706.4
Net acquisition of other non-financial assets (+)	-1.8	3.6	10.1	32.3	25.8	22.5	22.7	24.1
Main items of financial investment (+)								
Short-term assets	106.0	102.9	125.9	156.3	179.2	210.0	221.1	185.7
Currency and deposits	64.3	84.1	113.2	124.8	145.1	163.9	164.5	158.4
Money market fund shares	22.5	16.5	8.6	8.0	3.6	19.7	23.5	-9.4
Debt securities [1]	18.5	-2.5	4.4	24.1	31.0	27.1	34.2	37.5
Long-term assets	284.5	188.9	348.4	298.8	320.9	342.3	365.1	423.2
Deposits	43.4	0.6	30.7	20.2	21.4	29.4	29.1	16.8
Debt securities	-46.4	-53.2	-27.5	-36.2	-22.5	-30.1	-34.8	-31.5
Shares and other equity	147.3	175.8	214.3	191.5	174.6	176.1	192.1	240.2
Other, mainly intercompany loans	140.2	65.7	130.9	123.2	147.4	166.8	178.7	197.7
Remaining net assets (+)	59.5	75.8	68.0	143.0	159.8	136.3	130.1	145.5
Main items of financing (-)								
Debt	296.3	219.0	400.9	596.9	627.8	649.6	686.6	743.5
of which loans from euro area MFIs	102.8	172.5	264.6	425.1	448.7	444.9	484.6	521.6
of which debt securities	63.1	7.3	3.3	28.4	41.3	44.3	59.7	40.6
Shares and other equity	205.7	192.1	230.3	162.3	197.4	212.9	224.4	229.0
Quoted shares	19.0	11.9	100.5	37.8	34.3	46.5	66.2	74.1
Unquoted shares and other equity	186.7	180.1	129.8	124.5	163.1	166.4	158.2	154.9
Net capital transfers receivable (-)	46.3	58.3	61.1	65.9	80.8	85.5	86.2	75.8
= Net saving	95.6	110.1	87.3	60.6	41.9	42.2	33.7	33.5
Financial balance sheet								
Financial assets								
Short-term assets	1,307.5	1,368.0	1,499.8	1,603.2	1,672.7	1,711.8	1,766.3	1,780.9
Currency and deposits	1,028.9	1,102.6	1,220.7	1,276.9	1,356.8	1,364.8	1,405.0	1,428.9
Money market fund shares	143.8	163.7	176.3	194.4	185.8	204.2	205.2	185.6
Debt securities [1]	134.8	101.7	102.9	131.9	130.1	142.8	156.1	166.3
Long-term assets	6,424.8	6,907.1	8,029.6	8,781.6	9,206.2	9,511.2	9,885.7	9,793.4
Deposits	137.6	136.8	175.4	214.3	206.3	260.5	264.8	252.3
Debt securities	377.6	324.4	285.2	255.5	260.7	234.1	236.1	213.9
Shares and other equity	4,563.9	5,047.2	6,049.0	6,697.8	7,059.1	7,283.6	7,605.0	7,503.3
Other, mainly intercompany loans	1,345.7	1,398.7	1,520.0	1,614.0	1,680.2	1,733.0	1,779.9	1,823.9
Remaining net assets	230.9	268.0	265.2	304.2	301.0	358.9	369.1	376.1
Liabilities								
Debt	6,037.5	6,221.0	6,632.8	7,103.9	7,244.9	7,431.3	7,685.3	7,843.8
of which loans from euro area MFIs	3,034.4	3,160.8	3,419.5	3,743.8	3,857.4	3,957.3	4,107.8	4,231.6
of which debt securities	628.2	667.8	671.3	696.9	698.8	710.4	742.9	733.0
Shares and other equity	8,241.7	9,172.2	10,715.8	11,634.5	12,349.5	12,770.6	13,416.1	13,201.4
Quoted shares	2,731.9	2,987.1	3,680.9	4,077.3	4,451.5	4,664.2	5,061.3	4,934.6
Unquoted shares and other equity	5,509.8	6,185.2	7,034.9	7,557.1	7,897.9	8,106.4	8,354.8	8,266.8

Sources: ECB and Eurostat.
1) Securities issued by MFIs with a maturity of less than two years and 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)

	2003	2004	2005	2005 Q4-2006 Q3	2006 Q1-2006 Q4	2006 Q2-2007 Q1	2006 Q3-2007 Q2	2006 Q4-2007 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	21.7	40.1	28.6	-7.1	17.5	43.8	41.7	42.4
Currency and deposits	7.0	13.2	7.2	8.3	12.4	18.0	2.4	8.9
Money market fund shares	7.7	2.7	0.4	-4.2	3.6	7.1	3.6	0.3
Debt securities [1]	7.1	24.2	21.0	-11.2	1.4	18.7	35.7	33.3
Long-term assets	230.2	217.0	281.3	344.2	323.1	282.8	284.8	243.5
Deposits	22.8	36.7	18.5	40.7	52.2	63.7	71.3	69.3
Debt securities	144.5	131.0	128.7	147.3	145.4	146.5	155.6	138.5
Loans	11.5	6.6	-2.7	10.5	4.0	-9.3	-8.4	-14.7
Quoted shares	9.5	13.0	31.6	14.7	16.7	12.1	5.7	2.9
Unquoted shares and other equity	5.1	-0.9	18.2	25.5	20.5	12.8	15.1	21.6
Mutual fund shares	36.7	30.6	87.0	105.5	84.2	57.1	45.5	26.0
Remaining net assets (+)	-3.7	9.9	9.3	15.5	11.5	25.4	25.7	34.9
Main items of financing (-)								
Debt securities	5.0	-1.8	0.1	-0.3	4.0	4.0	3.6	3.4
Loans	12.4	4.5	12.5	37.1	32.7	34.0	44.0	42.5
Shares and other equity	11.4	12.9	8.8	11.4	7.3	9.6	11.8	10.4
Insurance technical reserves	237.0	261.2	335.3	334.2	314.4	299.8	297.3	272.5
Net equity of households in life insurance and pension fund reserves	210.3	229.5	291.8	291.5	267.4	249.2	247.9	230.9
Prepayments of insurance premiums and reserves for outstanding claims	26.8	31.6	43.5	42.7	47.0	50.5	49.4	41.6
= Changes in net financial worth due to transactions	-17.5	-9.8	-37.4	-29.7	-6.3	4.7	-4.6	-7.9
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	107.1	110.2	190.2	125.6	190.6	155.8	250.3	148.0
Other net assets	-10.1	159.2	43.7	-0.7	-51.3	-69.3	-81.9	-116.1
Other changes in liabilities (-)								
Shares and other equity	98.4	21.0	117.4	86.3	48.3	34.6	97.7	13.0
Insurance technical reserves	33.7	84.3	139.4	61.1	57.8	44.4	67.0	36.9
Net equity of households in life insurance and pension fund reserves	34.2	64.6	145.6	63.7	61.7	46.9	68.7	38.4
Prepayments of insurance premiums and reserves for outstanding claims	-0.5	19.8	-6.2	-2.6	-4.0	-2.4	-1.6	-1.5
= Other changes in net financial worth	-35.0	164.0	-22.9	-22.5	33.3	7.4	3.6	-18.1
Financial balance sheet								
Financial assets (+)								
Short-term assets	264.6	418.4	437.4	445.8	457.2	479.2	483.0	486.2
Currency and deposits	121.3	133.6	142.7	144.4	154.6	155.9	144.4	154.0
Money market fund shares	68.5	72.2	74.3	80.4	80.4	82.8	84.3	80.9
Debt securities [1]	74.8	212.5	220.4	221.0	222.2	240.5	254.3	251.3
Long-term assets	3,770.2	4,126.0	4,622.1	4,972.8	5,076.9	5,162.4	5,251.8	5,255.4
Deposits	457.6	497.1	516.6	559.9	569.5	595.7	616.6	631.0
Debt securities	1,483.7	1,652.8	1,800.6	1,903.2	1,894.1	1,915.8	1,928.8	1,938.7
Loans	368.3	363.7	367.2	376.3	365.8	355.0	357.9	354.2
Quoted shares	526.1	574.9	702.1	761.6	831.0	855.0	860.0	852.9
Unquoted shares and other equity	306.7	337.1	396.9	435.2	457.1	460.4	482.1	479.6
Mutual fund shares	627.7	700.5	838.9	936.6	959.3	980.6	1,006.3	999.0
Remaining net assets (+)	105.6	121.5	159.0	175.9	176.5	180.5	175.4	192.4
Liabilities (-)								
Debt securities	23.4	21.9	22.0	23.7	26.2	26.0	25.4	25.6
Loans	126.5	119.8	131.8	168.9	164.9	183.8	193.6	199.5
Shares and other equity	429.3	463.3	589.5	628.9	645.0	661.0	688.5	652.3
Insurance technical reserves	3,789.4	4,134.9	4,609.6	4,882.9	4,981.7	5,062.9	5,142.2	5,192.3
Net equity of households in life insurance and pension fund reserves	3,208.5	3,502.6	3,940.0	4,183.6	4,269.1	4,336.1	4,409.5	4,452.9
Prepayments of insurance premiums and reserves for outstanding claims	580.9	632.3	669.6	699.3	712.6	726.7	732.7	739.4
= Net financial wealth	-228.3	-74.0	-134.3	-109.8	-107.2	-111.6	-139.5	-135.8

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

FINANCIAL MARKETS

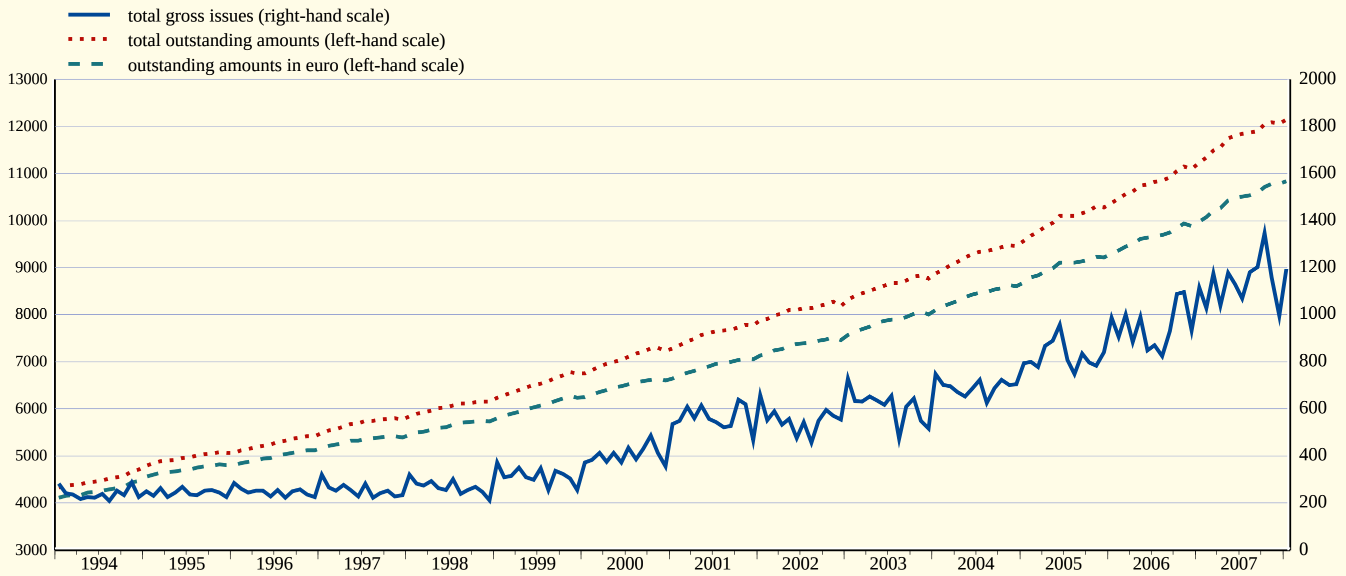
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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											
2007 Jan.	11,850.7	1,147.9	99.8	9,980.7	1,054.3	98.5	11,229.9	1,115.2	117.3	7.9	75.6	9.0
Feb.	11,961.4	1,046.1	110.7	10,077.9	959.7	97.3	11,347.0	1,027.3	124.4	8.2	95.7	9.3
Mar.	12,193.4	1,258.9	230.8	10,215.5	1,120.2	136.3	11,490.2	1,174.2	142.5	8.6	108.1	10.1
Apr.	12,216.9	1,041.5	23.2	10,271.5	983.1	55.7	11,556.4	1,039.6	72.5	8.6	63.6	9.1
May	12,430.3	1,217.7	214.3	10,432.6	1,115.2	161.9	11,744.9	1,178.8	183.6	9.0	137.7	9.8
June	12,560.8	1,221.1	130.4	10,477.0	1,069.0	44.4	11,806.3	1,128.9	58.7	9.2	52.6	9.7
July	12,564.6	1,076.2	2.8	10,506.4	1,004.0	28.4	11,850.3	1,067.9	46.2	9.2	62.0	9.4
Aug.	12,592.6	1,184.3	28.1	10,532.4	1,131.6	26.3	11,870.9	1,181.5	26.4	9.2	83.6	9.1
Sep.	12,684.8	1,243.5	90.6	10,589.9	1,153.6	55.8	11,900.6	1,201.4	46.1	9.1	57.7	8.1
Oct.	12,793.0	1,349.8	107.0	10,718.7	1,277.5	127.8	12,045.1	1,346.4	145.0	9.2	129.0	9.3
Nov.	12,880.4	1,174.9	85.5	10,788.5	1,106.5	67.9	12,087.9	1,158.5	62.0	8.6	45.7	7.5
Dec.	12,906.9	1,035.8	29.5	10,784.3	954.0	-1.2	12,067.6	997.0	-18.8	9.1	105.7	8.4
2008 Jan.	.	.	.	10,840.4	1,130.0	60.2	12,138.1	1,195.4	69.5	8.5	21.5	7.7
	Long-term											
2007 Jan.	10,824.2	232.5	77.0	9,075.5	177.8	51.3	10,158.8	201.6	62.3	8.2	68.5	9.3
Feb.	10,923.9	237.8	99.8	9,158.8	190.1	83.5	10,255.9	223.6	105.0	8.4	82.8	9.6
Mar.	11,061.4	277.8	137.4	9,255.5	213.2	96.5	10,355.8	234.3	101.9	8.6	78.7	9.9
Apr.	11,103.6	182.5	41.9	9,287.6	156.1	31.8	10,393.6	177.8	45.3	8.6	53.5	9.0
May	11,290.3	267.0	188.4	9,422.9	199.3	136.9	10,549.5	225.6	151.9	9.1	108.1	9.2
June	11,390.9	259.3	99.2	9,488.2	190.9	63.9	10,630.8	217.8	77.7	9.0	47.3	8.9
July	11,417.5	198.4	26.2	9,499.9	162.1	11.5	10,654.6	188.1	25.6	8.8	46.8	8.4
Aug.	11,411.6	102.8	-6.5	9,493.0	86.9	-7.4	10,652.6	104.2	-2.4	8.6	50.7	7.6
Sep.	11,437.0	157.4	24.1	9,510.6	132.0	16.2	10,643.6	146.4	15.0	8.0	10.5	6.2
Oct.	11,512.4	235.6	76.5	9,572.9	199.4	63.6	10,704.3	223.6	70.4	7.8	78.9	6.7
Nov.	11,591.8	173.6	77.7	9,631.9	140.0	57.3	10,744.4	154.7	53.4	7.1	33.7	5.2
Dec.	11,649.0	194.1	57.7	9,678.4	160.2	47.0	10,777.6	171.2	35.6	7.4	79.7	5.8
2008 Jan.	.	.	.	9,673.0	166.4	-2.0	10,776.7	189.6	2.6	6.7	13.1	5.1

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2006	11,101	4,573	1,171	636	4,417	305	11,360	8,396	423	1,114	1,342	85
2007	12,068	5,052	1,485	686	4,530	315	13,617	10,085	540	1,458	1,453	80
2007 Q1	11,490	4,768	1,265	648	4,499	309	3,317	2,452	141	285	416	23
Q2	11,806	4,878	1,325	684	4,610	308	3,347	2,369	118	453	389	18
Q3	11,901	4,960	1,356	679	4,595	310	3,451	2,604	88	394	346	19
Q4	12,068	5,052	1,485	686	4,530	315	3,502	2,660	192	326	302	21
2007 Oct.	12,045	5,059	1,398	689	4,584	315	1,346	1,003	68	126	140	10
Nov.	12,088	5,062	1,420	692	4,597	317	1,158	897	36	109	110	6
Dec.	12,068	5,052	1,485	686	4,530	315	997	761	88	91	52	5
2008 Jan.	12,138	5,103	1,477	697	4,546	315	1,195	888	7	108	181	12
	Short-term											
2006	1,015	575	12	94	330	4	9,194	7,392	59	1,023	688	31
2007	1,290	787	18	122	357	7	11,348	9,052	58	1,366	832	38
2007 Q1	1,134	626	12	106	386	4	2,657	2,138	16	271	223	8
Q2	1,175	632	11	120	407	5	2,726	2,081	12	413	210	9
Q3	1,257	715	9	117	409	7	3,012	2,406	10	378	207	11
Q4	1,290	787	18	122	357	7	2,952	2,427	20	303	192	10
2007 Oct.	1,341	777	15	126	414	7	1,123	906	11	117	84	4
Nov.	1,344	786	16	127	408	8	1,004	828	3	101	69	2
Dec.	1,290	787	18	122	357	7	826	694	5	86	39	3
2008 Jan.	1,361	825	18	131	380	7	1,006	793	3	104	101	5
	Long-term [1]											
2006	10,086	3,998	1,159	542	4,087	301	2,166	1,004	363	90	654	54
2007	10,778	4,265	1,467	565	4,173	309	2,269	1,032	482	92	621	42
2007 Q1	10,356	4,142	1,253	542	4,114	304	660	314	125	13	193	14
Q2	10,631	4,246	1,314	564	4,203	304	621	287	106	40	179	8
Q3	10,644	4,245	1,347	562	4,186	304	439	198	79	16	138	8
Q4	10,778	4,265	1,467	565	4,173	309	550	233	172	23	110	11
2007 Oct.	10,704	4,281	1,383	562	4,170	308	224	97	57	9	56	5
Nov.	10,744	4,276	1,404	565	4,190	309	155	69	33	8	41	4
Dec.	10,778	4,265	1,467	565	4,173	309	171	67	83	6	14	2
2008 Jan.	10,777	4,278	1,459	566	4,166	308	190	95	5	3	80	7
	Of which long-term fixed rate											
2006	7,059	2,136	544	413	3,729	237	1,292	475	143	56	579	39
2007	7,326	2,272	589	428	3,787	250	1,280	530	116	57	540	36
2007 Q1	7,176	2,211	570	414	3,739	243	404	172	40	9	170	13
Q2	7,319	2,256	584	426	3,809	244	339	132	29	24	147	7
Q3	7,319	2,254	591	423	3,805	246	263	100	24	8	123	7
Q4	7,326	2,272	589	428	3,787	250	274	126	23	17	99	8
2007 Oct.	7,325	2,281	588	426	3,780	250	122	54	11	6	47	4
Nov.	7,350	2,282	587	430	3,799	252	95	41	4	8	39	4
Dec.	7,326	2,272	589	428	3,787	250	56	31	8	3	13	1
2008 Jan.	7,305	2,278	587	428	3,766	247	122	48	2	2	65	4
	Of which long-term variable rate											
2006	2,608	1,512	604	115	312	64	719	408	216	31	49	15
2007	2,996	1,614	859	126	338	58	817	371	356	33	51	5
2007 Q1	2,729	1,564	671	115	318	61	213	114	83	4	12	1
Q2	2,850	1,608	716	126	341	60	228	112	76	16	23	1
Q3	2,870	1,610	739	128	336	57	138	71	51	7	8	1
Q4	2,996	1,614	859	126	338	58	237	74	146	7	8	3
2007 Oct.	2,915	1,612	778	125	342	58	84	28	45	3	6	1
Nov.	2,934	1,611	799	124	343	57	50	20	27	1	2	0
Dec.	2,996	1,614	859	126	338	58	103	25	74	3	0	1
2008 Jan.	3,005	1,618	854	127	346	60	46	32	2	1	8	3

Source: ECB.

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

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

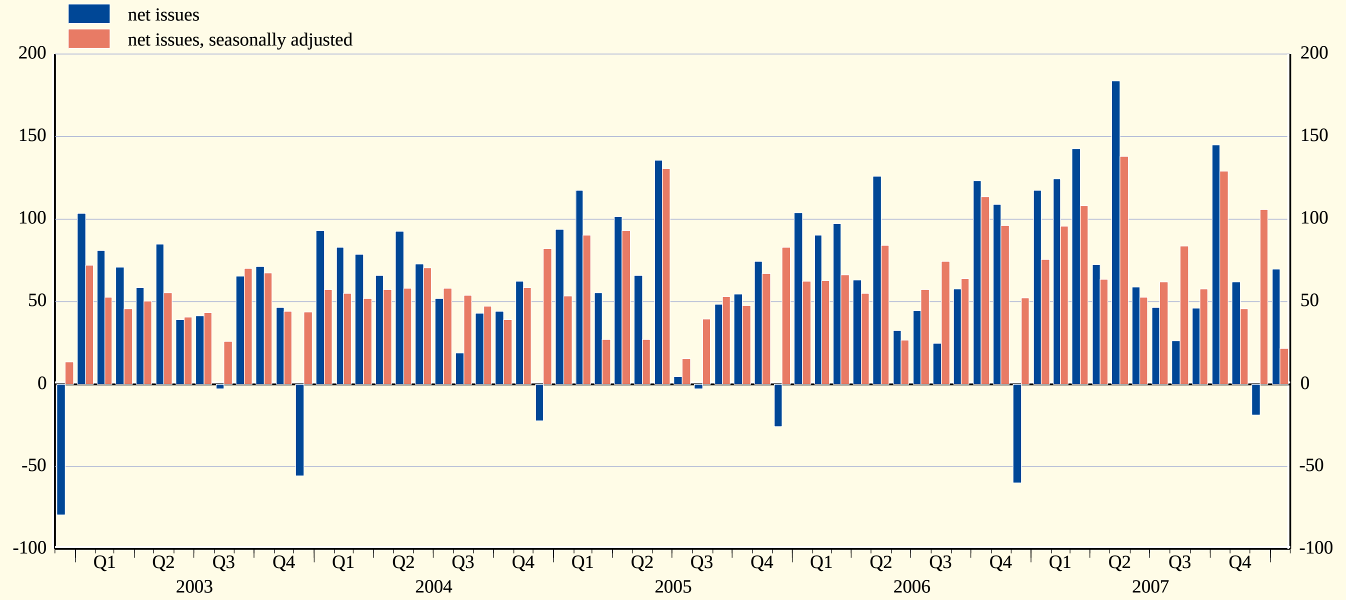
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2006	811.5	422.3	244.1	32.5	90.3	22.3	813.3	427.8	240.4	32.8	89.9	22.3
2007	1,005.8	482.8	335.5	56.0	120.6	10.9	1,016.9	493.1	330.8	58.7	123.4	10.9
2007 Q1	384.2	188.1	96.1	13.0	83.1	3.9	279.4	123.2	113.5	10.6	29.5	2.6
Q2	314.8	105.9	60.8	36.4	111.9	-0.1	253.9	114.2	47.3	28.2	65.1	-0.9
Q3	118.8	95.3	35.9	-3.4	-11.3	2.3	203.2	120.9	64.2	3.7	8.3	6.3
Q4	188.1	93.5	142.8	10.1	-63.1	4.8	280.4	134.8	105.9	16.3	20.6	2.9
2007 Oct.	145.0	86.4	52.8	10.6	-9.8	5.0	129.0	62.2	49.9	5.9	6.3	4.7
Nov.	62.0	17.6	23.8	4.4	14.5	1.8	45.7	19.2	14.6	5.0	8.3	-1.4
Dec.	-18.8	-10.4	66.2	-5.0	-67.8	-1.9	105.7	53.5	41.4	5.3	5.9	-0.4
2008 Jan.	69.5	49.4	-7.2	11.1	16.7	-0.4	21.5	16.9	16.8	9.6	-20.6	-1.1
						Long-term						
2006	760.2	347.4	238.7	29.2	121.6	23.3	760.2	349.3	235.2	29.0	123.4	23.3
2007	741.7	283.2	329.5	28.6	92.3	8.1	739.2	285.0	325.0	28.6	92.7	7.9
2007 Q1	269.2	141.5	96.3	1.0	27.0	3.3	229.9	107.5	113.5	7.5	-0.6	2.1
Q2	274.9	101.2	61.8	22.3	90.2	-0.6	208.9	97.0	48.3	15.8	49.1	-1.3
Q3	38.2	14.2	37.6	-0.1	-14.0	0.4	108.0	27.9	66.3	2.5	7.1	4.2
Q4	159.4	26.3	133.7	5.5	-11.0	4.9	192.4	52.6	97.0	2.8	37.1	2.8
2007 Oct.	70.4	33.2	46.6	1.3	-14.8	4.2	78.9	30.6	42.8	-0.6	2.3	3.9
Nov.	53.4	3.7	23.5	3.9	20.7	1.6	33.7	5.4	14.7	3.7	11.4	-1.5
Dec.	35.6	-10.6	63.7	0.3	-16.9	-0.9	79.7	16.6	39.6	-0.3	23.4	0.5
2008 Jan.	2.6	15.6	-6.5	1.3	-6.9	-0.8	13.1	18.5	16.8	6.0	-26.9	-1.3

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

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



Source: ECB.

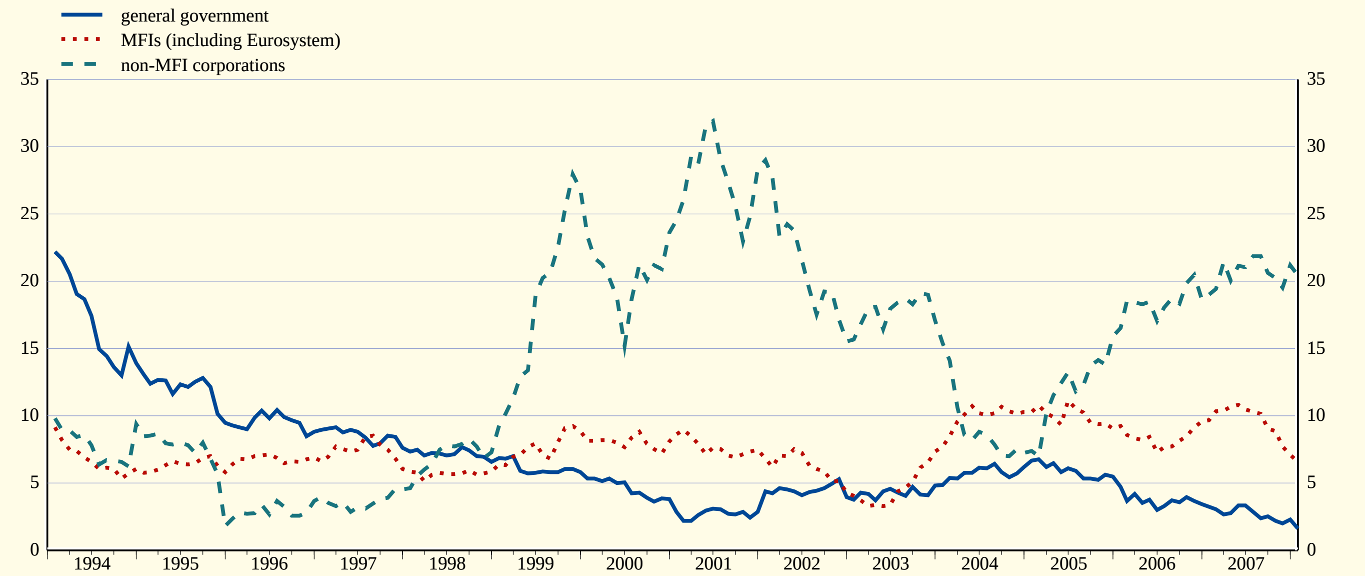
4.3 Growth rates of securities, other than shares, issued by euro area residents [1]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2007 Jan.	7.9	10.6	26.9	4.5	1.9	7.4	9.0	12.0	28.3	4.8	2.7	4.3
Feb.	8.2	10.8	27.6	4.7	2.1	5.8	9.3	12.3	31.0	7.5	2.3	2.1
Mar.	8.6	10.5	30.3	5.7	2.4	6.6	10.1	11.8	37.2	7.3	3.1	5.1
Apr.	8.6	10.7	28.3	6.0	2.6	7.2	9.1	10.9	28.6	7.8	3.0	6.1
May	9.0	10.5	30.1	6.0	3.5	5.0	9.8	11.5	30.6	8.2	3.7	3.3
June	9.2	10.8	28.6	8.2	3.8	3.3	9.7	10.5	29.9	12.5	4.3	1.1
July	9.2	10.8	29.0	10.1	3.3	2.5	9.4	9.7	29.9	15.5	3.8	0.7
Aug.	9.2	11.0	28.9	9.8	3.1	2.6	9.1	9.8	27.0	12.1	3.8	3.1
Sep.	9.1	10.9	27.3	8.5	3.2	4.3	8.1	10.1	18.4	10.0	3.3	3.5
Oct.	9.2	11.0	27.3	8.9	3.0	5.6	9.3	11.1	26.1	10.1	3.0	5.5
Nov.	8.6	10.4	26.1	8.8	2.7	4.3	7.5	9.4	21.5	9.5	1.6	5.3
Dec.	9.1	10.5	28.8	8.8	2.7	3.6	8.4	10.8	27.8	6.0	1.3	6.1
2008 Jan.	8.5	9.9	27.4	10.6	2.2	3.0	7.7	10.2	25.0	6.2	0.6	5.3
						Long-term						
2007 Jan.	8.2	9.7	26.6	5.3	2.9	7.6	9.3	11.3	28.2	6.0	3.6	4.8
Feb.	8.4	10.3	27.4	4.8	2.8	5.9	9.6	12.4	31.2	6.2	2.6	2.6
Mar.	8.6	10.4	30.1	5.3	2.4	6.9	9.9	12.1	37.5	5.7	2.1	5.2
Apr.	8.6	10.6	28.2	4.7	2.4	7.4	9.0	11.9	29.0	5.8	1.7	5.8
May	9.1	10.8	30.1	4.2	3.2	5.1	9.2	11.1	31.0	6.0	2.5	2.8
June	9.0	10.5	28.8	6.3	3.3	3.4	8.9	10.4	30.4	8.8	2.4	0.6
July	8.8	10.3	29.3	7.2	2.9	2.7	8.4	9.3	30.6	8.3	2.1	0.6
Aug.	8.6	10.1	29.3	7.1	2.4	2.7	7.6	8.0	27.6	8.0	2.1	2.8
Sep.	8.0	9.0	27.9	6.2	2.4	3.5	6.2	6.1	19.1	6.8	2.7	2.0
Oct.	7.8	8.8	27.2	5.8	2.0	4.6	6.7	5.9	25.4	5.8	2.4	3.7
Nov.	7.1	7.7	25.9	6.0	1.9	3.1	5.2	4.3	21.0	6.0	1.3	3.4
Dec.	7.4	7.1	28.6	5.3	2.3	2.7	5.8	3.9	26.8	1.9	2.1	4.7
2008 Jan.	6.7	6.5	27.2	5.9	1.6	2.2	5.1	3.9	23.9	3.7	1.0	3.7

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

(annual percentage changes)



Source: ECB.

1) For the calculation of the growth rates, see the Technical notes.The 6-month growth rates have been annualised.

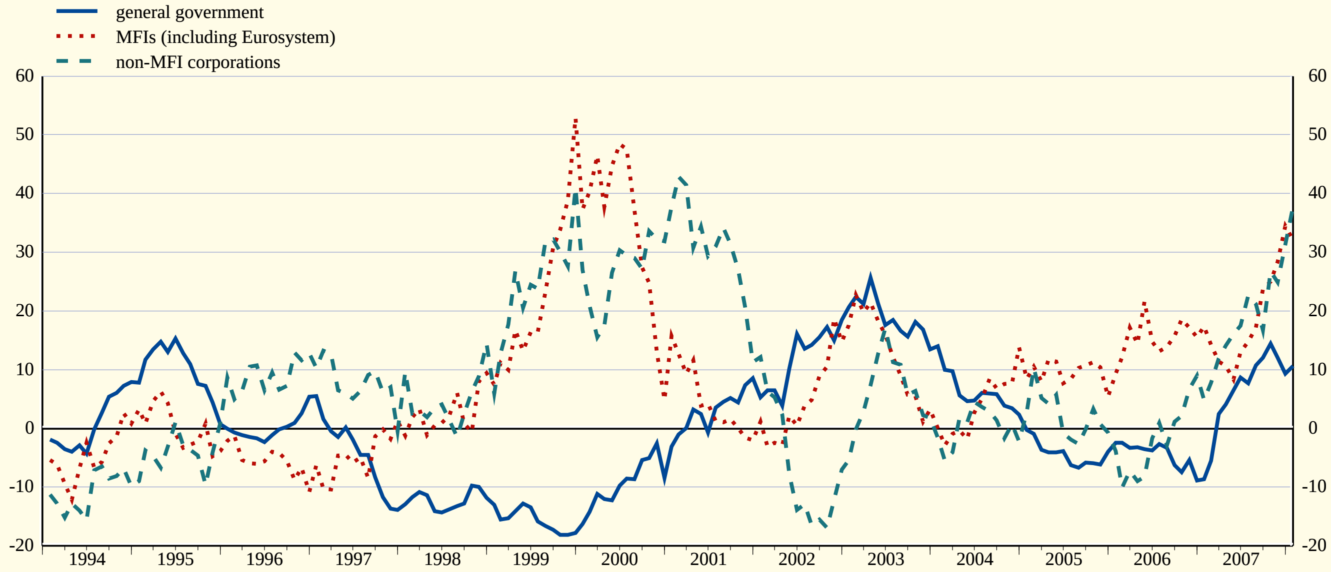
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2006	4.5	4.7	13.9	0.8	3.2	13.4	16.4	11.9	41.2	28.0	5.0	4.5
2007	5.2	7.1	17.8	3.8	2.4	6.6	15.7	11.1	37.5	18.3	3.8	-1.8
2007 Q1	5.3	6.3	20.7	2.7	3.0	7.7	15.2	12.2	33.5	21.9	1.0	4.6
Q2	5.5	7.5	19.9	2.7	2.7	7.5	16.5	12.1	37.9	18.9	5.1	-0.3
Q3	5.4	8.0	17.6	4.7	2.3	5.0	16.2	11.1	39.2	19.6	4.4	-4.7
Q4	4.5	6.7	13.5	5.0	1.8	6.3	15.0	9.0	39.0	13.4	4.8	-6.5
2007 Aug.	5.3	8.2	18.3	5.1	1.9	4.7	16.0	11.1	39.1	19.3	3.0	-5.0
Sep.	5.1	6.8	16.7	4.2	2.5	5.6	15.2	10.6	37.7	18.9	1.3	-4.3
Oct.	4.6	6.9	13.9	5.1	1.7	6.8	15.6	9.9	39.2	13.1	4.9	-3.4
Nov.	4.3	6.5	12.6	5.3	1.7	6.4	14.2	8.3	37.3	13.0	4.6	-9.3
Dec.	4.3	6.7	11.5	4.8	1.7	5.8	15.3	7.1	43.0	9.6	8.3	-8.8
2008 Jan.	3.4	5.9	10.5	5.1	0.7	3.9	15.3	6.7	41.4	11.8	11.6	-4.6
	In euro											
2006	3.8	3.1	11.3	0.1	3.2	13.6	15.2	10.1	37.7	30.9	5.2	3.7
2007	4.6	6.4	14.6	2.2	2.7	6.7	15.1	10.2	35.3	18.2	3.9	-2.4
2007 Q1	4.7	5.4	16.2	1.0	3.3	7.7	14.0	10.9	30.1	23.3	1.0	4.1
Q2	4.9	6.8	16.4	0.8	2.9	7.4	15.8	11.2	35.4	19.7	5.2	-0.8
Q3	4.7	7.1	14.6	3.3	2.5	5.2	15.6	10.3	37.4	18.8	4.5	-5.6
Q4	4.1	6.2	11.3	3.7	2.1	6.6	14.8	8.6	37.5	12.3	4.9	-7.2
2007 Aug.	4.6	7.4	15.2	3.9	2.1	5.0	15.5	10.5	37.2	18.2	3.2	-6.0
Sep.	4.5	5.9	13.5	2.4	2.9	5.9	14.6	9.8	36.0	17.9	1.5	-5.2
Oct.	4.1	6.3	11.9	3.4	1.9	7.1	15.3	9.5	37.3	11.9	5.1	-4.2
Nov.	4.0	6.1	10.6	4.4	1.9	6.8	14.0	8.0	35.6	11.8	4.8	-10.0
Dec.	3.9	6.3	9.8	4.0	1.9	6.1	15.7	6.9	43.0	8.8	8.6	-8.9
2008 Jan.	3.0	5.4	9.1	4.1	0.9	4.3	15.8	6.6	41.5	11.1	11.9	-5.0

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

(annual percentage changes)



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

4.4 Quoted shares issued by euro area residents [1)]

(EUR billions, unless otherwise indicated; market values)

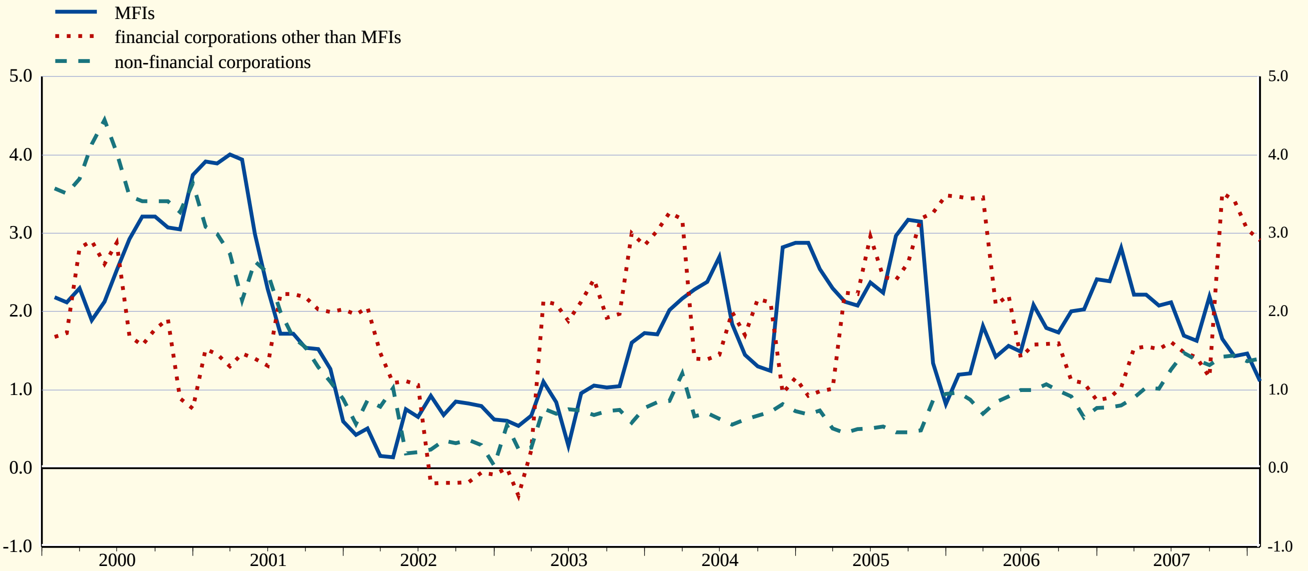
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2006 Jan.	5,314.2	103.6	1.3	892.2	1.2	541.7	3.5	3,880.4	1.0
Feb.	5,455.3	103.6	1.2	947.5	1.2	567.7	3.4	3,940.0	0.9
Mar.	5,656.9	103.7	1.2	971.1	1.8	585.1	3.5	4,100.7	0.7
Apr.	5,681.7	103.8	1.1	957.5	1.4	579.1	2.1	4,145.1	0.8
May	5,390.8	103.9	1.2	901.3	1.6	543.6	2.2	3,945.8	0.9
June	5,402.3	104.0	1.1	909.8	1.5	539.7	1.4	3,952.8	1.0
July	5,399.1	104.1	1.2	923.0	2.1	553.7	1.6	3,922.4	1.0
Aug.	5,580.7	104.2	1.2	963.8	1.8	604.6	1.6	4,012.4	1.1
Sep.	5,722.5	104.2	1.2	991.8	1.7	616.7	1.6	4,114.0	1.0
Oct.	5,911.5	104.3	1.1	1,022.4	2.0	623.8	1.1	4,265.2	0.9
Nov.	5,966.3	104.4	0.9	1,031.8	2.0	613.6	1.1	4,320.9	0.6
Dec.	6,184.5	104.6	1.1	1,063.9	2.4	633.2	0.9	4,487.4	0.8
2007 Jan.	6,364.1	104.7	1.1	1,123.5	2.4	646.2	0.9	4,594.4	0.8
Feb.	6,278.9	104.8	1.2	1,092.8	2.8	637.8	1.0	4,548.3	0.8
Mar.	6,504.8	104.9	1.2	1,111.4	2.2	649.3	1.5	4,744.1	0.9
Apr.	6,754.5	105.1	1.3	1,168.6	2.2	675.5	1.6	4,910.4	1.0
May	7,034.1	105.2	1.3	1,174.5	2.1	688.8	1.5	5,170.7	1.0
June	6,955.9	105.5	1.4	1,128.6	2.1	677.1	1.6	5,150.1	1.3
July	6,725.7	105.7	1.5	1,099.8	1.7	608.8	1.5	5,017.0	1.5
Aug.	6,612.3	105.7	1.4	1,060.2	1.6	583.8	1.4	4,968.4	1.4
Sep.	6,675.8	105.8	1.5	1,048.8	2.2	597.2	1.2	5,029.8	1.3
Oct.	6,929.5	106.0	1.7	1,072.8	1.7	629.2	3.5	5,227.5	1.4
Nov.	6,615.1	106.1	1.6	1,032.7	1.4	579.2	3.4	5,003.2	1.4
Dec.	6,571.3	106.2	1.5	1,017.2	1.5	579.0	3.0	4,975.2	1.4
2008 Jan.	5,749.8	106.3	1.5	887.9	1.1	497.3	2.9	4,364.6	1.4

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

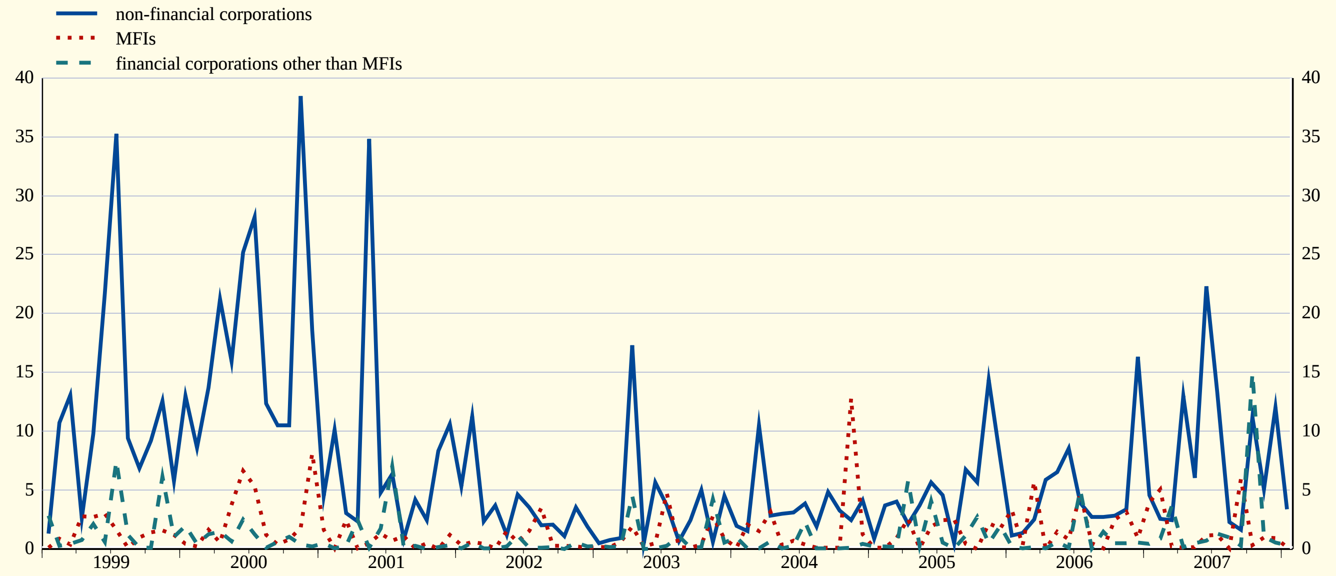
1) For the calculation of the index and the growth rates, see the Technical notes.

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

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Jan.	4.6	0.8	3.9	3.3	0.0	3.3	0.2	0.0	0.2	1.1	0.7	0.4
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	8.3	5.4	2.9	5.7	0.0	5.7	0.1	0.0	0.1	2.5	5.4	-2.9
Apr.	5.9	0.5	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.9	0.3	5.5
May	8.5	2.2	6.3	1.4	0.0	1.4	0.6	0.0	0.6	6.5	2.2	4.3
June	9.4	2.7	6.7	0.8	0.3	0.5	0.1	0.1	0.0	8.5	2.4	6.2
July	13.6	6.6	7.0	4.7	0.0	4.7	5.0	3.5	1.5	3.9	3.1	0.8
Aug.	3.2	1.8	1.4	0.5	0.0	0.5	0.0	0.1	-0.1	2.7	1.6	1.1
Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.8	1.2	4.6	2.5	0.0	2.5	0.5	0.0	0.5	2.8	1.2	1.6
Nov.	6.9	2.0	5.0	3.1	0.0	3.1	0.5	0.2	0.3	3.4	1.8	1.6
Dec.	17.7	5.1	12.6	0.9	0.3	0.6	0.5	0.0	0.5	16.3	4.7	11.6
2007 Jan.	8.9	3.9	5.0	4.0	0.1	3.8	0.4	0.0	0.4	4.5	3.8	0.7
Feb.	8.4	2.0	6.4	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	6.2	1.7	4.5	0.2	0.0	0.2	3.6	0.4	3.3	2.4	1.4	1.0
Apr.	13.3	0.4	12.8	0.1	0.3	-0.2	0.2	0.0	0.1	13.0	0.2	12.8
May	6.6	1.9	4.7	0.1	0.0	0.1	0.5	0.0	0.5	6.0	1.9	4.2
June	24.1	1.6	22.5	1.1	0.0	1.1	0.7	0.0	0.7	22.3	1.6	20.7
July	15.8	1.8	13.9	1.2	0.0	1.2	1.3	0.3	1.0	13.3	1.5	11.8
Aug.	3.3	6.6	-3.4	0.0	0.1	-0.1	1.0	1.4	-0.5	2.3	5.1	-2.8
Sep.	7.8	2.5	5.3	5.9	0.0	5.9	0.3	0.3	-0.1	1.6	2.1	-0.5
Oct.	26.4	8.0	18.3	0.3	3.2	-2.9	14.9	0.5	14.4	11.2	4.3	6.9
Nov.	7.0	3.3	3.6	0.9	0.0	0.9	1.0	1.3	-0.3	5.0	2.0	3.0
Dec.	13.5	4.6	8.8	0.9	0.0	0.9	0.5	2.2	-1.6	12.0	2.5	9.5
2008 Jan.	3.8	1.4	2.4	0.1	0.0	0.1	0.3	0.7	-0.4	3.4	0.7	2.7

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



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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With agreed maturity			Redeemable at notice [2), 3)]		Overnight [2]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2007 Mar.	1.02	3.51	3.65	2.68	2.39	3.14	1.71	3.67	3.83	3.72	3.64
Apr.	1.04	3.59	3.68	2.78	2.42	3.20	1.75	3.74	4.01	3.87	3.70
May	1.06	3.62	3.51	2.72	2.43	3.25	1.78	3.74	3.80	3.72	3.73
June	1.08	3.78	3.79	2.64	2.42	3.32	1.77	3.94	4.09	4.16	3.90
July	1.10	3.86	3.90	2.97	2.45	3.40	1.81	4.01	4.16	4.51	3.95
Aug.	1.14	3.93	3.93	3.01	2.53	3.46	1.89	4.08	4.33	4.20	3.93
Sep.	1.16	4.07	3.98	2.92	2.58	3.50	1.91	4.14	4.34	4.41	3.97
Oct.	1.17	4.11	4.16	3.31	2.53	3.57	1.97	4.07	4.37	4.63	3.93
Nov.	1.18	4.08	4.22	3.20	2.54	3.64	2.01	4.10	4.41	4.04	3.98
Dec.	1.18	4.28	4.14	3.18	2.57	3.68	1.95	4.26	4.40	4.03	3.95
2008 Jan.	1.20	4.19	4.32	3.43	2.57	3.75	2.01	4.13	4.39	4.68	3.95
Feb.	1.21	4.12	4.19	3.25	2.65	3.77	2.01	4.07	4.18	4.32	3.93

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007 Mar.	10.22	7.51	6.68	8.34	8.14	4.79	4.76	4.71	4.62	4.94	5.26	5.60	5.20
Apr.	10.29	7.77	6.69	8.24	8.15	4.85	4.73	4.75	4.67	5.00	5.29	5.57	5.21
May	10.32	8.10	6.73	8.30	8.27	4.88	4.80	4.81	4.74	5.02	5.38	5.65	5.32
June	10.38	8.07	6.66	8.25	8.26	5.00	4.93	4.90	4.82	5.15	5.49	5.77	5.37
July	10.49	8.06	6.76	8.30	8.35	5.06	4.93	5.02	4.91	5.26	5.54	5.80	5.41
Aug.	10.55	8.43	6.85	8.31	8.48	5.15	4.98	5.08	4.90	5.24	5.36	5.93	5.47
Sep.	10.53	8.48	6.83	8.39	8.54	5.23	5.04	5.09	5.02	5.31	5.46	5.87	5.51
Oct.	10.64	8.10	6.88	8.40	8.38	5.29	5.07	5.08	5.11	5.38	5.63	6.05	5.59
Nov.	10.50	8.38	6.90	8.36	8.47	5.28	5.03	5.10	5.11	5.38	5.60	5.95	5.49
Dec.	10.46	8.05	6.93	8.17	8.26	5.32	5.03	5.07	5.18	5.40	5.67	5.83	5.43
2008 Jan.	10.46	8.11	7.00	8.50	8.48	5.32	5.02	5.07	5.14	5.37	5.59	5.93	5.49
Feb.	10.44	8.52	7.21	8.44	8.71	5.26	4.96	5.01	5.09	5.40	5.55	5.86	5.51

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

	Bank overdrafts [2]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2007 Mar.	6.04	5.30	5.45	4.88	4.66	4.81	4.87
Apr.	6.12	5.37	5.47	4.88	4.70	4.99	4.90
May	6.12	5.43	5.57	4.95	4.72	5.10	5.12
June	6.17	5.53	5.70	5.03	4.89	5.28	5.17
July	6.30	5.58	5.77	5.09	4.90	4.95	5.17
Aug.	6.35	5.77	5.86	5.17	5.01	5.46	5.29
Sep.	6.49	5.93	5.90	5.23	5.20	5.60	5.41
Oct.	6.53	5.95	6.00	5.26	5.11	5.19	5.31
Nov.	6.50	5.96	5.90	5.29	5.08	5.28	5.36
Dec.	6.62	6.08	5.96	5.30	5.35	5.62	5.48
2008 Jan.	6.62	5.93	5.92	5.27	5.12	5.35	5.25
Feb.	6.51	5.84	5.85	5.23	5.04	5.46	5.14

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

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

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

4. Interest rates on deposits (outstanding amounts)

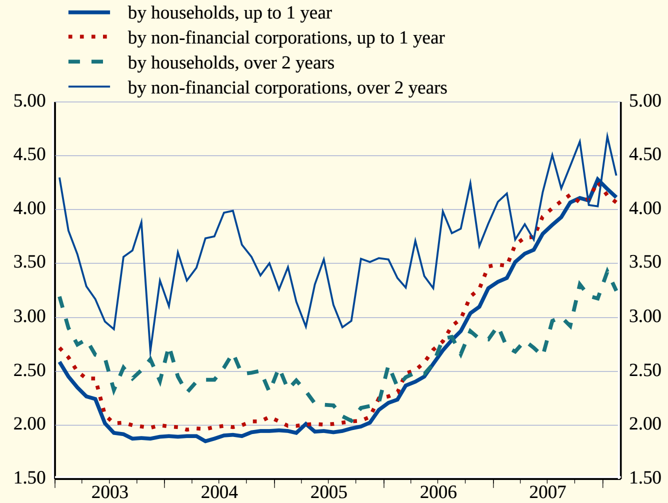
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2007 Mar.	1.02	3.16	3.05	2.39	3.14	1.71	3.61	3.93	3.54
Apr.	1.04	3.23	3.06	2.42	3.20	1.75	3.67	3.93	3.59
May	1.06	3.30	3.03	2.43	3.25	1.78	3.72	3.96	3.66
June	1.08	3.39	3.04	2.42	3.32	1.77	3.87	3.99	3.79
July	1.10	3.49	3.02	2.45	3.40	1.81	3.92	4.00	3.85
Aug.	1.14	3.58	3.03	2.53	3.46	1.89	4.03	4.07	3.89
Sep.	1.16	3.68	3.06	2.58	3.50	1.91	4.13	4.09	3.93
Oct.	1.17	3.79	3.04	2.53	3.57	1.97	4.18	4.11	3.93
Nov.	1.18	3.85	3.06	2.54	3.64	2.01	4.21	4.18	3.97
Dec.	1.18	3.95	3.03	2.57	3.68	1.95	4.34	4.16	4.01
2008 Jan.	1.20	3.98	3.06	2.57	3.75	2.01	4.27	4.20	4.01
Feb.	1.21	3.99	3.11	2.65	3.77	2.01	4.23	4.24	3.97

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2007 Mar.	5.14	4.45	4.79	8.62	6.88	5.95	5.44	4.90	4.84
Apr.	5.14	4.48	4.80	8.68	6.96	5.97	5.50	4.95	4.87
May	5.16	4.48	4.82	8.71	6.95	5.97	5.50	4.99	4.90
June	5.20	4.53	4.86	8.68	6.94	6.01	5.62	5.09	4.96
July	5.28	4.57	4.89	8.80	6.95	6.06	5.70	5.15	5.00
Aug.	5.35	4.58	4.90	8.85	6.97	6.08	5.76	5.24	5.05
Sep.	5.44	4.64	4.94	8.99	7.00	6.13	5.91	5.35	5.14
Oct.	5.49	4.68	4.98	9.02	7.10	6.16	5.96	5.44	5.22
Nov.	5.48	4.72	4.99	8.86	7.12	6.21	5.96	5.49	5.22
Dec.	5.53	4.75	5.00	8.97	7.13	6.22	6.08	5.57	5.28
2008 Jan.	5.61	4.76	5.01	9.00	7.16	6.24	6.06	5.55	5.27
Feb.	5.60	4.82	5.04	9.06	7.22	6.28	5.98	5.52	5.31

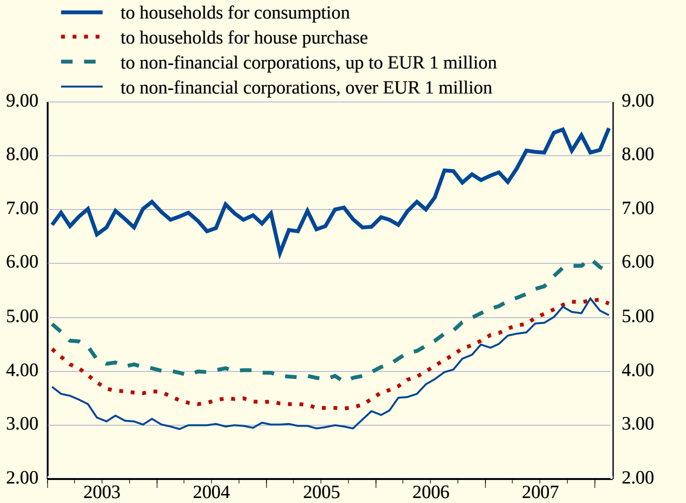
C21 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)

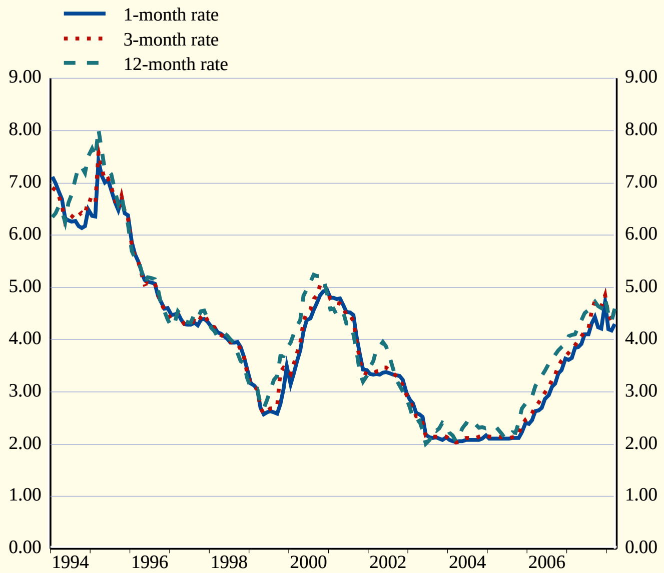


Source: ECB.

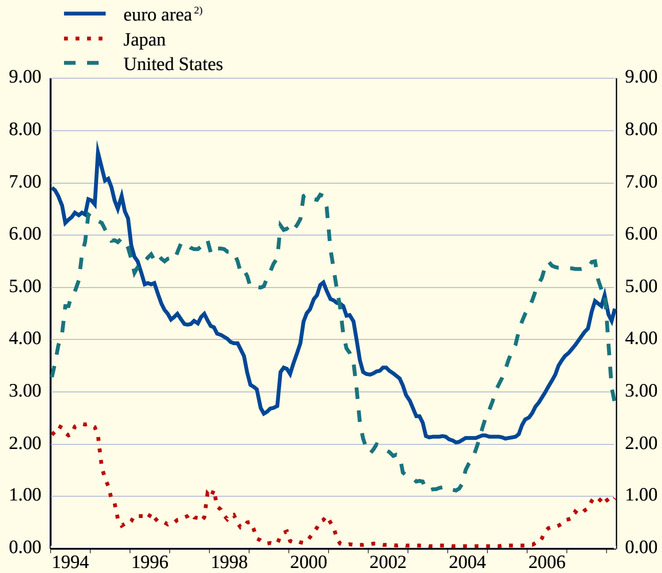
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2007 Q1	3.61	3.71	3.82	3.94	4.09	5.36	0.62
Q2	3.86	3.96	4.07	4.20	4.38	5.36	0.69
Q3	4.05	4.28	4.49	4.56	4.65	5.45	0.89
Q4	3.95	4.37	4.72	4.70	4.68	5.02	0.96
2008 Q1	4.05	4.23	4.48	4.48	4.48	3.26	0.92
2007 Mar.	3.69	3.84	3.89	4.00	4.11	5.35	0.71
Apr.	3.82	3.86	3.98	4.10	4.25	5.35	0.66
May	3.79	3.92	4.07	4.20	4.37	5.36	0.67
June	3.96	4.10	4.15	4.28	4.51	5.36	0.73
July	4.06	4.11	4.22	4.36	4.56	5.36	0.77
Aug.	4.05	4.31	4.54	4.59	4.67	5.48	0.92
Sep.	4.03	4.43	4.74	4.75	4.72	5.49	0.99
Oct.	3.94	4.24	4.69	4.66	4.65	5.15	0.97
Nov.	4.02	4.22	4.64	4.63	4.61	4.96	0.91
Dec.	3.88	4.71	4.85	4.82	4.79	4.97	0.99
2008 Jan.	4.02	4.20	4.48	4.50	4.50	3.92	0.89
Feb.	4.03	4.18	4.36	4.36	4.35	3.09	0.90
Mar.	4.09	4.30	4.60	4.59	4.59	2.78	0.97

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



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

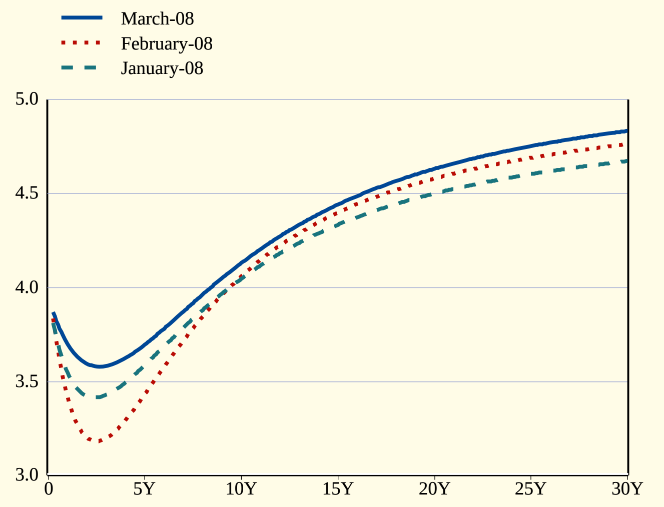


Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

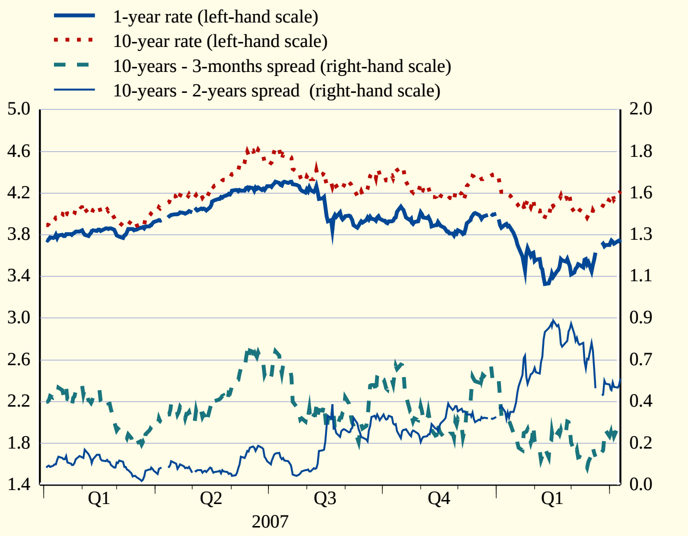
4.7 Euro area yield curves [1]
(AAA-rated euro area central government bonds; end-of-period; rates in percentages per annum; spreads in percentage points)

	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
2006 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99
Mar.	3.87	3.70	3.60	3.70	3.87	4.13	0.26	0.54	3.53	3.49	4.10	4.91

C25 Euro area spot yield curves
(percentages per annum; end-of-period)



C26 Euro area spot rates and spreads
(daily data; rates in percentages per annum; spreads in percentage points)

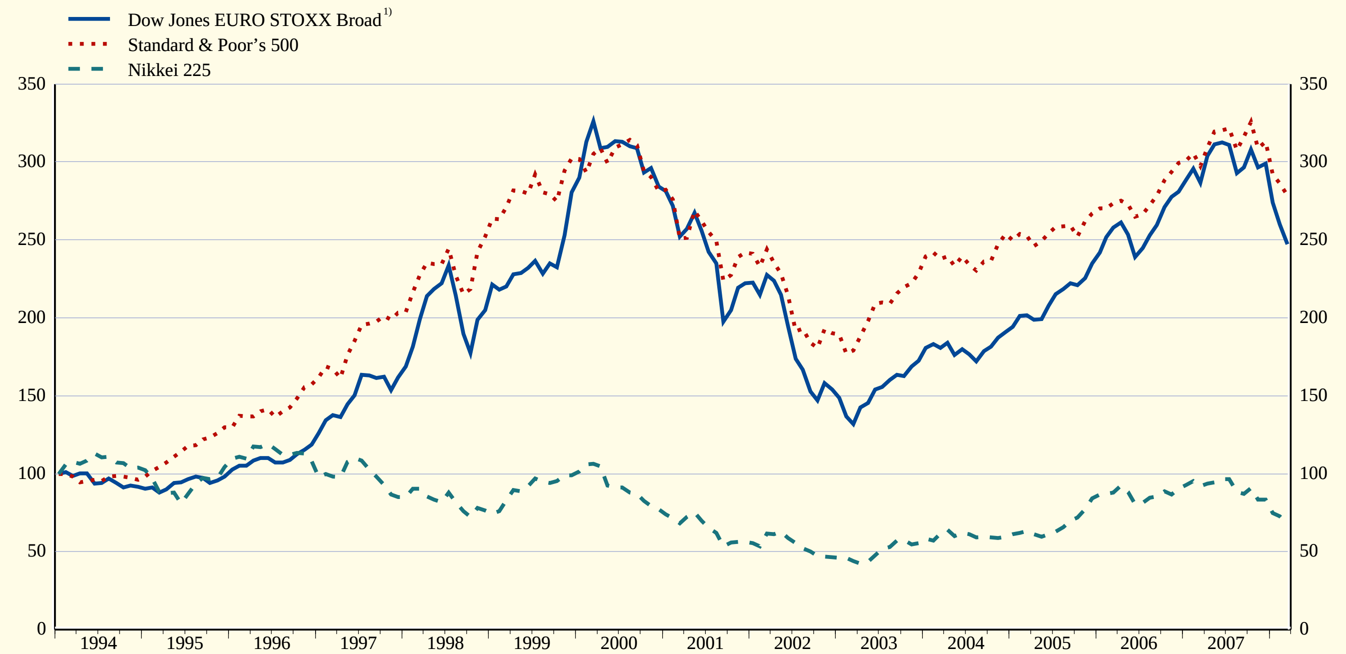


Source: ECB, underlying data provided by EuroMTS, ratings provided by Fitch Ratings.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.

4.8 Stock market indices
(index levels in points; period averages)

	Dow Jones EURO STOXX indices [1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2007 Q1	402.5	4,150.5	489.9	233.3	335.7	422.8	418.6	462.7	349.4	512.3	472.8	527.2	1,424.8	17,363.9
Q2	429.0	4,416.2	549.6	246.8	373.0	454.1	434.2	512.5	376.6	556.0	475.8	536.7	1,496.6	17,678.7
Q3	416.4	4,317.6	568.3	233.5	373.3	465.6	399.8	494.4	400.9	556.3	476.7	503.8	1,489.8	16,907.5
Q4	417.8	4,377.9	567.3	228.3	383.8	455.7	381.2	484.1	406.3	620.0	544.8	509.2	1,494.6	16,002.5
2008 Q1	361.8	3,809.4	520.9	194.0	327.1	412.0	318.1	413.3	339.2	573.3	490.1	454.4	1,351.7	13,372.7
2007 Mar.	397.5	4,070.5	497.9	235.1	340.2	413.9	408.6	461.2	343.0	508.5	452.6	512.9	1,407.0	17,130.0
Apr.	421.7	4,330.7	531.7	247.6	363.9	437.2	432.7	493.8	362.4	540.4	477.4	531.5	1,462.7	17,466.5
May	431.7	4,444.8	545.5	248.5	374.4	454.1	439.8	514.4	374.5	559.2	476.2	547.7	1,511.3	17,577.7
June	433.4	4,470.2	571.9	244.2	380.4	471.1	429.4	529.0	393.1	568.2	473.8	529.9	1,514.5	18,001.4
July	431.3	4,449.0	585.9	242.6	384.7	491.4	418.7	529.3	399.8	563.1	467.1	513.1	1,520.9	17,986.8
Aug.	406.4	4,220.6	550.8	227.8	362.5	444.5	393.5	479.0	390.0	544.4	469.2	495.4	1,454.6	16,461.0
Sep.	411.3	4,284.4	569.1	230.1	373.2	461.5	386.3	473.8	414.7	562.7	495.9	503.2	1,496.0	16,233.9
Oct.	427.1	4,430.8	587.6	234.9	394.6	463.8	399.4	492.9	419.5	602.4	527.9	507.6	1,539.7	16,910.4
Nov.	411.4	4,314.9	549.1	225.3	380.2	450.3	369.1	477.1	400.8	624.1	555.0	501.9	1,461.3	15,514.0
Dec.	414.5	4,386.0	564.0	224.1	375.8	452.5	374.0	481.8	397.8	634.9	552.6	518.6	1,480.0	15,520.1
2008 Jan.	380.2	4,042.1	529.7	202.3	338.7	431.4	339.7	426.3	351.2	602.9	528.4	492.9	1,380.3	13,953.4
Feb.	360.6	3,776.6	520.7	194.0	323.8	407.6	311.9	417.7	356.2	573.9	493.2	452.6	1,354.6	13,522.6
Mar.	342.9	3,587.3	511.4	184.7	317.6	395.2	300.8	394.7	308.9	540.2	444.9	414.1	1,317.5	12,586.6

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



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	82.6	59.1	40.9	100.0	11.9	7.6	29.8	9.8	40.9	87.8	12.2
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	1.9	3.6
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.6
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.2	2.0
2006 Q4	102.8	1.8	1.6	1.6	2.1	0.0	0.7	0.6	0.2	-4.2	0.6	1.6	2.7
2007 Q1	102.9	1.9	1.9	1.6	2.4	0.5	0.3	0.1	0.4	1.0	0.7	1.8	2.4
Q2	104.4	1.9	1.9	1.5	2.6	0.8	0.5	0.8	0.2	3.3	0.7	1.9	2.1
Q3	104.4	1.9	2.0	1.5	2.5	0.5	1.1	0.9	0.2	0.7	0.6	1.9	1.7
Q4	105.7	2.9	2.3	3.2	2.5	1.0	2.6	1.2	0.3	2.9	0.6	3.1	1.8
2007 Oct.	105.2	2.6	2.1	2.6	2.5	0.4	1.1	0.7	0.1	0.6	0.2	2.7	1.8
Nov.	105.8	3.1	2.3	3.4	2.5	0.6	0.8	0.3	0.1	3.4	0.2	3.2	1.8
Dec.	106.2	3.1	2.3	3.4	2.5	0.1	0.6	0.1	0.0	-0.3	0.2	3.3	1.8
2008 Jan.	105.8	3.2	2.3	3.7	2.5	0.3	0.8	0.3	0.0	1.6	0.2	3.4	2.1
Feb.	106.2	3.3	2.4	3.8	2.4	0.2	0.7	-0.3	0.2	0.1	0.2	3.4	2.1
Mar. [4]	.	3.5	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.5	11.9	7.6	39.6	29.8	9.8	10.0	6.0	6.1	3.3	14.7	6.8
	14	15	16	17	18	19	20	21	22	23	24	25
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2006 Q4	2.9	2.2	4.1	1.0	0.8	1.5	2.5	2.1	2.3	-2.5	2.4	2.4
2007 Q1	2.5	2.1	3.1	1.1	1.1	1.1	2.6	2.0	2.9	-2.1	2.8	2.5
Q2	2.5	2.0	3.3	1.0	1.0	0.5	2.7	2.0	2.6	-1.9	2.9	3.6
Q3	2.5	2.5	2.4	0.9	1.0	0.7	2.7	2.0	2.4	-1.5	3.0	3.4
Q4	3.9	4.5	3.1	2.8	1.0	8.1	2.7	2.0	2.6	-2.1	3.0	3.2
2007 Sep.	2.7	3.1	2.1	1.5	1.0	3.0	2.7	2.0	2.4	-1.6	2.9	3.2
Oct.	3.5	3.8	3.1	2.1	1.1	5.5	2.7	2.0	2.5	-2.1	2.9	3.2
Nov.	4.0	4.6	3.0	3.2	1.1	9.7	2.7	2.0	2.6	-1.9	3.0	3.2
Dec.	4.3	5.1	3.1	3.0	1.0	9.2	2.6	2.0	2.8	-2.3	3.0	3.2
2008 Jan.	4.8	5.8	3.3	3.1	0.7	10.6	2.6	1.9	3.0	-2.9	3.0	3.2
Feb.	5.2	6.5	3.2	3.1	0.8	10.4	2.5	1.9	3.0	-3.1	3.1	3.2

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html for a note explaining the methodology used in the compilation of this indicator.
3) Referring to the index period 2008.
4) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	105.8	2.3	2.6	2.0	3.5	0.7	1.3	0.7	1.4	4.0	4.1	7.5	18.4	10.8	30.5
2005	110.1	4.1	3.2	1.9	2.9	1.4	1.1	1.3	1.1	13.6	3.1	7.9	28.5	9.4	44.6
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.7	1.6	1.7	13.3	4.1	6.5	19.7	24.8	52.9
2007	119.1	2.8	3.1	3.2	4.8	1.8	2.3	1.9	2.4	1.7	3.9	.	3.9	9.2	52.8
2007 Q1	117.3	2.9	2.5	3.4	5.9	2.0	1.6	2.0	1.5	1.2	4.4	-	-5.5	15.7	44.8
Q2	118.5	2.4	2.6	3.2	5.4	2.0	1.7	1.8	1.6	-0.4	4.4	5.0 [6]	-3.1	13.8	51.0
Q3	119.3	2.1	2.7	3.0	4.3	1.6	2.4	1.8	2.5	-0.7	3.5	-	2.0	6.7	54.2
Q4	121.2	4.0	4.5	3.2	3.7	1.5	3.6	1.9	3.9	7.0	3.2	.	23.5	1.6	61.0
2008 Q1	.	.	.	.	.	.	.	.	.	.	.	-	36.5	11.9	64.2
2007 Oct.	120.5	3.3	3.9	3.2	3.9	1.5	3.3	1.8	3.6	4.3	-	-	19.5	3.5	57.7
Nov.	121.6	4.3	4.8	3.2	3.6	1.5	3.7	1.9	4.0	8.1	-	-	26.9	-0.1	62.8
Dec.	121.7	4.4	4.8	3.2	3.5	1.5	3.9	2.0	4.3	8.5	-	-	24.1	1.4	62.8
2008 Jan.	122.8	5.0	5.2	3.4	3.8	1.3	4.2	2.3	4.6	10.9	-	-	37.5	10.4	62.4
Feb.	123.5	5.3	5.3	3.6	4.1	1.5	4.3	2.2	4.7	11.7	-	-	37.2	15.0	64.1
Mar.	.	.	.	.	.	.	.	.	.	.	-	-	34.8	10.3	66.1

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages [8]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2004	113.7	2.5	2.3	3.1	2.9	2.6	2.2	2.1
2005	116.8	2.7	2.7	2.8	2.6	2.4	2.9	2.1
2006	119.7	2.5	2.6	2.2	3.3	2.1	2.1	2.3
2007	122.7	2.5	2.6	2.2	2.6	3.0	2.4	2.2
2006 Q4	120.7	2.1	2.2	1.7	2.7	2.3	1.7	2.5
2007 Q1	121.5	2.2	2.3	2.0	2.5	1.9	2.1	2.0
Q2	122.3	2.6	2.8	2.3	2.9	3.1	2.4	2.3
Q3	123.1	2.5	2.6	2.3	2.2	3.4	2.5	2.2
Q4	124.0	2.7	2.9	2.2	2.8	3.7	2.5	2.1

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

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2004	107.6	0.8	-11.3	-1.2	3.3	0.3	2.2	2.1
2005	108.8	1.1	7.7	-0.6	3.3	0.8	1.6	1.9
2006	109.9	1.0	1.0	-0.6	1.6	0.6	2.2	2.5
2007	111.6	1.5	0.6	-0.6	4.2	0.4	3.3	1.7
2006 Q4	109.9	0.2	-0.5	-1.3	2.0	-0.2	2.0	0.7
2007 Q1	110.9	1.0	0.6	-1.2	1.7	-0.4	3.5	1.9
Q2	111.6	1.4	1.3	0.1	4.8	0.1	3.8	0.7
Q3	111.5	1.4	1.6	-1.3	5.4	0.7	2.8	1.9
Q4	112.1	2.0	-0.3	-0.4	5.0	1.4	3.1	2.3
	Compensation per employee							
2004	110.0	2.1	1.3	2.8	3.0	1.4	1.8	2.4
2005	112.0	1.8	2.0	1.6	2.5	1.7	2.1	1.8
2006	114.5	2.2	1.4	3.3	3.3	1.7	1.8	1.8
2007	117.1	2.3	2.7	2.4	3.4	1.8	2.6	2.1
2006 Q4	115.2	1.8	2.5	2.8	3.4	2.0	2.0	0.3
2007 Q1	116.3	2.4	2.5	2.1	3.7	1.8	3.2	2.3
Q2	116.9	2.2	3.0	2.8	2.6	1.9	2.8	1.4
Q3	117.2	2.2	3.1	2.1	3.5	1.8	2.3	2.1
Q4	118.0	2.5	2.1	2.6	3.5	1.8	2.4	2.6
	Labour productivity [2]							
2004	102.2	1.3	14.2	4.0	-0.3	1.1	-0.4	0.3
2005	102.9	0.7	-5.3	2.2	-0.8	0.8	0.5	-0.1
2006	104.1	1.2	0.3	3.9	1.7	1.1	-0.4	-0.7
2007	105.0	0.8	2.1	3.0	-0.8	1.3	-0.6	0.4
2006 Q4	104.8	1.6	3.0	4.2	1.3	2.2	0.0	-0.5
2007 Q1	104.9	1.4	1.9	3.3	2.0	2.2	-0.3	0.4
Q2	104.8	0.8	1.7	2.8	-2.1	1.8	-0.9	0.7
Q3	105.1	0.8	1.5	3.4	-1.8	1.0	-0.5	0.3
Q4	105.3	0.5	2.5	3.0	-1.4	0.3	-0.7	0.3

5. Gross domestic product deflators

	Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2004	109.4	1.9	2.1	2.1	2.2	2.5	1.0	1.4
2005	111.5	1.9	2.3	2.1	2.5	2.4	2.4	3.6
2006	113.6	1.9	2.3	2.2	1.9	2.7	2.7	3.8
2007	116.1	2.2	2.1	2.0	1.5	2.7	1.3	1.1
2006 Q4	114.4	1.7	1.8	1.9	0.5	2.7	1.8	1.8
2007 Q1	115.1	2.1	1.8	1.8	1.5	3.0	1.3	0.4
Q2	115.9	2.2	1.9	1.8	0.8	2.8	1.4	0.6
Q3	116.3	2.1	2.0	1.8	1.6	2.5	1.0	0.6
Q4	116.9	2.2	2.7	2.6	2.1	2.4	1.5	2.7

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.

2) Value added (volumes) per person employed.

3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2004	7,792.6	7,641.6	4,467.7	1,590.8	1,576.0	7.0	151.0	2,849.7	2,698.7
2005	8,075.0	7,967.6	4,634.8	1,654.9	1,664.5	13.3	107.4	3,063.2	2,955.9
2006	8,463.9	8,373.6	4,823.4	1,721.1	1,800.8	28.4	90.3	3,398.9	3,308.7
2007	8,873.2	8,740.3	4,991.2	1,785.0	1,925.9	38.2	132.8	3,650.9	3,518.1
2006 Q4	2,154.6	2,118.6	1,221.0	434.0	463.8	-0.2	36.0	880.7	844.7
2007 Q1	2,185.1	2,153.3	1,227.1	441.2	474.4	10.5	31.8	890.2	858.4
Q2	2,207.1	2,170.2	1,242.6	444.0	477.2	6.4	36.9	904.2	867.3
Q3	2,231.2	2,199.0	1,254.4	448.8	484.1	11.8	32.2	923.6	891.4
Q4	2,249.8	2,217.9	1,267.1	451.0	490.2	9.5	32.0	933.0	901.0
	percentage of GDP								
2007	100.0	98.5	56.3	20.1	21.7	0.4	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2006 Q4	0.8	0.2	0.5	0.5	1.5	-	-	3.3	1.7
2007 Q1	0.7	0.9	0.1	1.0	1.3	-	-	0.8	1.3
Q2	0.3	0.1	0.6	0.2	0.0	-	-	0.9	0.3
Q3	0.7	0.9	0.5	0.6	1.1	-	-	2.0	2.5
Q4	0.4	0.0	-0.1	-0.1	0.8	-	-	0.6	-0.3
	annual percentage changes								
2004	2.1	1.9	1.6	1.4	2.4	-	-	7.2	7.0
2005	1.6	1.8	1.6	1.5	3.0	-	-	4.7	5.5
2006	2.8	2.6	1.8	2.0	5.0	-	-	7.9	7.7
2007	2.6	2.2	1.5	2.2	4.3	-	-	6.0	5.2
2006 Q4	3.2	2.4	2.1	2.3	5.5	-	-	9.0	7.1
2007 Q1	3.2	2.9	1.4	2.2	6.3	-	-	6.6	5.9
Q2	2.5	2.0	1.6	2.2	3.5	-	-	6.0	5.0
Q3	2.7	2.1	1.7	2.4	3.9	-	-	7.2	5.9
Q4	2.2	1.9	1.1	1.8	3.2	-	-	4.4	3.8
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2006 Q4	0.8	0.2	0.3	0.1	0.3	-0.5	0.6	-	-
2007 Q1	0.7	0.9	0.0	0.2	0.3	0.4	-0.2	-	-
Q2	0.3	0.1	0.4	0.0	0.0	-0.3	0.2	-	-
Q3	0.7	0.9	0.3	0.1	0.2	0.2	-0.1	-	-
Q4	0.4	0.0	0.0	0.0	0.2	-0.1	0.4	-	-
	contributions to annual percentage changes of GDP in percentage points								
2004	2.1	1.9	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.6	1.8	0.9	0.3	0.6	0.0	-0.2	-	-
2006	2.8	2.6	1.0	0.4	1.0	0.1	0.2	-	-
2007	2.6	2.2	0.9	0.4	0.9	0.0	0.4	-	-
2006 Q4	3.2	2.4	1.2	0.5	1.1	-0.4	0.8	-	-
2007 Q1	3.2	2.8	0.8	0.5	1.3	0.2	0.3	-	-
Q2	2.5	2.0	0.9	0.5	0.7	-0.1	0.5	-	-
Q3	2.7	2.1	1.0	0.5	0.8	-0.2	0.6	-	-
Q4	2.2	1.9	0.6	0.4	0.7	0.2	0.3	-	-

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 Tables 7.1.2 and 7.3.1.
2) Including acquisitions less disposals of valuables.
3) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2004	6,995.9	153.1	1,434.7	412.9	1,483.9	1,911.4	1,599.9	796.7
2005	7,235.5	141.6	1,467.5	439.9	1,520.3	2,004.2	1,662.0	839.5
2006	7,558.0	138.7	1,531.9	482.8	1,572.0	2,110.3	1,722.4	905.9
2007	7,920.3	150.1	1,614.0	520.3	1,633.2	2,218.9	1,783.8	952.9
2006 Q4	1,921.8	35.3	389.6	125.0	400.4	536.9	434.7	232.8
2007 Q1	1,948.1	35.8	397.2	128.7	403.3	542.8	440.3	236.9
Q2	1,969.9	36.4	402.4	128.9	406.9	551.1	444.3	237.1
Q3	1,995.0	38.6	407.5	130.8	411.3	558.4	448.5	236.2
Q4	2,007.2	39.3	406.9	131.9	411.7	566.6	450.8	242.7
	percentage of value added							
2007	100.0	1.9	20.4	6.6	20.6	28.0	22.5	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted[1])							
	quarter-on-quarter percentage changes							
2006 Q4	0.8	0.3	0.9	1.2	0.8	0.9	0.3	1.3
2007 Q1	0.9	1.7	1.1	1.7	0.7	0.8	0.6	-0.5
Q2	0.5	-1.2	0.6	-1.4	0.7	0.7	0.5	-0.9
Q3	0.7	-0.5	1.3	0.3	0.9	0.7	0.3	0.7
Q4	0.4	1.4	0.4	0.2	0.0	0.7	0.2	0.2
	annual percentage changes							
2004	2.2	10.9	2.7	0.9	2.3	1.8	1.6	1.0
2005	1.6	-6.1	1.0	1.7	1.6	2.9	1.3	1.5
2006	2.7	-1.1	3.5	4.5	2.6	3.3	1.2	3.1
2007	2.8	1.3	3.6	3.0	3.1	3.1	1.7	0.5
2006 Q4	3.3	0.6	4.1	5.3	3.6	3.7	1.4	2.9
2007 Q1	3.4	2.0	3.7	7.0	3.6	3.6	1.7	1.5
Q2	2.7	0.5	3.3	2.4	3.1	3.0	1.8	0.2
Q3	2.9	0.3	4.0	1.8	3.2	3.2	1.8	0.7
Q4	2.5	1.4	3.5	0.8	2.4	3.0	1.6	-0.4
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2006 Q4	0.8	0.0	0.2	0.1	0.2	0.2	0.1	-
2007 Q1	0.9	0.0	0.2	0.1	0.2	0.2	0.1	-
Q2	0.5	0.0	0.1	-0.1	0.2	0.2	0.1	-
Q3	0.7	0.0	0.3	0.0	0.2	0.2	0.1	-
Q4	0.4	0.0	0.1	0.0	0.0	0.2	0.0	-
	contributions to annual percentage changes of value added in percentage points							
2004	2.2	0.2	0.6	0.1	0.5	0.5	0.4	-
2005	1.6	-0.1	0.2	0.1	0.3	0.8	0.3	-
2006	2.7	0.0	0.7	0.3	0.6	0.9	0.3	-
2007	2.8	0.0	0.7	0.2	0.6	0.9	0.4	-
2006 Q4	3.3	0.0	0.8	0.3	0.8	1.0	0.3	-
2007 Q1	3.4	0.0	0.8	0.4	0.7	1.0	0.4	-
Q2	2.7	0.0	0.7	0.2	0.7	0.8	0.4	-
Q3	2.9	0.0	0.8	0.1	0.7	0.9	0.4	-
Q4	2.5	0.0	0.7	0.1	0.5	0.8	0.4	-

Sources: Eurostat and ECB calculations.
1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand
(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.8	82.8	74.8	73.7	29.9	22.2	21.6	3.6	18.0	9.0	17.2
	1	2	3	4	5	6	7	8	9	10	11	12
2005	1.3	103.9	1.3	1.3	1.1	0.8	2.8	0.4	-1.0	0.7	1.4	0.4
2006	4.1	108.1	4.0	4.4	4.4	4.9	6.0	2.5	4.3	2.2	0.8	4.2
2007	3.5	111.8	3.4	4.0	3.8	3.8	5.8	2.3	1.2	2.5	-0.4	3.4
2007 Q1	4.7	110.5	3.9	5.8	5.9	6.7	7.0	3.7	4.4	3.6	-7.6	10.9
Q2	3.0	111.1	2.8	3.3	3.2	3.2	4.8	2.1	1.4	2.2	-0.2	2.8
Q3	3.7	112.6	3.9	4.2	4.1	3.5	6.6	3.0	2.1	3.1	1.3	1.9
Q4	2.7	112.9	3.1	2.6	2.4	2.0	5.1	0.8	-2.7	1.4	5.8	-0.5
2007 Aug.	4.5	113.5	4.6	4.9	4.8	3.6	7.5	4.8	4.3	4.9	1.8	2.6
Sep.	3.0	112.4	3.3	3.1	2.9	2.8	5.4	1.8	1.0	1.9	3.7	0.5
Oct.	4.3	113.2	4.3	4.0	3.8	3.3	7.1	1.9	0.4	2.2	6.7	3.1
Nov.	2.6	112.8	3.1	2.4	2.2	1.9	5.0	0.7	-3.8	1.5	6.2	-1.4
Dec.	1.0	112.8	1.7	1.3	1.0	0.6	3.1	-0.3	-4.9	0.5	4.5	-3.6
2008 Jan.	3.2	113.5	3.3	3.2	3.1	2.1	7.0	1.6	0.6	1.8	3.3	2.7
	month-on-month percentage changes (s.a.)											
2007 Aug.	1.1	-	1.3	1.3	1.3	1.3	1.5	1.8	3.6	1.4	1.1	-0.6
Sep.	-1.0	-	-0.9	-1.3	-1.3	-1.5	-1.2	-1.6	-3.7	-1.2	0.4	-0.2
Oct.	0.9	-	0.7	0.6	0.6	0.7	1.1	0.2	-0.2	0.3	0.7	1.4
Nov.	-0.6	-	-0.4	-0.4	-0.5	-0.7	-0.2	-0.4	-1.9	-0.2	0.2	-1.5
Dec.	0.1	-	0.0	0.2	0.3	0.6	-0.3	0.0	-0.2	0.1	0.5	-0.1
2008 Jan.	0.9	-	0.6	1.1	1.2	0.6	2.5	0.8	2.5	0.6	-4.2	2.2

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	109.2	3.9	110.7	3.6	2.2	106.7	1.2	0.6	1.7	2.3	1.2	939	0.9
2006	119.3	9.3	118.9	7.3	3.5	108.3	1.5	0.2	2.4	2.6	4.1	968	3.0
2007	128.9	8.4	126.1	6.3	2.3	109.2	0.8	-0.3	1.6	2.9	1.6	963	-0.6
2007 Q1	125.3	7.9	124.2	7.5	2.7	109.3	1.7	0.7	2.7	4.3	4.4	956	-1.4
Q2	129.5	10.7	125.9	6.3	2.1	109.2	1.0	-0.3	1.6	2.9	2.4	952	-2.6
Q3	129.1	6.6	127.4	6.3	2.5	109.7	1.3	-0.6	2.6	5.5	2.3	963	2.1
Q4	131.8	8.3	127.0	5.2	1.9	108.8	-0.5	-0.9	-0.3	-0.2	-1.8	980	0.3
2007 Sep.	128.2	2.5	126.7	2.6	2.6	109.8	1.3	-0.2	2.6	9.4	0.7	969	2.1
Oct.	131.9	11.3	127.4	9.4	3.1	109.2	0.9	0.6	1.2	1.8	-0.3	973	1.0
Nov.	134.3	11.4	128.0	4.6	1.9	108.6	-0.7	-1.1	-0.6	-0.9	-2.5	964	-3.7
Dec.	129.3	2.2	125.7	1.6	1.0	108.6	-1.5	-1.9	-1.3	-1.3	-2.6	1,004	4.0
2008 Jan.	132.2	7.1	131.6	6.9	3.1	109.1	0.2	-1.6	1.7	2.4	0.4	959	-1.3
Feb.	.	.	.	.	3.2	108.5	-0.2	-0.9	-0.4	.	.	989	5.8
	month-on-month percentage changes (s.a.)												
2007 Sep.	-	-0.7	-	-1.1	0.4	-	0.1	0.2	0.0	1.8	-1.3	-	0.5
Oct.	-	2.9	-	0.6	-0.1	-	-0.5	-0.3	-0.6	-3.1	-0.5	-	0.5
Nov.	-	1.8	-	0.4	-0.2	-	-0.6	-0.7	-0.4	-0.5	-0.8	-	-1.0
Dec.	-	-3.7	-	-1.8	0.2	-	0.0	-0.3	-0.1	0.2	0.5	-	4.2
2008 Jan.	-	2.2	-	4.7	0.8	-	0.5	0.0	0.9	1.7	0.7	-	-4.4
Feb.	-	.	-	.	-0.3	-	-0.5	-0.2	-0.8	.	.	-	3.2

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).
1) In 2000.
2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation [3] (percentages)	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
		Total [4]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2004	98.7	-5	-15	8	10	81.5	-14	-4	-14	30	-9
2005	97.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.3	2	0	6	13	83.2	-9	-3	-9	15	-9
2007	108.4	4	5	5	13	84.2	-5	-2	-4	5	-8
2007 Q1	109.4	6	7	4	14	84.4	-5	-2	-5	6	-8
Q2	111.0	6	8	4	15	84.3	-3	-1	0	2	-7
Q3	108.7	4	5	6	13	84.0	-4	-2	-3	3	-7
Q4	104.3	2	1	7	11	84.0	-8	-4	-10	7	-10
2008 Q1	100.5	0	-1	7	10	.	-12	-7	-17	11	-12
2007 Oct.	105.4	2	1	7	11	84.0	-6	-4	-6	5	-10
Nov.	104.1	3	2	6	12	-	-8	-4	-11	7	-11
Dec.	103.4	2	0	7	11	-	-9	-5	-12	8	-10
2008 Jan.	101.7	1	-1	7	12	83.9	-12	-7	-17	11	-11
Feb.	100.2	0	-2	7	10	-	-12	-7	-18	12	-12
Mar.	99.6	0	-1	7	8	-	-12	-7	-17	11	-13

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [4]	Order books	Employment expectations	Total [4]	Present business situation	Volume of stocks	Expected business situation	Total [4]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2004	-12	-19	-4	-8	-12	14	2	11	6	8	18
2005	-7	-11	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	5	1	3	14	13	18	13	18	24
2007	-1	-8	7	1	4	15	12	19	16	19	23
2007 Q1	1	-8	9	-1	2	16	12	21	16	21	25
Q2	0	-6	6	2	4	13	14	22	19	22	25
Q3	0	-8	7	1	7	14	11	20	16	20	24
Q4	-3	-11	4	0	4	16	13	15	11	14	20
2008 Q1	-7	-13	-1	-1	2	16	12	10	4	12	15
2007 Oct.	-2	-9	6	-2	3	16	9	18	15	17	22
Nov.	-4	-12	4	2	7	16	15	13	10	12	18
Dec.	-5	-11	2	1	4	17	15	14	9	13	19
2008 Jan.	-6	-13	1	-3	-2	18	10	13	6	12	19
Feb.	-7	-13	-2	1	5	16	14	10	3	13	13
Mar.	-9	-15	-3	1	5	15	11	9	2	11	12

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

1) Difference between the percentages of respondents giving positive and negative replies.

2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2007.

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)]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2)]	100.0	100.0	85.0	15.0	4.1	17.1	7.7	25.4	15.7	30.0
	1	2	3	4	5	6	7	8	9	10
2004	137.871	0.7	0.7	0.9	-2.9	-1.3	1.2	1.2	2.3	1.3
2005	139.146	0.9	1.0	0.4	-0.9	-1.2	2.5	0.8	2.4	1.4
2006	141.343	1.6	1.7	0.8	-1.4	-0.4	2.8	1.5	3.7	1.8
2007	143.827	1.8	1.9	0.9	-0.8	0.5	3.8	1.7	3.8	1.3
2006 Q4	142.087	1.6	1.7	1.0	-2.6	-0.3	3.9	1.3	3.7	1.8
2007 Q1	142.940	1.8	2.0	0.6	0.1	0.5	5.0	1.3	3.9	1.3
Q2	143.638	1.7	1.9	0.6	-1.0	0.7	4.6	1.3	3.9	1.1
Q3	144.230	1.9	1.9	1.8	-1.1	0.4	3.6	2.2	3.6	1.5
Q4	144.501	1.7	1.9	0.5	-1.2	0.3	2.2	2.1	3.7	1.3
	quarter-on-quarter percentage changes (s.a.)									
2006 Q4	0.527	0.4	0.4	0.3	-0.5	0.1	1.5	0.1	0.7	0.4
2007 Q1	0.853	0.6	0.6	0.5	1.2	0.2	1.9	0.5	1.2	0.2
Q2	0.698	0.5	0.5	0.4	-0.6	0.1	0.4	0.8	1.0	0.4
Q3	0.592	0.4	0.4	0.5	-1.1	0.1	-0.2	0.8	0.7	0.5
Q4	0.271	0.2	0.4	-0.9	-0.5	0.0	0.2	0.0	0.8	0.2

2. Unemployment

(seasonally adjusted)

	Total		By age [3)]				By gender [4)]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2)]	100.0		78.1		21.9		49.7		50.3	
	1	2	3	4	5	6	7	8	9	10
2004	13.091	8.8	10.151	7.7	2.940	17.0	6.549	7.9	6.542	9.9
2005	13.316	8.8	10.363	7.8	2.953	17.2	6.711	8.0	6.605	9.9
2006	12.517	8.2	9.781	7.2	2.736	16.1	6.214	7.4	6.302	9.3
2007	11.361	7.4	8.882	6.5	2.479	14.8	5.583	6.6	5.777	8.4
2006 Q4	11.992	7.9	9.334	6.9	2.658	15.7	5.931	7.0	6.061	8.9
2007 Q1	11.613	7.6	9.096	6.7	2.516	15.1	5.690	6.7	5.923	8.7
Q2	11.431	7.5	8.953	6.6	2.478	14.8	5.597	6.6	5.834	8.5
Q3	11.291	7.3	8.835	6.5	2.456	14.6	5.567	6.6	5.724	8.3
Q4	11.102	7.2	8.660	6.3	2.442	14.6	5.476	6.4	5.626	8.2
2007 Sep.	11.217	7.3	8.778	6.4	2.439	14.5	5.533	6.5	5.684	8.3
Oct.	11.176	7.3	8.720	6.4	2.455	14.7	5.506	6.5	5.670	8.2
Nov.	11.098	7.2	8.659	6.3	2.439	14.6	5.477	6.4	5.622	8.2
Dec.	11.032	7.2	8.602	6.3	2.430	14.5	5.444	6.4	5.588	8.1
2008 Jan.	10.968	7.1	8.548	6.2	2.420	14.4	5.390	6.3	5.578	8.1
Feb.	10.910	7.1	8.502	6.2	2.408	14.4	5.364	6.3	5.546	8.0

Source: Eurostat.

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2006.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes	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
1998	46.6	46.3	12.2	9.2	2.7	13.9	0.6	16.1	8.3	4.9	2.3	0.3	0.3	42.5
1999	47.0	46.7	12.5	9.3	2.9	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.6	46.4	12.7	9.5	2.9	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.7
2001	45.8	45.6	12.3	9.3	2.7	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.3	45.0	11.8	9.1	2.5	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.0	44.4	11.4	8.9	2.3	13.5	0.4	15.8	8.2	4.7	2.1	0.6	0.5	41.2
2004	44.6	44.1	11.3	8.6	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	45.0	44.5	11.6	8.6	2.6	13.7	0.3	15.5	8.1	4.5	2.2	0.5	0.3	41.1
2006	45.6	45.3	12.2	8.8	3.0	13.9	0.3	15.5	8.1	4.5	2.1	0.3	0.3	41.8

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	48.9	45.1	10.6	4.7	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.4	0.1	44.3
1999	48.4	44.5	10.6	4.8	4.1	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.7	2.0	0.5	3.8	2.5	1.3	0.0	43.7
2001	47.7	43.8	10.3	4.8	3.8	24.8	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.9	44.0	10.4	4.9	3.5	25.2	22.3	1.9	0.5	3.8	2.4	1.4	0.0	44.4
2003	48.1	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	4.0	2.5	1.4	0.1	44.8
2004	47.4	43.6	10.4	5.0	3.1	25.1	22.4	1.7	0.5	3.8	2.4	1.4	0.0	44.3
2005	47.5	43.6	10.4	5.1	3.0	25.2	22.4	1.7	0.5	3.9	2.5	1.4	0.0	44.5
2006	47.2	43.1	10.2	5.0	2.9	25.0	22.2	1.7	0.5	4.1	2.5	1.6	0.0	44.3

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	-2.3	-2.3	-0.2	0.1	0.1	2.3	19.8	10.6	4.7	4.8	1.8	2.3	8.2	11.6
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.8	1.8	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	5.0	1.8	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.3	10.4	4.9	5.1	1.8	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	4.9	5.2	1.9	2.1	8.3	12.2
2004	-2.8	-2.4	-0.4	-0.3	0.1	0.3	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.5	10.4	5.1	5.2	1.9	2.2	8.2	12.3
2006	-1.6	-1.6	-0.1	-0.2	0.3	1.3	20.4	10.2	5.0	5.2	1.9	2.1	8.0	12.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	0.0	-4.0	0.4	-5.6	-0.2	-4.1	-3.5	-6.5	0.5	-9.8	-3.1	-1.6	-2.9	-2.7	2.5
2004	0.0	-3.8	1.3	-7.3	-0.3	-3.6	-3.5	-4.1	-1.2	-4.9	-1.7	-1.2	-3.4	-2.3	2.3
2005	-2.3	-3.4	1.2	-5.1	1.0	-2.9	-4.2	-2.4	-0.1	-3.1	-0.3	-1.6	-6.1	-1.5	2.7
2006	0.4	-1.6	2.9	-2.5	1.8	-2.5	-4.4	-1.2	0.7	-2.5	0.6	-1.4	-3.9	-1.2	3.8

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

1) The data refer to the Euro 13. Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1)]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2)]				Other creditors [3)]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1997	74.1	2.8	16.2	6.4	48.8	55.6	28.4	13.6	13.7	18.4
1998	72.8	2.7	15.2	5.3	49.6	52.4	26.5	14.5	11.4	20.4
1999	72.0	2.9	14.4	4.2	50.5	48.8	25.3	13.8	9.6	23.2
2000	69.4	2.7	13.2	3.7	49.8	44.3	22.0	12.5	9.8	25.1
2001	68.3	2.8	12.4	4.0	49.2	42.1	20.6	11.2	10.3	26.3
2002	68.1	2.7	11.8	4.5	49.1	40.2	19.3	10.7	10.1	28.0
2003	69.1	2.0	12.3	5.0	49.7	39.4	19.4	11.2	8.8	29.8
2004	69.5	2.2	11.9	5.0	50.5	37.5	18.4	10.8	8.4	32.0
2005	70.3	2.4	11.8	4.7	51.4	35.5	17.3	10.9	7.2	34.8
2006	68.6	2.5	11.4	4.1	50.7	32.9	17.6	8.4	6.9	35.7

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

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

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2003	98.6	63.8	31.1	97.9	48.7	62.9	104.3	68.9	6.3	69.3	52.0	64.6	56.9	27.9	44.3
2004	94.2	65.6	29.5	98.6	46.2	64.9	103.8	70.2	6.4	72.7	52.4	63.8	58.3	27.6	44.1
2005	92.2	67.8	27.4	98.0	43.0	66.7	106.2	69.1	6.2	70.8	52.3	63.4	63.7	27.4	41.4
2006	88.2	67.5	25.1	95.3	39.7	64.2	106.8	65.2	6.6	64.7	47.9	61.7	64.8	27.1	39.2

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

1) The data refer to the Euro 13. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

6.3 Change in debt [1)]
(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2)]	Valuation effects [3)]	Other changes in volume [4)]	Aggregation effect [5)]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6)]	MFIs	Other financial corporations	Other creditors [7)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	1.8	2.2	-0.3	0.0	-0.1	0.1	-0.3	-0.8	2.8	-0.9	-0.7	1.5	2.7
1999	2.0	1.6	0.4	0.0	0.0	0.2	-0.2	-0.9	2.8	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.6	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.1	-0.1	0.0	0.3	0.2	-0.1	2.6	-0.7	-0.4	0.5	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.6	-1.0	1.0	-2.1	2.5

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8)]	Deficit-debt adjustment [9)]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10)]
				Total	Currency and deposits	Loans	Securities [11)]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	1.8	-2.3	-0.5	-0.2	0.2	0.0	0.1	-0.4	-0.7	0.2	-0.3	0.0	0.0	0.0
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.7	0.1	0.4	0.2	0.0	0.2
2000	1.0	0.0	1.0	1.0	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.0	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.2	0.3	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.1
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.2	0.1	-0.3	0.2	0.1	0.1	-0.1	-0.2
2006	1.5	-1.6	-0.1	0.3	0.4	-0.1	0.2	-0.1	-0.4	0.1	0.1	0.0	0.0	-0.5

Source: ECB.
1) The data refer to the Euro 13 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2001 Q3	43.4	43.1	11.6	12.4	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	41.9	41.5	10.1	12.7	15.4	1.7	0.8	0.4	0.2	38.5
Q2	45.6	45.1	12.6	12.7	15.5	2.0	1.6	0.5	0.3	41.1
Q3	43.5	43.1	11.2	12.8	15.5	1.9	0.8	0.4	0.3	39.6
Q4	49.2	48.6	13.4	14.1	16.3	3.0	0.9	0.6	0.3	44.1
2003 Q1	41.9	41.4	9.7	12.8	15.6	1.7	0.7	0.5	0.2	38.3
Q2	45.9	44.4	12.0	12.7	15.7	2.0	1.3	1.5	1.2	41.6
Q3	42.8	42.3	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.4	40.9	9.5	12.8	15.3	1.7	0.7	0.4	0.3	38.0
Q2	45.0	44.2	12.1	13.0	15.3	2.0	0.9	0.8	0.6	41.0
Q3	42.6	42.1	10.6	12.6	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.2	48.3	13.0	14.4	16.2	2.9	0.8	1.0	0.4	43.9
2005 Q1	42.0	41.5	9.9	12.9	15.3	1.7	0.6	0.5	0.3	38.4
Q2	44.7	44.1	11.9	13.3	15.2	2.0	1.0	0.6	0.3	40.7
Q3	43.3	42.6	11.0	12.9	15.2	1.9	0.8	0.7	0.3	39.4
Q4	49.4	48.6	13.4	14.3	16.1	3.0	0.9	0.8	0.3	44.2
2006 Q1	42.6	42.1	10.2	13.3	15.2	1.7	0.8	0.5	0.3	39.0
Q2	45.9	45.4	12.6	13.6	15.3	2.0	1.2	0.5	0.3	41.8
Q3	43.6	43.1	11.4	12.9	15.3	1.9	0.8	0.5	0.3	39.9
Q4	49.9	49.3	14.2	14.4	16.0	2.9	0.9	0.7	0.3	44.9
2007 Q1	42.4	42.0	10.4	13.4	14.9	1.7	0.9	0.4	0.3	39.0
Q2	46.3	45.9	13.1	13.7	15.2	1.9	1.2	0.5	0.3	42.2
Q3	43.8	43.4	12.1	12.8	15.0	1.9	0.8	0.5	0.3	40.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001 Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.2	-2.7	1.2
Q4	51.2	46.3	11.0	5.7	3.6	26.0	22.1	1.7	4.9	3.2	1.7	-2.1	1.5
2002 Q1	46.2	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	2.0	1.5	-4.3	-0.7
Q2	46.7	43.2	10.3	4.9	3.6	24.4	21.2	1.3	3.4	2.3	1.1	-1.0	2.5
Q3	46.8	43.2	10.0	4.7	3.5	24.9	21.5	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.9	46.5	11.1	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.7	1.6
2003 Q1	46.8	43.3	10.3	4.5	3.5	25.0	21.5	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.3	43.7	10.4	4.8	3.4	25.2	21.7	1.3	3.6	2.3	1.2	-1.4	2.0
Q3	47.0	43.3	10.2	4.8	3.3	25.0	21.6	1.3	3.7	2.5	1.2	-4.2	-0.9
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.1	10.3	4.6	3.2	25.0	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
Q2	46.5	43.2	10.4	4.9	3.1	24.8	21.5	1.2	3.3	2.3	1.0	-1.5	1.6
Q3	46.0	42.6	9.9	4.7	3.2	24.9	21.5	1.3	3.4	2.5	1.0	-3.4	-0.3
Q4	50.7	45.8	11.0	5.7	3.0	26.1	22.7	1.4	4.9	3.1	1.8	-1.5	1.5
2005 Q1	46.9	43.2	10.3	4.7	3.1	25.2	21.4	1.2	3.7	1.9	1.9	-4.9	-1.8
Q2	46.4	43.0	10.2	5.0	3.2	24.6	21.4	1.1	3.4	2.4	1.1	-1.7	1.5
Q3	45.8	42.3	9.9	4.8	2.9	24.7	21.4	1.2	3.5	2.5	1.0	-2.5	0.4
Q4	50.7	45.9	11.1	5.8	2.8	26.2	22.7	1.4	4.8	3.1	1.7	-1.3	1.5
2006 Q1	45.6	42.4	10.1	4.5	3.0	24.9	21.3	1.2	3.1	1.9	1.3	-3.0	0.0
Q2	46.0	42.6	10.3	4.9	3.1	24.3	21.3	1.1	3.3	2.4	1.0	-0.1	3.0
Q3	46.2	41.9	9.8	4.7	2.9	24.5	21.2	1.2	4.2	2.5	1.8	-2.6	0.3
Q4	50.7	45.3	10.7	5.9	2.7	26.0	22.4	1.4	5.4	3.2	2.2	-0.8	1.9
2007 Q1	44.6	41.4	9.9	4.5	2.9	24.1	20.6	1.1	3.2	2.0	1.2	-2.1	0.8
Q2	45.0	41.7	10.0	4.9	3.1	23.8	20.8	1.0	3.3	2.4	0.9	1.3	4.4
Q3	44.6	41.2	9.6	4.6	2.9	24.0	20.8	1.2	3.5	2.5	0.9	-0.8	2.1

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

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

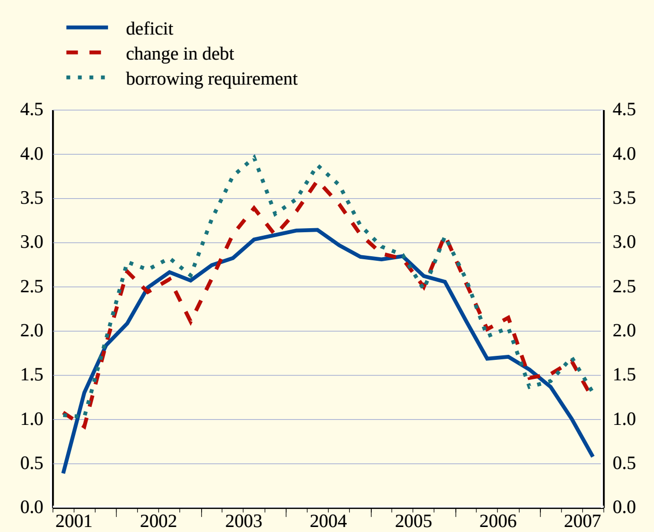
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2004 Q4	69.5	2.2	11.9	5.0	50.5
2005 Q1	70.9	2.2	11.9	5.2	51.5
Q2	71.6	2.3	11.7	5.2	52.4
Q3	71.1	2.4	11.8	5.2	51.8
Q4	70.3	2.4	11.8	4.7	51.4
2006 Q1	70.7	2.5	11.7	4.9	51.5
Q2	70.8	2.5	11.6	4.9	51.8
Q3	70.3	2.5	11.6	4.7	51.4
Q4	68.6	2.5	11.4	4.1	50.7
2007 Q1	68.9	2.4	11.4	4.8	50.3
Q2	69.1	2.2	11.1	5.1	50.7
Q3	68.1	2.1	11.0	5.2	49.8

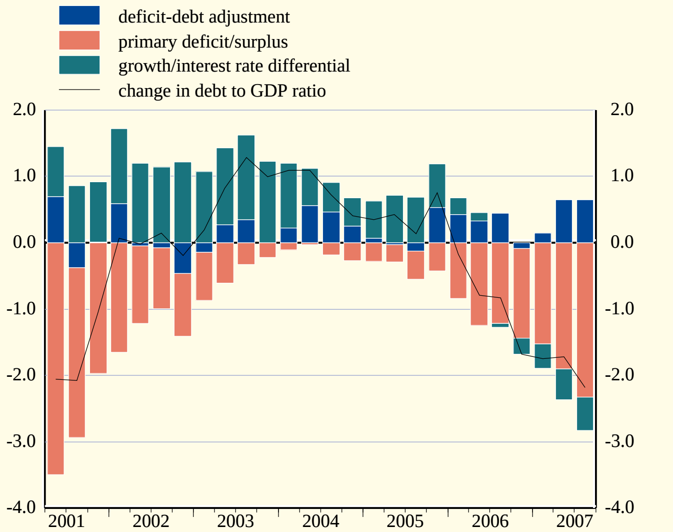
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2004 Q4	-3.0	-1.5	-4.5	-3.3	-2.6	0.1	-0.2	-0.6	0.0	-1.2	-3.0
2005 Q1	7.3	-4.9	2.4	2.4	1.3	0.3	0.3	0.4	0.0	0.0	7.3
Q2	5.4	-1.7	3.7	3.3	2.5	0.0	0.3	0.5	0.1	0.3	5.3
Q3	0.6	-2.5	-2.0	-2.4	-2.3	0.0	0.3	-0.4	0.0	0.4	0.5
Q4	-0.6	-1.3	-1.9	-0.4	0.0	0.0	-0.3	-0.1	-0.1	-1.4	-0.5
2006 Q1	4.9	-3.0	1.9	1.3	1.0	0.1	0.6	-0.5	-0.3	0.9	5.1
Q2	3.3	-0.1	3.2	3.2	2.5	0.1	0.4	0.2	0.6	-0.6	2.7
Q3	1.2	-2.6	-1.4	-0.9	-0.7	-0.1	0.1	-0.1	0.2	-0.7	1.0
Q4	-3.1	-0.8	-3.8	-2.1	-1.2	-0.6	-0.1	-0.2	-0.1	-1.6	-2.9
2007 Q1	4.8	-2.1	2.7	1.8	1.0	0.2	0.6	0.0	-0.3	1.2	5.2
Q2	3.8	1.3	5.1	4.8	4.1	0.0	0.5	0.2	0.1	0.2	3.7
Q3	-0.5	-0.8	-1.3	-1.8	-2.2	0.1	0.3	0.0	0.0	0.5	-0.6

C28 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C29 Maastricht debt
(annual change in the debt to GDP ratio and underlying factors)



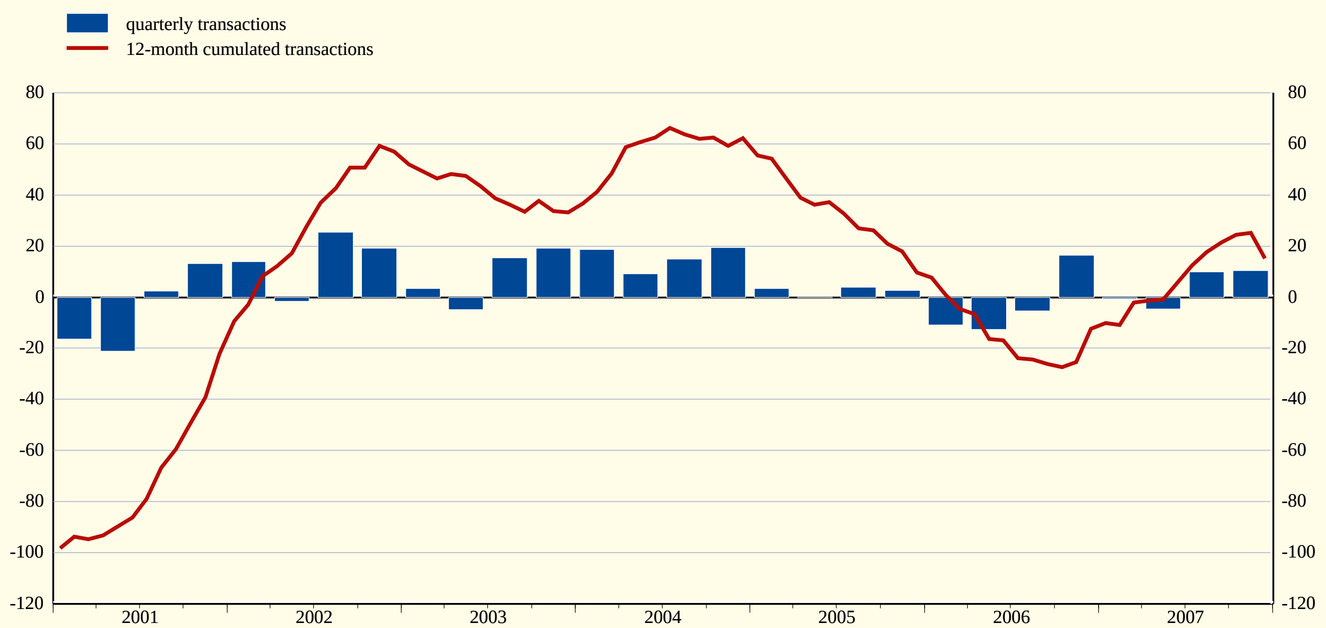
Source: ECB calculations based on Eurostat and national data.
1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 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
2005	9.6	44.4	36.2	1.9	-72.9	11.5	21.1	27.7	-205.4	138.8	-16.4	92.9	17.8	-48.8
2006	-12.4	18.5	39.6	6.6	-77.2	9.2	-3.2	123.7	-131.3	273.7	2.5	-19.8	-1.4	-120.5
2007	15.2	55.8	47.2	-4.8	-83.0	14.5	29.8	9.4	-107.8	233.6	-122.0	10.3	-4.7	-39.1
2006 Q4	16.5	16.1	8.5	7.4	-15.5	4.6	21.1	-37.4	-49.4	116.5	-2.7	-99.3	-2.6	16.3
2007 Q1	-0.5	7.4	8.4	4.9	-21.2	5.0	4.5	6.6	-13.6	128.8	-16.4	-90.8	-1.4	-11.1
Q2	-4.6	19.0	13.7	-20.9	-16.5	2.4	-2.2	16.6	-68.2	72.8	-23.2	39.5	-4.4	-14.4
Q3	10.0	16.9	16.0	2.4	-25.3	1.3	11.3	98.2	-38.1	75.5	-32.4	96.8	-3.5	-109.5
Q4	10.4	12.5	9.1	8.7	-19.9	5.8	16.2	-112.0	12.1	-43.5	-50.0	-35.2	4.6	95.9
2007 Jan.	-3.7	-4.4	1.2	1.2	-1.7	2.2	-1.5	43.3	-12.8	42.0	-4.2	21.2	-2.8	-41.8
Feb.	-3.9	2.2	3.1	3.0	-12.1	1.1	-2.8	2.5	-3.3	22.7	-7.9	-8.4	-0.6	0.2
Mar.	7.1	9.7	4.1	0.7	-7.4	1.6	8.7	-39.2	2.5	64.2	-4.3	-103.5	2.0	30.4
Apr.	-4.5	4.3	3.5	-4.5	-7.7	0.6	-3.9	40.3	-8.7	0.0	-9.9	60.6	-1.6	-36.4
May	-12.5	3.9	3.8	-15.3	-4.9	1.8	-10.7	-4.0	-27.3	3.5	-2.9	23.4	-0.8	14.7
June	12.4	10.8	6.4	-1.0	-3.9	0.0	12.4	-19.8	-32.2	69.3	-10.4	-44.5	-2.0	7.4
July	5.0	7.4	5.4	-0.1	-7.8	0.8	5.8	47.3	-0.1	25.1	-12.9	38.0	-2.9	-53.0
Aug.	0.5	3.5	4.1	1.2	-8.3	0.1	0.6	59.4	-0.7	0.9	-8.5	66.5	1.1	-60.0
Sep.	4.6	6.0	6.5	1.3	-9.2	0.3	5.0	-8.5	-37.4	49.4	-11.0	-7.7	-1.7	3.5
Oct.	3.7	8.1	3.5	2.4	-10.3	1.2	4.9	-79.6	21.7	-55.3	-6.9	-38.5	-0.5	74.6
Nov.	2.4	5.8	2.5	1.0	-6.9	1.1	3.5	-11.3	11.4	8.3	-31.6	0.4	0.2	7.8
Dec.	4.3	-1.4	3.1	5.4	-2.7	3.5	7.7	-21.2	-21.0	3.5	-11.5	2.9	4.9	13.4
2008 Jan.	-19.1	-8.1	2.2	-3.1	-10.1	2.4	-16.7	29.1	-32.2	54.3	-12.7	26.4	-6.8	-12.3
	12-month cumulated transactions													
2008 Jan.	-0.2	52.1	48.2	-9.1	-91.4	14.7	14.5	-4.8	-127.2	246.0	-130.6	15.6	-8.6	-9.7

C30 B.o.p. current account balance
(EUR billions)



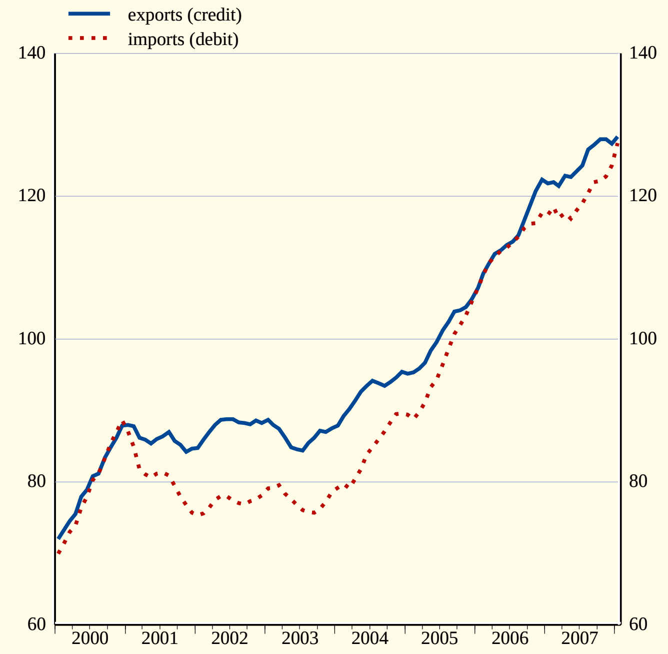
Source: ECB.
1) The sign convention is explained in the general notes.

7.2 Current and capital accounts
(EUR billions; transactions)

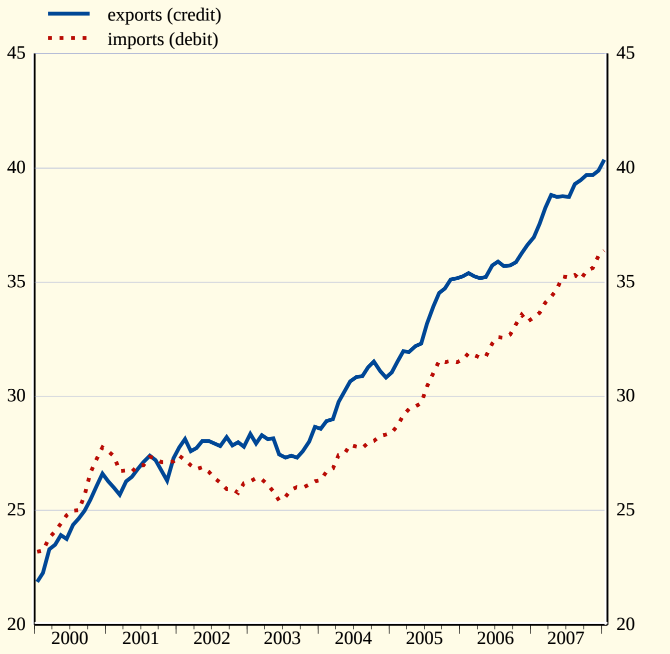
1. Summary current and capital accounts

	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
2005	2,071.2	2,061.6	9.6	1,217.2	1,172.8	402.9	366.7	364.8	362.8	86.4	5.3	159.2	13.1	24.3	12.8
2006	2,369.3	2,381.7	-12.4	1,386.4	1,367.9	429.4	389.8	464.5	457.8	89.0	5.3	166.1	15.5	23.7	14.5
2007	2,592.5	2,577.2	15.2	1,498.1	1,442.3	469.1	421.9	536.7	541.5	88.6	-	171.5	-	25.8	11.3
2006 Q4	639.8	623.3	16.5	373.6	357.5	109.8	101.3	127.8	120.5	28.5	1.4	44.0	4.4	8.9	4.2
2007 Q1	615.3	615.8	-0.5	359.7	352.3	105.7	97.3	122.6	117.7	27.3	1.4	48.5	4.6	7.8	2.8
Q2	646.9	651.5	-4.6	371.8	352.8	115.8	102.1	139.9	160.8	19.3	1.6	35.8	4.9	4.9	2.5
Q3	651.3	641.2	10.0	373.5	356.6	127.5	111.5	133.8	131.4	16.4	1.6	41.7	5.2	4.1	2.8
Q4	679.1	668.7	10.4	393.1	380.6	120.1	111.0	140.4	131.7	25.5	-	45.4	-	9.0	3.2
2007 Nov.	223.4	221.0	2.4	135.7	129.9	37.7	35.2	44.7	43.7	5.3	.	12.3	.	2.2	1.1
Dec.	225.2	221.0	4.3	117.7	119.1	41.1	38.1	50.8	45.4	15.6	.	18.3	.	4.7	1.3
2008 Jan.	213.4	232.5	-19.1	124.7	132.8	37.6	35.4	44.1	47.2	6.9	.	17.1	.	3.3	1.0
	Seasonally adjusted														
2006 Q4	625.8	621.1	4.7	366.9	353.0	109.9	99.7	124.0	124.9	25.0	.	43.5	.	.	.
2007 Q1	626.8	625.2	1.5	364.5	350.9	114.8	102.3	127.0	128.7	20.5	.	43.4	.	.	.
Q2	642.6	635.4	7.3	370.7	354.0	116.2	105.7	132.8	136.3	23.0	.	39.3	.	.	.
Q3	662.1	655.0	7.1	381.6	365.9	118.4	105.3	140.5	140.0	21.7	.	43.9	.	.	.
Q4	660.2	661.3	-1.1	382.1	372.9	119.7	108.5	136.8	136.0	21.7	.	43.9	.	.	.
2007 Aug.	221.3	218.6	2.8	128.2	121.5	39.8	35.5	46.2	46.8	7.2	.	14.8	.	.	.
Sep.	222.1	221.3	0.7	127.9	123.5	39.8	35.0	47.4	48.1	6.9	.	14.7	.	.	.
Oct.	221.2	219.0	2.2	128.0	121.5	39.4	36.0	47.0	46.3	6.7	.	15.2	.	.	.
Nov.	221.3	221.0	0.3	128.1	123.6	39.8	35.9	47.1	47.5	6.3	.	14.0	.	.	.
Dec.	217.8	221.3	-3.5	125.9	127.8	40.4	36.6	42.7	42.1	8.7	.	14.7	.	.	.
2008 Jan.	224.3	235.0	-10.6	131.1	131.0	40.8	36.6	47.5	52.1	5.0	.	15.2	.	.	.

C31 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C32 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

(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
2004	15.3	7.7	276.3	294.1	99.3	36.6	78.7	31.7	12.9	12.6	23.8	54.2	72.8	75.5	67.4	73.0
2005	15.4	9.3	349.4	353.6	126.7	31.6	89.2	-10.4	14.3	13.7	31.7	69.6	82.4	80.2	94.2	100.9
2006	16.1	10.0	448.4	447.9	151.1	26.7	94.0	40.0	18.6	16.7	39.1	99.1	102.0	86.8	137.6	151.4
2006 Q3	4.0	3.0	109.3	108.8	34.8	13.2	23.3	13.1	4.6	4.2	8.7	21.5	26.4	21.1	34.8	38.7
Q4	4.2	2.6	123.7	117.9	42.5	7.6	26.3	8.9	5.2	5.0	8.3	19.1	28.0	23.3	39.6	44.2
2007 Q1	4.0	1.9	118.6	115.7	34.3	15.5	22.4	6.4	5.1	4.9	9.6	18.2	28.0	25.3	41.7	44.9
Q2	4.0	2.5	135.9	158.3	38.8	4.0	22.9	2.1	5.8	4.8	16.0	52.9	28.8	28.1	46.5	49.6
Q3	4.2	3.2	129.6	128.2	36.2	14.6	21.9	11.8	5.5	5.1	11.0	24.0	30.9	26.7	46.0	50.6

3. Geographical breakdown
(cumulated transactions)

2006 Q4 to 2007 Q3	Total	European Union 27 (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	2,553.2	970.4	54.1	84.7	505.9	265.3	60.3	29.9	34.0	72.7	28.3	56.3	87.1	165.1	402.4	707.0
Goods	1,478.6	533.7	33.8	54.5	233.3	212.0	0.0	17.1	18.3	59.3	21.8	34.7	65.1	84.5	198.6	445.6
Services	458.8	165.8	9.5	12.5	111.8	26.0	5.9	4.5	6.7	10.1	4.9	10.6	9.9	45.0	80.4	120.9
Income	524.1	204.1	10.0	16.5	146.6	24.5	6.4	8.1	8.3	3.1	1.7	10.8	12.0	29.6	115.4	131.1
investment income	507.8	198.5	9.9	16.4	144.9	24.3	3.0	8.1	8.3	3.1	1.7	10.7	11.9	23.1	113.9	128.5
Current transfers	91.6	66.8	0.7	1.2	14.2	2.8	47.9	0.2	0.7	0.2	0.0	0.3	0.2	5.9	8.0	9.3
Capital account	25.7	21.1	0.0	0.0	0.9	0.1	20.0	0.0	0.0	0.0	0.0	0.4	0.1	0.4	0.9	2.7
	Debits															
Current account	2,531.8	831.4	42.3	77.4	409.1	205.8	96.7	-	27.8	-	-	92.8	-	159.9	364.1	-
Goods	1,419.2	416.1	28.3	49.5	172.3	166.0	0.0	23.2	12.6	159.7	17.9	55.2	85.4	73.6	135.5	439.8
Services	412.2	132.1	7.9	10.1	87.1	26.9	0.1	4.0	6.4	9.2	3.5	7.8	7.6	32.9	87.8	120.9
Income	530.3	177.2	5.5	16.5	138.6	8.8	7.8	-	6.9	-	-	29.3	-	47.7	134.2	-
investment income	520.2	171.2	5.4	16.4	137.3	4.3	7.7	-	6.8	-	-	29.2	-	47.2	133.2	-
Current transfers	170.1	106.1	0.6	1.3	11.1	4.1	88.9	1.4	1.9	2.1	0.6	0.4	0.5	5.7	6.6	44.9
Capital account	12.3	1.8	0.0	0.1	1.0	0.3	0.4	0.1	0.1	0.1	0.2	0.1	0.0	0.7	1.7	7.5
	Net															
Current account	21.4	139.0	11.8	7.3	96.8	59.5	-36.4	-	6.1	-	-	-36.4	-	5.1	38.3	-
Goods	59.5	117.7	5.6	5.0	61.0	46.1	0.0	-6.1	5.6	10.9	3.8	-20.5	-20.3	10.9	63.1	5.8
Services	46.6	33.7	1.6	2.4	24.7	-0.9	5.8	0.5	0.3	0.9	1.4	2.8	2.3	12.1	-7.4	0.0
Income	-6.2	26.9	4.5	0.0	8.0	15.7	-1.3	-	1.4	-	-	-18.6	-	-18.1	-18.9	-
investment income	-12.4	27.3	4.5	0.0	7.6	20.0	-4.7	-	1.5	-	-	-18.5	-	-24.1	-19.3	-
Current transfers	-78.5	-39.3	0.1	-0.1	3.1	-1.4	-40.9	-1.2	-1.2	-1.9	-0.6	-0.1	-0.3	0.3	1.4	-35.6
Capital account	13.4	19.3	0.0	-0.1	0.0	-0.2	19.6	-0.1	-0.1	0.0	-0.2	0.4	0.0	-0.3	-0.9	-4.8

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1)]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2003	7,817.7	8,608.3	-790.7	104.0	114.5	-10.5	2,169.3	2,084.2	2,655.4	3,585.9	-19.8	2,706.1	2,938.3	306.7
2004	8,609.8	9,497.9	-888.1	110.1	121.4	-11.4	2,314.6	2,242.0	3,042.7	4,076.4	-37.3	3,007.8	3,179.5	282.0
2005	10,737.9	11,575.7	-837.8	132.6	142.9	-10.3	2,796.4	2,444.5	3,887.5	5,105.7	-46.2	3,778.7	4,025.5	321.4
2006	12,195.1	13,226.4	-1,031.3	143.8	156.0	-12.2	3,050.2	2,654.1	4,459.0	5,960.7	-43.6	4,402.3	4,611.5	327.3
2007 Q2	13,383.4	14,570.2	-1,186.8	154.1	167.7	-13.7	3,291.9	2,793.4	4,825.4	6,619.4	-11.5	4,951.2	5,157.4	326.3
Q3	13,617.7	14,930.0	-1,312.4	154.9	169.9	-14.9	3,347.2	2,869.0	4,832.5	6,673.2	-0.6	5,097.8	5,387.8	340.8
	Changes to outstanding amounts													
2003	509.9	593.8	-83.9	6.8	7.9	-1.1	162.6	257.7	363.5	341.4	-7.2	50.4	-5.2	-59.4
2004	792.2	889.6	-97.4	10.1	11.4	-1.2	145.3	157.8	387.3	490.6	-17.6	301.8	241.2	-24.7
2005	2,128.0	2,077.8	50.3	26.3	25.7	0.6	481.8	202.5	844.9	1,029.3	-8.8	770.8	846.0	39.4
2006	1,457.3	1,650.7	-193.5	17.2	19.5	-2.3	253.8	209.6	571.5	855.1	2.6	623.6	586.1	5.8
2007 Q2	583.1	690.0	-106.8	26.3	31.2	-4.8	178.2	87.7	219.1	355.9	14.1	178.6	246.3	-6.8
Q3	234.3	359.8	-125.5	10.6	16.3	-5.7	55.3	75.6	7.1	53.8	10.9	146.5	230.4	14.5
	Transactions													
2004	812.4	798.3	14.2	10.4	10.2	0.2	161.5	93.9	345.8	416.5	8.3	309.2	287.8	-12.4
2005	1,331.0	1,358.7	-27.7	16.4	16.8	-0.3	351.1	145.7	413.3	552.1	16.4	568.0	660.9	-17.8
2006	1,577.4	1,701.1	-123.7	18.6	20.1	-1.5	323.7	192.4	535.7	809.5	-2.5	719.1	699.3	1.4
2007	1,820.1	1,829.5	-9.4	20.5	20.6	-0.1	379.4	271.6	409.0	642.6	122.0	905.0	915.3	4.7
2007 Q2	488.6	505.2	-16.6	22.1	22.8	-0.7	114.2	46.0	151.6	224.4	23.2	195.2	234.8	4.4
Q3	404.8	503.0	-98.2	18.4	22.8	-4.5	108.3	70.2	34.1	109.6	32.4	226.4	323.2	3.5
Q4	296.5	184.5	112.0	12.8	8.0	4.8	65.6	77.8	76.2	32.7	50.0	109.3	74.1	-4.6
2007 Sep.	257.6	250.9	6.7	.	.	.	56.6	19.3	-7.6	41.3	11.1	197.4	190.4	0.0
Oct.	235.7	156.1	79.6	.	.	.	23.4	45.1	68.4	13.1	6.9	136.4	98.0	0.5
Nov.	162.1	150.8	11.3	.	.	.	19.9	31.3	35.3	43.6	31.6	75.5	75.9	-0.2
Dec.	-101.2	-122.4	21.2	.	.	.	22.3	1.3	-27.5	-24.0	11.5	-102.6	-99.8	-4.9
2008 Jan.	280.6	309.7	-29.1	.	.	.	45.1	12.8	13.6	68.0	12.7	202.4	228.9	6.8
	Other changes													
2003	-154.8	-55.6	-99.2	-2.1	-0.7	-1.3	15.7	121.2	82.0	4.1	-21.0	-200.0	-180.9	-31.6
2004	-20.2	91.3	-111.5	-0.3	1.2	-1.4	-16.2	63.9	41.5	74.1	-25.9	-7.4	-46.7	-12.2
2005	797.0	719.1	77.9	9.8	8.9	1.0	130.7	56.8	431.6	477.2	-25.3	202.8	185.1	57.2
2006	-120.2	-50.4	-69.7	-1.4	-0.6	-0.8	-70.0	17.2	35.7	45.6	5.1	-95.5	-113.2	4.4
2007 Q2	94.5	184.8	-90.3	4.3	8.3	-4.1	64.0	41.7	67.5	131.4	-9.1	-16.7	11.6	-11.1
Q3	-170.5	-143.2	-27.3	-7.7	-6.5	-1.2	-53.1	5.3	-27.1	-55.8	-21.5	-79.8	-92.8	11.0
	Other changes due to exchange rate changes													
2003	-446.7	-174.5	-272.3	-5.9	-2.3	-3.6	-110.8	32.2	-108.3	-49.8	.	-195.5	-156.9	-32.2
2004	-182.4	-138.3	-44.1	-2.3	-1.8	-0.6	-34.5	8.2	-67.5	-92.0	.	-70.9	-54.5	-9.4
2005	372.0	221.6	150.3	4.6	2.7	1.9	83.2	-21.0	120.7	125.4	.	149.5	117.2	18.7
2006	-292.5	-140.6	-151.9	-3.5	-1.7	-1.8	-65.9	14.4	-85.0	-51.0	.	-126.4	-104.0	-15.2
	Other changes due to price changes													
2003	135.3	158.6	-23.2	1.8	2.1	-0.3	59.8	32.7	95.8	125.8	-21.0	.	.	0.7
2004	119.1	243.0	-123.9	1.5	3.1	-1.6	37.7	28.2	110.4	214.8	-25.9	.	.	-3.1
2005	286.8	351.2	-64.4	3.5	4.3	-0.8	73.5	55.8	196.5	295.4	-25.3	.	.	42.2
2006	317.2	272.1	45.1	3.7	3.2	0.5	74.8	46.1	220.9	226.0	5.1	.	.	16.4
	Other changes due to other adjustments													
2003	156.6	-39.7	196.3	2.1	-0.5	2.6	66.7	56.2	94.5	-72.0	.	-4.5	-24.0	-0.1
2004	42.2	-13.4	55.6	0.5	-0.2	0.7	-19.3	27.5	-1.4	-48.7	.	63.5	7.8	-0.5
2005	138.0	146.2	-8.3	1.7	1.8	-0.1	-25.9	22.0	114.4	56.4	.	53.4	67.9	-3.9
2006	-144.9	-181.9	37.0	-1.7	-2.1	0.4	-78.8	-43.4	-100.2	-129.3	.	30.9	-9.2	3.2
	Growth rates of outstanding amounts													
2003	9.2	8.2	-	.	.	.	7.4	7.4	12.4	10.5	.	9.5	6.1	-7.9
2004	10.3	9.2	-	.	.	.	7.4	4.4	12.8	11.4	.	11.3	9.7	-4.1
2005	15.0	13.9	-	.	.	.	14.8	6.5	13.0	13.1	.	18.3	20.2	-5.8
2006	14.9	14.8	-	.	.	.	11.8	7.9	13.9	16.0	.	19.3	17.5	0.4
2007 Q2	17.2	16.0	-	.	.	.	12.2	6.9	13.9	16.7	.	24.5	20.5	3.6
Q3	17.2	16.4	-	.	.	.	12.8	8.1	11.2	15.3	.	25.7	22.6	3.7
Q4	14.9	13.8	.	.	.	.	12.4	10.2	9.1	10.7	.	20.6	19.8	1.5

Source: ECB.
1) Net financial derivatives are included in assets.

7.3 Financial account

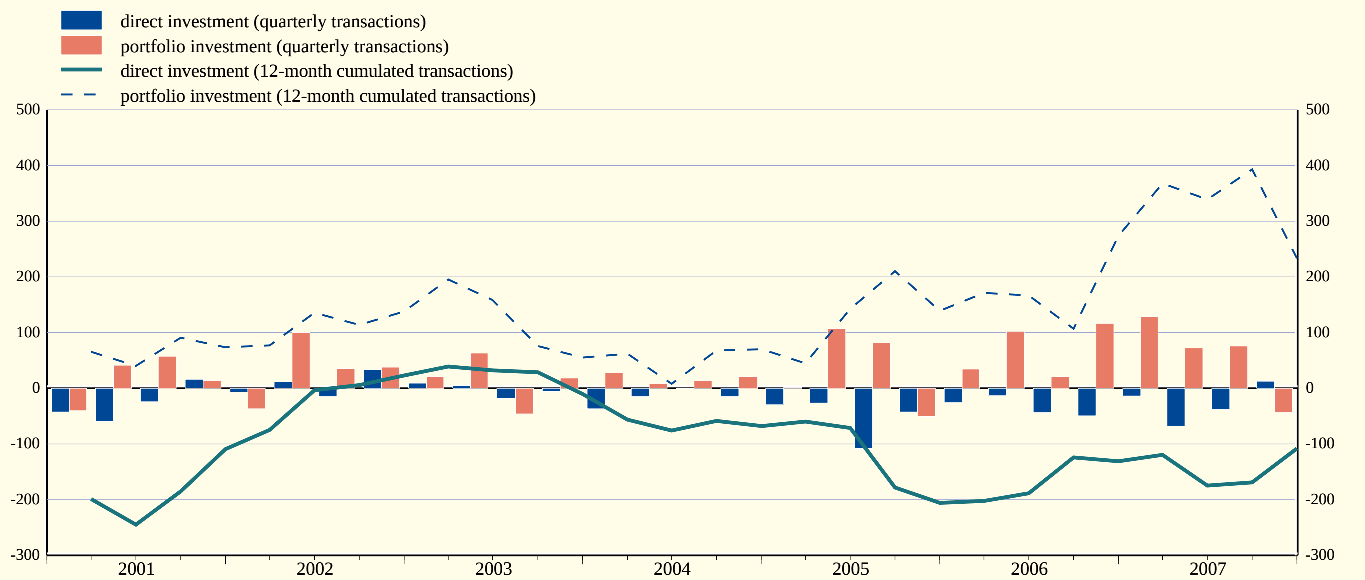
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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)													
2005	2,796.4	2,278.8	176.0	2,102.8	517.6	4.0	513.5	2,444.5	1,839.6	56.2	1,783.4	605.0	8.5	596.4
2006	3,050.2	2,484.8	203.3	2,281.6	565.3	3.7	561.7	2,654.1	2,037.8	61.7	1,976.0	616.4	7.9	608.4
2007 Q2	3,291.9	2,653.1	219.5	2,433.6	638.8	7.6	631.2	2,793.4	2,143.5	59.4	2,084.1	649.9	13.5	636.3
Q3	3,347.2	2,702.6	231.8	2,470.9	644.6	7.1	637.5	2,869.0	2,196.4	59.9	2,136.5	672.6	13.8	658.8
	Transactions													
2005	351.1	292.4	12.1	280.3	58.7	0.2	58.5	145.7	115.5	1.2	114.2	30.3	-0.3	30.6
2006	323.7	253.5	31.1	222.4	70.2	0.0	70.2	192.4	167.4	5.6	161.8	25.0	0.1	24.9
2007 Q1	91.2	58.8	4.7	54.1	32.3	-2.1	34.4	77.6	48.4	1.0	47.4	29.2	-0.8	30.0
Q2	114.2	89.5	5.9	83.6	24.7	1.5	23.2	46.0	48.7	-1.0	49.7	-2.7	0.9	-3.6
Q3	108.3	75.2	15.4	59.8	33.1	-0.6	33.7	70.2	41.8	0.6	41.2	28.5	0.3	28.1
Q4	65.6	53.3	-8.9	62.2	12.4	0.6	11.7	77.8	42.7	1.5	41.2	35.1	1.5	33.6
2007 Sep.	56.6	38.8	11.1	27.7	17.8	0.8	17.0	19.3	16.4	0.4	16.0	2.9	1.0	1.9
Oct.	23.4	23.4	-12.1	35.5	0.0	-0.6	0.6	45.1	30.1	0.2	29.9	15.1	-0.2	15.3
Nov.	19.9	10.9	2.5	8.3	9.1	-0.5	9.6	31.3	7.0	0.4	6.6	24.3	1.6	22.8
Dec.	22.3	19.0	0.7	18.4	3.3	1.7	1.5	1.3	5.6	1.0	4.6	-4.3	0.1	-4.4
2008 Jan.	45.1	33.0	6.7	26.3	12.1	0.3	11.8	12.8	6.7	0.3	6.4	6.1	0.9	5.3
	Growth rates													
2005	14.8	15.1	8.1	15.7	13.4	-1.1	13.5	6.5	6.9	2.4	7.0	5.2	-4.4	5.3
2006	11.8	11.3	18.3	10.7	13.8	-2.2	13.9	7.9	9.1	10.1	9.1	4.2	-0.2	4.3
2007 Q2	12.2	11.1	18.6	10.5	17.0	-47.6	17.3	6.9	7.2	4.7	7.3	5.8	-11.6	6.0
Q3	12.8	11.1	19.7	10.3	20.7	-37.5	21.0	8.1	7.7	2.6	7.8	9.7	-1.5	9.8
Q4	12.4	11.2	8.2	11.4	18.0	-42.2	18.3	10.2	8.9	3.5	9.1	14.5	10.3	14.5

C33 B.o.p. net direct and portfolio investment

(EUR billions)



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)															
2005	3,887.5	1,726.5	102.5	3.0	1,624.0	27.2	1,845.1	710.6	8.8	1,134.4	11.6	316.0	263.0	0.8	53.0	0.4
2006	4,459.0	2,014.1	122.0	2.8	1,892.1	37.0	2,067.5	846.0	11.0	1,221.5	13.4	377.4	310.4	8.7	67.0	0.3
2007 Q2	4,825.4	2,177.4	151.4	3.0	2,026.0	41.2	2,221.2	936.1	11.4	1,285.1	14.7	426.8	339.4	8.1	87.4	10.0
Q3	4,832.5	2,180.0	139.9	2.8	2,040.1	42.1	2,251.6	935.1	11.7	1,316.5	15.5	400.9	315.2	8.1	85.7	9.7
	Transactions															
2005	413.3	134.2	14.4	0.1	119.8	3.4	261.6	118.5	0.8	143.1	0.8	17.5	14.7	-0.1	2.8	-0.1
2006	535.7	155.7	18.0	0.0	137.7	6.2	311.5	173.6	2.6	137.9	1.1	68.5	56.2	8.0	12.3	-0.1
2007 Q2	151.6	11.4	4.8	0.0	6.5	1.4	116.2	66.0	0.3	50.2	0.5	24.1	13.7	0.1	10.4	4.3
Q3	34.1	7.2	-8.4	0.0	15.6	2.0	43.3	12.2	0.4	31.1	0.9	-16.4	-14.3	0.0	-2.1	-0.2
Q4	76.2	12.3	13.0	0.0	-0.7	-	60.8	16.9	1.0	43.9	-	3.1	16.9	0.3	-13.8	-
2007 Sep.	-7.6	-2.1	2.8	0.0	-4.8	.	5.0	-7.4	-0.1	12.4	.	-10.4	-13.3	0.1	2.8	.
Oct.	68.4	10.2	9.4	0.0	0.8	.	32.4	12.7	0.3	19.6	.	25.8	27.2	0.0	-1.4	.
Nov.	35.3	9.0	2.3	0.0	6.8	.	37.3	33.1	0.5	4.2	.	-11.1	-2.6	-0.4	-8.5	.
Dec.	-27.5	-6.9	1.3	0.0	-8.2	.	-8.9	-28.9	0.3	20.0	.	-11.7	-7.8	0.7	-3.9	.
2008 Jan.	13.6	-19.2	-10.0	0.0	-9.3	.	-3.5	9.4	-0.3	-13.0	.	36.4	37.3	0.0	-0.9	.
	Growth rates															
2005	13.0	9.8	18.1	5.9	9.3	19.7	17.0	20.8	9.3	14.7	8.0	6.1	6.2	-6.6	4.1	-8.3
2006	13.9	9.0	17.9	0.9	8.5	21.8	17.3	24.9	30.5	12.4	10.1	21.9	22.3	1,022.8	22.4	-20.5
2007 Q2	13.9	5.0	35.1	0.2	3.2	14.8	19.6	28.5	56.0	13.8	23.6	33.1	30.6	12.3	44.6	56.5
Q3	11.2	3.5	29.0	0.1	2.0	16.9	17.5	21.7	52.3	14.6	28.6	18.8	14.3	11.3	39.5	156.7
Q4	9.1	2.3	23.2	0.3	1.0	-	15.4	17.7	22.7	13.9	-	12.2	12.7	-3.1	10.5	-

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2005	5,105.7	2,433.7	533.5	1,900.1	2,365.6	723.0	1,642.6	1,175.6	306.4	108.5	198.0	158.5
2006	5,960.7	2,931.4	671.0	2,260.4	2,732.3	845.3	1,887.0	1,253.7	297.0	127.6	169.4	138.6
2007 Q3	6,673.2	3,316.2	807.5	2,509.0	2,994.5	974.4	2,020.2	1,271.5	362.5	144.8	217.7	193.2
Q4	.	.	.	.	.	.	.	.	.	.	.	.
	Transactions											
2005	552.1	262.9	-	-	235.5	-	-	.	53.7	-	-	.
2006	809.5	308.5	97.1	211.8	497.3	213.2	285.5	150.6	3.6	30.1	-27.1	-19.4
2007 Q2	224.4	70.7	16.4	54.3	117.2	44.7	72.5	48.4	36.6	14.7	21.9	19.9
Q3	109.6	43.3	22.7	20.7	52.8	26.8	26.0	25.4	13.5	2.1	11.4	12.2
Q4	32.7	-4.8	-19.9	15.1	71.9	17.5	54.4	-	-34.4	4.2	-38.6	-
2007 Sep.	41.3	18.7	.	.	14.8	.	.	.	7.7	.	.	.
Oct.	13.1	3.2	.	.	20.5	.	.	.	-10.6	.	.	.
Nov.	43.6	0.1	.	.	46.3	.	.	.	-2.7	.	.	.
Dec.	-24.0	-8.0	.	.	5.1	.	.	.	-21.1	.	.	.
2008 Jan.	68.0	36.7	.	.	24.4	.	.	.	6.8	.	.	.
	Growth rates											
2005	13.1	13.6	.	.	11.1	.	.	.	23.9	.	.	.
2006	16.0	12.5	18.1	11.0	21.8	31.5	17.8	13.3	1.2	28.9	-13.4	-12.1
2007 Q2	16.7	12.1	22.3	9.2	21.5	34.5	16.2	11.5	18.7	42.1	6.0	13.7
Q3	15.3	10.9	17.8	8.9	19.5	28.3	15.7	12.8	21.9	35.8	13.9	21.1
Q4	10.7	7.5	10.9	6.4	14.1	18.2	12.3	-	12.4	20.1	6.9	-

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)														
2005	3,778.7	6.8	6.5	0.4	2,522.1	2,466.0	56.2	127.6	19.7	60.8	11.8	1,122.1	188.9	802.7	347.9
2006	4,402.3	10.2	9.8	0.4	2,946.2	2,887.1	59.1	117.1	14.2	57.8	15.4	1,328.7	187.2	990.3	377.7
2007 Q2	4,951.2	18.2	17.9	0.3	3,341.1	3,272.4	68.6	126.0	13.7	67.1	27.5	1,466.0	197.7	1,112.8	425.0
Q3	5,097.8	20.5	20.2	0.3	3,359.0	3,291.6	67.4	106.1	13.6	48.0	13.3	1,612.2	196.7	1,265.8	428.6
	Transactions														
2005	568.0	1.2	1.1	0.0	397.1	393.9	3.1	-4.6	0.0	-5.8	2.4	174.3	8.9	148.5	3.4
2006	719.1	3.3	3.2	0.0	521.6	517.6	4.1	-1.8	0.0	-2.6	3.1	196.0	5.4	178.1	26.4
2007 Q2	195.2	3.5	3.5	0.0	135.4	131.2	4.2	17.6	0.0	17.1	17.4	38.7	2.4	30.2	-3.0
Q3	226.4	1.8	1.8	0.0	75.9	78.7	-2.9	-18.2	-0.1	-18.4	-14.1	166.9	2.6	163.9	6.5
Q4	109.3	0.6	-	-	60.5	-	-	2.0	-	-	0.1	46.1	-	-	-12.1
2007 Sep.	197.4	-0.6	.	.	30.7	.	.	0.5	.	.	0.9	166.8	.	.	20.7
Oct.	136.4	1.4	.	.	101.2	.	.	-4.3	.	.	-4.3	38.2	.	.	10.2
Nov.	75.5	-1.3	.	.	56.9	.	.	3.4	.	.	4.3	16.5	.	.	-8.5
Dec.	-102.6	0.6	.	.	-97.6	.	.	2.9	.	.	0.0	-8.6	.	.	-13.8
2008 Jan.	202.4	2.5	.	.	186.9	.	.	-3.6	.	.	-3.8	16.6	.	.	10.6
	Growth rates														
2005	18.3	22.0	22.6	13.6	19.3	19.7	5.9	-3.5	0.2	-9.2	12.6	19.1	5.2	23.2	1.3
2006	19.3	47.7	50.0	9.8	21.1	21.4	7.3	-1.5	0.0	-4.3	26.1	17.6	2.9	22.5	7.4
2007 Q2	24.5	98.0	101.2	11.2	28.8	28.9	22.4	3.4	0.0	4.4	32.9	16.8	2.0	20.5	5.8
Q3	25.7	125.9	130.2	10.2	26.0	26.2	15.0	-2.3	-0.8	-6.9	11.4	26.7	4.8	33.6	9.5
Q4	20.6	106.2	-	-	19.2	-	-	-5.0	-	-	-11.9	25.2	-	-	8.2

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2005	4,025.5	82.4	82.2	0.2	3,114.2	3,061.8	52.4	44.9	0.0	41.1	3.8	784.0	133.1	581.0	70.0
2006	4,611.5	100.2	100.0	0.2	3,487.0	3,433.1	53.9	48.3	0.0	44.4	3.8	976.1	144.5	744.1	87.5
2007 Q2	5,157.4	116.1	115.9	0.3	3,895.6	3,833.3	62.3	51.5	0.0	46.3	5.2	1,094.2	148.3	843.5	102.4
Q3	5,387.8	114.1	113.8	0.3	3,961.2	3,896.0	65.2	55.3	0.0	49.2	6.1	1,257.3	154.1	1,002.1	101.0
	Transactions														
2005	660.9	6.7	6.7	0.0	487.0	485.4	1.6	-2.1	0.0	-1.9	-0.3	169.4	13.7	149.2	6.5
2006	699.3	18.6	18.5	0.0	497.1	493.8	3.2	1.4	0.0	1.5	-0.1	182.2	11.8	159.5	11.0
2007 Q2	234.8	10.9	10.9	-0.1	179.6	177.4	2.2	0.0	0.0	-0.9	0.9	44.2	4.8	38.9	0.4
Q3	323.2	-1.3	-1.3	0.0	139.1	138.3	0.8	3.9	0.0	3.1	0.8	181.4	3.9	178.9	-1.4
Q4	74.1	24.5	-	-	46.7	-	-	-1.4	-	-	-	4.3	-	-	-
2007 Sep.	190.4	1.2	.	.	36.4	.	.	1.4	.	.	.	151.4	.	.	.
Oct.	98.0	3.9	.	.	89.1	.	.	1.8	.	.	.	3.2	.	.	.
Nov.	75.9	5.0	.	.	61.2	.	.	2.8	.	.	.	6.9	.	.	.
Dec.	-99.8	15.6	.	.	-103.6	.	.	-6.0	.	.	.	-5.8	.	.	.
2008 Jan.	228.9	6.9	.	.	199.1	.	.	4.0	.	.	.	18.8	.	.	.
	Growth rates														
2005	20.2	8.9	8.9	4.3	19.1	19.5	4.3	-4.7	10.3	-4.5	-7.2	28.0	11.5	34.4	13.1
2006	17.5	22.6	22.6	6.6	16.2	16.4	6.0	3.0	-24.1	3.6	-3.2	22.9	8.8	26.9	15.6
2007 Q2	20.5	28.5	28.6	14.4	21.9	22.0	14.4	10.8	7.9	9.4	27.5	15.2	6.3	16.8	16.9
Q3	22.6	20.6	20.7	8.4	20.3	20.5	10.5	4.3	17.8	1.1	43.7	31.3	6.9	39.0	8.6
Q4	19.8	39.7	-	-	18.3	-	-	8.3	-	-	-	22.9	-	-	-

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets														Memo: Assets	Memo: Liabilities
	Total	Monetary gold: In EUR billions	Monetary gold: In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange: Total	Foreign exchange: Currency and deposits: With monetary authorities and the BIS	Foreign exchange: Currency and deposits: With banks	Foreign exchange: Securities: Total	Foreign exchange: Securities: Equity	Foreign exchange: Securities: Bonds and notes	Foreign exchange: Securities: Money market instruments	Foreign exchange: Financial derivatives	Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2003	306.7	130.0	393.543	4.4	23.3	149.0	10.0	30.4	107.9	1.0	80.5	26.5	0.7	0.0	20.3	-16.3
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	56.6	37.6	0.4	0.0	19.1	-12.8
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007 Q2	325.3	172.8	358.768	4.7	4.3	143.5	5.7	27.7	110.1	0.2	85.4	24.5	0.0	0.0	26.6	-24.6
Q3	340.5	187.0	356.925	4.7	3.8	144.9	7.5	27.5	109.6	0.3	85.8	23.5	0.4	0.0	26.2	-26.8
2007 Dec.	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	-	-	-	0.5	0.0	44.1	-38.5
2008 Jan.	374.8	219.6	353.655	4.7	3.6	146.9	12.1	26.7	107.8	-	-	-	0.3	0.0	38.5	-43.4
Feb.	375.3	226.2	353.161	4.6	3.5	140.9	7.3	26.5	106.6	-	-	-	0.5	0.1	28.4	-27.3
	Transactions															
2005	-17.8	-3.9	-	0.2	-8.6	-5.5	-0.3	-7.0	1.7	0.0	4.8	-3.2	0.0	0.0	-	-
2006	1.4	-4.2	-	0.5	-5.2	10.3	-6.1	2.8	13.7	0.0	19.4	-5.7	0.0	0.0	-	-
2007	4.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2007 Q2	4.4	-0.7	-	0.1	0.5	4.4	0.8	0.5	3.1	0.1	2.3	0.7	0.0	0.0	-	-
Q3	3.5	-1.2	-	0.1	-0.3	4.9	2.0	0.8	2.1	0.1	2.2	-0.2	0.0	0.0	-	-
Q4	-4.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates															
2005	-5.8	-2.8	-	4.4	-44.5	-3.9	-2.4	-24.0	1.6	2.2	7.2	-7.9	21.4	6.7	-	-
2006	0.4	-2.4	-	11.6	-48.7	7.7	-48.5	12.7	13.3	0.0	29.2	-15.4	-75.1	-8.9	-	-
2007 Q2	3.6	-1.8	-	15.5	-34.1	12.5	5.7	25.1	10.0	-52.6	22.3	-17.8	-70.8	0.0	-	-
Q3	3.7	-1.9	-	10.7	-32.4	12.5	75.0	14.2	9.4	-29.8	19.0	-14.6	-98.8	0.0	-	-
Q4	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

7.3 Financial account

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

8. Geographical breakdown

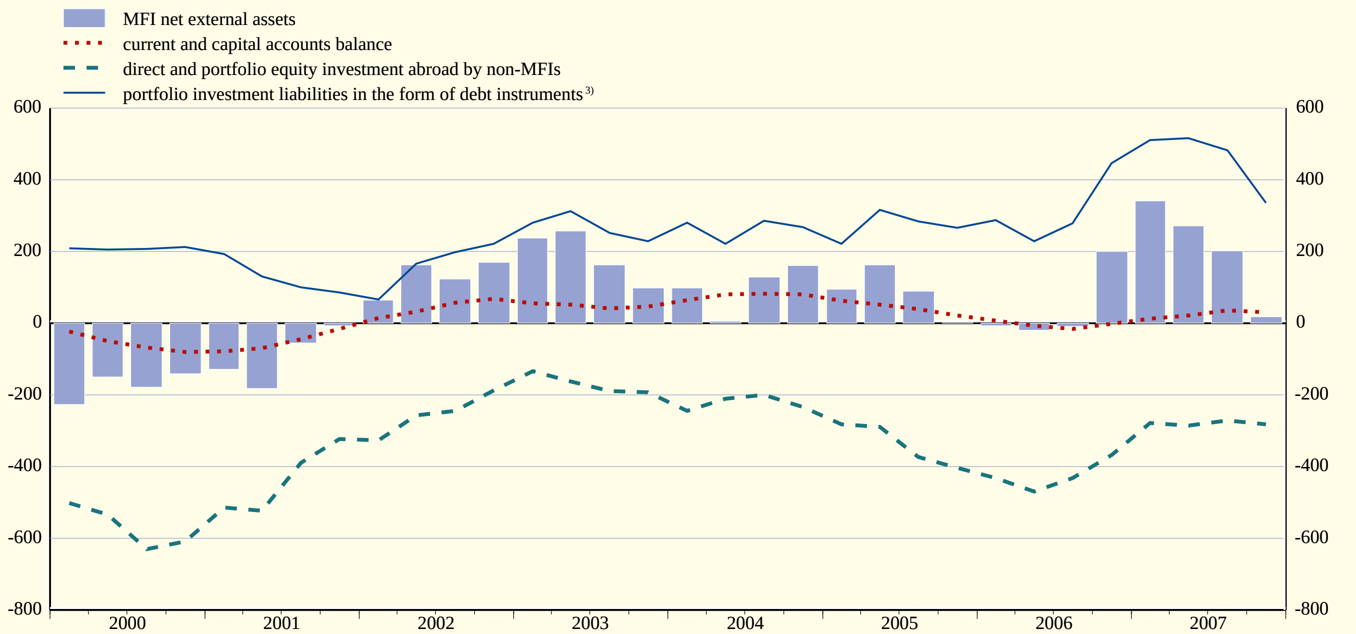
	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	Outstanding amounts (international investment position)														
Direct investment	396.0	-63.7	-7.2	-21.0	-219.6	184.4	-0.3	37.0	22.1	-6.2	77.4	-24.8	-6.1	-0.2	360.5
Abroad	3,050.2	1,120.0	35.1	83.4	804.4	197.0	0.0	90.2	24.9	68.2	300.3	608.0	329.7	0.0	508.9
Equity/reinvested earnings	2,484.8	906.9	32.0	58.1	644.9	171.8	0.0	71.0	20.1	63.5	250.4	453.1	307.4	0.0	412.4
Other capital	565.3	213.1	3.1	25.3	159.4	25.3	0.0	19.2	4.8	4.7	49.9	154.9	22.3	0.0	96.5
In the euro area	2,654.1	1,183.7	42.3	104.5	1,024.0	12.7	0.3	53.1	2.7	74.4	222.9	632.8	335.8	0.3	148.4
Equity/reinvested earnings	2,037.8	951.9	36.8	86.3	826.7	1.8	0.2	47.3	0.3	60.7	164.8	477.1	209.6	0.0	126.1
Other capital	616.4	231.8	5.5	18.2	197.2	10.9	0.1	5.9	2.5	13.7	58.0	155.7	126.2	0.3	22.3
Portfolio investment assets	4,459.0	1,375.3	65.7	141.4	1,006.1	93.5	68.6	85.1	37.6	262.8	141.2	1,455.5	529.2	32.2	540.1
Equity	2,014.1	486.5	12.3	58.4	393.2	22.4	0.1	22.6	35.2	181.0	128.7	671.0	216.6	1.4	271.1
Debt instruments	2,444.9	888.9	53.4	83.0	612.9	71.2	68.4	62.4	2.4	81.8	12.5	784.5	312.6	30.8	269.0
Bonds and notes	2,067.5	732.6	48.6	71.1	474.4	70.4	68.2	60.2	2.3	62.3	8.5	660.3	273.0	29.8	238.5
Money market instruments	377.4	156.3	4.9	11.9	138.5	0.8	0.2	2.3	0.0	19.6	4.0	124.2	39.5	1.0	30.5
Other investment	-209.3	92.8	86.4	13.5	116.3	25.2	-148.6	-1.6	3.9	-37.5	-50.2	-5.1	-215.7	-20.0	24.1
Assets	4,402.3	2,291.6	111.4	69.2	1,988.1	113.3	9.5	19.5	25.3	73.7	263.5	586.7	438.6	45.7	657.9
General government	117.1	25.2	2.1	0.1	14.2	1.5	7.4	0.0	1.9	0.2	0.1	3.1	1.4	38.5	46.7
MFIs	2,956.4	1,718.0	95.7	47.9	1,490.9	82.8	0.8	11.0	12.0	38.9	162.7	344.7	274.7	6.6	387.8
Other sectors	1,328.7	548.3	13.6	21.2	483.0	29.1	1.4	8.4	11.4	34.7	100.7	238.9	162.5	0.6	223.3
Liabilities	4,611.5	2,198.8	25.0	55.7	1,871.8	88.1	158.1	21.0	21.3	111.2	313.6	591.8	654.3	65.7	633.8
General government	48.3	24.1	0.0	0.3	2.4	0.0	21.4	0.0	0.0	0.7	0.0	6.2	0.2	2.7	14.3
MFIs	3,587.2	1,659.8	19.5	35.0	1,440.4	67.9	97.0	14.2	8.5	60.3	253.7	416.6	583.6	60.4	530.2
Other sectors	976.1	514.9	5.5	20.4	429.0	20.2	39.8	6.8	12.8	50.3	59.9	169.0	70.5	2.6	89.3
2006 Q4 to 2007 Q3	Cumulated transactions														
Direct investment	169.3	42.5	-5.5	4.4	15.8	28.0	-0.1	20.9	0.9	-8.5	21.8	-9.2	23.3	0.0	77.7
Abroad	382.8	119.0	2.0	6.5	81.0	29.5	0.0	28.7	3.4	3.3	32.5	77.0	42.0	0.0	83.6
Equity/reinvested earnings	269.7	65.4	1.8	2.7	35.4	25.5	0.0	18.4	2.2	3.0	19.0	68.2	29.7	0.0	63.8
Other capital	113.0	53.6	0.2	3.8	45.6	4.0	0.0	10.3	1.2	0.3	13.5	8.8	12.3	0.0	13.0
In the euro area	213.5	76.5	7.5	2.1	65.2	1.5	0.1	7.8	2.5	11.9	10.7	86.3	18.7	0.0	-0.9
Equity/reinvested earnings	154.1	56.6	7.5	0.8	47.9	0.3	0.1	0.4	0.4	8.3	6.4	69.2	6.6	0.0	6.2
Other capital	59.3	19.9	0.0	1.3	17.3	1.3	0.0	7.3	2.1	3.6	4.3	17.1	12.2	0.0	-7.0
Portfolio investment assets	479.7	134.3	10.8	17.1	95.6	3.7	7.1	5.8	-2.0	-6.6	-1.0	173.3	78.4	-1.9	99.5
Equity	68.2	-0.8	2.4	2.0	-3.4	-1.9	0.2	-1.0	-2.5	-2.0	-3.8	21.5	33.3	0.0	23.4
Debt instruments	411.6	135.1	8.4	15.1	99.1	5.6	6.9	6.8	0.5	-4.7	2.7	151.8	45.1	-2.0	76.0
Bonds and notes	344.8	105.6	8.2	14.9	72.1	3.9	6.4	5.6	0.5	1.9	2.4	127.6	27.2	-1.8	75.8
Money market instruments	66.8	29.5	0.2	0.2	26.9	1.7	0.6	1.3	0.0	-6.5	0.3	24.2	17.9	-0.2	0.2
Other investment	53.7	112.1	25.3	-10.2	78.9	34.8	-16.6	-4.4	0.4	-33.7	-3.8	-116.9	56.8	0.1	43.0
Assets	1,062.1	549.2	24.7	-1.3	473.5	49.1	3.2	3.3	4.2	-16.7	38.9	260.4	93.1	9.4	120.2
General government	-2.3	-2.2	1.2	-0.8	-2.9	-0.1	0.4	-0.1	0.0	0.4	0.0	-0.1	0.0	0.9	-1.2
MFIs	723.2	408.0	22.0	2.6	335.1	48.0	0.4	-0.9	1.9	-8.8	39.0	96.4	82.3	8.6	96.7
Other sectors	341.2	143.4	1.5	-3.0	141.3	1.2	2.4	4.2	2.3	-8.3	0.0	164.1	10.8	0.0	24.7
Liabilities	1,008.4	437.1	-0.6	8.9	394.6	14.3	19.8	7.7	3.8	17.0	42.7	377.3	36.4	9.3	77.2
General government	2.4	6.2	-0.2	0.0	-1.6	0.0	8.0	0.0	0.0	-0.2	-2.6	0.3	0.1	0.2	-1.6
MFIs	707.0	366.3	-1.3	6.9	344.4	10.5	5.8	5.7	2.9	17.0	27.6	186.4	28.0	9.0	64.1
Other sectors	299.0	64.5	0.9	2.0	51.8	3.8	6.0	2.0	0.9	0.2	17.7	190.6	8.3	0.1	14.7

Source: ECB.

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

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2005	21.5	-343.2	147.1	-265.6	219.9	266.7	-170.7	167.0	-16.4	-43.9	-17.7	-0.1
2006	-1.6	-298.8	197.8	-288.1	248.3	446.4	-194.2	183.7	2.5	-115.0	181.1	200.4
2007	30.4	-363.7	269.6	-195.9	176.2	336.2	-330.2	240.8	-122.1	-33.4	7.8	18.4
2006 Q4	21.6	-57.4	21.6	-68.4	67.8	159.2	-56.8	63.5	-2.7	21.2	169.6	176.3
2007 Q1	4.8	-89.5	78.3	-54.6	94.8	150.8	-77.4	8.4	-16.4	-9.5	89.7	101.6
Q2	-2.4	-104.2	43.8	-68.7	60.4	123.9	-56.2	44.3	-23.2	-21.2	-3.5	-8.7
Q3	11.0	-94.5	71.3	-43.5	35.3	48.7	-148.6	185.6	-32.5	-101.6	-68.8	-67.8
Q4	17.1	-75.5	76.2	-29.1	-14.3	12.8	-48.0	2.5	-50.0	98.9	-9.5	-6.7
2007 Jan.	-1.4	-25.7	12.9	-16.3	39.9	45.7	-38.9	3.5	-4.2	-41.2	-25.8	-23.1
Feb.	-2.4	-42.0	33.3	-22.0	40.6	44.3	-24.3	27.6	-7.9	0.5	47.5	40.0
Mar.	8.7	-21.7	32.1	-16.3	14.2	60.7	-14.1	-22.6	-4.3	31.2	68.0	84.7
Apr.	-4.0	-23.9	17.0	-21.3	-14.5	38.5	-10.6	24.1	-9.9	-37.2	-41.8	-38.5
May	-10.9	-43.0	19.7	-20.3	10.9	41.1	-23.1	3.4	-2.9	14.6	-10.5	-17.2
June	12.4	-37.2	7.1	-27.2	64.0	44.2	-22.5	16.7	-10.4	1.5	48.7	46.9
July	5.6	-24.1	24.4	-19.1	34.6	19.0	32.5	-0.8	-12.9	-51.4	7.7	5.6
Aug.	0.5	-25.5	28.6	-14.2	-14.6	23.6	-14.0	33.4	-8.4	-59.1	-49.7	-51.3
Sep.	4.9	-44.9	18.3	-10.2	15.3	6.1	-167.1	152.9	-11.1	9.0	-26.8	-22.1
Oct.	5.1	-36.7	45.5	-18.4	-21.1	-11.0	-33.9	4.6	-6.9	75.5	2.6	11.6
Nov.	3.8	-18.5	29.7	-2.5	3.9	49.3	-19.9	9.7	-31.6	9.3	33.3	28.1
Dec.	8.2	-20.3	1.0	-8.1	2.9	-25.5	5.8	-11.8	-11.5	14.0	-45.4	-46.5
2008 Jan.	-16.8	-38.1	12.0	23.1	3.2	18.7	-13.0	22.8	-12.7	-12.3	-13.0	-21.0
	12-month cumulated transactions											
2008 Jan.	15.1	-376.0	268.7	-156.5	139.4	309.2	-304.3	260.2	-130.7	-4.4	20.7	20.5

C34 Main b.o.p. transactions underlying the developments in MFI net external assets [1]
(EUR billions; 12-month cumulated transactions)



Source: ECB.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Excluding money market fund shares/units.
3) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2004	9.0	9.3	1,142.6	543.5	246.5	313.7	995.1	1,076.0	604.7	184.3	257.0	771.3	129.0
2005	7.8	13.4	1,237.0	589.4	269.1	334.0	1,068.7	1,227.6	705.8	208.3	277.3	846.8	186.2
2006	11.6	13.6	1,383.5	669.5	292.7	371.5	1,182.7	1,397.2	833.7	213.3	308.3	943.4	224.3
2007	8.3	5.5	1,497.1	721.2	315.2	394.3	1,275.1	1,472.3	882.9	207.0	324.6	1,008.9	221.4
2006 Q3	8.3	10.4	347.0	169.2	71.7	92.4	296.5	353.5	213.7	52.0	77.0	236.9	59.9
Q4	12.3	7.6	362.9	176.6	76.2	97.1	312.0	356.7	212.6	53.0	79.5	246.4	52.2
2007 Q1	9.0	5.2	367.2	177.0	77.6	97.0	312.4	358.6	213.1	52.9	79.9	251.2	47.4
Q2	9.4	3.6	370.0	178.2	78.2	97.9	316.7	360.3	217.5	50.3	79.6	248.8	52.7
Q3	10.0	6.3	380.3	183.7	79.8	100.3	325.4	375.2	223.6	53.1	83.2	259.0	57.1
Q4	4.9	6.8	379.7	182.3	79.7	99.3	320.6	378.2	228.7	50.7	81.9	249.8	64.2
2007 Aug.	12.2	5.8	128.3	62.3	27.0	33.6	109.9	125.8	74.7	17.9	27.9	87.1	19.0
Sep.	4.0	3.2	126.8	60.9	27.0	33.3	109.1	124.1	73.5	17.5	28.0	86.2	18.8
Oct.	10.6	8.9	128.2	62.0	27.0	33.7	108.5	126.8	75.2	17.3	27.8	84.4	19.4
Nov.	4.7	6.7	128.0	61.1	27.1	33.2	108.7	126.2	76.5	16.9	27.4	83.5	21.2
Dec.	-1.0	4.6	123.5	59.2	25.7	32.4	103.4	125.2	77.1	16.5	26.7	81.9	23.6
2008 Jan.	11.0	13.2	132.5	.	.	.	109.7	134.5	.	.	.	84.8	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2004	9.5	7.0	117.4	114.9	120.2	118.5	118.6	108.1	104.1	108.8	117.6	109.0	105.0
2005	5.0	5.2	123.6	119.6	129.8	123.7	124.6	114.1	107.5	123.6	123.7	117.1	109.8
2006	7.8	6.0	133.5	130.3	138.4	133.4	134.4	121.0	114.7	126.6	132.9	126.0	109.5
2007	5.9	4.0	141.3	135.9	146.9	139.7	142.0	125.7	117.9	126.1	138.7	133.5	106.2
2006 Q3	5.3	4.7	133.8	131.4	136.7	132.4	135.0	120.5	114.9	124.4	131.7	125.8	109.7
Q4	9.5	5.9	139.4	136.4	143.7	139.4	140.6	125.2	119.0	127.7	136.8	131.0	111.8
2007 Q1	7.2	6.3	139.8	134.6	145.2	137.6	139.6	126.0	119.4	127.8	137.1	132.9	107.3
Q2	6.5	3.4	139.3	133.8	145.3	138.9	140.5	124.4	118.0	123.3	137.5	131.8	105.6
Q3	7.3	5.3	143.0	137.9	148.5	141.7	144.6	126.7	117.6	129.6	140.5	136.3	105.3
Q4	2.9	1.1	142.9	137.1	148.7	140.8	143.3	125.6	116.6	123.6	139.5	132.9	106.8
2007 Aug.	9.8	6.4	145.1	140.8	151.5	142.9	146.9	128.0	118.5	131.6	141.5	138.2	105.9
Sep.	1.5	0.7	143.1	137.0	151.2	142.0	145.8	125.2	115.7	126.7	141.3	135.8	103.6
Oct.	8.2	4.1	144.9	139.7	151.5	142.9	145.2	127.9	117.2	126.6	142.7	134.7	103.3
Nov.	2.6	0.5	144.5	137.7	152.0	141.5	146.0	125.3	116.4	123.6	140.2	133.1	103.4
Dec.	-2.7	-1.7	139.3	133.9	142.6	137.9	138.7	123.6	116.4	120.7	135.6	131.1	113.6
2008 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (n.s.a.; 2000 = 100; annual percentage changes for columns 1 and 2)												
2004	-0.1	2.7	97.6	96.6	95.7	101.2	97.3	97.4	98.3	92.3	99.0	96.3	99.6
2005	2.9	8.0	100.4	100.6	96.8	103.3	99.4	105.2	111.1	91.8	101.5	98.5	137.8
2006	3.6	7.4	104.0	104.9	98.7	106.5	102.0	113.0	123.1	91.9	105.1	101.9	166.6
2007	2.2	1.4	106.3	108.4	100.2	108.0	104.1	114.6	126.8	89.5	106.0	102.9	169.3
2006 Q3	2.9	5.6	104.1	105.2	97.9	106.7	101.9	114.7	126.0	91.1	105.9	102.6	177.3
Q4	2.6	1.5	104.5	105.7	99.0	106.6	102.9	111.5	121.0	90.5	105.3	102.4	151.6
2007 Q1	1.7	-1.0	105.4	107.5	99.8	107.9	103.8	111.4	120.9	90.3	105.6	103.0	143.6
Q2	2.7	0.2	106.5	108.8	100.5	107.8	104.5	113.3	124.9	88.9	104.9	102.8	162.1
Q3	2.5	1.0	106.7	108.8	100.3	108.3	104.4	115.9	128.7	89.3	107.3	103.5	176.3
Q4	2.0	5.7	106.6	108.7	100.1	107.9	103.7	117.8	132.8	89.4	106.4	102.3	195.3
2007 Aug.	2.2	-0.6	106.4	108.5	100.0	108.1	104.1	115.3	128.1	88.9	107.1	103.0	174.9
Sep.	2.5	2.5	106.7	109.0	100.2	107.6	104.1	116.3	129.0	90.1	107.7	103.7	176.6
Oct.	2.2	4.6	106.5	108.8	99.7	108.1	103.9	116.3	130.3	89.4	106.0	102.4	183.2
Nov.	2.0	6.1	106.6	108.8	99.7	107.8	103.6	118.2	133.5	89.6	106.3	102.5	200.1
Dec.	1.8	6.4	106.7	108.4	100.9	107.8	103.7	118.9	134.6	89.3	107.0	102.1	202.7
2008 Jan.	.	.	.	.	.	.	.	.	.	.	.	.	.

Source: Eurostat.

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union 27 (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.)														
2004	1,142.6	25.8	42.2	204.6	133.9	35.9	66.6	31.8	172.8	225.7	40.4	33.3	64.6	40.7	98.1
2005	1,237.0	29.0	45.2	203.3	153.2	43.7	70.8	34.7	185.3	244.2	43.3	34.1	73.4	46.9	107.4
2006	1,383.5	31.7	49.8	216.8	189.8	55.1	77.2	38.8	199.8	271.7	53.7	34.5	77.7	54.4	120.7
2007	1,497.1	33.7	55.2	228.5	219.7	67.0	81.8	40.9	194.6	295.7	60.1	34.2	87.1	61.3	132.0
2006 Q3	347.0	7.9	12.6	54.6	48.2	14.1	19.4	9.7	49.5	67.9	13.6	8.6	19.2	13.5	30.3
Q4	362.9	8.2	13.2	54.7	51.1	15.7	20.8	9.7	51.1	72.0	14.8	8.7	20.0	14.2	32.2
2007 Q1	367.2	8.3	13.6	56.7	52.5	15.7	20.5	10.2	49.9	72.2	14.3	8.7	21.4	14.8	31.4
Q2	370.0	8.4	13.9	56.0	53.8	16.7	20.0	9.9	48.6	73.0	14.8	8.9	21.4	15.4	32.8
Q3	380.3	8.5	14.1	58.7	56.2	17.2	20.6	10.3	49.3	74.9	15.3	8.4	22.2	15.6	32.9
Q4	379.7	8.4	13.7	57.1	57.1	17.4	20.7	10.5	46.8	75.6	15.7	8.1	22.1	15.5	34.9
2007 Aug.	128.3	2.8	4.7	20.1	19.0	5.8	6.8	3.5	16.5	25.1	5.1	2.9	7.5	5.4	11.1
Sep.	126.8	2.8	4.6	19.1	18.8	5.7	7.0	3.5	16.5	24.9	5.2	2.7	7.3	5.1	11.5
Oct.	128.2	2.8	4.8	19.3	19.1	5.8	6.9	3.4	16.1	25.2	5.3	2.8	7.3	5.3	12.0
Nov.	128.0	2.8	4.6	19.1	19.1	5.8	7.0	3.6	15.9	25.3	5.1	2.7	7.3	5.2	12.3
Dec.	123.5	2.8	4.3	18.7	18.9	5.7	6.7	3.5	14.8	25.2	5.2	2.6	7.4	5.0	10.5
2008 Jan.	132.5	.	.	.	.	6.1	7.0	4.0	16.4	26.1	5.8	3.0	7.6	5.3	.
	% share of total exports														
2007	100.0	2.3	3.7	15.3	14.7	4.5	5.5	2.7	13.0	19.8	4.0	2.3	5.8	4.1	8.8
	Imports (c.i.f.)														
2004	1,076.0	25.4	39.8	144.9	115.5	56.6	53.4	23.2	113.4	309.3	92.4	54.1	72.9	45.2	76.5
2005	1,227.6	26.4	42.3	153.2	127.8	76.3	58.1	25.5	120.2	363.7	118.2	53.2	96.0	53.8	84.5
2006	1,397.2	28.5	47.7	167.1	152.2	95.6	62.3	29.4	125.9	418.7	144.5	57.0	110.5	66.3	93.3
2007	1,472.3	28.0	51.7	167.3	174.2	97.2	67.1	32.3	130.6	444.5	169.8	58.3	112.5	74.7	92.4
2006 Q3	353.5	7.2	12.1	41.5	38.9	24.0	16.0	7.5	31.3	105.1	35.7	14.4	28.3	16.8	24.9
Q4	356.7	7.1	12.6	40.8	40.9	22.1	15.9	7.6	32.6	108.5	40.0	14.3	27.8	17.5	23.6
2007 Q1	358.6	7.0	12.9	40.9	41.5	22.6	16.9	7.9	33.5	110.5	42.4	14.9	26.4	17.9	20.4
Q2	360.3	7.1	12.8	41.5	42.5	23.8	16.5	7.9	32.1	107.3	39.6	14.3	27.0	18.4	23.5
Q3	375.2	7.2	12.8	42.6	44.8	23.6	17.2	8.2	33.2	114.4	44.6	14.8	28.1	18.9	24.3
Q4	378.2	6.7	13.2	42.2	45.4	27.2	16.5	8.3	31.8	112.3	43.2	14.2	31.0	19.5	24.1
2007 Aug.	125.8	2.4	4.3	14.5	15.1	7.8	5.8	2.7	11.1	38.6	15.0	5.1	9.2	6.3	8.1
Sep.	124.1	2.4	4.2	13.8	15.2	7.6	5.7	2.7	11.2	37.4	14.8	4.9	9.4	6.4	7.9
Oct.	126.8	2.3	4.4	14.2	15.3	9.0	5.6	2.8	10.7	37.6	14.7	4.9	9.5	6.5	8.9
Nov.	126.2	2.3	4.5	14.1	15.3	9.1	5.5	2.8	10.8	37.0	14.3	4.6	10.1	6.6	8.2
Dec.	125.2	2.2	4.4	13.9	14.8	9.1	5.4	2.8	10.3	37.7	14.1	4.7	11.4	6.4	6.9
2008 Jan.	134.5	.	.	.	.	9.3	5.5	2.9	11.4	39.5	15.0	4.8	11.4	6.6	.
	% share of total imports														
2007	100.0	1.9	3.5	11.4	11.8	6.6	4.6	2.2	8.9	30.2	11.5	4.0	7.6	5.1	6.3
	Balance														
2004	66.6	0.4	2.4	59.7	18.4	-20.7	13.3	8.6	59.4	-83.6	-52.0	-20.8	-8.4	-4.5	21.6
2005	9.4	2.6	2.9	50.1	25.4	-32.6	12.7	9.2	65.1	-119.5	-74.9	-19.1	-22.6	-6.8	22.8
2006	-13.7	3.2	2.1	49.7	37.6	-40.5	15.0	9.4	73.9	-147.0	-90.8	-22.5	-32.8	-11.9	27.4
2007	24.8	5.6	3.5	61.2	45.5	-30.2	14.7	8.6	64.0	-148.7	-109.6	-24.1	-25.5	-13.4	39.6
2006 Q3	-6.6	0.7	0.5	13.1	9.3	-9.9	3.4	2.2	18.2	-37.2	-22.1	-5.7	-9.1	-3.3	5.5
Q4	6.2	1.1	0.6	13.9	10.3	-6.5	4.9	2.1	18.6	-36.5	-25.2	-5.6	-7.7	-3.3	8.6
2007 Q1	8.6	1.3	0.7	15.8	11.0	-6.9	3.5	2.3	16.4	-38.3	-28.1	-6.2	-5.0	-3.1	10.9
Q2	9.7	1.4	1.1	14.4	11.3	-7.1	3.6	1.9	16.6	-34.2	-24.8	-5.4	-5.5	-3.0	9.4
Q3	5.0	1.3	1.3	16.0	11.5	-6.4	3.4	2.1	16.0	-39.5	-29.2	-6.4	-6.0	-3.3	8.5
Q4	1.5	1.7	0.4	15.0	11.8	-9.8	4.2	2.2	15.0	-36.7	-27.5	-6.1	-9.0	-3.9	10.8
2007 Aug.	2.5	0.4	0.4	5.7	3.9	-2.0	1.0	0.8	5.4	-13.5	-9.8	-2.2	-1.8	-0.9	3.0
Sep.	2.7	0.4	0.3	5.3	3.6	-2.0	1.3	0.8	5.3	-12.6	-9.5	-2.2	-2.1	-1.4	3.6
Oct.	1.5	0.6	0.4	5.1	3.8	-3.2	1.3	0.7	5.4	-12.5	-9.5	-2.1	-2.2	-1.2	3.1
Nov.	1.8	0.6	0.1	5.0	3.8	-3.3	1.5	0.8	5.1	-11.7	-9.2	-1.9	-2.8	-1.4	4.1
Dec.	-1.8	0.6	-0.1	4.8	4.1	-3.3	1.4	0.7	4.5	-12.5	-8.9	-2.1	-4.0	-1.4	3.6
2008 Jan.	-2.0	.	.	.	.	-3.3	1.5	1.1	5.0	-13.5	-9.3	-1.8	-3.8	-1.3	.

Source: Eurostat.

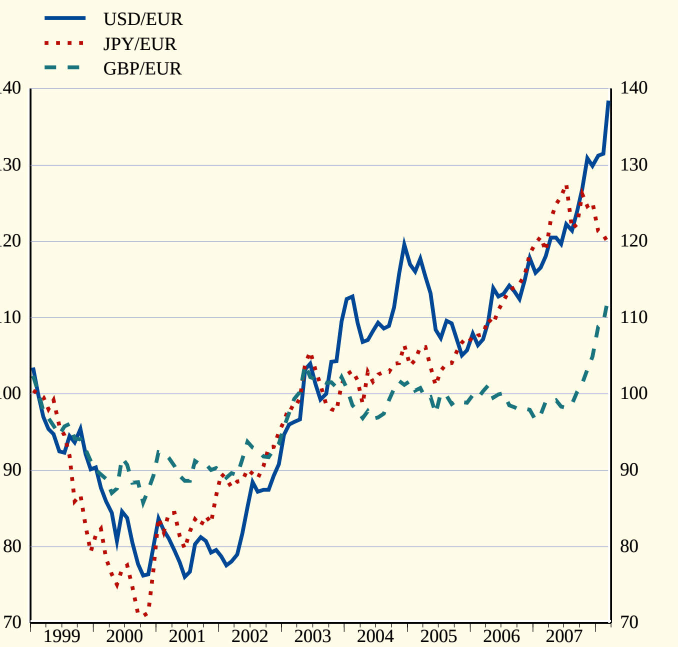
8 EXCHANGE RATES

8.1 Effective exchange rates [1]
(period averages; index 1999 Q1=100)

	EER-22						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2005	103.3	104.2	102.5	102.2	98.5	101.6	109.7	103.7
2006	103.6	104.6	103.0	102.2	99.3	101.2	110.0	103.4
2007	107.7	108.3	106.9	105.7	102.0	104.2	114.2	106.6
2007 Q1	105.5	106.2	104.9	103.7	99.7	101.9	112.1	104.9
Q2	107.1	107.7	106.2	105.2	102.4	104.0	113.5	106.0
Q3	107.6	108.2	106.8	105.6	101.5	104.1	114.1	106.4
Q4	110.5	111.2	109.6	108.2	104.4	106.5	117.0	109.0
2008 Q1	112.7	113.1	111.5	.	.	.	119.4	110.8
2007 Mar.	106.1	106.8	105.3	-	-	-	112.8	105.4
Apr.	107.2	107.8	106.4	-	-	-	113.7	106.3
May	107.3	107.9	106.2	-	-	-	113.6	106.1
June	106.9	107.4	105.9	-	-	-	113.2	105.6
July	107.6	108.1	106.5	-	-	-	113.9	106.2
Aug.	107.1	107.7	106.4	-	-	-	113.7	106.0
Sep.	108.2	108.9	107.5	-	-	-	114.8	107.0
Oct.	109.4	110.1	108.7	-	-	-	115.8	107.9
Nov.	111.0	111.7	110.0	-	-	-	117.6	109.6
Dec.	111.2	111.7	110.0	-	-	-	117.6	109.4
2008 Jan.	112.0	112.3	110.5	-	-	-	118.3	109.9
Feb.	111.8	112.0	110.6	-	-	-	118.2	109.6
Mar.	114.6	114.8	113.4	-	-	-	121.5	112.7
	% change versus previous month							
2008 Mar.	2.5	2.5	2.5	-	-	-	2.9	2.8
	% change versus previous year							
2008 Mar.	7.9	7.5	7.7	-	-	-	7.8	6.9

C35 Effective exchange rates
(monthly averages; index 1999 Q1=100)

C36 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



Source: ECB.
1) For the definition of the trading partner groups and other information, please refer to the General notes.

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2007 Q3	7.4446	9.2639	0.68001	1.3738	161.90	1.6473	1,274.31	10.7250	2.0841	1.4374	7.9175	1.6229
Q4	7.4557	9.2899	0.70782	1.4486	163.83	1.6596	1,334.12	11.2639	2.1061	1.4201	7.8778	1.6279
2008 Q1	7.4534	9.3996	0.75698	1.4976	157.80	1.6014	1,430.84	11.6737	2.1107	1.5022	7.9583	1.6533
2007 Sep.	7.4506	9.2835	0.68887	1.3896	159.82	1.6475	1,291.46	10.8151	2.1009	1.4273	7.8306	1.6445
Oct.	7.4534	9.1735	0.69614	1.4227	164.95	1.6706	1,301.67	11.0327	2.0849	1.3891	7.6963	1.5837
Nov.	7.4543	9.2889	0.70896	1.4684	162.89	1.6485	1,348.46	11.4211	2.1242	1.4163	7.9519	1.6373
Dec.	7.4599	9.4319	0.72064	1.4570	163.55	1.6592	1,356.79	11.3619	2.1108	1.4620	8.0117	1.6703
2008 Jan.	7.4505	9.4314	0.74725	1.4718	158.68	1.6203	1,387.66	11.4863	2.1062	1.4862	7.9566	1.6694
Feb.	7.4540	9.3642	0.75094	1.4748	157.97	1.6080	1,392.57	11.4996	2.0808	1.4740	7.9480	1.6156
Mar.	7.4561	9.4020	0.77494	1.5527	156.59	1.5720	1,523.14	12.0832	2.1489	1.5519	7.9717	1.6763
	% change versus previous month											
2008 Mar.	0.0	0.4	3.2	5.3	-0.9	-2.2	9.4	5.1	3.3	5.3	0.3	3.8
	% change versus previous year											
2008 Mar.	0.1	1.1	13.9	17.3	0.9	-2.5	22.0	16.8	6.5	0.3	-2.0	0.4

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22	23
2005	29.782	15.6466	0.6962	3.4528	248.05	4.0230	38.599	1.9558	3.6209	7.4008	1.6771
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	37.234	1.9558	3.5258	7.3247	1.8090
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	33.775	1.9558	3.3353	7.3376	1.7865
2007 Q3	27.941	15.6466	0.6988	3.4528	251.82	3.7900	33.579	1.9558	3.2321	7.3080	1.7685
Q4	26.826	15.6466	0.7005	3.4528	252.86	3.6584	33.424	1.9558	3.4489	7.3281	1.7261
2008 Q1	25.564	15.6466	0.6973	3.4528	259.30	3.5759	33.069	1.9558	3.6887	7.2852	1.8036
2007 Sep.	27.573	15.6466	0.7021	3.4528	253.33	3.7891	33.829	1.9558	3.3481	7.3134	1.7536
Oct.	27.335	15.6466	0.7030	3.4528	251.02	3.7062	33.624	1.9558	3.3537	7.3284	1.7089
Nov.	26.733	15.6466	0.7005	3.4528	254.50	3.6575	33.232	1.9558	3.4739	7.3365	1.7498
Dec.	26.317	15.6466	0.6975	3.4528	253.18	3.6015	33.404	1.9558	3.5351	7.3178	1.7195
2008 Jan.	26.050	15.6466	0.6982	3.4528	256.03	3.6092	33.546	1.9558	3.6937	7.3155	1.7322
Feb.	25.377	15.6466	0.6967	3.4528	262.15	3.5768	33.085	1.9558	3.6557	7.2707	1.7632
Mar.	25.208	15.6466	0.6970	3.4528	259.94	3.5363	32.499	1.9558	3.7194	7.2662	1.9309
	% change versus previous month										
2008 Mar.	-0.7	0.0	0.0	0.0	-0.8	-1.1	-1.8	0.0	1.7	-0.1	9.5
	% change versus previous year										
2008 Mar.	-10.2	0.0	-1.7	0.0	4.0	-9.0	-3.9	0.0	10.4	-1.3	3.5

	Brazilian real [1]	Chinese yuan renminbi	Icelandic krona	Indonesian rupiah	Malaysian ringgit	Mexican peso [1]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	24	25	26	27	28	29	30	31	32	33	34
2005	3.0360	10.1955	78.23	12,072.83	4.7119	13.5643	1.7660	68.494	35.1884	7.9183	50.068
2006	2.7333	10.0096	87.76	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6603	10.4178	87.63	12,528.33	4.7076	14.9801	1.8627	63.026	35.0183	9.6596	44.214
2007 Q3	2.6333	10.3834	86.71	12,705.62	4.7608	15.0578	1.8508	63.035	35.0350	9.7645	43.220
Q4	2.5863	10.7699	88.69	13,374.03	4.8613	15.7217	1.8965	62.330	35.6947	9.8088	45.097
2008 Q1	2.6012	10.7268	101.09	13,861.78	4.8325	16.1862	1.8960	61.211	36.3097	11.2736	46.461
2007 Sep.	2.6455	10.4533	88.59	12,927.37	4.8249	15.3293	1.9358	63.911	35.1723	9.8912	44.570
Oct.	2.5653	10.6741	86.30	12,945.80	4.8005	15.4044	1.8739	62.894	35.4008	9.6371	44.898
Nov.	2.5920	10.8957	89.34	13,608.92	4.9279	15.9776	1.9231	63.271	35.9174	9.8553	46.120
Dec.	2.6050	10.7404	90.82	13,620.45	4.8576	15.8096	1.8930	60.556	35.7927	9.9626	44.153
2008 Jan.	2.6111	10.6568	94.50	13,839.19	4.8090	16.0639	1.9054	60.079	36.0300	10.3101	44.758
Feb.	2.5516	10.5682	98.06	13,542.26	4.7548	15.8786	1.8513	59.845	36.1357	11.2899	46.085
Mar.	2.6445	10.9833	112.08	14,241.09	4.9455	16.6678	1.9344	64.031	36.8259	12.3712	48.848
	% change versus previous month										
2008 Mar.	3.6	3.9	14.3	5.2	4.0	5.0	4.5	7.0	1.9	9.6	6.0
	% change versus previous year										
2008 Mar.	-4.4	7.2	26.4	17.3	7.0	13.2	2.1	-0.1	6.5	27.0	12.8

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12
						HICP						
2006	7.4	2.1	1.9	4.4	6.6	3.8	4.0	1.3	6.6	4.3	1.5	2.3
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.9	1.7	2.3
2007 Q3	9.0	2.7	1.0	6.7	10.4	5.9	7.3	2.4	5.1	1.4	1.4	1.8
Q4	11.2	4.9	2.2	9.2	13.7	7.9	7.1	3.7	6.8	2.4	2.3	2.1
2008 Q1	.	7.6	.	11.3	.	.	.	.	.	.	.	.
2007 Nov.	11.4	5.1	2.5	9.3	13.7	7.9	7.2	3.7	6.8	2.3	2.4	2.1
Dec.	11.6	5.5	2.4	9.7	14.0	8.2	7.4	4.2	6.7	2.5	2.5	2.1
2008 Jan.	11.7	7.9	3.0	11.3	15.6	10.0	7.4	4.4	7.3	3.2	3.0	2.2
Feb.	12.2	7.6	3.3	11.5	16.5	10.9	6.7	4.6	8.0	3.4	2.9	2.5
Mar.	.	7.1	.	11.2	.	.	.	.	.	.	.	.
						General government deficit (-)/surplus (+) as a % of GDP						
2004	2.3	-3.0	1.9	1.8	-1.0	-1.5	-6.5	-5.7	-1.5	-2.4	0.8	-3.4
2005	2.0	-3.5	4.6	1.9	-0.4	-0.5	-7.8	-4.3	-1.4	-2.8	2.4	-3.3
2006	3.2	-2.9	4.6	3.6	-0.3	-0.6	-9.2	-3.8	-1.9	-3.7	2.5	-2.7
						General government gross debt as a % of GDP						
2004	37.9	30.4	44.0	5.1	14.5	19.4	59.4	45.7	18.8	41.4	52.4	40.4
2005	29.2	30.2	36.3	4.4	12.5	18.6	61.6	47.1	15.8	34.2	52.2	42.1
2006	22.8	30.1	30.3	4.0	10.6	18.2	65.6	47.6	12.4	30.4	47.0	43.2
						Long-term government bond yield as a % per annum, period average						
2007 Oct.	4.59	4.53	4.39	-	5.06	4.72	6.61	5.64	6.93	4.64	4.31	5.00
Nov.	4.94	4.55	4.21	-	5.12	4.57	6.74	5.70	6.93	4.59	4.22	4.74
Dec.	5.08	4.67	4.33	-	5.10	4.94	6.93	5.86	6.93	4.61	4.31	4.70
2008 Jan.	5.07	4.56	4.15	-	5.71	4.73	7.11	5.81	6.93	4.48	4.09	4.26
Feb.	5.24	4.48	4.08	-	5.11	4.51	7.58	5.82	6.93	4.36	4.02	4.45
Mar.	4.85	4.68	4.04	-	5.25	4.36	8.41	5.99	6.93	4.34	3.92	4.42
						3-month interest rate as a % per annum, period average						
2007 Sep.	5.25	3.46	4.85	5.21	11.06	5.59	7.72	5.09	6.82	4.32	4.22	6.65
Oct.	5.59	3.55	4.84	5.22	12.75	5.93	7.60	5.13	7.25	4.33	4.37	6.27
Nov.	6.32	3.73	4.82	5.36	11.69	6.50	7.51	5.36	7.71	4.35	4.61	6.41
Dec.	6.56	4.05	4.92	7.23	10.78	7.07	7.63	5.67	7.93	4.31	4.74	6.36
2008 Jan.	6.55	3.96	4.73	7.03	9.01	5.69	7.78	5.64	8.43	4.32	4.52	5.66
Feb.	6.65	3.94	4.61	6.62	7.52	4.90	-	5.74	9.67	4.28	4.62	5.64
						Real GDP						
2006	7.1	6.4	3.9	11.2	11.9	7.7	3.9	6.2	7.9	8.5	4.1	2.9
2007	6.2	6.5	1.8	7.1	10.2	8.8	1.3	6.5	6.0	10.4	2.6	3.0
2007 Q2	7.3	6.4	-0.1	7.6	11.0	8.0	1.5	6.7	5.7	9.3	2.8	3.2
Q3	4.9	6.4	1.5	6.4	10.9	10.4	0.9	6.0	5.7	9.4	2.6	3.3
Q4	6.9	6.6	2.0	4.8	8.0	8.5	0.4	6.7	6.6	14.3	2.6	2.9
						Current and capital accounts balance as a % of GDP						
2006	-17.1	-2.9	2.7	-13.2	-21.1	-9.6	-5.4	-2.1	-10.5	-7.1	7.8	-3.8
2007	-20.3	-2.0	1.1	-15.8	-20.7	-11.9	-3.9	-2.6	-13.5	-4.7	8.3	-5.1
2007 Q2	-19.0	-4.0	2.9	-14.0	-22.7	-15.1	-5.8	-4.0	-15.3	-6.7	5.9	-4.2
Q3	-11.8	-4.4	2.5	-16.5	-24.3	-10.1	-2.8	-2.0	-10.8	-6.3	7.0	-6.2
Q4	-25.1	-2.1	0.9	-11.0	-13.1	-10.2	-2.5	-1.8	-13.5	-6.8	9.6	.
						Unit labour costs						
2006	4.4	1.7	1.7	8.1	14.1	8.8	.	0.7	.	1.7	-0.2	2.5
2007	14.2	.	3.8	18.9	24.8	7.0	.	.	.	0.2	3.9	1.5
2007 Q2	10.9	2.0	5.8	20.1	-	7.7	-	-	-	-0.4	3.3	1.7
Q3	16.7	2.3	4.3	20.7	-	5.9	-	-	-	0.3	3.4	2.0
Q4	14.5	1.5	3.2	19.1	-	9.1	-	-	-	-1.6	4.7	2.2
						Standardised unemployment rate as a % of labour force (s.a.)						
2006	8.9	7.1	3.9	5.9	6.9	5.6	7.5	13.8	7.3	13.4	7.0	5.3
2007	6.9	5.3	3.7	4.7	6.0	4.3	7.4	9.6	6.4	11.1	6.1	5.2
2007 Q2	7.1	5.5	3.9	4.9	5.9	4.3	7.1	9.9	6.6	11.4	6.1	5.3
Q3	6.7	5.1	3.8	4.6	6.0	4.1	7.3	9.3	6.3	11.2	5.8	5.2
Q4	6.0	4.8	3.2	4.5	5.4	4.2	7.8	8.6	6.2	10.4	5.8	5.0
2007 Oct.	6.3	5.0	3.3	4.5	5.5	4.1	7.7	8.9	6.2	10.6	5.9	5.1
Nov.	6.0	4.9	3.2	4.6	5.4	4.2	7.8	8.6	6.2	10.4	5.9	5.0
Dec.	5.9	4.7	3.1	4.5	5.4	4.3	7.9	8.2	6.2	10.3	5.7	5.0
2008 Jan.	6.1	4.7	.	5.2	5.4	4.5	7.6	8.3	.	10.1	5.6	.
Feb.	6.0	4.6	.	5.3	5.3	4.5	7.6	8.0	.	9.9	5.6	.

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

9.2 In the United States and Japan

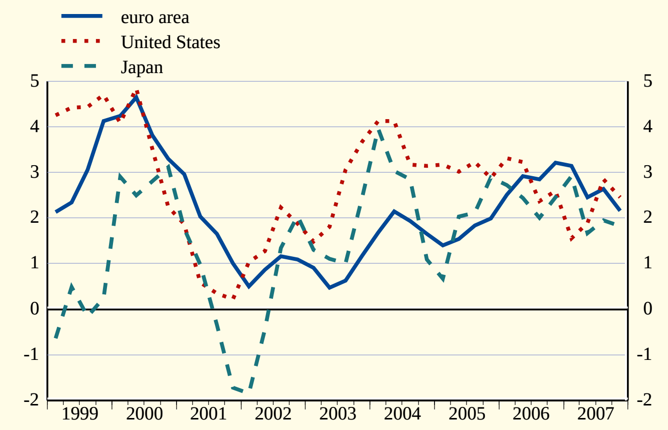
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield [3] end-of-period	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2004	2.7	-0.2	3.6	3.1	5.5	4.7	1.62	4.80	1.2439	-4.4	48.9
2005	3.4	-0.4	3.1	4.2	5.1	4.4	3.56	5.05	1.2441	-3.6	49.2
2006	3.2	-1.5	2.9	2.8	4.6	4.8	5.19	5.26	1.2556	-2.6	48.6
2007	2.9	1.7	2.2	1.8	4.6	5.9	5.30	4.81	1.3705	.	.
2007 Q1	2.4	0.9	1.5	0.9	4.5	5.4	5.36	5.27	1.3106	-3.0	49.5
Q2	2.7	2.4	1.9	1.8	4.5	6.1	5.36	5.78	1.3481	-2.7	48.3
Q3	2.4	2.8	2.8	2.2	4.7	6.3	5.45	5.34	1.3738	-3.2	48.7
Q4	4.0	0.5	2.5	2.4	4.8	5.9	5.02	4.81	1.4486	.	.
2008 Q1	.	.	.	.	4.9	.	3.26	4.24	1.4976	.	.
2007 Nov.	4.3	-	-	2.9	4.7	6.0	4.96	4.70	1.4684	-	-
Dec.	4.1	-	-	1.9	5.0	5.9	4.97	4.81	1.4570	-	-
2008 Jan.	4.3	-	-	2.7	4.9	5.8	3.92	4.37	1.4718	-	-
Feb.	4.0	-	-	2.3	4.8	6.9	3.09	4.47	1.4748	-	-
Mar.	.	-	-	.	5.1	.	2.78	4.24	1.5527	-	-
					Japan						
2004	0.0	-4.9	2.7	5.5	4.7	1.9	0.05	1.53	134.44	-6.2	157.6
2005	-0.3	-0.6	1.9	1.1	4.4	1.8	0.06	1.66	136.85	-6.4	164.2
2006	0.2	-2.6	2.4	4.8	4.1	1.1	0.30	1.85	146.02	.	.
2007	0.1	.	2.0	2.7	3.8	1.6	0.79	1.70	161.25	.	.
2007 Q1	-0.1	-2.2	2.9	3.0	4.0	1.0	0.62	1.85	156.43	.	.
Q2	-0.1	.	1.7	2.4	3.8	1.5	0.69	2.11	162.89	.	.
Q3	-0.1	.	1.9	2.7	3.8	1.9	0.89	1.88	161.90	.	.
Q4	0.5	.	1.7	2.9	3.8	2.0	0.96	1.70	163.83	.	.
2008 Q1	.	.	.	.	.	.	0.92	1.48	157.80	.	.
2007 Nov.	0.6	.	-	3.0	3.8	2.0	0.91	1.73	162.89	-	-
Dec.	0.7	.	-	0.8	3.8	2.1	0.99	1.70	163.55	-	-
2008 Jan.	0.7	.	-	2.2	3.8	2.1	0.89	1.63	158.68	-	-
Feb.	1.0	.	-	4.2	3.9	2.3	0.90	1.60	157.97	-	-
Mar.	.	.	-	.	.	.	0.97	1.48	156.59	-	-

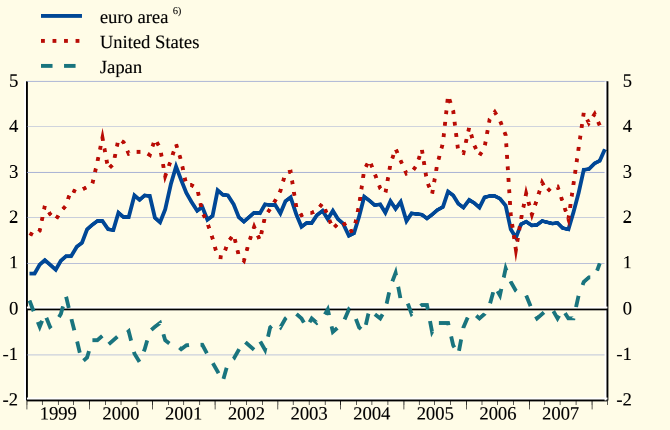
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M2 for US, M2+CDs for Japan.
3) Percentages per annum. For further information on 3-month interbank deposit rate, see Section 4.6.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition of the euro area. For further information, see the General notes.

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

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

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

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

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

CALCULATION OF BALANCING ITEMS

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

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

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

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

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

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

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

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

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

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

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of notional stocks in month t is defined as:

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

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

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

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

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

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

RELATING TO SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t), as follows:

$$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB's Governing Council. For this issue, the cut-off date was 9 April 2008.

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (i.e. the euro area including Cyprus and Malta) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for 2001, 2007 and 2008, calculated from bases in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia, and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta are available on the ECB's website at http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia, and data after 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta.

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, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term "up to (x) years" means "up to and including (x) years".

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003, the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks (NCBs) are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of (i) shares/units issued by money market funds located in the euro area and (ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows an analysis, 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, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7 shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

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

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

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

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. The non-seasonally adjusted data on 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 (ESA 95).

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how the production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is the 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 sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

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

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

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

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

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate (changing composition), with the exception of statistics on securities issues

(Tables 4.1 to 4.4), which relate to the Euro 15 (i.e. the Euro 13 plus Cyprus and Malta) for the whole time series (fixed composition).

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are 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 issues. Variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. 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, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks, from which the seasonal effects have been removed. See the Technical notes for details.

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

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

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

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

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes 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. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the Monthly Bulletin since January 1999.

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

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[3]. 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 may 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 hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger

3 Svensson, L. E., 1994, "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051.

car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

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

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

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular 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 repairs. New passenger car registrations cover registrations of both private and commercial passenger cars. The series for the euro area excludes Cyprus and Malta.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organization (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force,

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

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[8] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[9]. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[10] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[11]. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/ international investment position statistical methods" (May 2007), and in the following Task Force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), all of which can be downloaded from the ECB's website. In addition, the report by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is

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

based on the Task Force's recommendations, 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 in 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, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on 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.

In Section 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and, for some purposes, also offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, considering 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 the i.i.p. changes other than transactions with 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 of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.3, Table 7. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, in which the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area 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. Unit value indices are shown without any adjustment, while 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 by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or 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). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro, calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-22 group of trading partners is composed of the 12 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes the EER-22 and the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

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

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

DEVELOPMENTS OUTSIDE THE EURO AREA

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

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

12 JANUARY AND 2 FEBRUARY 2006

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

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2005 can be found in the ECB's Annual Report for the respective years.

lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

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

21 DECEMBER 2006

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotmennt amount again at the beginning of 2008.

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

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

12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER, 8 NOVEMBER AND 6 DECEMBER 2007, AND 10 JANUARY, 7 FEBRUARY, 6 MARCH AND 10 APRIL 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-22 (comprising the 12 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-22 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

ISSN 1561-0136