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JUNE

EUROPEAN CENTRAL BANK



EUROPEAN CENTRAL BANK
THE FIRST TEN YEARS



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ABBREVIATIONS

COUNTRIES

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

OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
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 5 June 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. At the same time, the Governing Council noted that risks to price stability over the medium term have increased further. Inflation rates have risen significantly since the autumn of last year, owing mainly to strong increases in energy and food prices. HICP inflation is now expected to remain high for a more protracted period than previously thought. Upside risks to price stability over the medium term are also confirmed by the continuing very vigorous money and credit growth and the absence of significant constraints on bank loan supply up to now. At the same time, the economic fundamentals of the euro area are sound. Against this background, the Governing Council emphasises that maintaining price stability in the medium term is the ECB's primary objective in accordance with its mandate. The Governing Council is monitoring very closely all developments. It is in a state of heightened alertness. By acting in a firm and timely manner, the Governing Council will prevent second-round effects and ensure that risks to price stability over the medium term do not materialise. It is its strong determination to secure a firm anchoring of medium and long-term inflation expectations in line with price stability.

Starting with the economic analysis, real GDP growth in the first quarter of 2008 was, at a quarter-on-quarter rate of 0.8%, well above expectations. In part, this strength reflected temporary factors, notably the unusually mild winter in many parts of Europe, which appears to have boosted construction activity. However, the high growth rate in the first quarter might be partly offset in the second. It is therefore more appropriate, in order to avoid being misguided by highly volatile quarterly results, to evaluate the first two quarters of 2008 together.

In line with available forecasts, 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 continued robust growth in emerging economies. This should support euro area external demand. The fundamentals of the euro area economy remain sound, and the euro area does not suffer from major imbalances. Against this background, investment growth in the euro area is expected to provide ongoing support to economic activity, as capacity utilisation remains solid and profitability in the non-financial corporate sector has been sustained. Moreover, employment and labour force participation have increased significantly, and unemployment rates have fallen to levels not seen for 25 years. These developments support disposable income, although purchasing power is being dampened by the impact of higher energy and food prices.

This outlook is also reflected in the June 2008 Eurosystem staff macroeconomic projections. The projections foresee average annual real GDP growth in a range between 1.5% and 2.1% in 2008 and between 1.0% and 2.0% in 2009. In comparison with the March ECB staff projections, the current range projected for real GDP growth in 2008 is within the upper part of the range published in March 2008, mainly as a consequence of the better than expected outcome in the first quarter. For 2009, the range has been adjusted downwards, following the increase in commodity prices over recent months. The year-on-year growth rates need to be interpreted with particular caution on this occasion. While the annual rates suggest that growth may be weaker in 2009 than in 2008, they mask the fact that on a quarterly basis real GDP growth is projected to reach a trough in 2008, before gradually recovering thereafter. In order not to draw the wrong conclusions about the growth dynamics implied in the staff projections it is important to keep this distinction in mind.

In the Governing Council's view, the uncertainty surrounding this outlook for economic growth remains high, and downside risks prevail. In particular, risks continue to relate to the potential

for the financial market turbulence to have a more negative impact on the real economy than anticipated. Moreover, downside risks stem from the dampening impact on consumption and investment of further unanticipated increases in energy and food prices. Risks also arise from concerns about the emergence of protectionist pressures and the possibility of disorderly developments owing to global imbalances.

With regard to price developments, annual HICP inflation has remained above 3% for the past seven months. According to Eurostat's flash estimate, it was 3.6% in May 2008. This confirms the more persistent current upward pressures on euro area inflation, resulting largely from sharp increases in energy and food prices at the global level in recent months.

Looking ahead, on the basis of current futures prices for these commodities, the annual HICP inflation rate is likely to remain above 3% for some time to come, before moderating only gradually in 2009. The euro area is therefore currently experiencing a protracted period of high annual rates of inflation, which is likely to be more persistent than previously anticipated.

Consistent with this view, the Eurosystem staff projections foresee average annual HICP inflation at between 3.2% and 3.6% in 2008 and between 1.8% and 3.0% in 2009. Compared with the March 2008 ECB staff projections, the ranges projected for inflation in 2008 and 2009 are markedly higher, reflecting mainly higher oil and food prices and increasingly inflationary pressures in the services sector.

In this context, it is important to recall the conditional nature of the Eurosystem staff projections. They are based on a number of assumptions which are of a purely technical nature and unrelated to policy intentions. In particular, the technical assumptions for short-term interest rates are taken from market expectations as at mid-May. Moreover, it should be noted that the projections are based on the assumption that the recent dynamism in oil and non-oil commodity prices will diminish over the

projection horizon, in line with futures prices. A further crucial assumption is that there will be no broad-based second-round effects on wages.

In the Governing Council's view, at the policy-relevant medium-term horizon risks to the outlook for prices remain clearly on the upside and have increased further. These risks include notably the possibility of further increases in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. It is also a strong concern that price and wage-setting behaviour could add to inflationary pressures. The pricing power of firms, particularly in market segments with low competition, such as parts of the services sector, may prove stronger than currently expected. Moreover, higher than expected wage growth may emerge, taking into account high capacity utilisation, tight labour market conditions and the risk of second-round effects. The Governing Council is monitoring wage negotiations and price-setting behaviour in the euro area with particular attention.

Against this background, it is imperative to secure that medium to longer-term inflation expectations remain firmly anchored in line with price stability. All parties concerned, in both the private and the public sector, must meet their responsibilities. Wage-setting needs to take into account productivity developments, the still high level of unemployment in many economies, and price competitiveness positions. Moderate labour cost increases are particularly necessary in countries which have lost price competitiveness in recent years. Broadly based second-round effects stemming from the impact of higher energy and food prices on price and wage-setting behaviour must be avoided. 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 in April, supported by the continued strong growth of MFI loans to the private sector. While the impact of the flat yield curve and other temporary factors suggest that annual M3 growth continues to overstate the underlying pace of monetary expansion, nonetheless, 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.

Annual M1 growth has continued to moderate in recent months, reflecting higher short-term interest rates which have encouraged further shifts from overnight into time deposits. The moderation in the growth of household borrowing also reflects the dampening impact of higher short-term interest rates, as well as cooling housing markets in several parts of the euro area. However, the growth of loans to non-financial corporations has remained very robust. While some moderation can be expected in the future in the light of tightening financing conditions and slower economic growth, bank borrowing by euro area non-financial corporations grew at an annual rate of 14.9% in April 2008, and the flow of loans in recent months has been strong.

The monetary analysis has supported the necessary medium-term orientation of monetary policy in the face of the ongoing financial turmoil. From this perspective, the monetary analysis points to upside risks to price stability at longer horizons. Moreover, a thorough assessment of the monetary counterparts suggests that, as yet, the availability of bank credit to households and non-financial corporations has not been significantly affected by the turmoil.

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 the absence of significant constraints on bank loan supply up to now. In fact, the Governing Council noted that risks to price stability over the medium term have increased further. The economic fundamentals of the euro area are sound, and incoming macroeconomic data continue to point to moderate but ongoing real GDP growth. Against this background, the Governing Council is monitoring very closely all developments. It is in a state of heightened alertness. By acting in a firm and timely manner, it will prevent second-round effects and ensure that risks to price stability over the medium term do not materialise. Securing a firm anchoring of medium and long-term inflation expectations in line with price stability is of the essence.

Regarding fiscal policy, the Governing Council welcomes the spring 2008 orientations for euro area fiscal policies agreed by the Eurogroup ministers on 13 May 2008. Many euro area governments still need to implement much more ambitious policies to ensure that their country-specific medium-term budgetary objectives are attained by 2010 at the latest, as agreed in Berlin in April 2007. Achieving and maintaining sound structural fiscal positions is imperative to create scope for the free working of automatic stabilisers in all euro area countries and will help to prepare for the budgetary costs of population ageing. The steady pursuit of prudent and efficient fiscal policies would also help to limit current inflationary pressures and would increase potential growth and employment.

As regards structural reforms, the Governing Council reiterates its full support for all efforts to enhance competition, increase productivity and foster market flexibility. Against the background of a marked increase in international food commodity prices, removing impediments to competition at the various stages of the food supply chain in the retail and distribution sectors would benefit European consumers through lower prices. The ongoing “health check” of the EU common agricultural policy is welcomed, as are the efforts to limit upward pressure on agricultural prices through biofuels policies. A successful conclusion of the Doha round of world

trade negotiations should also help to improve the functioning of global trade in general and of agricultural markets in Europe and worldwide in particular. Tax policies are not an appropriate means to counter commodity price increases, be it oil or non-oil commodities, as this would send wrong signals to producers and consumers alike and would distort markets.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Financial market strains have continued to weigh on global economic activity over the last few months. Broadening economic weakness in the United States and the global repercussions of the financial turmoil have translated into a slowdown in economic growth in major developed economies, while relatively resilient domestic demand in emerging economies is supporting overall global growth. At the same time, global inflationary pressures have remained high, boosted by strong rises in oil and non-energy commodity prices. On balance, the risks to the outlook for global growth continue to be tilted to the downside.

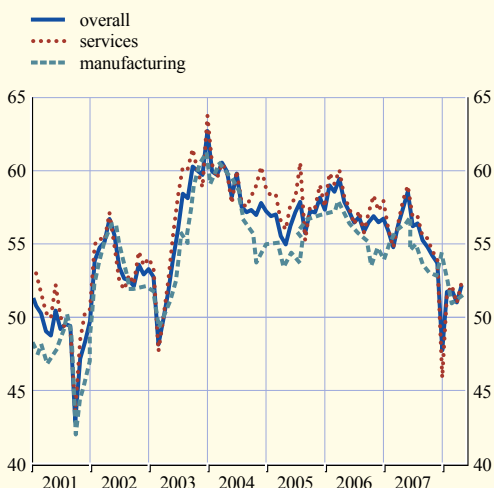
I.1 DEVELOPMENTS IN THE WORLD ECONOMY

Financial market strains have continued to weigh on global economic activity over the last few months, although some areas of financial markets seem to have calmed down somewhat more recently. Incoming data from the United States point to a broadening of economic weakness beyond the housing sector, which in combination with the global repercussions of the financial turmoil has translated into a slowdown in economic growth in major developed economies. At the same time, global growth has remained relatively well supported by the resilience of domestic demand in emerging economies. Economic activity in these countries, although also slowing, is contributing substantially to global GDP growth. Nevertheless, in line with the overall slowdown in global economic activity, the external environment of the euro area has continued to weaken in the past quarter. This is consistent with survey evidence on global business conditions. In May the global all-industry output PMI stood at 52.2, well below its long-term average. This is still slightly above the 50-point threshold between economic expansion and contraction, and indicates a moderate expansion of global activity, both in the manufacturing and in the service sector (see Chart 1).

Global inflationary pressures have increased further in the second quarter, boosted by strong rises in oil and non-energy commodity prices. Against this background, Box 1 below discusses in more detail the factors underlying the recent surge in food prices. Overall, headline consumer price inflation in

Chart 1 Global PMI output

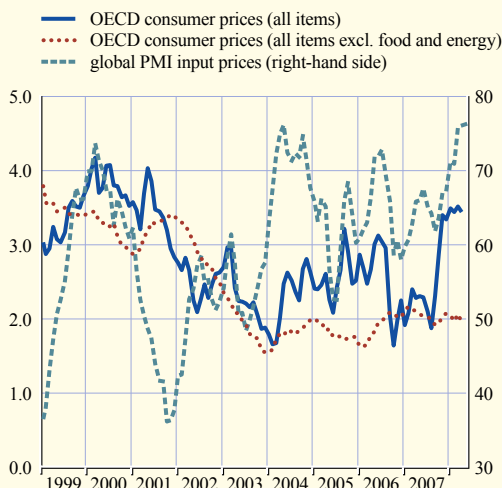
(diffusion index, seasonally adjusted)



Source: NTC Economics.

Chart 2 International price developments

(monthly data; annual percentage changes; diffusion index)



Source: OECD and NTC Economics.

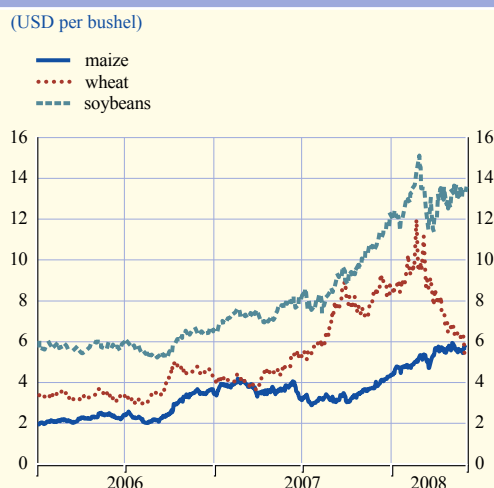
OECD countries remained elevated at 3.4% in the year to April 2008, around the same level as the average of the previous three months. Inflationary pressures were even stronger in emerging economies. In some Asian and Latin American countries headline consumer price inflation has stood at above 8% in recent months. Excluding food and energy, consumer prices in OECD countries rose by 2.0% in the year to April (see Chart 2). Survey evidence points to continued upward pressure on prices in the near term, as cost pressures – as measured by the global PMI input price index – accelerated in April and reached another survey-record high.

Box 1

WHAT ACCOUNTS FOR THE SURGE IN GLOBAL FOOD PRICES?

The surge in international commodity and particularly food prices has fuelled debate about the underlying factors, as well as prospects for future developments. Since the beginning of 2006 maize prices have almost tripled, the prices of soybeans have more than doubled and wheat prices have risen by more than 80%. While the rise in food prices was initially fairly broad-based, more recently price developments have been less synchronised: since March 2008 maize prices have continued to rise and soybean prices have been rather volatile – albeit below their peak levels – whereas prices for wheat have declined sharply (see Chart A). Taking a long-term perspective reveals two important points. Firstly, the increase in global food prices – particularly if measured in real terms – represents a partial reversal of the secular decline recorded over the last decades and, secondly, real food prices are still well below the levels recorded throughout most of the 1980s (see Chart B). This notwithstanding, domestic food retail prices have faced substantial upward pressures in all countries, as the rising global food prices ripple through the supply chain. Inflationary trends in advanced economies have been strongly affected, and even more so in

Chart A Maize, wheat and soybeans prices



Source: Bloomberg.

Chart B Food and tropical beverages prices



Sources: HWWI, US BLS.
 Note: Real prices are deflated by the US CPI.

emerging economies where food prices have a higher weight in the consumption basket and where the increase in food prices has caused particularly serious and tangible problems for low-income households.

In addition to global demographic developments, which imply a gradual increase in food demand, the recent rally in food commodity prices seems to be strongly related to other structural demand determinants, such as the shift in food consumption patterns in fast-growing emerging markets as a result of rapidly rising income levels and increased demand for biofuels in industrialised economies. The price effects of these demand-side factors have been exacerbated by the difficulties in quickly expanding supply in those market segments experiencing high demand growth and disruptions owing to unfavourable weather conditions.

One of the most important structural factors on the demand side emanates from changing diets in dynamic emerging markets. With strong income growth, food consumption patterns have been gradually changing in major emerging economies from staple food to high protein food. For instance, meat consumption in non-OECD countries rose by around 40% between 1995 and 2006. The strong repercussions on demand for food commodities mainly stem from the fact that the production of meat requires a significant amount of grain-based animal feed. As emerging markets are widely expected to continue their fast catching-up process, this trend is unlikely to dissipate soon.

Biofuel production has been another major source of demand-related market tightness in agricultural markets. Global biofuels production has risen exceptionally in recent years, reinforced by supportive government policies. This rise was most strongly influenced by a strong increase in US ethanol production and the corresponding use of maize. The quantities of land and crops involved are non-trivial. For the United States, the most important global maize exporter, in 2006 biofuels production required around one-fifth of maize production (around 55 million tonnes), which was almost the same amount as US maize exports (in 2006/07). The higher demand for maize also affected the supply-demand conditions for a number of substitute crops (e.g. wheat and soybeans). Higher prices provided an incentive to raise maize plantations at the expense of substitute crops, which also contributed to upward pressures on their prices. While market speculation in the context of abundant global liquidity has often been cited as an additional demand-side factor putting upward pressure on prices, its potential contribution to the recent run-up of prices is difficult to quantify.

On the supply side, with higher energy prices, transport and (energy-intensive) fertiliser costs have risen, thus increasing the marginal costs of all crop producers and fuelling food prices. Weather-related production shortfalls also played a crucial role. In particular Australia has experienced a sharp drop in the wheat harvest in recent years owing to severe drought conditions. As the current wheat harvest is projected to make a strong recovery, prices have already declined significantly. In the longer term, however, a possible rise in extreme weather events in the context of climate change implies a structural downside risk for agricultural production and, correspondingly, an upside risk on prices. Finally, protectionist measures, often aimed at curbing commodity exports, have also increasingly affected global food prices in recent months.

In contrast to other commodities (such as oil and metals), the supply reaction of food commodities to price changes has been historically rather elastic. In principle, there is sufficient unused potential arable land which could be employed to accommodate rising global cereal demand. However, institutional factors limit such a supply response in the short term. Land quality and



suitability is likely to decrease with arable land expansion. Also, most of the countries with unused land resources exhibit infrastructural shortcomings and in some countries with abundant potential arable land, political instability renders efficient agricultural production difficult. Moreover, there is often a conflict of objectives between increasing agricultural production, preserving natural reserves (rainforests, water), urbanisation and other uses (e.g. cattle farming). In the longer term, rising demand for food commodities could also be accommodated by higher agricultural productivity. While growth in yields has declined substantially over the past decade, emerging markets still possess considerable leeway to employ more advanced technologies and increase yields towards the levels recorded in advanced economies.

The overall outlook for global food prices remains highly uncertain. The extent to which evidently rising demand pressures going forward will translate into actual further price increases will depend crucially on the supply response as well as advances in agricultural research and the impact of global warming. At the present state of knowledge, the range of possible outcomes is therefore very wide.

At the European level, several measures have been taken in the framework of the Common Agricultural Policy (CAP) to mitigate the effects of the food price increases. These include a suspension of import duties on cereals and the set-aside obligation on the use of farmland, an increase in milk quotas and the sale of intervention stocks. In the medium to long term, food supply could be supported by further improving the market orientation in agriculture, ensuring the sustainability of biofuels policies and increasing productivity growth. Moreover, in the context of the review of the CAP, launched by the European Commission, proposals have been put forward to permanently abolish the set-aside farmland scheme with immediate effect, to gradually phase out milk quotas by 2015 and to eliminate market intervention for most cereals. Finally, at national level, competitive structures in the food retail and distribution sectors should be strengthened.

UNITED STATES

In the United States the pace of economic activity remained subdued in the first quarter of 2008. Real GDP increased at a quarterly annualised rate of 0.9% according to preliminary estimates, compared with 0.6% in the final quarter of 2007. The largest contribution to GDP growth came from net exports, which added 0.8 percentage point to annualised growth and more than compensated for a slight contraction in final domestic demand. The components of domestic demand indicate a further decline in the growth rate of personal consumption expenditure (to an annualised rate of 1.0%, down from 2.3% in the previous quarter) and a contraction of 7.8% in private fixed investment. Residential investment fell at an annualised rate of 25.5% in the first quarter of 2008, the largest quarterly decline since the start of the current housing market adjustment.

As regards price developments, annual CPI inflation has remained at elevated levels, reflecting recent energy and food price developments. Annual headline inflation declined slightly to 3.9% in April, down from a six-month average of 4.1%. The decline observed since the beginning of 2008 reflects some moderation in the annual increase in energy prices, partly as a result of base effects. The annual rate of consumer price inflation excluding food and energy stood at 2.3% in April, 0.1 percentage point lower than in March.

Looking ahead, economic activity is expected to remain subdued over the course of 2008. The economic growth outlook is affected by ongoing adverse developments in the housing sector and the tightening of financial conditions. Prospects for consumption spending remain weak, as higher

oil prices restrain real income of households, while declining house prices suggest further negative wealth effects. However, in the course of the year some positive impetus is expected from the easing of the monetary policy stance and temporary support from the fiscal stimulus package. At the 29-30 April meeting of the US Federal Open Market Committee (FOMC), Federal Reserve governors and Reserve Bank presidents revised down their projections for real GDP growth in 2008 to a central tendency of 0.3-1.2% (measured as fourth quarter year-on-year growth rates). FOMC participants projected overall inflation to remain elevated over the near term due to the run-up of oil and other commodities prices, and viewed a possible increase in inflation expectations as a key upside risk to the inflation outlook.

Having cut the target for the federal funds rate by 75 basis points on 18 March, the FOMC lowered its target again by 25 basis points to 2.0% on 30 April. This policy action brought the total amount of reductions in the target rate to 3.25 percentage points since September 2007. In addition, the Federal Reserve System announced further steps to improve market liquidity, including an increase in the size of the Term Auction Facility, expansion of the accepted collateral under the Term Securities Lending Facility and increases in temporary reciprocal currency arrangements with the European Central Bank and the Swiss National Bank.

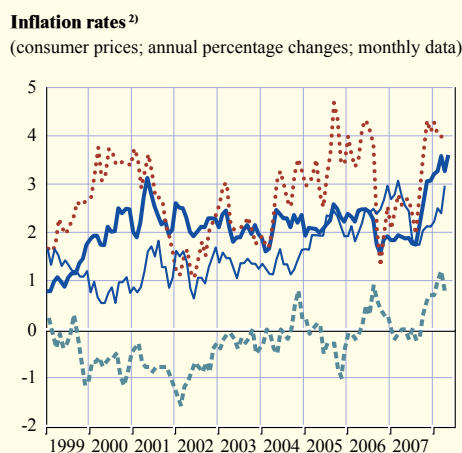
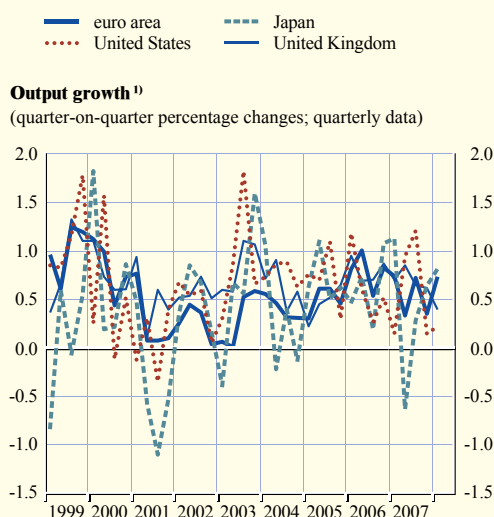
JAPAN

In its latest estimate, Japan's Cabinet Office revised the GDP numbers for the fourth quarter of 2007 from 0.9% down to 0.6%, confirming the slowdown observed at the end of last year.

However, according to the first preliminary data release, real GDP grew by 0.8% quarter on quarter in the first quarter of 2008. Economic activity was supported by a strong expansion of exports (up by 4.5% quarter on quarter), and by sustained private consumption, which grew by 0.8%. Residential investment rebounded, following the fall recorded last year owing to the revision of the Building Standard Law. However, private non-residential investment contracted in the first quarter of 2008 (down by 0.9%), and imports expanded significantly (up by 2.0%), therefore limiting the positive contribution from the other components of GDP.

Consumer price inflation, which had picked up at the beginning of the year as a result of increases in the price of imported raw materials, declined more recently. Consumer price inflation decreased

Chart 3 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.

1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.

2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

from 1.2% in March to 0.8% in April (see Chart 3) following the abolishment of a temporary higher rate of gasoline tax. The annual change in the CPI excluding fresh food also decreased to 0.9% in April, down from 1.2% in March. At the same time, the CPI excluding food and energy declined by 0.1% year on year in April.

As in previous meetings this year, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.50% at its most recent meeting on 20 May 2008.

Looking ahead, signs of weakness in the industrial sector and falling confidence together with the decline in business investment growth and a moderation in global trade suggest that the economy could slow down in the coming quarters.

UNITED KINGDOM

In the United Kingdom GDP growth has moderated and HICP inflation picked up. The quarterly rate of output growth has gradually slowed over the past year. In the first quarter of 2008 it stood at 0.4% – well below the long-term average of 0.7% (see Chart 3) – but private consumption grew strongly (by 1.3%). This result seems to have been driven by strong sales in January and February, although in the following two months retail sales declined. This development and the deteriorating consumer confidence indicators suggest that household consumption growth is likely to be weaker in the second quarter of 2008. In recent months, housing market activity indicators (mortgage approvals, site visits and reservations balances) dropped and were significantly below long-term averages.

Since the beginning of 2008 HICP inflation has increased, reaching 3.0% in April. The rise was driven primarily by higher energy and food prices. Producer and import prices also picked up in this period. House prices have declined in recent months and in April annual house price growth turned negative.

Since February the Bank of England's Monetary Policy Committee has cut its main policy rate on two occasions by 50 basis points in total, bringing the rate down to 5.00%.

Looking ahead, growth momentum is expected to decelerate further on the back of tighter credit conditions, weaker growth in real income, negative wealth effects stemming from the weakness in house and equity prices, and softer foreign demand. At the same time, inflation is expected to increase in the short run, owing to a rise in the prices of energy and imports.

OTHER EUROPEAN COUNTRIES

In other EU countries outside the euro area output growth has been mixed over past quarters. Inflation has increased substantially in all countries in recent months, largely owing to rising food and energy prices.

In Sweden quarterly GDP growth was fairly stable in 2007, just below the long-term average of 0.8%, but it moderated in the first quarter of 2008 to 0.4%. In Denmark quarterly growth has been volatile, tending to exceed the long-term average of 0.5%, but standing at just 0.3% in the last quarter of 2007. The growth momentum in both countries is expected to be broadly sustained in the near term. Although retail sales improved in both countries in the first quarter of 2008, consumer and retail confidence indicators have declined in recent months. HICP inflation in the two countries has risen substantially since the end of 2007; in April it reached 3.4% in Denmark and 3.2% in Sweden. Inflation is expected to remain at these elevated levels in the near future. On 13 February

2008 Sveriges Riksbank increased the repo interest rate by 25 basis points to 4.25%. This rate has increased by a total of 100 basis points since June 2007. On 16 May Danmarks Nationalbank increased its main policy rate by 10 basis points to 4.35%, for the first time in a year.

In three of the four largest central and eastern European countries – the Czech Republic, Poland and Romania – GDP growth was strong in 2007 and accelerated in the last quarter of that year. In the Czech Republic and Poland, however, the preliminary estimate of first quarter GDP points towards a slight easing of the growth momentum. By contrast, GDP growth in Hungary was close to zero in 2007 but it increased somewhat in the first quarter of 2008. Consumer and industrial confidence indicators do not indicate any major changes in growth patterns in the near term. HICP inflation, after increasing markedly since autumn 2007, has declined somewhat in recent months in the Czech Republic and Poland (reaching 6.7% and 4.3% in April) and has remained high in Romania (standing at 8.7% in April). In Hungary inflation has also remained at a high level (6.8% in April). The trends in inflation have been driven mainly by food and energy prices. Inflation is expected to remain high in the near future. Since the beginning of 2008 all four central banks have increased official interest rates (in the Czech Republic by a total of 25 basis points, in Hungary by 100 basis points, in Poland by 75 basis points and in Romania by 225 basis points).

In the smaller non-euro area EU countries growth patterns have been mixed in recent quarters. While economic activity in Slovakia and Bulgaria has remained very strong, domestic demand has decreased sharply in the Baltic countries, owing to slower credit and real income growth and a substantial decline in house prices. Confidence indicators suggest that the above trends will continue in the near term. Annual HICP has increased strongly since summer 2007 in the Baltic countries and Bulgaria, ranging between 11.9% and 17.4% in April. The rise primarily reflects higher food and energy prices and administrative price hikes in certain countries. In Slovakia the increase has been less pronounced, although HICP inflation rose to 3.7% in April.

In Russia GDP growth increased to 9.4% year on year in the fourth quarter of 2007 (up from 7.6% during the third quarter). Available information suggests that economic activity also remained buoyant during the first quarter of 2008. At the same time, consumer price inflation has continued to follow an upward path, accelerating to 14.3% year on year in April (up from 13.3% in March).

EMERGING ASIA

In emerging Asia economic activity remained robust in the first quarter of 2008. Although economic growth in major advanced economies has weakened, strong demand from other emerging economies helped to sustain exports from the region. Consumer prices have increased further in most countries, driven by rising food and other commodity prices. Although inflation measures excluding food and energy are still at moderate levels, the current broad-based increase in commodity prices indicates that price pressures may build up at later stages of production in the coming months.

In the first quarter of 2008 GDP growth in China remained robust at 10.6%, notwithstanding negative weather-related effects in January and February. Growth was mainly supported by domestic demand, as fixed asset investments remained strong and retail sales of consumer goods accelerated in real terms. China's exports continued to slow in the first four months of the year, in particular to the United States, but also to the euro area and Japan. With Chinese imports growing significantly, the cumulated trade surplus in the year to the end of April was USD 58 billion, an 8% drop compared with the same period last year. CPI inflation remained elevated at 8.5% in April,

mostly driven by meat prices, while non-food CPI stood at 1.8%. At the same time, however, the broad-based surge in producer prices indicates that price pressures are building up further in China. In May the People's Bank of China again raised the banks' reserve requirements ratio by 50 basis points, to 16.5%.

In South Korea real GDP grew at an annual rate of 5.7% in the first quarter of 2008, unchanged from the previous quarter. Annual CPI inflation edged up to 4.1% in April, owing to high international prices of food and other commodities. In India economic activity slowed somewhat, with industrial production growing at 5.8% on average in the first three months of 2008. Wholesale price inflation, the Reserve Bank of India's main inflation measure, increased to 7.4% at the end of March.

Overall, weaker external demand is likely to dampen growth in emerging Asia in the coming months. Nevertheless, the growth outlook remains relatively favourable, owing mainly to strong domestic demand, especially in the largest economies in the region.

LATIN AMERICA

In Latin America the pace of economic activity remained dynamic in the first quarter of 2008, although signs of moderation became apparent in some economies. At the same time, inflationary pressures remain elevated. For example, real GDP growth in Mexico grew by 2.6% compared with a year earlier, after accelerating by 4.2% in the fourth quarter of 2007. From a year-on-year perspective, growth in the first quarter in Mexico was led by services output, followed by industrial output. Meanwhile, primary output fell. In Argentina economic activity decelerated somewhat in the first quarter of 2008, with industrial production growing at an average rate of 6.7% (year on year), down from 9.8% in the fourth quarter. Annual CPI inflation averaged 8.5% in the first quarter of 2008, unchanged from the final quarter of 2007. In Brazil available information, for example on retail sales, suggests that domestic demand in the first quarter remained robust, while at the same time industrial production growth declined to 6.5% on average, down from 7.8% in the fourth quarter of 2007.

Overall, regional output growth is expected to moderate somewhat owing to tighter monetary conditions and weaker external demand. However, the outlook for Latin America continues to be favourable, thanks to the positive terms-of-trade effects in most economies, stemming from high commodity prices and robust domestic demand.

1.2 COMMODITY MARKETS

In April and May 2008 oil prices continued their surge to unprecedented levels, peaking at USD 132.73 on 23 May. Pressure has eased somewhat over the last few weeks, but prices remain high, standing at USD 126.51 on 4 June (see Chart 4). Oil prices are now around 34% higher than at the beginning of the year (in euro terms the increase is around 28%).

On the demand side, the International Energy Agency has significantly revised down its forecasts for global demand, although demand in developing economies is growing vigorously, sustained in part by the strong growth of Chinese imports of refined products. On the supply side, OPEC has maintained that overall global supplies are sufficient; no extra meeting is envisaged before the one scheduled for September. In addition, production growth in non-OPEC countries has been stagnating and an increase in supply is unlikely in the short term. Strikes and continuous geopolitical tensions are placing additional upward pressure on oil prices. Looking ahead, oil prices are likely to remain

at elevated levels by historical standards in the near to medium term and very sensitive to small changes in the supply-demand balance and the geopolitical environment. Market participants expect prices of around USD 124 for December 2009, but uncertainty remains at very high levels.

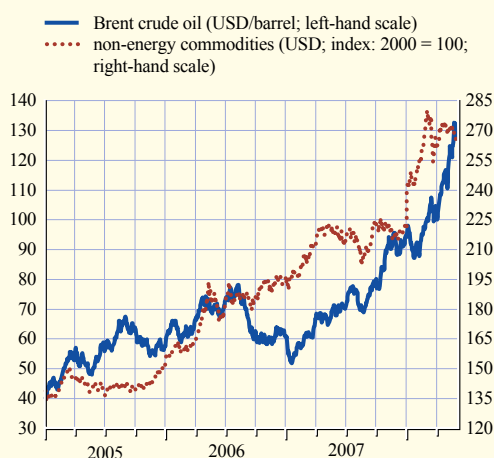
The prices of non-energy commodities reached a peak in March and then stabilised at a slightly lower level in April and May. Prices of non-ferrous metals, having declined over the last few months, have experienced some volatility recently owing to the potential impact of reconstruction following the earthquake in China. However, as a result of higher oil prices, freight prices are also on the rise – they have increased by almost 50% since the end of February – and this places additional upward pressure on commodities prices, notably on metals, for which transport costs are particularly significant.

Regarding food prices, the decline in the rate of increase which started in mid-March has been mainly driven by a decline in wheat prices, owing to expectations of higher global production. On the other hand, maize prices have continued to increase steadily, also as a result of expanding US ethanol production. Rice prices have also soared, owing to export restrictions in a number of countries. In addition, fertiliser prices have risen sharply, and this has had an impact on food prices, specifically on maize, which is very fertiliser-intensive. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 22% higher towards the end of May than a year earlier. Box 1 provides an overview of some of the structural factors underlying the current high level of global food prices.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Notwithstanding relatively robust external trade activity, the global growth slowdown implies that the prospects for foreign demand for euro area goods and services have weakened somewhat compared with 2007. The OECD composite leading indicator (CLI) for March suggests that economic activity in OECD countries may continue to slow (see Chart 5). For major non-OECD countries the CLI points to some moderation in economic activity in China, India and Brazil, while the outlook for the Russian economy remains rather favourable. This outlook is broadly consistent with

Chart 4 Main developments in commodity markets



Sources: Bloomberg and HWWI.

Chart 5 OECD composite leading indicator



Source: OECD.

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

evidence reported in the Ifo World Economic Climate survey, which recorded a less favourable current economic situation compared with three months earlier and also a further deterioration in the outlook for the coming six months. While moderating, growth in the world economy is expected to remain resilient, benefiting in particular from continued robust growth in emerging economies.

The uncertainty surrounding this outlook for global economic growth remains high and downside risks prevail. In particular, risks relate to the potential for the financial market turbulence to have a more negative impact on the real economy than previously anticipated. Moreover, downside risks stem from further unanticipated increases in energy and food prices. Risks also arise from concerns about the emergence of protectionist pressures and the possibility of disorderly developments owing to global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The strong underlying pace of monetary expansion seen over the past three years continued in the first quarter of 2008. Some signs of stabilisation have been observed in recent quarters, indicating that past increases in key ECB interest rates have affected underlying monetary growth. M3 grew at an annual rate of 10.6% in April, continuing to overstate the underlying pace of monetary expansion. The current term structure of interest rates has rendered the remuneration of monetary assets – particularly short-term time deposits – attractive by comparison with riskier non-monetary assets outside M3. Thus far, the growth rates of broad money and credit aggregates appear to reflect developments in economic activity and interest rates, and only specific components and counterparts of M3 seem to have been affected by the financial market turmoil. Overall, the continued strong rate of money and credit growth points, in the context of already ample monetary liquidity, to upside risks to price stability over the medium to longer term.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of M3 remained strong in the first quarter of 2008, despite declining somewhat to stand at 11.2%, down from the peak of 12.0% observed in the fourth quarter of 2007 (see Chart 6). In April 2008 the annual growth rate of M3 was 10.6%, somewhat lower than the growth rate recorded in the first quarter of 2008 but somewhat higher than that observed the previous month (when it stood at 10.1%). The pattern of annual M3 growth in March and April was influenced to a considerable extent by base effects.

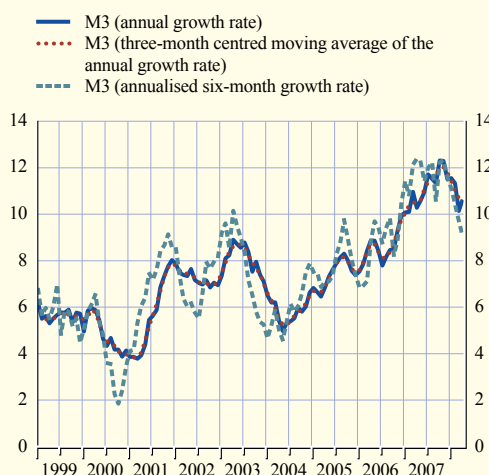
The strong growth rate of M3 continues to overstate the underlying pace of monetary expansion, as the current term structure of interest rates implies that monetary assets are remunerated more attractively than non-monetary assets outside M3, given the different risk and liquidity profiles of these instruments.

At the same time, the spreads between the interest rates paid on different types of deposit have also been encouraging shifts within M3, further reducing the annual growth rate of M1 while further increasing the growth rate of short-term time deposits. From a longer-term perspective, the downward trend observed since early 2006 in the annual growth rate of M1 demonstrates that the gradual increases in key ECB interest rates since late 2005 have had an impact on monetary dynamics (see Chart 7). Nonetheless, the continued robust growth of loans to the non-financial private sector supports the view that underlying monetary dynamics remain strong.

Notwithstanding the ongoing financial turmoil, the flow of MFI loans to non-financial corporations and households has remained in line with past regularities, indicating that the turmoil has, at least thus far, not significantly impaired the supply of bank loans to the private sector. More generally, while the financial turmoil has directly affected some specific components and counterparts of

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

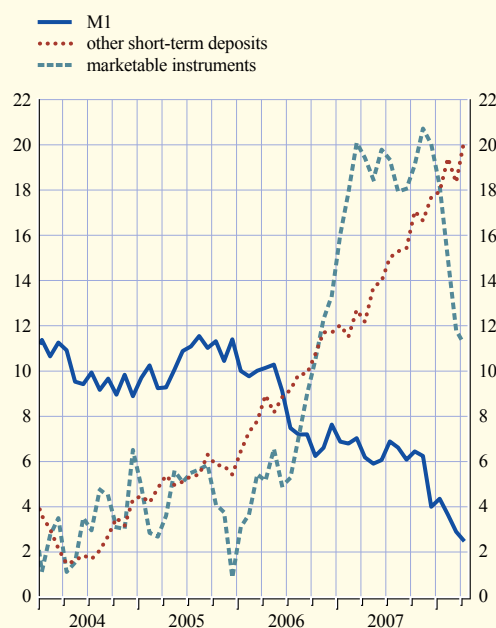
M3 that are closely related to the nature of the turmoil – particularly credit to other financial intermediaries (OFIs) – the growth rates of broad money and credit aggregates appear to reflect developments in their traditional determinants.

MAIN COMPONENTS OF M3

In the first quarter of 2008 the annual rate of growth of M1 declined further to stand at 3.8%, down from 5.9% in the fourth quarter of 2007. The annual growth rate of M1 then weakened further to stand at 2.5% in April (see Table 1), a level not seen since early 2001. The downward trend in the growth rate of M1 is a result mainly of the increasing opportunity cost associated with holding currency and poorly remunerated overnight deposits in an environment where short-term interest rates have been rising since December 2005. The effect of this higher opportunity cost is partly offset by the transaction-related demand associated with the ongoing strength of economic growth, but this offsetting effect has diminished recently as activity in the housing market and the construction sector – areas which are typically cash-intensive – has moderated.

Chart 7 Main components of M3

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



Source: ECB.

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 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Mar.	2008 Apr.
M1	42.9	6.2	6.5	5.9	3.8	2.9	2.5
Currency in circulation	7.2	10.0	8.9	8.0	7.8	7.7	8.0
Overnight deposits	35.7	5.5	6.1	5.5	3.1	2.0	1.4
M2 - M1 (= other short-term deposits)	42.2	13.1	15.0	16.8	18.5	18.3	20.2
Deposits with an agreed maturity of up to two years	25.0	33.1	37.6	40.6	41.7	39.6	42.4
Deposits redeemable at notice of up to three months	17.2	-2.2	-3.2	-3.9	-3.3	-2.5	-2.2
M2	85.1	9.2	10.3	10.7	10.4	9.9	10.5
M3 - M2 (= marketable instruments)	14.9	19.3	18.7	19.6	16.3	11.8	11.2
M3	100.0	10.6	11.5	12.0	11.2	10.1	10.6
Credit to euro area residents		8.1	8.7	9.3	9.9	9.7	9.7
Credit to general government		-4.2	-4.0	-4.1	-2.6	-1.9	-0.4
Loans to general government		-1.2	-0.8	-1.8	-0.9	-0.3	0.8
Credit to the private sector		11.0	11.7	12.2	12.6	12.2	11.8
Loans to the private sector		10.5	11.0	11.2	11.0	10.8	10.6
Longer-term financial liabilities (excluding capital and reserves)		10.3	10.3	8.5	6.9	5.1	4.7

Source: ECB.

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

The deceleration observed in M1 in recent months mainly reflects developments in overnight deposits, the annual growth rate of which declined to 1.4% in April 2008, down from 3.1% in the first quarter of the year and 5.5% in the final quarter of 2007.

In stark contrast to overnight deposits, the annual growth rate of other short-term deposits increased further, reaching 20.2% in April 2008, up from 18.5% in the first quarter of the year and 16.8% in the fourth quarter of 2007. The ongoing strong growth of other short-term deposits reflects the contribution of short-term time deposits (i.e. deposits with an agreed maturity of up to two years), the annual growth rate of which stood at 41.7% in the first quarter of 2008, the highest quarterly growth rate since the start of Stage Three of Economic and Monetary Union. Short-term savings deposits (i.e. deposits redeemable at notice of up to three months) continued to decline, but did so at a reduced rate, thereby also contributing to the strengthening of growth in other short-term deposits.

The particularly strong dynamics of short-term time deposits are, to a large extent, a reflection of the current term structure of interest rates. Tensions in the money market since the onset of the financial market turmoil in August 2007 have created a “hump” in the euro area yield curve around the three-month maturity. The remuneration of short-term time deposits has mirrored the increases observed in the money market rates at the relevant maturities relatively closely, with banks possibly considering such deposits to be a particularly attractive source of funding in the current market environment. Given that the increases in the interest rates on overnight and savings deposits have been considerably more moderate, the spread between the remuneration of short-term time deposits and that of other deposit categories has increased. This has encouraged shifts into short-term time deposits from savings deposits and overnight deposits (see also Box 2 below). At the same time, the fact that the yield curve remains relatively flat suggests that short-term time deposits are also attractive by comparison with longer-maturity assets outside M3, as they offer greater liquidity and less risk at little cost in terms of return, thereby encouraging shifts into this instrument from longer-maturity assets as well.

Box 2

RECENT SHIFTS BETWEEN DIFFERENT CATEGORIES OF FINANCIAL ASSET HELD BY HOUSEHOLDS

Increases in key ECB interest rates since end-2005 have led both to a flattening of the euro area yield curve, as short-term market interest rates have risen more strongly than long-term rates, and to the emergence of larger spreads between the interest rates paid on different types of short-term deposit (see Chart A). These interest rate developments have affected monetary developments in several ways. On the one hand, they have led, at least temporarily, to wealth portfolios being shifted from longer-maturity and riskier assets outside M3 to instruments in M3, thereby boosting M3 growth at least in the short term. On the other hand, they have also led to asset shifts within M3, namely from relatively poorly remunerated overnight deposits into “other short-term deposits” (i.e. M2-M1), leading to a downward trend in the growth rate of M1.

This box reviews these shifts between the various categories of financial asset and relates them to interest rate developments. It focuses on households, as this sector accounts for the bulk of

M3 deposits (i.e. short-term deposits and repurchase agreements) and as the portfolio behaviour described above is particularly relevant for households.

Shifts in flows into M3 from longer-term assets outside M3

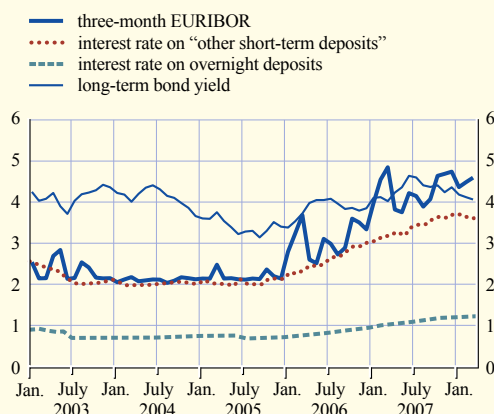
Developments in market interest rates since end-2005 have led to a narrowing of the spread between the long-term bond yield and the interest rate on “other short-term deposits”,¹ giving rise to a relatively flat yield curve. As Chart B shows, this spread has more than halved, reaching levels around 0.5 percentage point at the start of 2008.

A relatively flat yield curve implies that short-term deposits (for example, deposits with an agreed maturity of up to one year) offer a rate of remuneration which is similar to that of longer-term assets. Since the latter are less liquid and holding them typically implies somewhat greater risk, a flat yield curve tends, overall, to increase the relative attractiveness of shifting funds into monetary assets (rather than non-monetary assets).

1 The long-term bond yield is the yield on ten-year bonds or bonds with the closest available maturity. “Other short-term” interest rates are calculated as the average of interest rates on: (a) deposits redeemable at notice of up to three months; (b) deposits with an agreed maturity of up to one year; and (c) deposits with an agreed maturity of between one and two years.

Chart A Euro area market interest rates and rates on households' short-term deposits

(percentages per annum)



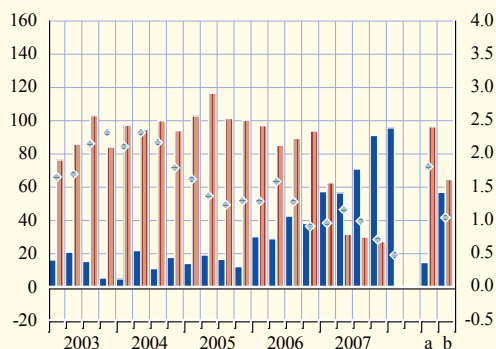
Source: ECB.
Note: See footnote 1 for a definition of “other short-term” interest rates and long-term bond yields.

Chart B Euro area households' financial asset flows

(flows in EUR billions and interest rate spreads in percentage points; quarterly data; seasonally adjusted)

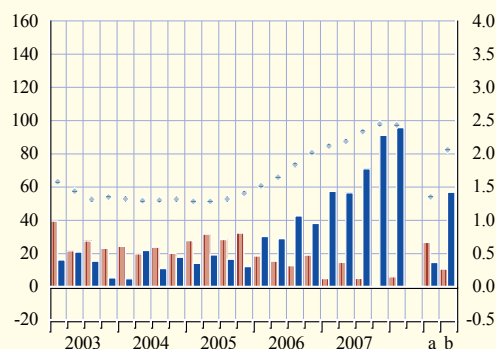
longer-term assets

■ “other short-term deposits” and repurchase agreements (left-hand scale)
 ■ longer-term financial assets (left-hand scale)
 ◆ spread between long-term bond yield and interest rate on “other short-term deposits” (right-hand scale)



short-term deposits

■ “other short-term deposits” and repurchase agreements (left-hand scale)
 ■ overnight deposits (left-hand scale)
 ◆ spread between interest rates on “other short-term deposits” and overnight deposits (right-hand scale)



Source: ECB.
Notes: Data on longer-term financial assets, which are derived from the integrated euro area accounts, are available until the fourth quarter of 2007. Data labelled “a” and “b” are averages for the periods 2003-05 and 2006-08 respectively.

These developments in interest rates have translated into both sustained declines in flows into longer-term financial assets, especially in 2007, and, at the same time, sustained and increasing flows into short-term deposits other than overnight deposits.² Quarterly flows into “other short-term deposits” and repurchase agreements have increased from around €15 billion on average between 2003 and 2005 to around €50 billion on average from 2006 onwards, while quarterly flows into longer-term financial assets have fallen from around €100 billion on average between 2003 and 2005 to less than €70 billion on average from 2006 onwards.

Shifts in flows from overnight deposits into other M3 deposits

Developments in market interest rates since 2005 have also led to significant increases in the spread between rates on “other short-term deposits” and rates on overnight deposits, with this spread rising from an average of around 1.5 percentage points between 2003 and 2005 to around 2.5 percentage points in the first quarter of 2008.

This has increased the opportunity cost of holding relatively poorly remunerated overnight deposits and increased the incentive to shift funds into the better remunerated – but still liquid – “other short-term deposits” and repurchase agreements. Indeed, flows into overnight deposits have recorded sustained declines since 2006, with quarterly flows falling from more than €25 billion on average between 2003 and 2005 to significantly below €10 billion on average in 2007 and early 2008 (see Chart B). This has implied a rebalancing of portfolios, with shifts from M1 to other instruments within M3.

Overall, recent developments in M3 and its components appear to have been significantly influenced by the interest rate developments resulting from the increases in key ECB interest rates and the turbulence seen in the money markets. In particular, these interest rate developments have led to households’ portfolios being shifted from assets outside M3 to instruments included in M3, as well as to portfolio flows within M3. Both types of shift have benefited “other short-term deposits” and repurchase agreements, which have witnessed continued strengthening and recorded an annual growth rate slightly above 20% in April 2008.

² Longer-term financial assets are obtained by deducting monetary assets from total financial assets, which are themselves derived from the integrated euro area accounts. These include shares and other equity, which implies that the relevant interest rate indicator should include expected returns from shares in addition to long-term interest rates. However, the same exercise excluding shares and other equity gives a similar result, i.e. a marked decline in flows into longer-term financial assets in the course of 2007, with flows in that year reaching the lowest levels seen in the period considered in this box.

Although still high by historical standards, the annual rate of growth of marketable instruments declined to 16.3% in the first quarter of 2008, down from 19.6% in the fourth quarter of 2007, and moderated further to stand at 11.2% in April 2008. This development masks the further increase observed in the growth rate of repurchase agreements, which rose to 16.5% in the first quarter of 2008, up from 14.6% in the previous quarter.

Turning to the other sub-components, large inflows (with a value of approximately €31 billion) were recorded for holdings of money market fund shares/units in the first quarter of 2008. However, owing to a base effect, this is not reflected in the dynamics of the growth rate, which declined to 10.2%, down from 10.6% in the fourth quarter of 2007. The return to large inflows for money market fund shares/units in the last quarter of 2007 and the first quarter of 2008 indicates renewed confidence in this instrument. However, the outflows – albeit small – observed in March and April 2008 reduced the annual growth rate of such instruments to 6.6% in April.

A marked decline was observed in the annual growth rate of debt securities with a maturity of up to two years, which fell to 15.7% in April 2008, down from 33.4% in the first quarter of the year and 55.2% in the fourth quarter of 2007. To some extent, the slowdown in the money-holding sector's purchases of short-term MFI debt securities mirrors credit institutions' ability to obtain funding through short-term time deposits in an environment where a premium is attached to simplicity and transparency in investment instruments.

The sectoral breakdown of monetary growth is based on data for short-term deposits and repurchase agreements ("M3 deposits"), the annual growth rate of which stood at 11.4% in April 2008, broadly unchanged from the first quarter of the year and the fourth quarter of 2007. The strong growth rate of M3 deposits was supported mainly by the contribution of households, whose holdings of M3 deposits grew at an annual rate of 9.3% in April 2008, up from 8.9% in the first quarter of 2008 and 7.9% in the last quarter of 2007 (see Chart 8). At the same time, financial intermediaries' M3 deposit holdings remained very dynamic, increasing at an annual rate of 22.8% in April, following annual growth rates of 21.7% in the first quarter of 2008 and 24.2% in the previous quarter. By contrast, the annual growth rate of non-financial corporations' M3 deposit holdings has been on a gradual downward trend since mid-2007 and declined further to stand at 10.9% in the first quarter of 2008, down from 12.6% in the last quarter of 2007.

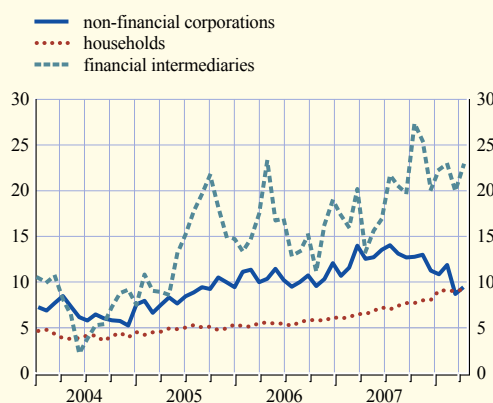
MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the growth rate of total MFI credit to euro area residents increased to 9.9% in the first quarter of 2008, up from 9.3% in the fourth quarter of 2007 and 8.7% in the third quarter (see Table 1). Within total MFI credit, both MFI loans to general government and MFI holdings of general government debt securities continued to decline on an annual basis, albeit at a slower rate than in the previous quarter, in line with the overall pattern observed since March 2006.

MFI credit to the private sector continued to grow strongly in the first quarter of 2008, increasing at an annual rate of 12.6%, up from 12.2% and 11.7% in the fourth and third quarters of 2007 respectively. The overall robust growth of MFI credit to the private sector was driven by two main factors. First, the growth of MFI loans to non-financial corporations continued to strengthen, offsetting the moderation in the growth of loans to households (see Sections 2.6 and 2.7 for details). Second, the annual growth rate of credit to other financial intermediaries was strong, standing at 33.7% at the end of March. This is, to a large extent, a direct result of the financial turmoil, with this growth rate partly reflecting funding provided by MFIs to affiliated financial vehicle corporations that have experienced problems in rolling over commercial paper. It also reflects MFIs' strong purchases of securities issued by OFIs, purchases which stem from ongoing true-sale securitisation programmes leading to the derecognition of loans on MFIs' balance sheets. In early 2008 the volume of such derecognised loans was close to the all-time high of early 2007. However, the nature of these activities has changed, as prior to the financial

Chart 8 Short-term deposits and repurchase agreements

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



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

market turmoil these securitised loans were being sold in the market, while in recent months it has been MFIs themselves that have been purchasing the associated OFI securities. Finally, the strength of the annual growth rate of MFI credit to OFIs also reflects, inter alia, loans related to the takeover of a large MFI, investment funds' demand for larger liquidity buffers and MFIs' increased preference for secured interbank lending through electronic trading platforms since the onset of the financial market turmoil.

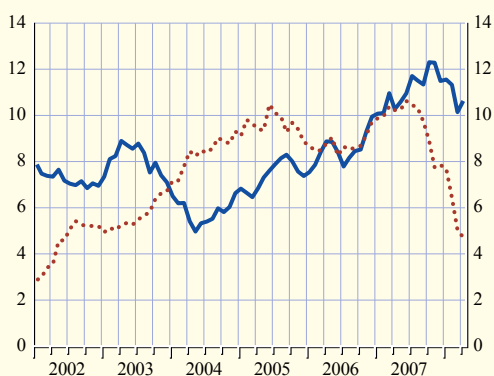
The ongoing securitisation activities provide little evidence of significantly stronger growth in loans to the non-financial private sector (which includes households and non-financial corporations, but excludes other financial institutions, pension funds and insurance corporations) as a result of the re-intermediation of previously securitised loans. Such a development would, in any case, be much less likely in the euro area than in other currency areas, as MFIs in a number of euro area countries apply the International Financial Reporting Standards also for statistical reporting purposes. Those standards severely restrict the volume of loans that can be removed from an MFI's balance sheet as a result of securitisation (see also the box entitled "The importance of accounting standards for interpreting MFI loan statistics" in the March 2008 issue of the Monthly Bulletin). This limits the extent to which any such re-intermediation can influence data on loans to the non-financial private sector.

Turning to the other counterparts of M3, the annual growth of MFI longer-term financial liabilities (excluding capital and reserves) has moderated considerably in recent quarters (see Chart 9). This has reflected slowdowns in all sub-components. In particular, the fall in the growth rate of longer-term deposits reflects the relatively flat yield curve, which has encouraged private non-financial investors to draw down their holdings of long-term deposits, replacing them with shorter-maturity deposits.

Chart 9 M3 and MFI longer-term financial liabilities

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

- M3
- longer-term financial liabilities (excluding capital and reserves)

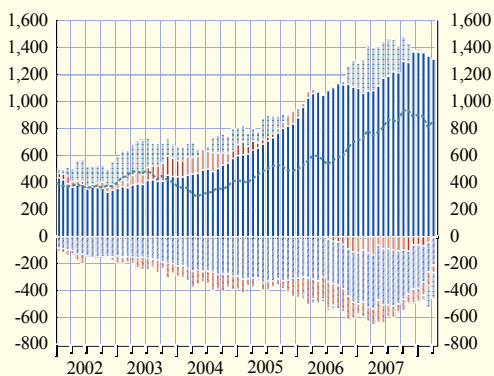


Source: ECB.

Chart 10 Counterparts of M3

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

- credit to the private sector (1)
- credit to general government (2)
- net external assets (3)
- longer-term financial liabilities (excluding capital and reserves) (4)
- other counterparts (including capital and reserves) (5)
- M3



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.

As regards the external counterparts of M3, strong annual outflows have been observed in recent months in MFIs' net external asset position, with outflows reaching €192 billion in April 2008 (see Chart 10), a value last observed in May 2000. These considerable outflows are probably driven to a large extent by non-euro area residents selling euro area assets.

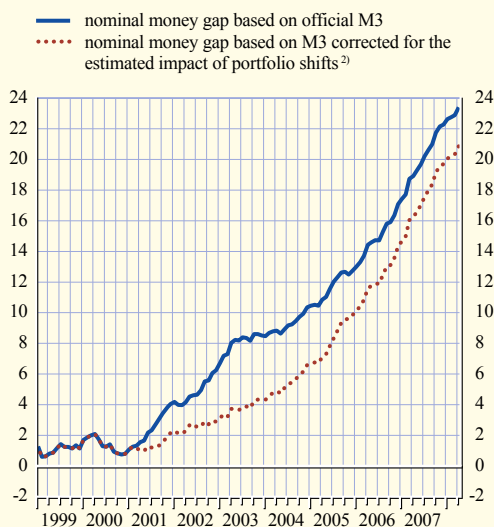
Overall, money and credit data up to April 2008 confirm that the monetary dynamics of the euro area have remained strong. Even taking into account the relatively flat yield curve and the possible influence of the financial market turmoil, the underlying rate of money and credit growth has remained buoyant, although some stabilisation has been visible in recent quarters. Thus far, the monetary analysis indicates that the growth of MFI loans to the non-financial private sector largely reflects developments in economic activity and interest rates, with no signs of an additional direct impact resulting from the financial turmoil. Looking ahead, historical regularities, the increases observed in MFI lending rates since the end of 2005 and the tightening of credit conditions reported in the bank lending survey would all suggest some moderation of loan growth in the future, particularly as regards loans to non-financial corporations.

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

Developments in the nominal and real money gaps indicate that the rapid accumulation of monetary liquidity in the euro area continued in the first quarter of 2008 (see Charts 11 and 12). As regards the nominal money gap, the ongoing strong growth of nominal M3 has resulted in further increases in both

Chart 11 Estimates of the nominal money gap¹⁾

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



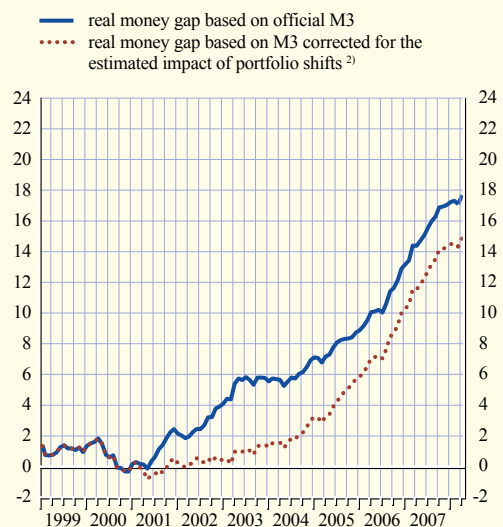
Source: ECB.

1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Chart 12 Estimates of the real money gap¹⁾

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



Source: ECB.

1) The measure of the real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

the money gap based on official M3 data and that based on the M3 series corrected for the estimated impact of portfolio shifts. The real money gaps take into account the fact that positive deviations of inflation from the ECB's definition of price stability result in higher prices, which absorb part of the accumulated liquidity.

Some caution is warranted when interpreting these money gap measures, as they are derived mechanically and are only imperfect estimates of the liquidity situation. This is illustrated by the broad range of estimates derived from the four measures. Nonetheless, even taking the relatively flat yield curve into account, the overall conclusion stemming from the examination of these measures – particularly that derived from the broad monetary analysis geared towards identifying the underlying growth of M3 – is that liquidity conditions in the euro area remain ample. Strong money and credit growth in the context of already ample liquidity implies upside risks to price stability over the medium to longer term.

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

In the fourth quarter of 2007 the annual growth rate of total financial investment by the non-financial sectors declined slightly. This deceleration was broadly based across the household, non-financial corporate and government sectors. Annual flows into investment funds declined significantly in the fourth quarter, and the annual growth rate of financial investment by insurance corporations and pension funds moderated slightly.

NON-FINANCIAL SECTORS

In the fourth quarter of 2007 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors declined to 4.3%, down

Table 2 Financial investment of the euro area non-financial sectors

	Outstanding amount as a percentage of financial assets ¹⁾	2005	2005	2006	2006	2006	2006	2007	2007	2007	2007
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Financial investment	100	4.6	5.1	4.9	4.8	4.6	4.7	4.8	5.0	4.8	4.3
Currency and deposits	22	5.6	6.5	6.5	6.4	7.0	7.0	7.3	7.9	7.2	6.3
Debt securities, excl. financial derivatives	5	0.2	-0.7	1.1	2.1	3.7	5.8	4.4	3.4	3.2	3.1
<i>of which: short-term</i>	1	-3.7	-11.2	6.0	4.2	7.7	17.9	14.9	16.9	29.5	36.5
<i>of which: long-term</i>	5	0.7	0.3	0.7	1.9	3.3	4.8	3.4	2.1	0.6	0.2
Shares and other equity, excl. mutual fund shares	34	3.5	3.4	2.4	2.8	2.0	1.9	2.2	2.4	2.9	3.2
<i>of which: quoted shares</i>	10	-1.4	0.8	-0.9	0.4	1.0	0.0	0.9	1.3	1.3	2.4
<i>of which: unquoted shares and other equity</i>	24	5.4	4.4	3.7	3.7	2.4	2.7	2.8	2.9	3.6	3.6
Mutual fund shares	6	3.7	4.4	3.2	2.0	0.1	-0.7	-0.5	-0.4	-2.7	-4.6
Insurance technical reserves	15	7.4	7.7	7.7	7.4	7.2	6.6	6.2	6.1	5.7	5.3
Other ²⁾	17	4.7	6.4	6.6	6.1	6.2	7.0	7.7	7.8	8.0	6.6
M3 ³⁾		8.3	7.4	8.4	8.4	8.5	10.0	11.0	11.0	11.4	11.5

Source: ECB.

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

2) Other financial assets comprise loans, financial derivatives and other accounts receivable, which in turn include, inter alia, trade credit granted by non-financial corporations.

3) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sectors and non-monetary financial institutions) with euro area MFIs and central government.

from 4.8% in the third quarter (see Table 2). This reflects, in particular, weaker growth in investment in currency and deposits, mutual fund shares and insurance technical reserves. By contrast, growth in investment in shares and other equity (excluding mutual fund shares) continued to strengthen.

The decline in the annual growth rate of total financial investment was broadly based across all institutional sectors (see Chart 13). The declining contribution of households is in line with developments observed in previous quarters. In the fourth quarter of 2007 the annual growth rate of financial investment by households reached 3.2%, the lowest level since the start of Stage Three of EMU. The contribution of non-financial corporations also declined. At the same time, there has been no clear downward trend in the growth rate of financial investment by this sector over recent quarters. (For more detailed information concerning developments in financial investment by the private sector, see Sections 2.6 and 2.7.)

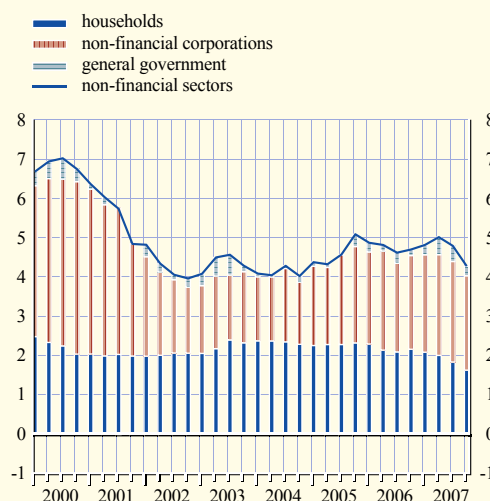
INSTITUTIONAL INVESTORS

The annual growth rate of the total assets of euro area investment funds (excluding money market funds) declined to 4.1% in the fourth quarter of 2007, down from 10.0% in the third quarter. The decrease resulted mainly from a moderation in the growth of holdings of shares and debt securities. In the context of the financial market turmoil, the fall in the outstanding amount of securities, other than shares, held by investment funds is likely to reflect valuation effects, but could also reflect some shifts in asset allocation.

Data from EFAMA¹ regarding net sales of different types of investment fund in the fourth quarter of 2007 tend to confirm the presence of such shifts: net annual flows into investment funds (excluding money market funds) declined and became negative. These

Chart 13 Financial investment of non-financial sectors

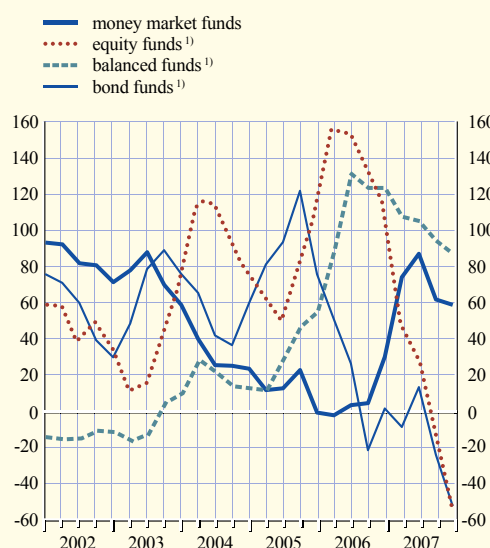
(annual percentage changes; contributions in percentage points)



Source: ECB.

Chart 14 Net annual flows into investment funds (by category)

(EUR billions)



Sources: ECB and EFAMA.

1) ECB calculations based on national data provided by EFAMA.

1 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity, bond and balanced funds for Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.

data show a continuation of previous trends (see Chart 14), particularly that money market funds and mixed (balanced) funds continued to report net annual inflows, albeit somewhat smaller than in previous quarters. Equity and bond funds, on the other hand, continued to report large net outflows of a comparable size (in excess of €50 billion each on an annual basis).

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area moderated slightly to stand at 5.6% in the fourth quarter of 2007, down from 6.0% in the third quarter and 7.0% in the second quarter (see Chart 15). This further decline mainly reflects the reduced contribution of investment in debt securities, as well as that of investment in loans and deposits (included under “other” financial investment).

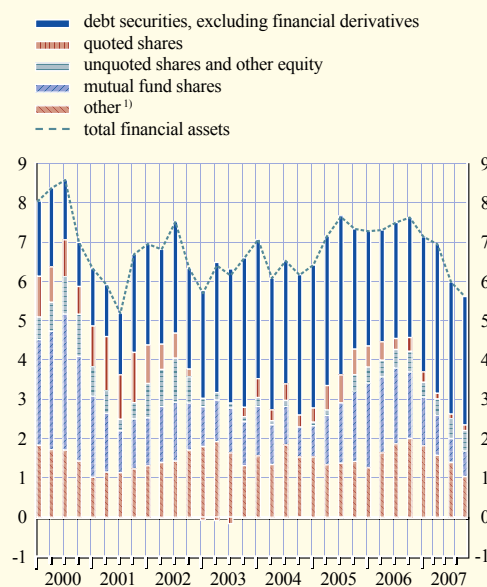
2.3 MONEY MARKET INTEREST RATES

Unsecured money market interest rates have increased substantially since the beginning of March 2008. The spreads between unsecured and secured money market rates have also increased over this period. As a result of these two developments, the money market yield curve derived on the basis of unsecured rates steepened markedly in May, with the spread between unsecured twelve-month and one-month money market interest rates rising further to stand at 65 basis points on 4 June, significantly higher than its previous peak in January 2008.

Unsecured money market interest rates, especially those with longer maturities, have increased substantially since the beginning of March 2008. On 4 June the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 4.46%, 4.86%, 4.93% and 5.11% respectively, i.e. 26, 46, 52 and 71 basis points higher than the levels observed on 5 March 2008 (see Chart 16).

Chart 15 Financial investment of insurance corporations and pension funds

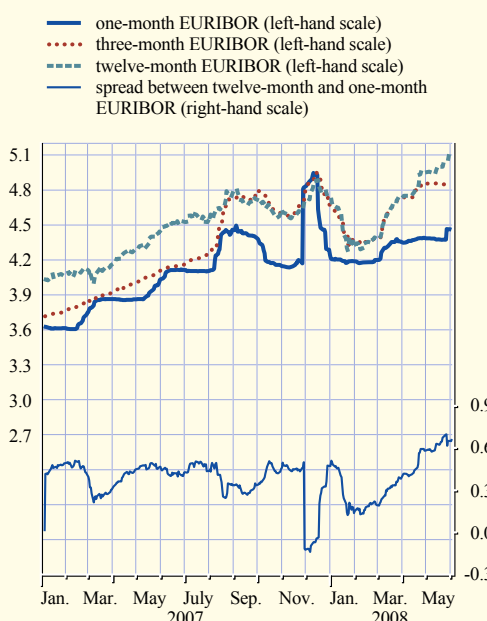
(annual percentage changes; contributions in percentage points)



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

Chart 16 Money market interest rates

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



Sources: ECB and Reuters.

The spread between the twelve-month and one-month EURIBOR rates was 65 basis points on 4 June, compared with 20 basis points in early March (see Chart 16). This spread rose steadily over that period, with its level in early June significantly higher than its previous peak in January 2008 (when it reached 49 basis points). This steepening of the money market yield curve mainly reflected increases in market expectations regarding the future path of key ECB rates. These increases were more pronounced for the latter part of 2008 and thus affected rates with longer maturities more than those with shorter maturities. Changes in spreads between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) also influenced the slope of the money market yield curve. These spreads increased in the context of ongoing money market tensions, although there were some tentative signs of improvement at the end of May. At a three-month maturity, the spread between the unsecured EURIBOR and secured rates increased from 43 basis points on 5 March 2008 to levels above 80 basis points in mid-May, before declining very slightly to stand at 79 basis points on 4 June 2008 (see Chart 17).

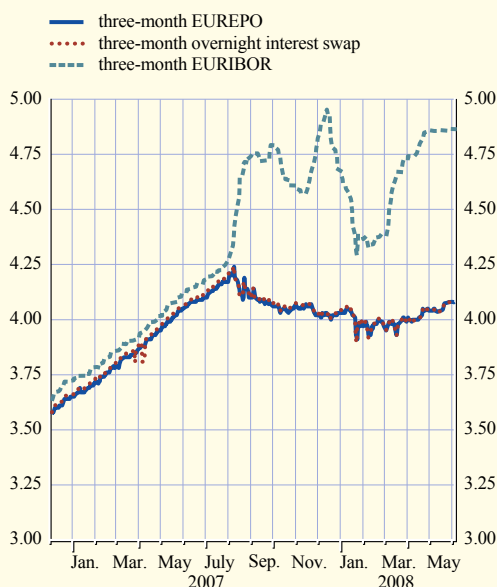
The interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2008 and March 2009 stood at 4.89%, 4.93%, 5.01% and 4.92% respectively on 4 June, representing increases of 69, 107, 138 and 147 basis points by comparison with the levels observed on 5 March 2008 (see Chart 18).

Market participants' expectations regarding interest rates at very short maturities in 2008 were revised upwards between the beginning of March and the beginning of May 2008, as reflected in the EONIA swap rates (see Chart 17).

Such rising expectations also influenced three-month EURIBOR futures contracts, although these are also affected by expectations regarding the extent of future money market tensions and

Chart 17 Three-month EUREPO, EURIBOR and overnight interest swap

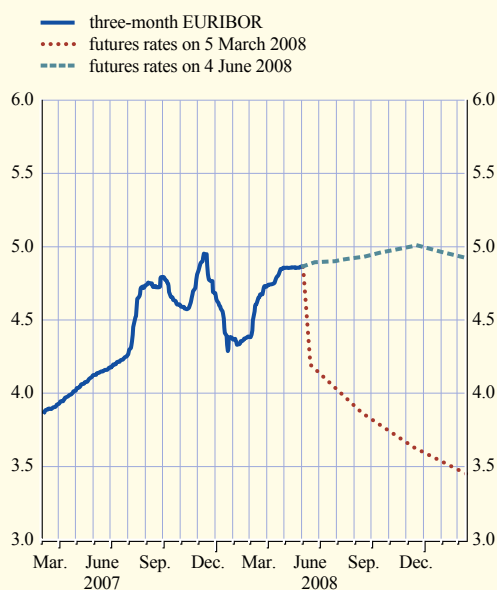
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 18 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)



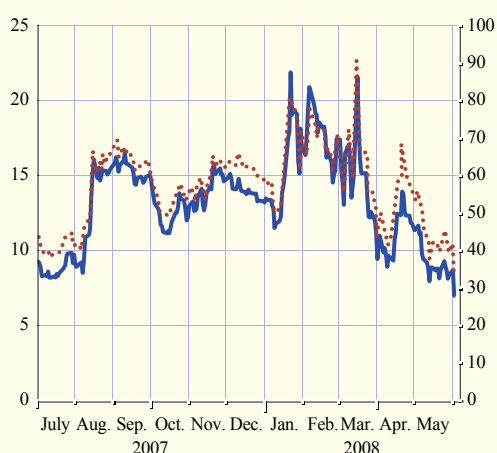
Source: Reuters.

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

Chart 19 Implied volatility derived from options on three-month EURIBOR futures maturing in September 2008

(percentages per annum; basis points; daily data)

- percentages per annum (left-hand scale)
- basis points (right-hand scale)

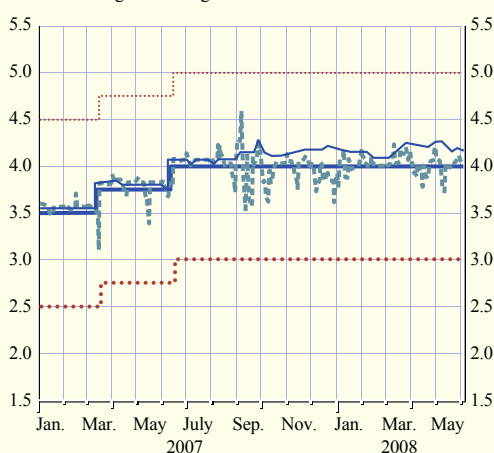


Sources: Bloomberg, Reuters and ECB calculations.
Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled “Measures of implied volatility derived from options on short-term interest rate futures” in the May 2002 issue of the Monthly Bulletin).

Chart 20 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)

- minimum bid rate in the main refinancing operations
- deposit rate
- - - overnight interest rate (EONIA)
- marginal rate in the main refinancing operations
- marginal lending rate



Sources: ECB and Reuters.

their impact on term spreads in the money market. The implied volatility derived from options on three-month EURIBOR futures declined somewhat between March and early April 2008. It then increased substantially to peak at the beginning of May, before subsequently falling back again (see Chart 19).

As regards very short-term interest rates, in its communication the ECB continued to emphasise the importance of keeping overnight interbank interest rates stable and close to the minimum bid rate. Although volatility in the EONIA remained somewhat higher than had been observed prior to the emergence of money market tensions in August 2007, the ECB was largely successful in meeting this objective. In order to accommodate counterparties’ need to fulfil their reserve requirements early on in the maintenance period, the ECB continued its policy of allocating 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. At the end of May the EONIA stabilised at around 4% (see Chart 20). These developments and the policy operations conducted by the ECB are described in more detail in Box 3.

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 13 FEBRUARY 2008 TO 13 MAY 2008

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 11 March, 15 April and 13 May 2008. During these periods the ECB's liquidity management continued to respond in various ways to the tensions seen in the euro money market since August 2007. First, the ECB continued to pursue its policy of "frontloading" liquidity, a policy which consists of facilitating the fulfilment of counterparties' reserve requirements early in the maintenance period. This is achieved by allotting more than the benchmark amount in main refinancing operations (MROs) at the beginning of the maintenance period (the benchmark amount being the allotment amount that allows counterparties to fulfil their reserve requirements evenly in the course of a reserve maintenance period), while absorbing the resulting surplus liquidity towards the end of the maintenance period so that the average supply of liquidity in any maintenance period remains unchanged. Second, around the end of the first quarter of 2008 the ECB conducted two liquidity-providing fine-tuning operations in order to alleviate tensions in the euro money market. Third, the two supplementary three-month longer-term refinancing operations (LTROs), which were first carried out in August and September 2007, were rolled over for the second time when they matured in February and March 2008. Moreover, in March 2008 the Eurosystem announced that it would renew these operations again in May and June 2008 and that it would conduct two supplementary LTROs with a six-month maturity, one in April and one in July, with the aim of supporting the normalisation of the functioning of the euro money market. Finally, over the period under review the ECB resumed the conduct of term auction facilities providing US dollar liquidity to euro area banks in cooperation with the Federal Reserve System, with that liquidity secured using collateral eligible in the Eurosystem. These operations did not affect the supply of euro liquidity.¹

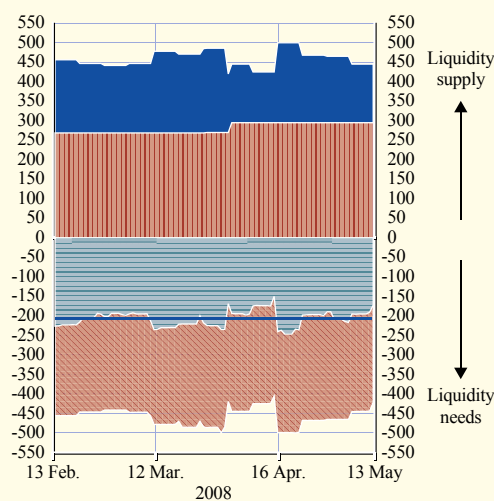
Liquidity needs of the banking system

In the three maintenance periods under review, banks' average liquidity needs rose by €10.4 billion by comparison with the preceding three periods. This can be explained by a €7.4 billion increase in required reserves and a €3.3 billion increase in autonomous factors, while excess reserves declined by €0.3 billion. Total liquidity needs resulting from reserve requirements stood at €206.5 billion, and those

Chart A Liquidity needs of the banking system and liquidity supply

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

- main refinancing operations: €178.62 billion
- longer-term refinancing operations: €280.55 billion
- current account holdings: €207.17 billion
(reserve requirements: €206.47 billion;
excess reserves: €0.71 billion)
- reserve requirement level
- autonomous factors: €252.35 billion



Source: ECB.

¹ Please refer to <http://www.ecb.europa.eu/mopo/implement/omo/html/communication.en.html> for the statements communicated by the ECB.

resulting from autonomous factors averaged €252.4 billion (see Chart A).

The level of excess reserves (i.e. the daily average of current account holdings in excess of reserve requirements) decreased slightly in the three periods under review, averaging €0.71 billion (see Chart B), close to the average (€0.75 billion) seen since the changes to the monetary policy implementation framework in March 2004.

Liquidity supply and interest rates

The total volume of outstanding open market operations (denominated in euro) rose as a result of the increase in reserve requirements. The two supplementary three-month LTROs initially conducted in August and September 2007, which matured in February and March 2008, were rolled over for an amount of €50 billion each. In addition, on 2 April 2008 a supplementary LTRO was conducted with a six-month maturity and an amount of €25 billion. As a result, the average maturity of the outstanding open market operations increased slightly. The shares of LTROs and MROs in the total volume of outstanding open market operations remained broadly unchanged at around 60% and 40% respectively.

On 11 March 2008 the ECB announced that, in connection with the US dollar term auction facility offered by the Federal Reserve System, it would again offer US dollar funding to Eurosystem counterparties, as it had done in December 2007 and January 2008, with such funding secured using collateral eligible in the Eurosystem. It also announced that it intended to continue its provision of US dollar liquidity for as long as the Governing Council considered it to be necessary in view of the prevailing market conditions. On 2 May 2008 the amount offered through the ECB was increased from USD 15 billion to USD 25 billion. These operations did not affect the supply of euro liquidity.

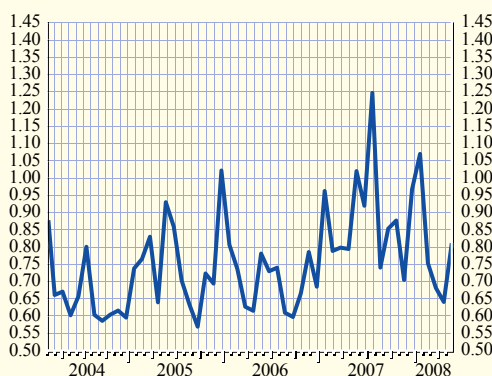
During the maintenance period ending in March the EONIA was remarkably stable, with the exception of a modest increase on the last day of the month. However, in the following two maintenance periods (ending in April and May) the EONIA exhibited greater volatility, particularly prior to the end of the quarter (see Chart C). Reflecting counterparties' aggressive bidding in the MROs, the spread between the minimum bid rate and the marginal rate (i.e. the lowest rate at which bidders receive liquidity) was occasionally substantial.

Reserve maintenance period ending on 11 March 2008

In this maintenance period the ECB continued its policy of “frontloading” liquidity and gradually reduced the amount it allotted in excess of the benchmark in the course of the maintenance period. Specifically, it allotted €20 billion, €15 billion and €10 billion in excess of the benchmark amount in the first three MROs. During these three weeks the EONIA stood only very slightly above the minimum bid rate. €4 billion was allotted in excess of the benchmark in the fourth and final MRO of the maintenance period. That week saw some unexpected and unusually strong tightening of liquidity conditions, which placed some upward pressure on the EONIA. On the last day of the

Chart B Excess reserves ¹⁾

(EUR billions; average level in each maintenance period)

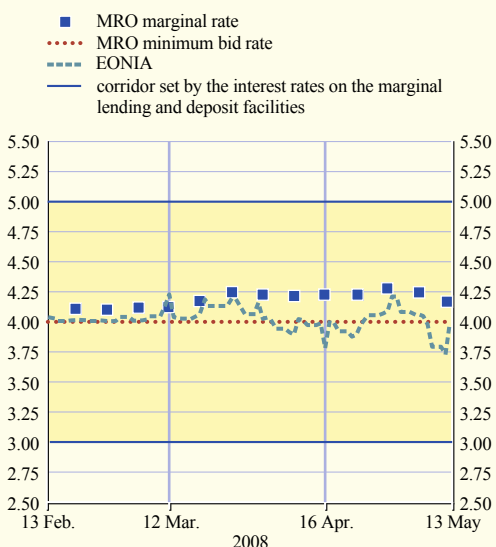


Source: ECB.

1) Banks' current account holdings in excess of reserve requirements.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

maintenance period the ECB conducted a liquidity-providing fine-tuning operation for an amount of €9 billion. The maintenance period ended with net recourse to the marginal lending facility of €321 million and the EONIA at 4.229%.

Reserve maintenance period ending on 15 April 2008

On 11 March, in the first MRO of this maintenance period, the ECB allotted €25 billion in excess of the benchmark amount. During that week the EONIA stood slightly above the minimum bid rate and tended to increase slightly.

In the second MRO, which was allotted on 18 March, in the light of some signs of increased tensions in the euro money market, the ECB did not reduce its allotment in excess of the benchmark and continued instead to

provide €25 billion in excess of that amount. The EONIA rose further to 4.188% the day after the allotment of the MRO, and on 20 March the ECB launched a liquidity-providing fine-tuning operation with an allotment amount of €15 billion. The EONIA stood at 4.133% on that day.

On 25 March, in the third MRO of the reserve maintenance period, an operation which covered the end of the quarter, the ECB allotted €50 billion in excess of the benchmark in view of further increases in tensions in the euro money market. In that operation the marginal rate and the weighted average rate increased to 4.23% and 4.28% respectively. Notwithstanding the ample allotment in the MRO, the overnight rate remained elevated on the morning of 31 March, the last day of the quarter, and the ECB conducted a liquidity-providing fine-tuning operation in which it allotted €15 billion. The EONIA stood at 4.159% on that day.

In the fourth MRO of the reserve maintenance period the ECB allotted €35 billion in excess of the benchmark amount, and the EONIA subsequently fell to levels slightly below the minimum bid rate.

In the last MRO of the period the ECB allotted €5 billion in excess of the benchmark, and the EONIA stood close to the minimum bid rate in the last week of the maintenance period. On the last day of the maintenance period the ECB launched a liquidity-absorbing fine-tuning operation for an amount of €21 billion. However, counterparties only submitted bids for a total of €14.9 billion. As a result, the maintenance period ended with net recourse to the deposit facility of €4.6 billion. In line with that excess liquidity, the EONIA stood at 3.783% on that day.

Reserve maintenance period ending on 13 May 2008

On 15 April, in the light of the persistent tensions in the euro money market and consistent with its “frontloading” of liquidity, the ECB allotted €35 billion in excess of the benchmark in the

first MRO of the maintenance period. During that week the EONIA stood slightly below the minimum bid rate and tended to decline.

In the second MRO, which was allotted on 22 April, the ECB reduced its allotment in excess of the benchmark to €20 billion, thereby starting to reduce the liquidity surplus somewhat more quickly than usual. During that week the EONIA rose slightly above the minimum bid rate.

In the third MRO, which was allotted on 29 April and covered the end of the month, the ECB allotted €20 billion in excess of the benchmark amount. The EONIA stood at 4.090% on the day of the allotment, before rising to 4.210% on the following day, the last day of the month.

Following the allotment of €4 billion in excess of the benchmark in the fourth and final MRO of the maintenance period, the EONIA began to gradually decline. On 8 May it stood below the minimum bid rate at 3.979%. On the last day of the maintenance period the ECB launched a liquidity-absorbing fine-tuning operation and absorbed €23.5 billion. The maintenance period ended with limited net recourse to the deposit facility of €284 million, and the EONIA stood at 4.004% on that day.

2.4 BOND MARKETS

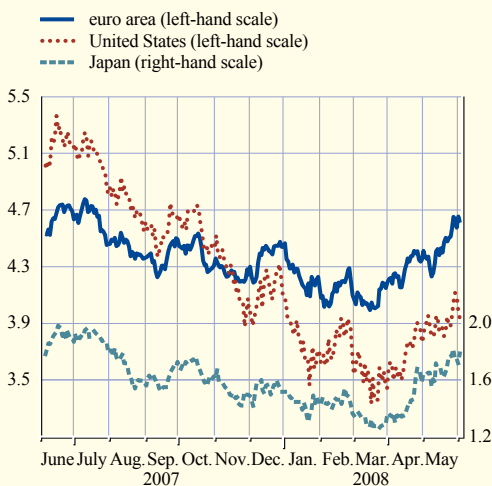
Long-term government bond yields in the major markets have risen markedly over the past three months. These developments were driven mainly by a rise in real long-term bond yields, which probably reflected market participants' perceptions of a somewhat more favourable global economic outlook, a reversal of the earlier anticipation of lower official interest rates and a rebound in bond market risk premia. At the same time, long-term implied forward break-even inflation rates in the euro area changed little in the period under review, while medium to long-term spot break-even inflation rates increased further to reach the highest levels since 2004.

Since the end of February, long-term government bond yields have risen significantly in the euro area and the United States. These increases in yields have been supported by a rebound of the still relatively low risk premia embedded in long-term yields following the global sell-off of shares at the end of February and in early March. In addition, investors' perceptions about the global economic outlook have improved somewhat in recent months, reflecting in particular attenuated market concerns about the prospects for the US economy. At the same time, perceptions of global inflation risks have become more acute in the context of the high and rising oil and food prices. Against this background, the rise in long-term government bond yields was also supported by changes in market participants' views on the future course of monetary policy rates across the main regions. Overall, ten-year government bond yields in the euro area rose by around 50 basis points between end-February and 4 June 2008, to stand at around 4.6% on the latter date (see Chart 21). At the same time, ten-year government bond yields in the United States increased by around 40 basis points and ended the period under review at around 4.0%. Although day-to-day movements in long-term interest rates of the two economies tended, as usual, to mirror each other fairly closely, the differential between US and euro area ten-year government bond yields widened by around 10 basis points between end-February and 4 June, standing at around –65 basis points on the latter date. In Japan, ten-year government bond yields increased by about 40 basis points to stand at 1.8% on 4 June.

Market participants' uncertainty regarding the short-term outlook for long-term bond yields changed little in the euro area, as implied bond market volatility remained broadly unchanged between the

Chart 21 Long-term government bond yields

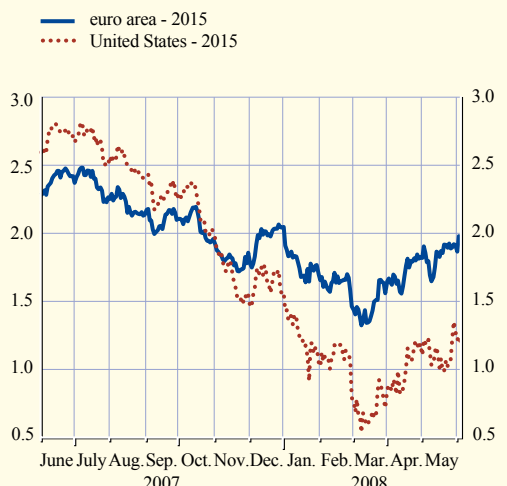
(percentages per annum; daily data)



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

Chart 22 Real bond yields

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

end of February and early June. In the United States, the implied bond market volatility ended the review period at levels that were lower than those prevailing at the end of February. By contrast, the implied bond market volatility in Japan increased significantly in the period under review.

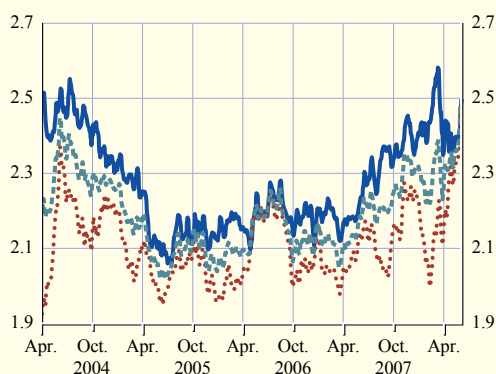
In the United States, long-term government bond yields rose markedly between end-February and early June 2008, mainly on account of higher real interest rates, as evidenced by developments in index-linked bond yields. Bond markets were initially affected by the sell-off in global equity markets at the end of February and in early March, which gave rise to flight-to-safety flows into government bonds that dampened bond yields. With perceptions of risk gradually improving since mid-March, bond yields have started to increase. In addition, investors' improved expectations regarding the state of the US economy after a number of data releases on economic activity, especially on GDP in the first quarter of 2008, exerted upward pressure on bond yields. The marked rise in nominal bond yields was accompanied by similar increases in real yields (see Chart 22). The upward movement in real bond yields reflected not only a more favourable economic outlook, as perceived by market participants, but probably also the fact that risk premia rebounded somewhat after government bonds had acted as a "safe haven" during the global stock market downturn at the end of February and in early March, while remaining at still fairly low levels. Longer-term bond yields were also supported by market expectations regarding the possibility that monetary policy would be tighter than had previously been expected in the context of perceptions of stronger economic growth and inflationary risks.

In the euro area, long-term government bond yields likewise increased steadily from mid-March. This increase in bond yields was supported not only by a renewed moderation of risk aversion among investors, but also by unexpectedly robust real GDP growth in the euro area in the first quarter of 2008, as well as by favourable survey data releases, such as the German IFO indicator. The increase of around 50 basis points observed in the yield on index-linked bonds across longer-term maturities over the last three months is consistent with upward revisions in market expectations for economic

Chart 23 Zero-coupon spot and forward break-even inflation rates in the euro area

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

- five-year forward break-even inflation rate five years ahead
- five-year spot break-even inflation rate
- ten-year spot break-even inflation rate

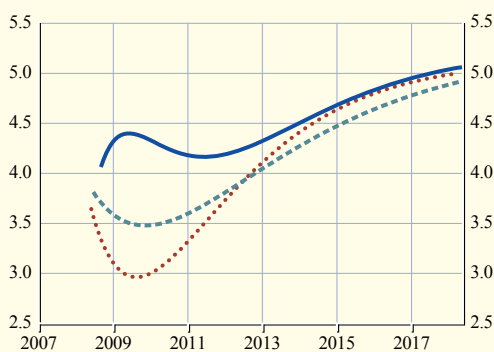


Sources: Reuters and ECB calculations.

Chart 24 Implied forward euro area overnight interest rates

(percentages per annum; daily data)

- 4 June 2008
- 29 February 2008
- 31 March 2008



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.

growth in the euro area (see Chart 22). In line with the upward revisions to euro area growth dynamics, corporate bond spreads for lower-rated borrowers have narrowed significantly since end-February.

The five-year forward break-even inflation rate five years ahead – a measure of market participants' long-term inflation expectations and related risk premia – remained broadly unchanged in the period under review and stood at 2.5% in early June (see Chart 23). At the same time, however, the five and ten-year spot break-even inflation rates increased further, namely by about 35 and 15 basis points respectively, to stand at their highest levels since 2004. These high levels reflect investors' increasing concerns about the persistence of the currently elevated inflationary pressures against the background of rising oil and food prices.

Between end-February and early June, the implied forward overnight interest rate curve for the euro area shifted upwards at short and medium-term horizons (see Chart 24). This seems to reflect mainly changes in investors' expectations regarding the path of short-term interest rates over short to medium-term horizons. The upward shift at the longer end of the forward yield curve between end-March and early June probably also reflects an increase in corresponding risk premia.

The widening of corporate bond spreads that has been observed since the summer of 2007 started to reverse in the course of the period under review. By early June, BBB-rated corporate bond spreads had narrowed by 35 basis points since the end of February 2008. Corporate bond spreads across the other rating classes likewise narrowed over the review period. The narrowing of corporate bond spreads in the course of the period under review suggests that investors' appetite for credit risk has recovered somewhat, in line with a more general increase in global risk appetite.

2.5 EQUITY MARKETS

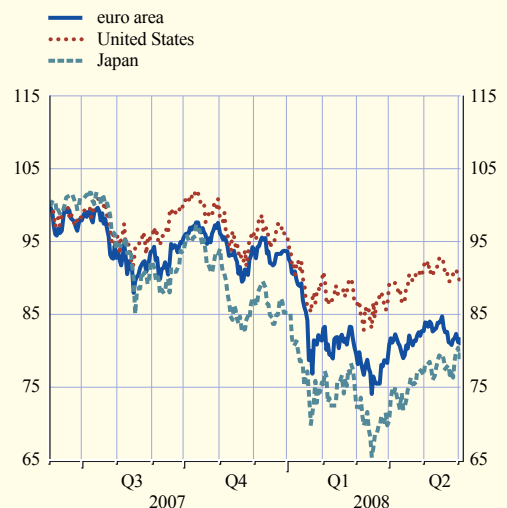
After the sharp decline between the end of February and mid-March, global stock prices rebounded strongly, mainly on account of a renewed increase in investors' risk appetite and improved risk perceptions that offset the downward pressure exerted by higher long-term interest rates. Reflecting market participants' lower perceptions of risk, implied stock market volatility in the major markets dropped to levels only somewhat above the subdued levels prevailing prior to the financial market turmoil.

Stock prices in the euro area and the United States declined sharply at the end of February and in the first half of March, and rebounded strongly thereafter (see Chart 25). Stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, remained broadly unchanged, overall, between the end of February and 4 June 2008. In the United States, stock prices, as measured by the Standard & Poor's 500 index, rose by 4% over the same period. In Japan, stock prices, as measured by the Nikkei 225 index, increased by 6% in the period under review.

Short-term stock market uncertainty, as measured by the implied volatility extracted from stock options, rose at the end of February and in the first half of March, but subsequently declined to end the period under review at levels somewhat above the very subdued levels prevailing prior to the outbreak of the financial turmoil (see Chart 26). When combined with the fact that spreads for high-yield and BBB-rated corporate bonds were substantially lower in early June than at the end of February, this would also seem to indicate that investors' appetite for risk has recovered from the episode of market turbulence in late February. The renewed increase in risk appetite is also reflected in several indicators regularly reported by the private sector. Against this background, it is likely that equity risk premia in both the United States and the euro area have declined in recent months, thereby contributing to the observed stock price increases.

Chart 25 Stock price indices

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

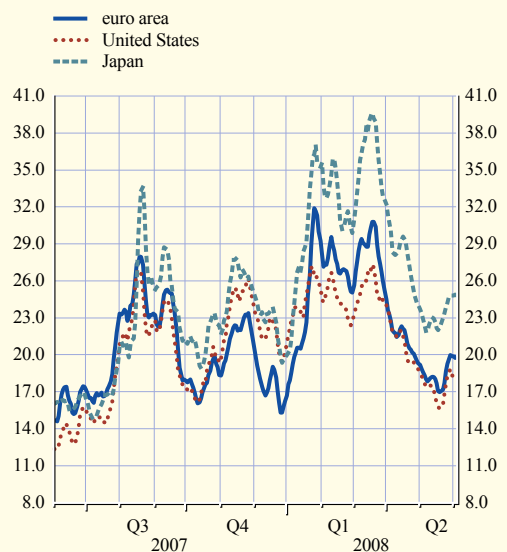


Sources: Reuters and Thomson Financial Datastream.

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.

Chart 26 Implied stock market volatility

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



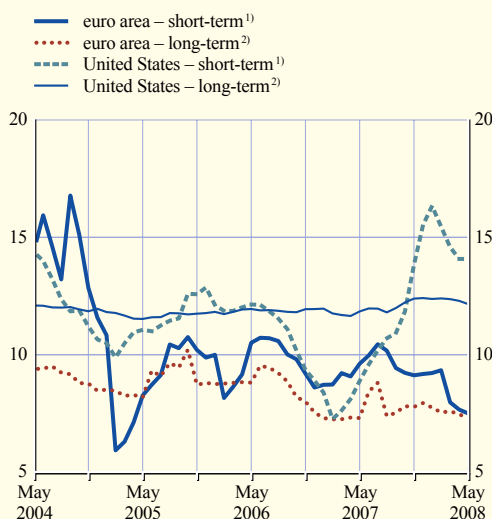
Source: Bloomberg.

Notes: The implied volatility series reflects the expected standard deviation of percentage changes in stock prices over a period of up to three months, as implied in the prices of options on stock price indices. The equity indices to which the implied volatilities refer are the Dow Jones EURO STOXX 50 for the euro area, the Standard & Poor's 500 for the United States and the Nikkei 225 for Japan.

In the United States, stock prices have risen over the past three months, after the global sell-off in shares observed at the end of February and in the first half of March. Stock prices were supported by investors' more favourable risk perceptions and attitudes against the background of the Bear Stearns rescue package of mid-March. Moreover, there is some evidence supporting the view that market participants have become more optimistic with respect to the outlook for corporate earnings in the US market. For example, in May 2008 the number of professional stock market analysts and US companies that revised their estimates of expected earnings per share in the next 12 months upwards was broadly balanced with the number that revised them downwards, while the clear majority of panellists had, in previous months, been revising their earnings estimates downwards. In addition, analysts' expectations regarding the short and long-term growth rate of earnings per share of corporations included in the Standard & Poor's 500 index – at 14% and 12% respectively – were also robust in May (see Chart 27). By contrast, the actual annual earnings per share growth stood at –3% in May.

Chart 27 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.
Notes: Expected earnings growth of corporations on the Dow Jones EURO STOXX index for the euro area and on the Standard & Poor's 500 index for the United States.

1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).

2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

In the euro area, too, stock prices initially decreased sharply at the end of February and in the first half of March, but have risen markedly since then, despite a significant increase in long-term bond yields, which act as a discount factor for the valuation of stocks. Stock valuations in the euro area benefited from the aforementioned rebound in global risk appetite. However, the growth of corporate earnings, both actual and expected, decelerated over the past three months (see Chart 27). The actual earnings per share of companies included in the Dow Jones EURO STOXX index continued to decrease, down to an annual rate of 8% in May. At the same time, analysts moderated their expectations for growth in earnings per share over the next 12 months from 10% in February to 7% in May. Analysts' expectations for earnings growth over a longer-term horizon (three to five years ahead) declined only slightly over the past three months. There were, however, striking differences between the recent developments in earnings of non-financial and financial corporations, as described in Box 4.

Developments in sectoral stock price indices in the euro area were mixed in the period under review (see Table 3). Among the sectors performing less well than the broad-based Dow Jones EURO STOXX index over the past three months were technology and telecommunications companies. The performance of the financial sector, a clear underperformer since the outbreak of the financial turmoil, was broadly similar to that of the overall stock market in the period under review, despite the lower growth of both actual and expected earnings per share (see Box 4). The above-average performance of both the basic materials sector and the oil and gas sector may partly reflect the observed high and rising levels of oil and other commodity prices.

Table 3 Price changes in the Dow Jones EURO STOXX economic sector indices

(price changes as percentages of end-of-period prices)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Technology	Tele-communications	Utility	EURO STOXX
Share of sector in market capitalisation (end-of-period data)	8.8	5.9	11.5	7.5	29.0	3.0	11.9	4.8	6.6	11.1	100.0
Price changes (end-of-period data)											
2007 Q1	10.1	7.5	9.5	-2.5	1.9	-3.1	7.7	-0.3	-2.4	2.1	3.4
2007 Q2	12.6	0.9	8.8	13.4	1.6	-1.5	12.1	13.7	2.4	9.4	6.3
2007 Q3	0.1	-5.0	-0.8	-4.1	-7.5	-2.7	-10.4	7.7	9.1	2.1	-3.4
2007 Q4	-1.2	-3.3	-1.6	-1.8	-4.9	2.1	0.1	-7.8	7.1	8.5	-1.2
2008 Q1	-9.1	-16.2	-13.7	-15.2	-16.6	-17.9	-18.1	-22.2	-20.8	-16.5	-16.4
April	8.2	1.9	-0.3	14.4	6.7	7.0	5.7	3.1	3.0	5.7	5.5
May	5.5	-2.0	0.3	4.4	-5.2	-2.7	1.8	0.9	-1.9	4.3	-0.4
29 Feb.- 4 June	15.8	-1.2	-1.4	8.8	-1.3	-2.2	0.3	-9.6	-9.8	3.4	0.3

Sources: Thomson Financial Datastream and ECB calculations.

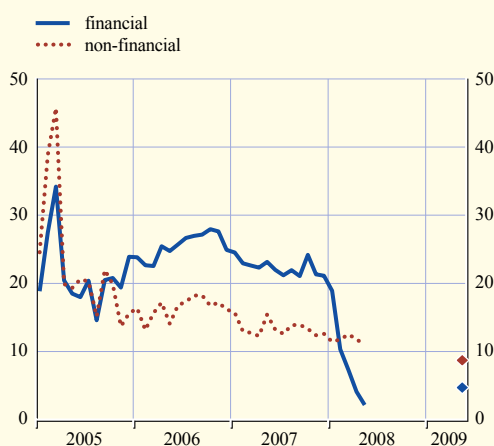
Box 4

RECENT DEVELOPMENTS IN THE EARNINGS OF EURO AREA FIRMS

The financial market turmoil that got underway in the summer months of 2007 has tested the strength of euro area firms' balance sheets. The turmoil has brought about tighter external financing conditions for both financial and non-financial corporations and, more generally, an outlook for slower growth in the euro area economy. Both factors are likely to weigh

Chart A Earnings growth of corporations in the euro area: financials and non-financials

(annual percentage changes)



Source: Thomson Financial Datastream I/B/E/S.
Note: Earnings growth refers to aggregate earnings per share of firms included in the Dow Jones EURO STOXX index. The diamond refers to the average twelve month ahead earnings per share growth forecasts as of May 2008.

on corporate profitability. Against this background, this box describes developments in the growth of the actual and expected earnings per share (EPS) of listed companies in the euro area since the outbreak of the financial turmoil.

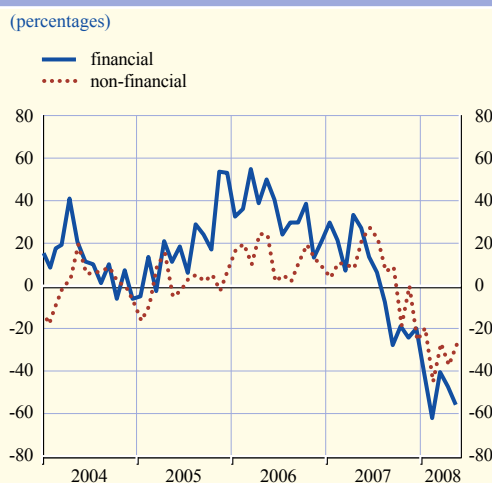
Chart A plots actual and expected EPS growth for both financial and non-financial corporations that are listed on euro area stock markets. It shows that actual EPS growth of financial corporations has fallen sharply from previous elevated levels since the beginning of 2008, whereas an only gradual and comparatively minor slowdown in actual EPS growth can be detected for non-financial corporations. Indeed, the turbulent period in financial markets has had a more marked impact on profitability in the euro area financial sector. For financial corporations, sharp price falls in financial assets, together

with writedowns on loans, led to lower earnings growth in late 2007 and in the first months of 2008. Looking ahead, professional stock market analysts nevertheless expect earnings growth for both sectors to remain, on average, relatively robust over the next 12 months.

To gauge the dynamics of expected EPS, Chart B depicts the so-called earnings revision ratio for both financial and non-financial corporations. This indicator measures the balance between the number of upward revisions by companies to EPS expectations for the next 12 months and the corresponding number of downward revisions in terms of the total number of earnings estimates. As can be seen in the chart, the financial sector's earnings revision ratio deteriorated immediately and markedly as from the summer of 2007, reversing the previously sustained pattern of upward revisions. Moreover, the same also applies to the non-financial sector, albeit with a delay of a few months. Thus, the recent sentiment around earnings seems, at the current juncture, to be rather negative despite the resilience in the earnings outlook.

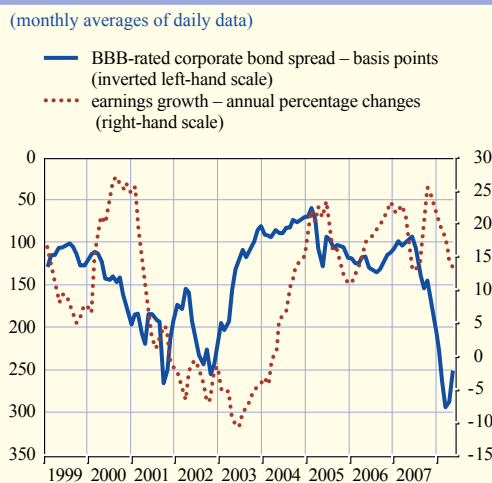
Further information about an economy's earnings sentiment can be found by analysing corporate bond spreads. The relationship between corporate bond spreads and firms' earnings prospects can be viewed from two different angles. First, the prices of corporate bonds embed, among other things, the probability of the company to default, as seen by investors. More precisely, everything else being equal, higher corporate bond spreads for the economy as a whole signal a higher likelihood for firms to default. The likelihood of defaults, in turn, usually increases in an environment where firms' earnings prospects deteriorate. Second, corporate bond spreads also play an "active" role on firms' earnings prospects through the influence they exert on the financing costs. For instance, higher corporate spreads make fewer investment opportunities profitable, which – everything else being equal – lowers the earnings prospects for firms.

Chart B Euro area earnings revision ratio: financial and non-financial corporations



Sources: Thomson Financial Datastream I/B/E/S and ECB calculations.
Note: Number of upward minus number of downward revisions in twelve-month ahead earnings per share by companies listed in the Dow Jones EURO STOXX as a percentage of the total number of estimates.

Chart C Earnings growth and corporate bond spread



Sources: Thomson Financial Datastream I/B/E/S and ECB calculations.
Note: Earnings calculated as the ratio between the Datastream EMU total market stock price index and the corresponding price/earnings ratio. Corporate bond spread refers to the Merrill Lynch index of BBB-rated corporate bonds with a maturity of 7 to 10 years.

Chart C plots the earnings growth of listed euro area companies together with euro area BBB-rated corporate bond spreads. As can be seen, corporate earnings growth and markets' perceived credit risk have moved broadly in parallel over the past ten years. For instance, during the pick-up in credit spreads in 2000, euro area earnings growth dropped more or less in tandem. From 2002 until 2004, BBB-rated bond spreads gradually declined to historically low levels, spurred by improved stock market sentiment, lower default rates and, arguably, some under-pricing of risk on the part of investors. At the same time, corporate earnings growth began to improve. As from 2005, BBB spreads remained at low levels until the recent turmoil got underway in the summer months of 2007. As indicated in the chart, euro area BBB-rated corporate bond spreads nearly tripled between June 2007 and May 2008, from 90 to around 250 basis points. In the same period, the earnings growth of both non-financial and financial corporations listed on the stock market moderated only slightly. This seems to suggest that the rise in bonds spreads was initially driven mainly by the ongoing re-pricing of risk, rather than reflecting – as in past episodes – a deteriorating economic outlook and higher default probabilities. On the basis of what has happened in the past, a further weakening of earnings growth might be expected to restore the historical relationship.

To sum up, the earnings growth dynamics of listed companies in the euro area decelerated strongly in the case of financial corporations in the first months of 2008, but has thus far declined only somewhat in that of non-financial corporations. On average, analysts expect relatively robust earnings growth for the two sectors over the next 12 months. On balance, however, the recent revisions to corporate earnings expectations are negative, suggesting downward risks to earnings growth in the quarters ahead. Thus, it cannot be ruled out that the higher financing costs witnessed since the outbreak of the financial turmoil, in conjunction with other factors such as rising input and wage costs, will dampen euro area firms' earnings prospects in the latter part of 2008 and in early 2009.

2.6 FINANCIAL FLOWS AND FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

The real cost of the external financing of the non-financial corporate sector in the euro area edged up further against the backdrop of financial market tensions and the ongoing reassessment of market and credit risk in the first quarter of 2008. The cost of market-based sources of finance increased significantly. By contrast, following the hikes in previous quarters, bank lending rates declined somewhat, partly reflecting a temporary drop in government bond yields, together with some easing in money market rates after the surge towards the end of 2007. At the same time, lending by MFIs to non-financial corporations proved to be robust also in the first months of 2008, thus far showing no significant impact of the financial market turmoil. Non-financial corporate leverage ratios continued the upward trend observed in previous quarters.

FINANCING CONDITIONS

The real cost² of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their amounts outstanding, corrected for valuation effects³ – increased by a further 18 basis points in the first quarter of 2008 (see Chart 28). While bank lending rates declined in real terms, non-financial corporations' real

2 The cost of equity is computed according to a new series based only on data for non-financial corporations rather than on data for the total economy/all corporations, as computed previously.

3 For a detailed description of how the real cost of the external financing of euro area non-financial corporations is measured, see Box 4 in the March 2005 issue of the Monthly Bulletin.

external financing cost in the first quarter of 2008 was driven mainly by a continued increase in the real cost of market-based financing against the background of a renewed widening of credit and equity risk premia. In contrast with the upward trend in the previous quarters, bank lending rates on both short and long-term maturities fell over the same period. Taking a longer perspective, the increase in the real overall cost of financing for non-financial corporations in the euro area since the outbreak of the financial turmoil has come to 37 basis points since the end of June 2007. The real cost of equity rose by 76 basis points, while the cost of debt financing went up by only 11 basis points in real terms, partly reflecting an increase in short-term inflation expectations. Overall, the widespread tensions on the financial markets and the broad re-evaluation of risk have thus only had a limited impact on the cost of financing against the backdrop of unchanged policy rates and the overall decline in long-term government bond yields.

Turning to the components of the real cost of non-financial corporations' external financing (see also Box 5 below), the upward trend in the real cost of bank lending was interrupted with a decline of around 25 basis points in the first quarter of 2008, in parallel with a decrease in market interest rates. Both short-term and long-term rates contributed to this decline. In nominal terms, short-term MFI interest rates on loans to non-financial corporations with floating rates and an initial rate fixation of up to one year decreased by around 16 basis points between December 2007 and March 2008 (see Table 4), while the decline in real terms was larger due to a pick-up in short-term inflation expectations. Over the same period, the three-month EURIBOR dropped by 25 basis points amid a temporary normalisation in money market conditions with respect to the historical peaks reached towards the end of 2007. As a result, the spread between short-term bank lending rates and the three-month money market rate widened somewhat in the first quarter of 2008, but still remained below its historical average since January 2003 when the Eurosystem's new harmonised MFI interest rate statistics were introduced. However, tensions in the unsecured interbank market resurfaced more recently, in April and May. Long-term MFI interest rates on loans to non-financial corporations with an initial rate fixation of over five years also fell slightly between December 2007 and March 2008,

Table 4 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points; weight-adjusted¹⁾)

							Change in basis points up to Mar. 2008 ²⁾		
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Feb.	2008 Mar.	2007 Sep.	2007 Dec.	2008 Feb.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	6.06	6.18	6.50	6.63	6.55	6.55	5	-7	0
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	5.29	5.53	5.92	6.08	5.85	5.91	-1	-17	6
with an initial rate fixation of over five years	4.83	5.00	5.24	5.28	5.21	5.21	-3	-7	-1
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	4.68	4.90	5.21	5.33	5.04	5.17	-3	-16	14
with an initial rate fixation of over five years	4.86	5.17	5.43	5.47	5.13	5.33	-10	-14	20
Memo items									
Three-month money market interest rate	3.89	4.15	4.74	4.85	4.36	4.60	-15	-25	23
Two-year government bond yield	3.94	4.45	4.10	4.05	3.40	3.54	-56	-51	14
Five-year government bond yield	3.95	4.57	4.19	4.14	3.64	3.65	-54	-49	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.

2) Figures may not add up due to rounding.

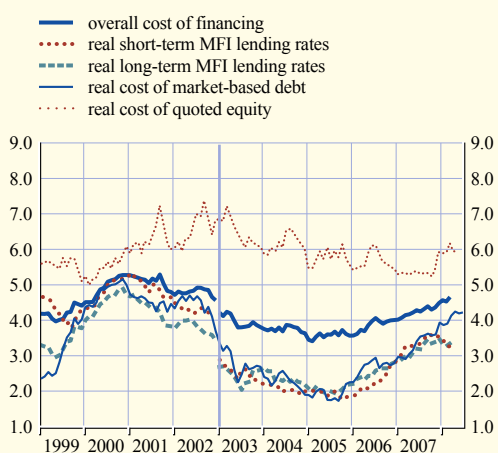
by 7 to 12 basis points depending on the size of the loans. This development, in the face of a much sharper, albeit temporary, decline of about 50 basis points in comparable government bond yields, led to a widening of the spreads between long-term bank lending rates and both two-year and five-year government bond yields in the first quarter of 2008. By contrast, the cost of wholesale MFI funding, as reflected in bond yields, increased sharply between end-December 2007 and March 2008.

The widening of bank spreads over prevailing market rates is broadly consistent with the results of the April 2008 bank lending survey for the euro area, which point to a further tightening of credit standards. This pattern of spreads, however, is also consistent with typical lags in the pass-through of interest rates and the greater stickiness of bank lending rates relative to market rates. According to the latest results of the bank lending survey, banks reported a tightening in credit standards on account of deteriorated expectations about future economic activity, including the industry or firm-specific outlook, and banks' increasing cost of funds, as well as balance sheet constraints. In the first quarter of 2008, banks tightened their credit standards in net terms mainly through a further widening of their margins on both average and riskier loans. Non-price terms and conditions were a contributing factor as well. In particular, difficulties in access to wholesale funding for euro area banks, as reported in the survey, were reflected in both the protracted high level of unsecured interbank interest rates and the significant increase in financial corporate bond yields in the first quarter of 2008.

As regards funding through the issuance of debt securities, its real cost continued to rise in the first quarter of 2008, increasing by around 18 basis points from January to March 2008. The significant increase in the yields on non-financial corporate bonds in the first quarter of 2008 (see Chart 29),

Chart 28 Real cost of the external financing of euro area non-financial corporations

(percentages per annum)

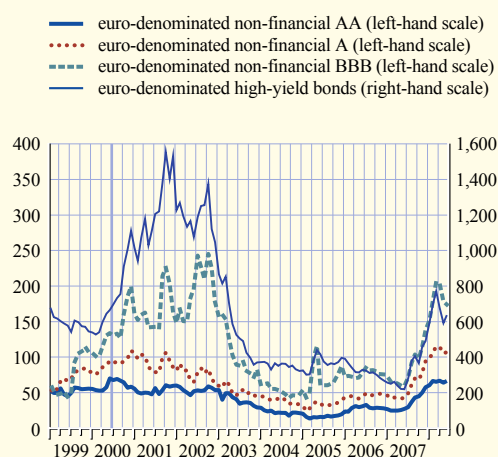


Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics Forecasts.

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

Chart 29 Non-financial corporate bond spreads

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations. Note: Non-financial bond spreads are calculated against the AAA government bond yields.

in conjunction with the decline in government bond yields, led to a considerable widening of credit spreads against the background of a broad-based reassessment of credit risk premia. At the same time, the widening observed in the spreads of non-financial sector bonds remained contained when

Box 5

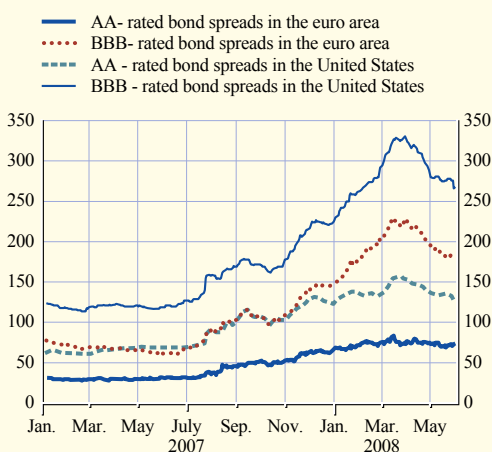
A COMPARISON OF SPREADS ON CORPORATE DEBT FINANCING IN THE EURO AREA AND THE UNITED STATES

This box compares developments in the cost of debt financing for non-financial corporations in the euro area with those in the United States since the start of the financial turmoil, focusing on the spreads in corporate bond yields and bank interest rates. When interpreting the differences between the euro area and the United States, it is important to keep in mind that the comparison of such data is constrained not only by the differences in the statistical methodology used (such as sampling, definitions and data coverage), but also by the pronounced differences in the financing behaviour of non-financial corporations on the two sides of the Atlantic. Non-financial corporations in the euro area rely predominantly on bank loans, which accounted for around 85% of their total debt at the end of 2006. In the United States, the combined share of commercial and industrial loans (C&I loans) and mortgage loans was 57% of total debt in the same period, with C&I loans accounting for only around 20% of total debt, as market-based debt is more widely used by non-financial corporations there, while mortgage loans are separately accounted for.

Corporate bond spreads for non-financial corporations across all rating classes in both the euro area and the United States have increased markedly since the outbreak of the financial turmoil. However, more pronounced increases were observed for issuers of bonds falling into the BBB rating category, where option-adjusted spreads (OAS)¹ have widened by 115 basis points in the euro area and by more than 140 basis points in the United States since end-June 2007 (see Chart A). It should be borne in mind, however, that these spreads have been calculated on the basis of government bond yields. Since the start of the financial turmoil, “safe haven” flows into government bonds have contributed to driving the level of government bond yields lower than would normally have been expected.² In addition, movements in US Treasury bond yields were more affected by

Chart A Option-adjusted bond spreads for non-financial corporations in the euro area and the United States

(basis points)



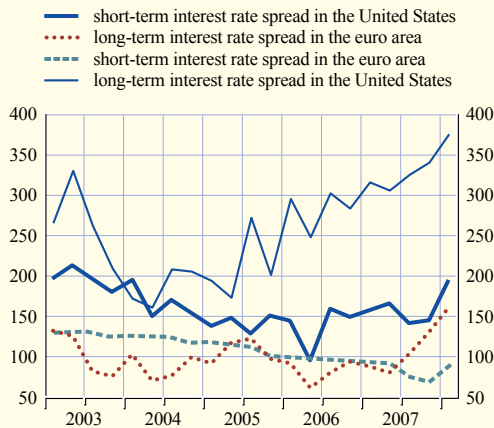
Sources: Bloomberg and Merrill Lynch.

1 These spreads are purged of any embedded optionality priced into a callable or puttable bond, of coupon effects or of the effects of index re-balancing.

2 See also Box 3 in the May 2008 issue of the Monthly Bulletin.

Chart B Spreads of interest rates on bank loans in the euro area and the United States

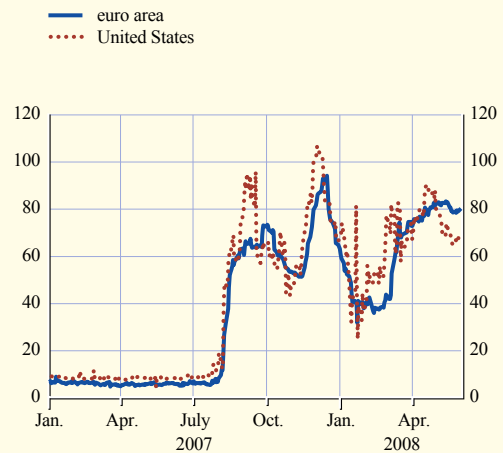
(basis points)



Sources: ECB and Federal Reserve System.
 Note: Short-term interest rate spreads are calculated using the three-month Euribor in the euro area and the three-month Libor in the United States. For long-term interest rate spreads the five-year and the three-year government bond yields are used for the euro area and the United States respectively. Short-term bank loan rate in the United States is a simple average between the categories: “zero interval”, “daily”, “2 to 30 days”, “31 to 365 days”. Long-term bank loan rates for the United States belong to the “over 365 days” category.

Chart C Spreads between three month money market rates and overnight index swap rates in the euro area and the United States

(basis points)



Sources: ECB.
 Note: The euro area spread is calculated as the difference between the three-month Euribor and the Eonia swap rates. The US spread is calculated as the difference between the three-month Libor and the overnight index swap rates.

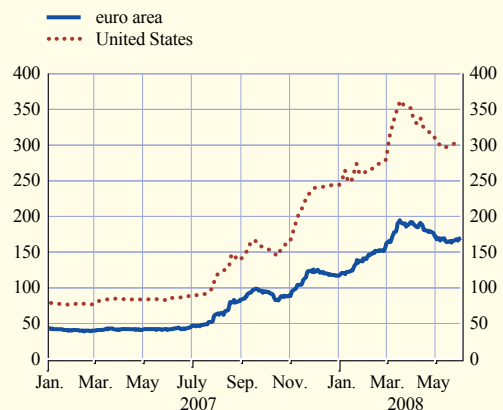
such “safe haven” flows, reflecting also the significant policy loosening by the Federal Reserve, and this could partly explain why the spreads in the United States were larger than those in the euro area.

Turning to the developments in bank financing costs, short-term interest rate spreads (over comparable market rates) on corporate loans in the United States have increased by around 30 basis points since end-June 2007, while they have remained broadly stable in the euro area. Long-term interest rate spreads have increased in both areas (see Chart B).

The broad stability in short-term interest rates spreads in the euro area, and the small increase in the United States, can be explained by the fact that, on account of the continued tensions in the money markets, the gap between three-month money market rates and the overnight index swap rates peaked at around 80 basis points in the euro area, and at 70 basis points in the United States (see Chart C). Thus spreads between short-term lending rates and banks’ short-term funding costs have remained compressed, in the face of larger increases in the cost of wholesale funding.

Chart D Option-adjusted bond spreads for banks in the euro area and the United States

(basis points)



Sources: Bloomberg and Merrill Lynch.
 Note: Investment banks are excluded.

Widening long-term bank interest rate spreads could eventually reflect higher costs in funding by banks for non-financial corporations on both sides of the Atlantic. Chart D shows that spreads of bonds issued by banking entities have also increased since the end of June 2007. In the United States, the increases were more pronounced, as the spreads widened by 210 basis points, while spreads of bank bonds increased by only 120 basis points in the euro area. It is also worth noting that differences in the characteristics of the products could also play a role, given, for example, that bank lending rates in the United States cover commercial and industrial loans only, while bank lending rates in the euro area also include mortgage loans.

compared with the spreads of financial corporations' bonds, which directly reflected the liquidity and solvency issues in the credit markets that culminated with the collapse of Bear Stearns in mid-March. More recently, in May 2008, the real cost of market-based debt financing seemed to have stabilised around the level of 4.1% that had been reached at the end of March 2008. In conjunction with an increase in government bond yields, in April and May corporate bond spreads tightened to some extent, especially for speculative-grade borrowers. Box 5 compares developments in the cost of debt financing in the euro area and the United States.

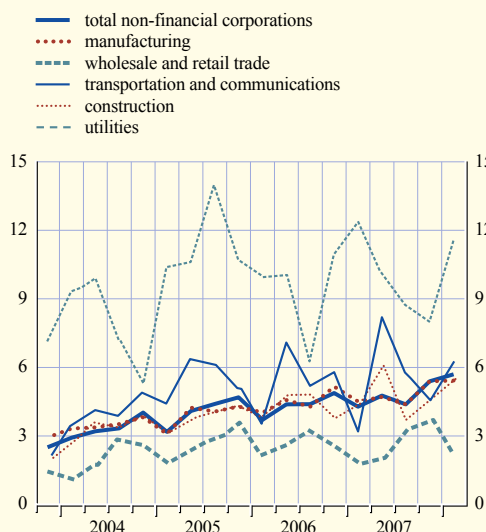
The real cost of quoted equity issued by non-financial corporations increased by 61 basis points in the first quarter of 2008, reflecting a severe downward correction on the stock markets amid a surging deterioration of risk perceptions, as proxied by implied volatility. More recently, supported by an overall rebound in stock prices in April and May, the real cost of issuing quoted equity dropped by 24 basis points in comparison with the level of end-March 2008.

FINANCIAL FLOWS

According to aggregated firm-level data from corporate financial statements, the profitability of listed non-financial corporations in the euro area, measured in terms of the ratio of net income to sales, increased in the first quarter of 2008, after declining somewhat in the previous quarter (see Chart 30). As in preceding quarters, the development of earnings seemed to have been driven, against the backdrop of healthy macroeconomic performance, by the sound pace of sales growth, coupled with a subdued dynamics of operating expenses, thus leading to continued robust cash flows. Therefore, the financial turmoil that started in the summer of 2007 does not appear to have significantly impacted companies' economic and financial performance so far. However, the continued increase, due to both an accumulation of debt and higher interest rates, in non-financial corporations' interest expenses led to a larger gap between operating and net income, measured as a share of revenues. With respect to the sectoral breakdown of profitability, the net income-to-sales ratio of listed non-financial corporations increased in most economic sectors, except for the services sector and the wholesale and retail

Chart 30 Profit ratios of listed non-financial corporations

(ratios of net income to net sales; quarterly data)



Source: Thomson Datastream and ECB calculations.

Table 5 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates					
	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Apr.
MFI loans	12.6	13.2	14.0	14.5	15.0	14.9
Up to one year	9.9	11.0	12.6	12.8	14.0	13.2
Over one and up to five years	18.5	19.9	20.3	22.0	21.9	21.1
Over five years	12.1	12.2	12.5	12.8	13.1	13.7
Debt securities issued	5.7	8.3	8.6	8.7	7.7	-
Short-term	7.9	18.6	21.3	29.1	25.6	-
Long-term, of which: ¹⁾	5.3	6.3	6.3	5.2	4.2	-
Fixed rate	3.1	3.9	4.2	4.4	2.8	-
Variable rate	20.9	19.9	19.2	10.7	12.0	-
Quoted shares issued	0.8	1.2	1.2	1.3	1.2	-
Memo items ²⁾						
Total financing	5.9	6.0	6.4	6.5	-	-
Loans to non-financial corporations	10.4	10.2	10.2	11.2	-	-
Insurance technical reserves ³⁾	4.7	4.4	4.0	3.3	-	-

Sources: ECB, Eurostat and ECB calculations.

Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as a result of differences in valuation methods.

1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero-coupon long-term debt securities, which include valuation effects, are not shown separately in this table.

2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance and technical reserves, other accounts payable and financial derivatives. Loans to non-financial corporations comprise loans granted by MFIs and other financial corporations.

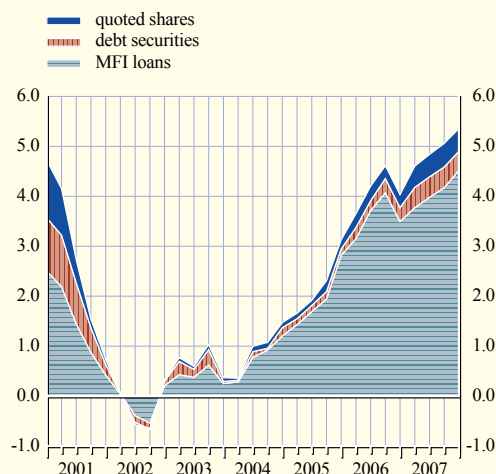
3) Includes pension fund reserves.

trade sector. Notwithstanding these favourable developments, it cannot be excluded that the recently intensified concerns raised by the soaring prices of oil and commodities may have an adverse effect on profit measures in the next quarters. Box 4 reviews recent developments in earnings of listed euro area corporations.

Despite the favourable dynamics of corporate profitability, non-financial corporations continued to expand their recourse to external finance in the first quarter of 2008. The real annual rate of growth of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) rose to about 5.4%, compared with 5.1% in the previous quarter (see Chart 31). In particular, the contribution of loan financing increased further to reach 4.5% in the first quarter of 2008, whereas the contribution of financing via debt securities declined somewhat, to less than 0.4%. Finally, the contribution from the issuance of quoted shares remained stable at 0.5%. Looking at broader aggregates included in the euro area accounts, which are available up to the fourth quarter of 2007, the real annual growth rate of financing for non-financial corporations declined marginally to 6.5% in the fourth quarter of 2007 (see Table 5). This more comprehensive

Chart 31 Breakdown of the real annual rate of growth of the financing of non-financial corporations

(annual percentage changes)



Source: ECB.

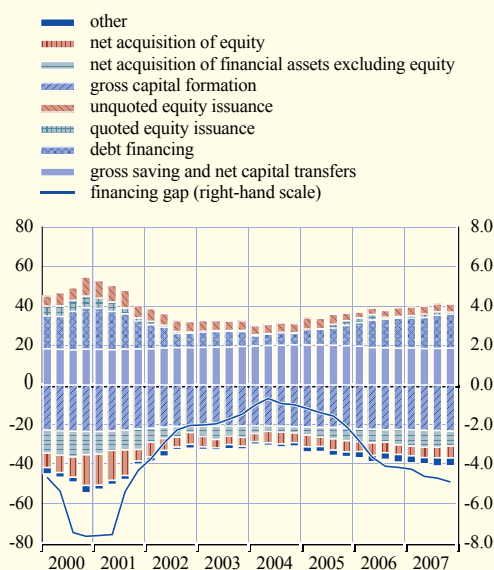
Note: The real annual growth rate is defined as the difference between the actual annual growth rate and the GDP deflator.

measure also includes unquoted equity, pension fund reserves and other net accounts payable as sources of financing.

Available information suggests that companies continued to rely on internally available resources, as the dynamics of retained earnings remained favourable, in line with profit developments. When the developments in non-financial corporate saving, financing and investment in the fourth quarter of 2007 are also taken into account, the funding raised by euro area non-financial corporations via both internal sources and recourse to debt was used primarily to finance gross fixed capital formation and (although to a somewhat lesser extent than in previous quarters) financial investment (see Chart 32). The latter, in turn, was mainly driven by investment in shares and other equity, excluding mutual fund shares, reflecting the ongoing strength of merger and acquisition (M&A) activity up to the last quarter of 2007. Furthermore, the continued acquisition of physical assets has translated into a rising financing gap (i.e. the difference between savings and investment) among euro area non-financial corporations.

Chart 32 Saving, financing and investment of non-financial corporations

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



Source: Euro area accounts.

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

Looking at the various sources of financing, the annual rate of growth of MFI loans to non-financial corporations remained extremely robust at 14.9% in April 2008, only marginally down from the historical peak of 15.0% recorded in March 2008 (see Table 5 and Section 2.1). In recent months, loan-based financing in the non-financial corporate sector has continued to stand above the peaks observed in past cycles, such as the annual growth rate of 12% recorded in the third quarter of 2000. Therefore, the credit market dislocation that started in the summer of 2007 does not appear to have significantly affected either euro area companies' demand for loans or banks' willingness to lend funds. At the same time, the results from the April 2008 euro area bank lending survey indicated a further net tightening of credit standards on loans to enterprises, in both price and non-price terms (for a detailed analysis of the April 2008 bank lending survey, see the box in the May 2008 issue of the Monthly Bulletin). According to empirical evidence, the dynamics of loan growth typically respond to a change in credit standards with a lag in the order of three to four quarters.

Overall, it cannot be ruled out that loan growth has been supported, at least partly, by other, non-fundamental factors, including a substitution effect connected to reduced reliance on market-based finance, an increased drawing down of pre-committed credit facilities and, in general, some frontloading of future financing needs in anticipation of a further tightening in interest rates. A decline in both syndication and securitisation activity, combined with price dislocation in the secondary loan market, may also have played a role, forcing some banks to retain more exposures on their balance sheets than under normal market conditions. Nonetheless, even if the share of credit growth not due to "genuine" demand from enterprises is factored in, loan growth in the euro area would have been substantial in any event. However, according to the bank lending survey

and for the first time since its inception, net corporate demand for new loans turned negative in the first quarter of 2008. This development was driven by two sets of factors. First, it reflected a decline in the net demand for funds to finance fixed investment and, albeit to a lesser extent, inventories and working capital. In addition, the decline in net demand was related to shrinking M&A and corporate restructuring activities in the first quarter of 2008, which possibly reflects the impact of the financial market turmoil. Indeed, data from commercial providers point to a significant drop in completed M&As since January 2008 (see Chart 33). Looking ahead, some slowdown in the expansion of credit to non-financial corporations can be expected on the account of moderating growth and tighter credit conditions.

With respect to market-based debt, the issuance of debt securities by non-financial corporations slowed down, with the annual growth rate declining to 7.7% between December 2007 and March 2008. In the first quarter of 2008, the annual growth rate of the issuance of short-term debt securities – which represent less than 20% of the total amount outstanding, however – decreased by 3.5 percentage points to 25.6%, while that of long-term debt securities issuance declined to 4.2% (from 5.2% in the previous quarter). The figures for the annual growth rates largely reflect base effects, due to extremely strong issuance activity in the period from the second quarter to July 2007. Indeed, more recent dynamics, as gauged by the seasonally adjusted six and three-month annualised growth rates, show a considerable slowdown in issuance activity, especially for long-term maturities, in connection with both rising corporate bond yields and reduced M&A activity.

The annual rate of growth of debt securities issued by non-monetary financial corporations, which largely reflect securitisation activities by financial institutions, remained at elevated levels despite falling sharply to 21.1% in March 2008, down from 28.9% in December 2007. The seasonally adjusted three-month annualised growth rate for overall debt securities issuance by non-monetary financial corporations shows an even more marked decline to 12.8% in March 2008. This slowdown seems to reflect the limited level of activity in the securitisation market, investors' diminished appetite for structured finance products and the sharp rise in the market price of credit risk.

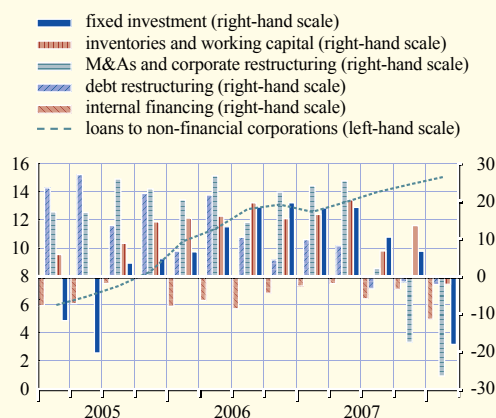
The annual rate of growth of quoted equity issued by non-financial corporations in the first quarter of 2008 declined to 1.2%, remaining subdued by historical standards. In the first quarter of 2008, deteriorating investors' confidence and the negative performance of stock markets weighed negatively on the issuance of quoted shares by non-financial corporations.

FINANCIAL POSITION

The unabated demand for debt financing by non-financial corporations resulted in a further increase in companies' ratios of debt to GDP and debt to gross operating surplus in the first quarter of 2008, to 76% and 379% respectively (see Chart 34). As a result of the combined effect of rising interest

Chart 33 Loan growth and factors contributing to non-financial corporations' demand for loans

(annual percentage changes; net percentages)

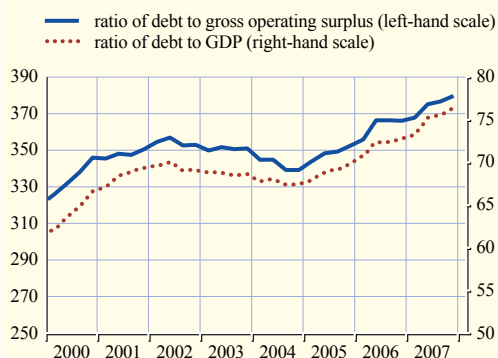


Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to a tightening of credit standards and the percentage reporting that it contributed to an easing. See also the October 2007 bank lending survey.

Chart 34 Debt ratios of non-financial corporations

(percentages)



Sources: ECB, Eurostat and ECB calculations.

Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. The most recent quarter is estimated.

Chart 35 Net bank interest rate burden of non-financial corporations

(basis points)



Source: ECB.

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

rates and debt levels, the interest burden of non-financial corporations edged further upwards in the first quarter of 2008 (see Chart 35). At the same time, the ratio of debt to financial assets of non-financial corporations remained flat in the fourth quarter of 2007, much like what happened in the second and third quarters, thus interrupting a downward trend that had been evident since the first quarter of 2003.

Overall, the continued strong dynamics of credit flows to non-financial corporations do not, thus far, support the emergence of significant financing constraints. At the same time, the ongoing build-up of debt and the increasing interest burden, together with the net tightening of credit standards for enterprises, point towards some deterioration in the financial position of the euro area corporate sector, although balanced by the still sound developments in profitability.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

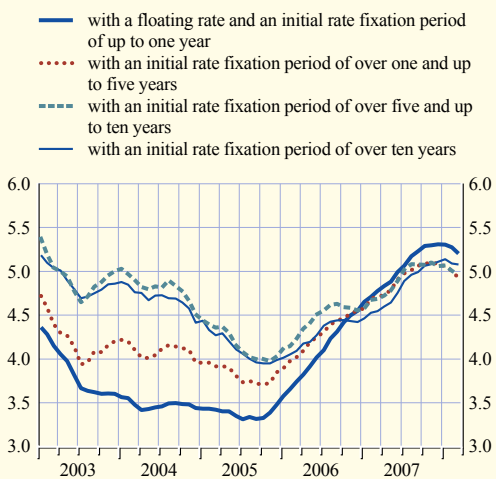
In the first quarter of 2008 developments in the financing conditions facing households were mixed. On the one hand, there was a moderation in lending rates on loans for house purchase, and on the other hand there was a further tightening of credit standards for all categories of household loan. Household borrowing dynamics continued to slow in the first quarter of 2008, and the rise in household indebtedness levelled off. This slower growth in loans to households is in line with the trend observed since the first quarter of 2006 and does not seem to represent a dampening effect resulting from the financial market turmoil.

FINANCING CONDITIONS

MFI interest rates on loans to households for house purchase moderated somewhat in the first quarter of 2008 (see Chart 36). This moderation was broadly based across the maturity spectrum. The term structure of interest rates on loans for house purchase remained inverted, with an average spread of approximately 16 basis points between the rates on loans with short (i.e. up to one year)

Chart 36 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; 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.

and long (i.e. over ten years) periods of initial rate fixation, broadly unchanged from the previous quarter.

In the case of consumer credit, MFI lending rates increased slightly for all lengths of initial rate fixation period in the first quarter of 2008 by comparison with the averages for the fourth quarter of 2007. Lending rates for consumer credit with an initial rate fixation period of up to one year increased by approximately 20 basis points, rising more strongly than rates with an initial rate fixation period of over five years (which increased by 12 basis points).

The spreads between lending rates (on both consumer credit and loans for house purchase) and relevant market benchmarks for comparable maturities increased in the first quarter of 2008 by comparison with the final quarter of 2007. This largely reflected declines in the respective market interest rates following year-end tensions. In the case of loans for house purchase, the decline in the benchmark rates was more pronounced than the reduction in the lending rates. Lending rates for consumer credit increased in the first quarter of 2008 by comparison with

the previous quarter, which, coupled with the developments in market rates, explains the increases observed in the spreads between the lending rate and the benchmark market rates.

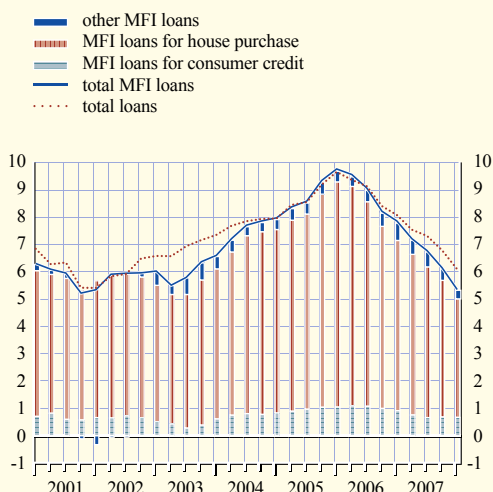
In the April 2008 bank lending survey banks reported, on balance, further net tightening of the credit standards applied in the approval of loans to households (both loans for house purchase and consumer credit). This tightening was partly implemented through non-price terms and conditions such as lower loan-to-value ratios or higher collateral requirements. In the case of loans for house purchase, the tightening of credit standards on the one hand and the decline in lending rates on the other may be seen as providing mixed evidence regarding financing conditions for households. However, the bank lending survey also indicates that this tightening was attributed primarily to banks' assessment of the economic outlook and the creditworthiness of borrowers, as cyclical conditions are perceived to be deteriorating. To the extent that these factors have resulted in a reduction in the riskiness of new loans for house purchase, this can help to explain part of the observed moderation in lending rates.

FINANCIAL FLOWS

The annual growth rate of total loans granted to households declined to 6.8% in the fourth quarter of 2007, down from 7.3% in the third quarter (see Chart 37). This further decline was the result mainly of a fall in the annual growth rate of loans granted by MFIs. The annual growth rate of non-MFI loans to households continued to exceed that of MFI loans. The available data on MFI loans suggest that the downward trend in the annual growth rate of total loans to households continued in the first quarter of 2008.

Chart 37 Total loans granted to households

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

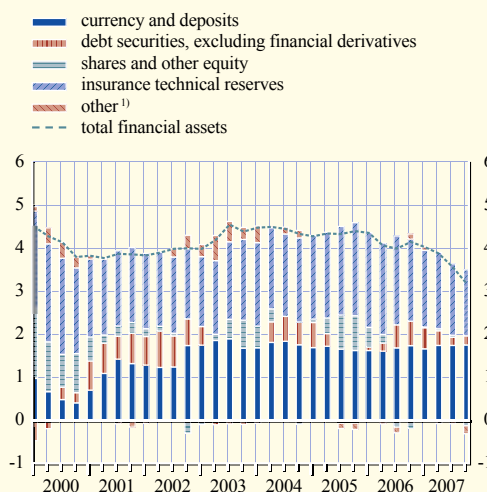


Source: ECB.

Note: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the first quarter of 2008 total loans to households have been estimated on the basis of transactions reported in money and banking statistics. For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

Chart 38 Financial investment of households

(annual percentage changes; contributions in percentage points)



Sources: ECB and Eurostat.

1) Includes loans, other accounts receivable and financial derivatives.

The annual growth rate of MFI loans to households was 5.2% in April 2008, down from 5.9% in the first quarter of 2008 and 6.6% in the fourth quarter of 2007. The decline in this growth rate over the past few months is in line with the downward trend observed since early 2006, largely reflecting higher short-term interest rates and, in some parts of the euro area, a slowdown in housing market activity and developments in house prices. Thus far, the moderation in the growth of household borrowing does not seem to be a consequence of the financial market turmoil, at least not beyond the potential indirect effects of that turmoil through its impact on the determinants of credit demand.

The moderating annual growth of MFI loans to households is attributable primarily to the declining growth rate of borrowing for house purchase (which stood at 5.9% in April 2008, down from 6.7% and 7.7% in the first quarter of 2008 and the fourth quarter of 2007 respectively). At the same time, the annual growth rate of consumer credit remained broadly unchanged at 5.2% in April 2008, having stood at 5.3% in both the first quarter of 2008 and the last quarter of 2007.

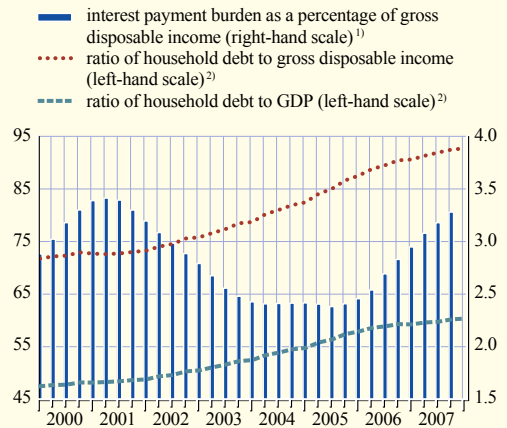
As regards the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment declined further to stand at 3.2% in the fourth quarter of 2007, down from 3.6% in the third quarter (see Chart 38). This reflects a fall in the contributions of shares and other equity, insurance technical reserves and other financial assets, while the contributions of currency and deposits and debt securities were broadly unchanged. Overall, in the last quarter of 2007 currency and deposits accounted for more than half of annual growth in household financial investment, a contribution much higher than in previous years.

FINANCIAL POSITION

The rise in household indebtedness as a ratio of gross income has levelled off owing to the moderation in household net borrowing (see Chart 39). The debt-to-income ratio and the debt-to-GDP ratio increased only slightly further in the first quarter of 2008, reaching levels of around 93% and around 60% respectively. The interest payment burden (measured as a percentage of disposable income) has continued to increase, reaching 3.3% in the fourth quarter of 2007. At the same time, the indebtedness of euro area households remains fairly modest by international standards, in particular by comparison with the United States or the United Kingdom.

Chart 39 Household debt and interest payments

(in percentages)



Sources: ECB and Eurostat.

Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services.

1) Data for the first quarter of 2008 are not available.

2) Data for the last quarter shown have been partly estimated.

3 PRICES AND COSTS

Annual euro area HICP inflation has remained above 3% for the past seven months. In May 2008 it was estimated to be 3.6%, up from 3.3% in the previous month, against the background of a continuous surge in energy prices and still strong dynamics in food prices. The latter developments also led to an accumulation of inflationary pressures at the initial stages of the production chain, which have not yet been fully passed on to the consumer level. Following contained labour cost developments in 2007, some acceleration in wages is now visible in the first quarter of 2008. Looking ahead, on the basis of current futures prices for oil and food commodities, HICP inflation is likely to remain above 3% for some time to come, before moderating only gradually in 2009. According to the latest Eurosystem staff macroeconomic projections, average annual HICP inflation is expected to be between 3.2% and 3.6% in 2008 and between 1.8% and 3.0% in 2009. These projections are based on the assumption that the recent dynamism in oil and non-oil commodity prices will diminish over the projection horizon, in line with futures prices, and that there will be no broad-based second-round effects on wages.

Risks to the medium-term outlook for prices remain clearly on the upside and have increased further. These risks include, in particular, the possibility of further increases in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. It is also a strong concern that price and wage-setting behaviour could add to inflationary pressures. The pricing power of firms, particularly in market segments with low competition, such as parts of the services sector, may prove stronger than currently expected. Moreover, higher than expected wage growth may emerge, taking into account high capacity utilisation, tight labour market conditions and the risk of second-round effects.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area HICP inflation showed a marked rebound in May 2008, back to the peak of 3.6% reached in March and up from 3.3% in April (see Table 6). Except for a temporary easing in April, mostly due to one-off factors affecting services prices, euro area inflation has been continuously increasing since last autumn. Although a full breakdown of the May HICP is not yet available, this renewed increase in inflation is likely to have been mostly due to a further increase in HICP energy prices, reflecting the acceleration in oil prices over the last few weeks, and still strong dynamics in food prices.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2006	2007	2007 Dec.	2008 Jan.	2008 Feb.	2008 Mar.	2008 Apr.	2008 May
HICP and its components								
Overall index ¹⁾	2.2	2.1	3.1	3.2	3.3	3.6	3.3	3.6
Energy	7.7	2.6	9.2	10.6	10.4	11.2	10.8	.
Unprocessed food	2.8	3.0	3.1	3.3	3.3	3.8	3.1	.
Processed food	2.1	2.8	5.1	5.9	6.5	6.8	7.0	.
Non-energy industrial goods	0.6	1.0	1.0	0.7	0.8	0.9	0.8	.
Services	2.0	2.5	2.5	2.5	2.4	2.8	2.3	.
Other price indicators								
Industrial producer prices	5.1	2.8	4.4	5.0	5.4	5.8	6.1	.
Oil prices (EUR per barrel)	52.9	52.8	62.8	62.4	64.1	66.1	69.8	80.1
Non-energy commodity prices	24.8	9.2	1.4	10.4	15.0	10.3	5.8	6.0

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

1) HICP inflation in May 2008 refers to Eurostat's flash estimate.

In April 2008 the HICP annual growth rate was 3.3%, a decline from the previous month. However, it remained close to the high rates reached in early 2008 (with an average of 3.4% in the first quarter). This decline was mainly due to a substantial decrease in the annual growth of services prices, while energy and food prices continued to contribute strongly to overall annual HICP inflation (see Chart 40).

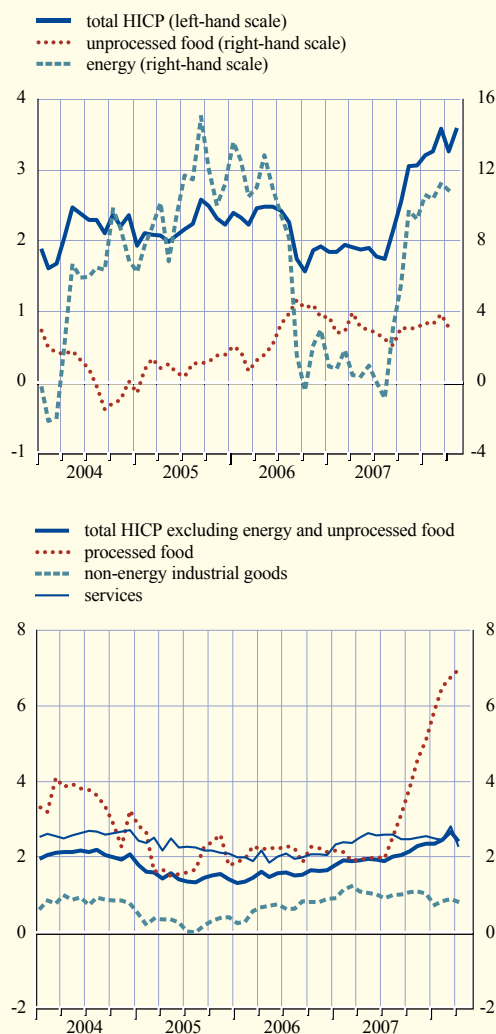
In April HICP energy prices grew by 10.8% on an annual basis, a rate comparable to the average of the first quarter of 2008, but considerably above the average of 2.6% observed over 2007. As in previous months, the appreciation of the euro partly offset the strong increase in crude oil prices. A further widening in the profit margin of the oil diesel refining industry may also have contributed to the recent rise in euro area energy prices at the retail level, while gasoline refining margins have remained relatively contained.

The other major driver of HICP inflation in April was again food prices, which have followed a continuous upward trend since mid-2007. This was due to a surge in the prices of some agricultural commodities on international markets, caused by a combination of factors affecting both supply and demand (see also the box entitled “What accounts for the surge in global food prices?” in this issue of the Monthly Bulletin). At the euro area consumer level, recent global food price developments have mostly affected processed food price inflation, which rose further in annual terms in April to a new record high of 7.0%, up from an already

elevated average growth rate of 6.4% in the first quarter of 2008. It was once again driven by sharp year-on-year increases in all sub-components. However, some moderation in the month-on-month rates of change in the prices of several processed food products, in particular cereal and dairy products, has been observed since the beginning of the year. While this may signal that food commodity price pressures have abated somewhat, the annual growth rate of processed food prices is likely to remain substantially above its historical average for some time. By contrast, the annual growth rate of unprocessed food prices, which has been little affected by the global food price shock, has recorded more modest increases in recent months. In April it decreased to 3.1%, a level comparable to its 2007 average. Most of the volatility of the unprocessed food component comes from the seasonal fluctuations in fruit and vegetable prices, which in April were broadly in line with their usual pattern. Although some acceleration in the consumer prices of the meat sub-component (which accounts for half of the weight of unprocessed food) is visible since mid-2007, there is so

Chart 40 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

far no clear sign of a transmission to consumers of the strong cost pressure induced by the recent surge in the producer prices of animal feed.

Excluding food (both processed and unprocessed) and energy, the annual HICP growth rate declined to 1.6% in April, from 2.0% in March. This mostly reflected a substantial decrease in the annual growth of services prices (to 2.3%, from 2.8% in the previous month), driven by temporary factors affecting certain sub-components. First, there was a reversal of the effect of the early timing of Easter this year, which had pushed up the prices of holiday-related services in March. Second, a favourable base effect came from the introduction of university tuition fees in Germany in April 2007. Looking through the short-term volatility driven by calendar and base effects, the annual growth rate of services prices has hovered around the relatively elevated level of 2.5% since early 2007, following the upward impact of the German VAT rise in January last year. This, however, masked contrasting developments across sub-categories of services, resulting from different sources of price pressure. In particular, inflation dynamics appear to have been higher recently in transport services and in some recreational and personal services (including cafés and restaurants), reflecting ongoing cost pressure resulting from rising energy and food input prices.

The annual increase in non-energy industrial goods prices was 0.8% in April, little changed from March. Since the beginning of 2008, it has remained slightly below the average growth rate of around 1.0% observed in 2007. Despite rising domestic input cost pressures and a high capacity utilisation rate in the manufacturing sector, these persistent moderate developments at the aggregate level appear to be the result of counteracting factors. On the one hand, the rise in oil prices and industrial raw materials prices has increased cost pressures for some manufactured goods (such as spare parts for cars, furniture and jewellery, representing around 13% of the weight of non-energy industrial goods), which seem to have been passed on to consumer prices. On the other hand, external inflationary pressures were dampened by the appreciation of the euro, which helped to mitigate the dynamics of the import prices of consumer goods, and by strong domestic and international competition, which limited the pass-through of input cost increases. In addition, ongoing technical progress led to very moderate price increases (or even price decreases, once adjusted for quality improvement) for electrical and electronic goods. Lastly, fast productivity growth in industry has dampened unit labour cost growth and price developments for industrial goods.

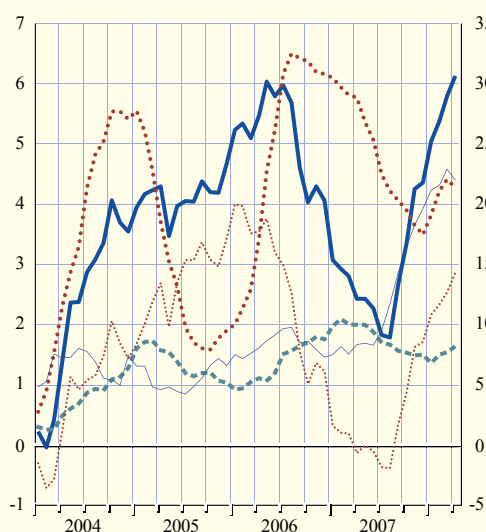
3.2 INDUSTRIAL PRODUCER PRICES

Ongoing increases in oil, food and industrial raw materials prices continue to imply that inflationary pressures are building up at the initial stages of the production chain. In April the annual rate of change in overall industrial producer prices (excluding construction) increased further to 6.1%, from 5.8% in March (see Chart 41). However, unlike in previous months, this increase was almost entirely driven by a further strong increase in energy producer prices, pushing up the annual rate of change to 14.3%. Excluding energy (and construction), industrial producer prices grew by 3.7%, an elevated rate but slightly lower than in the previous month. The annual rate of change in intermediate goods prices declined somewhat in April, but the short-term dynamics of this component suggest mounting upward pressures at the early stages of the production chain. These pressures stem from increasing industrial raw materials prices, and also reflect rising freight costs, partly owing to higher oil prices. Further down the production chain, the annual rate of change in the producer prices of food consumer goods eased somewhat in April, to 9.8%, from its historical peak of 10.1% in March. This first decline in annual terms since the beginning of

Chart 41 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

- total industry excluding construction (left-hand scale)
- ... intermediate goods (left-hand scale)
- - - capital goods (left-hand scale)
- consumer goods (left-hand scale)
- ... energy (right-hand scale)

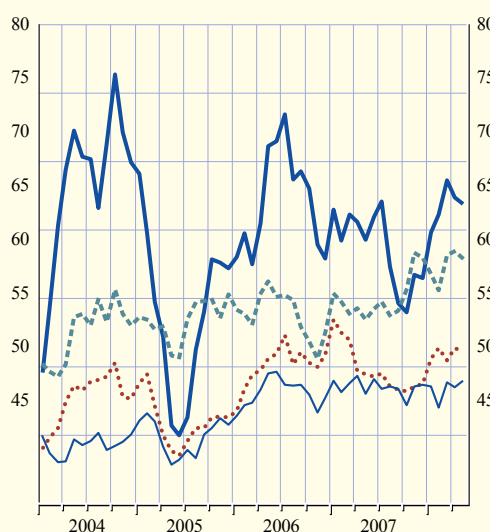


Sources: Eurostat and ECB calculations.

Chart 42 Producer input and output price surveys

(diffusion indices; monthly data)

- manufacturing; input prices
- ... manufacturing; prices charged
- - - services; input prices
- services; prices charged



Source: NTC Economics.

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

the impact of the food price shock in mid-2007 reflected a significant deceleration in April in the month-on-month growth rate of food producer prices, which has shown a downward trend since November 2007. This slowdown is likely to signal some relief from food price pressure at the retail level, although the annual growth rate of HICP food price inflation might remain high for some time as existing accumulated pipeline pressures have not yet been fully passed on to consumer food prices. Excluding tobacco and food prices, the annual rate of change in producer prices of consumer goods remained stable around the average rate seen since early 2007, suggesting that the pass-through of strong energy and intermediate goods prices has remained contained. This should in turn imply ongoing moderate developments in HICP non-energy industrial goods prices. Finally, the annual rate of change in capital goods prices increased slightly in April, but remained below its 2007 average.

The picture of continued elevated short-term inflationary pressures, most likely owing to higher energy, food and raw materials prices, appears to be confirmed by data on firms' price-setting behaviour from the NTC Economics Purchasing Managers' Index (PMI) (see Chart 42). Input cost indicators have been standing at very high levels in both the manufacturing and services sectors over the past few months, despite a slight easing in May. The index of prices charged was broadly unchanged in both sectors, indicating a strong rate of growth by historical standards, as firms appear to continue to pass on some of the higher costs to customers. However, the relative evolution of the two indicators, showing a faster rise in input costs than in prices charged in both sectors, suggests that not all input price increases have yet been passed on to consumers.

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2006	2007	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1
Negotiated wages	2.3	2.2	2.0	2.3	2.2	2.1	2.7
Total hourly labour costs	2.5	2.5	2.2	2.6	2.5	2.7	.
Compensation per employee	2.2	2.3	2.4	2.2	2.2	2.5	.
<i>Memo items:</i>							
Labour productivity	1.2	0.9	1.4	0.9	0.8	0.4	.
Unit labour costs	1.0	1.4	1.0	1.3	1.4	2.0	.

Sources: Eurostat, national data and ECB calculations.

3.3 LABOUR COST INDICATORS

Following contained developments in all labour cost indicators at the euro area level in 2007, with some signs of a pick-up towards the end of the year, the latest data available point to a strong acceleration in labour cost growth in early 2008 (see Table 7).

In the first quarter of 2008 the annual growth rate of negotiated wages rose to 2.7%, compared with an average of 2.2% in 2007, the strongest acceleration recorded by this indicator since the early 1990s (see Chart 43). It was driven by markedly higher wage settlements in some countries (in particular Germany, Italy and the Netherlands) and may reflect the improvement in the labour market in recent years.

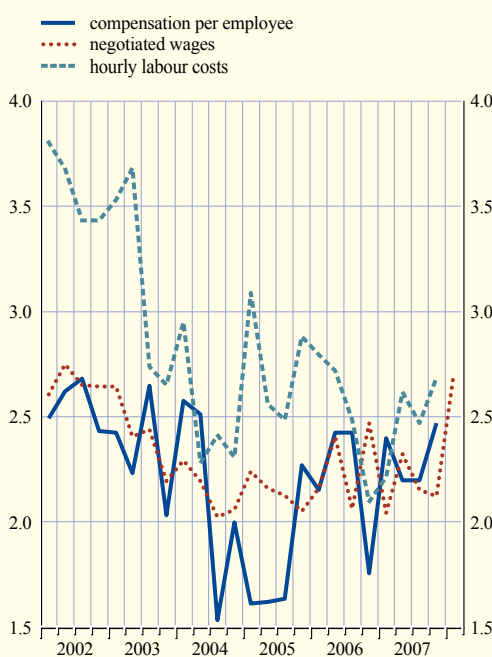
Unit labour costs in the euro area have increased at a moderate pace in recent years, largely reflecting subdued wage developments in Germany. However, in 2007 euro area unit labour costs rose from 1.0% in the first quarter to 2.0% in the fourth quarter, as a consequence of both the slowdown in labour productivity growth and an increase in compensation per employee in the course of the year.

Turning to sectoral developments, the increase in labour cost growth in 2007 was notable in the services sector, where productivity developments were very moderate (see Chart 44 and Box 6).

Looking ahead, the increase in labour cost growth is expected to continue in 2008, stemming from both a phasing-out of policies aimed at reducing social security contributions and a rise in actual wage growth. The underlying factors behind the wage acceleration include tight labour markets, which strengthen the bargaining position of trade unions, continued high capacity utilisation and the unwinding of past wage moderation

Chart 43 Selected labour cost indicators

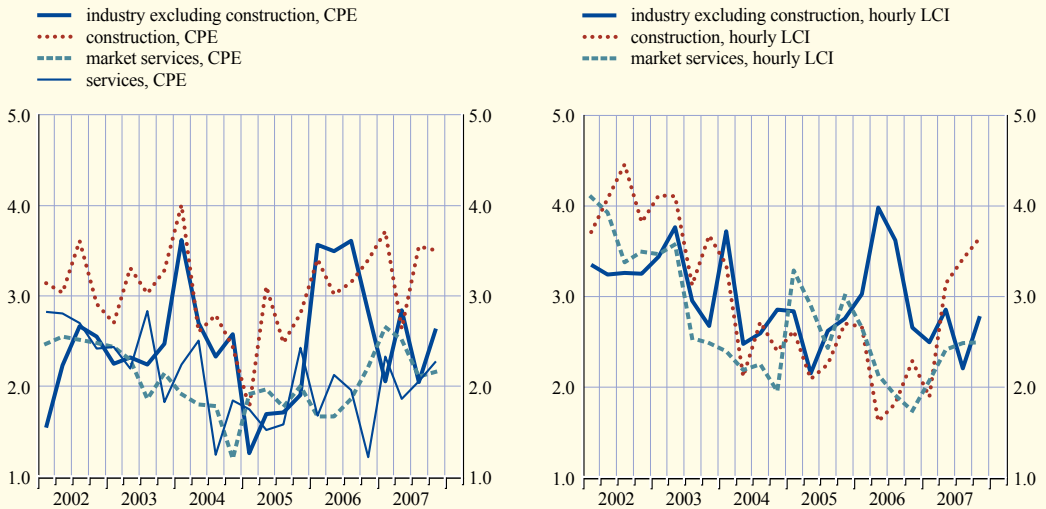
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Chart 44 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”.

(especially in Germany). Moreover, there is a risk that recent increases in food and energy prices might feed through to consumers’ inflation perceptions and expectations in some countries. Finally, a form of automatic price indexation of private sector wages exists in a few euro area countries (for more information on wage indexation mechanisms in euro area countries, see Box 5 of the May 2008 issue of the Monthly Bulletin).

Box 6

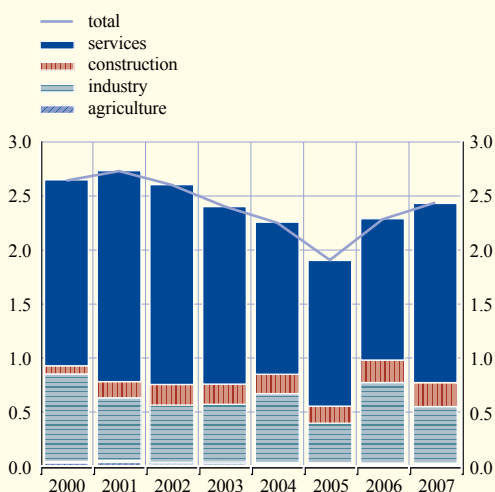
RECENT DEVELOPMENTS IN SECTORAL WAGE AND LABOUR COSTS IN THE EURO AREA

This box looks at the latest developments in wage and labour costs by sectors of the economy. Monitoring euro area wage and labour costs at the sectoral level provides an in-depth perspective on overall labour cost developments. Moreover, to the extent that wage spillovers across sectors exist, it may help to gauge possible wage pressures building up in the euro area labour market.

Chart A shows that overall wage growth, as measured by the annual growth rate of compensation per employee, bottomed out at below 2% around 2005 and appears to have gradually picked up since then, reaching 2.3% on average in 2007. At the aggregate level, there was less than a 0.1 percentage point increase between wage growth in 2006 and that in 2007. This mild acceleration, however, conceals contrasting developments at the sectoral level. In particular, a significant acceleration in the annual growth rate of compensation per employee in services and, to a lesser extent, in construction was largely offset by a substantial slowdown in industry, from 3.2% on average in 2006 to 2.4% in 2007.

Chart A Contribution of the main sectors of the economy to average annual growth in compensation per employee

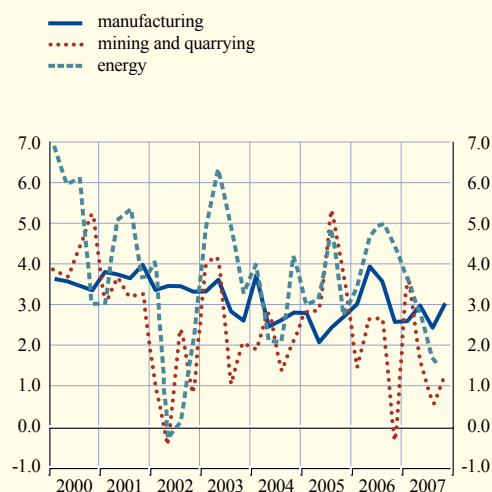
(annual percentage changes; percentage points)



Sources: Eurostat and ECB calculations.

Chart B Hourly labour costs in industry

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

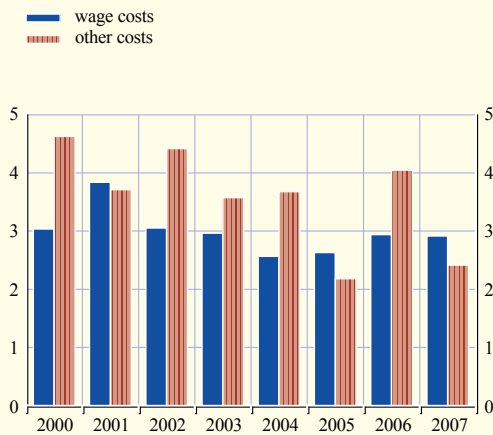
The more detailed breakdown available using labour cost indices¹ makes it possible to qualify somewhat the decline in wage growth observed in industry in 2007 (see Chart B). The decline appears to have been accentuated by a very strong decline in wage growth in a few sub-sectors of industry (i.e. in energy and in mining and quarrying, which together account for 7% of total industrial compensation). Without the contribution of these two sub-sectors, the slowdown in industrial wage growth would have been more muted in 2007. Moreover, the easing of hourly labour cost growth in manufacturing reflected the influence of lower social security contributions; wage cost growth, which excludes employers' social security contributions, remained steady (see Chart C). More generally, it seems that policy measures aimed at reducing social security contributions in several euro area countries contributed to containing labour cost developments in 2007, notably in industry.

By contrast with the industrial sector, the services sector experienced a significant increase of 2.3% in the annual growth rate of compensation per employee in 2007, compared with 1.8% in the previous year. Although common to all services sub-sectors, this acceleration is mainly attributable to financial and business services, whose contribution increased significantly in 2007 compared with previous years. This was amplified by a one-off spike in the first quarter of 2007 (see Chart D), linked to the payment of exceptional bonuses in the French banking sector. Developments in trade, hotels and restaurants, transport and communication point to a sustained increase in average wage growth in 2007 despite a clear dampening effect of reductions in social

¹ Euro area sectoral wage developments can be assessed using two indicators: compensation per employee (CPE) and the (hourly) labour cost index (LCI). The LCI usefully allows a more disaggregated breakdown of sectors. Two caveats should, however, be borne in mind. First, since the LCI is based on hourly data and the CPE is calculated in terms of employees, the main difference between the two series can be explained by differing movements in hours worked and employment. For example, a reduction in the number of hours worked per employee mechanically implies a lower growth rate for compensation per employee than for hourly labour costs. Second, more disaggregated data are generally prone to more volatility. Yet the two indicators tend to move broadly in line with one another, allowing useful cross-checks to be carried out. For more information, see the box entitled "Latest developments in sectoral wages and labour costs in the euro area" in the April 2006 issue of the Monthly Bulletin.

Chart C Breakdown of hourly labour cost growth in manufacturing

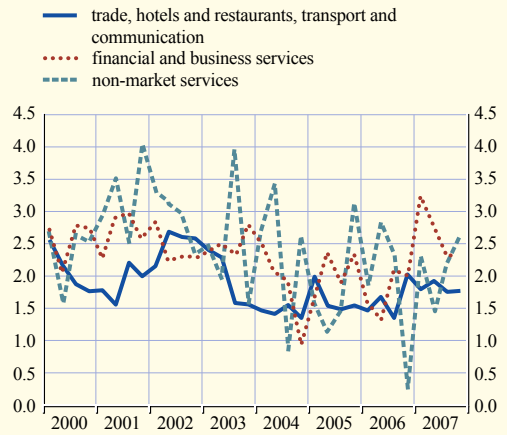
(annual percentage changes)



Source: Eurostat.

Chart D Compensation per employee growth in the services sector

(annual percentage changes; quarterly data)

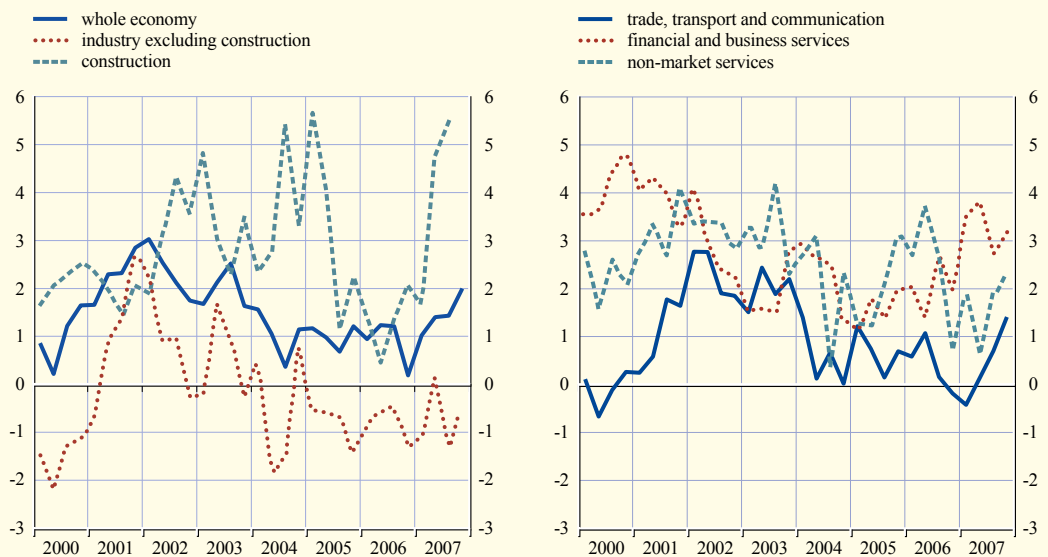


Sources: Eurostat and ECB calculations.

security contributions, which was particularly visible in hotels and restaurants. Finally, it is quite difficult to determine a pattern in wage growth in the non-market services sector as this series has been quite volatile over recent years. In 2007 this volatility was linked in particular to developments in the Italian public sector. Annual averages suggest that wage growth in non-market services, while staying slightly below that of market services, increased mildly in 2007.

Chart E Sectoral unit labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Note: The categories shown correspond to the broad NACE Rev.1 groupings: whole economy (A-P), industry excluding construction (C-E), construction (F), trade, hotels and restaurants, transport and communication (G-I), financial intermediation, real estate and business services (J-K), and non-market services (L-P).

Finally, wage growth in construction also contributed to the increase in overall wage growth in 2007. The annual growth rate of compensation per employee in construction stood at 3.3% in 2007, i.e. 0.1 percentage point higher than in the previous year. In general, wage growth in construction has been dynamic since the beginning of the decade and consistently higher than in the rest of the economy.

All in all, recent sectoral developments support the picture of a mild but steady increase in overall wage growth over the last two years. However, in order to assess inflationary pressures, developments in wage growth should be viewed in conjunction with developments in productivity, i.e. in terms of developments in unit labour costs. Chart E suggests that a general pattern of moderation in unit labour cost growth was common to all sectors of the economy between 2002 and 2006. At the level of the whole economy, the rebound in productivity registered in 2006 offset the slight increase in the annual growth rate of compensation per employee, enabling growth in unit labour costs to remain constrained. In 2007, however, the notable increase in unit labour cost growth (of 1.5% on average) was mainly driven by developments in the services sector, where productivity developments were more moderate. Moreover, the combination of dynamic wage growth but only modest labour productivity developments in construction led to a strong pick-up in unit labour cost growth in this sector. By contrast, unit labour cost growth in the industry sector remained broadly constant and negative.

Combining the above information with other available labour cost indicators, it appears that labour cost growth has been increasing over the past two years, notably in the services sector and especially in recent quarters. Looking ahead, the euro area indicator of negotiated wages shows signs of a marked acceleration in 2008. The annual growth rate of negotiated wages stood at 2.7% in the first quarter of 2008, compared with an average of 2.2% in 2007. This acceleration is likely to reflect a persistently tightening labour market, the unwinding of past wage moderation in some countries or sectors (notably in the public sector) and/or the phasing-out of policy measures reducing social security contributions. In order to assess potential risks to inflation, wage developments will thus need to remain under close scrutiny in the period ahead.

3.4 THE OUTLOOK FOR INFLATION

The euro area inflation outlook has continued to deteriorate in the short term. HICP inflation has remained above 3% for the past seven months and is now expected to remain high for a more protracted period than previously thought. The ongoing surge in crude oil prices signals further upward pressure on inflation, although the outlook is surrounded by considerable volatility. Moreover, further processed food price increases cannot be excluded, despite some slowdown in short-term dynamics. In addition, domestic pipeline pressures are elevated, wages are accelerating, and inflationary pressures in the services sector are increasing.

Looking ahead, on the basis of current futures prices for oil and food commodities, the annual HICP inflation rate is likely to remain above 3% for some time to come, before moderating only gradually in 2009. According to the latest Eurosystem staff macroeconomic projections, annual HICP inflation is expected to be between 3.2% and 3.6% in 2008 and between 1.8% and 3.0% in 2009. These projections are based on the assumption that the recent dynamism in oil and non-oil commodity prices will diminish over the projection horizon, in line with futures prices, and that there will be no broad-based second-round effects on wages.

Risks to the medium-term outlook for inflation remain clearly on the upside and have increased further. These risks include, in particular, the possibility of further increases in energy and food prices, as well as of increases in administered prices and indirect taxes beyond those foreseen thus far. It is also a strong concern that price and wage-setting behaviour could add to inflationary pressures. The pricing power of firms, particularly in market segments with low competition, such as parts of the services sector, may prove stronger than currently expected. Moreover, higher than expected wage growth may emerge, taking into account high capacity utilisation, tight labour market conditions and the risk of second-round effects.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

At a quarter-on-quarter rate of 0.8%, real GDP growth in the first quarter of 2008 was well above expectations. In part, this strength reflected temporary factors, notably the unusually mild winter in many parts of Europe which appears to have boosted construction activity. However, the high growth rate in the first quarter may be partly offset in the second. Surveys of business and consumer confidence, which have indicated a decline in confidence since the summer of 2007, suggest that the moderation has continued in 2008. The fundamentals of the euro area economy remain sound, however. The euro area economy does not suffer from major imbalances. Profitability of non-financial corporations has been sustained, the level of employment is high and unemployment stands at levels not seen for 25 years. The June 2008 Eurosystem staff macroeconomic projections forecast average annual real GDP growth in a range between 1.5% and 2.1% in 2008 and between 1.0% and 2.0% in 2009. While the annual rates suggest that growth may be weaker in 2009 than in 2008, they mask the fact that on a quarterly basis real GDP growth is projected to reach a trough in 2008, before gradually recovering thereafter. However, uncertainty about the prospects for economic growth remains high and risks surrounding the outlook for economic activity lie on the downside.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND DEMAND COMPONENTS

Economic activity expanded above the level of potential growth in both 2006 and 2007 and, despite moderating somewhat last year, has proved resilient in early 2008. While uncertainty remains high, the baseline scenario is one of ongoing growth, albeit with lower rates in 2008 than in 2007.

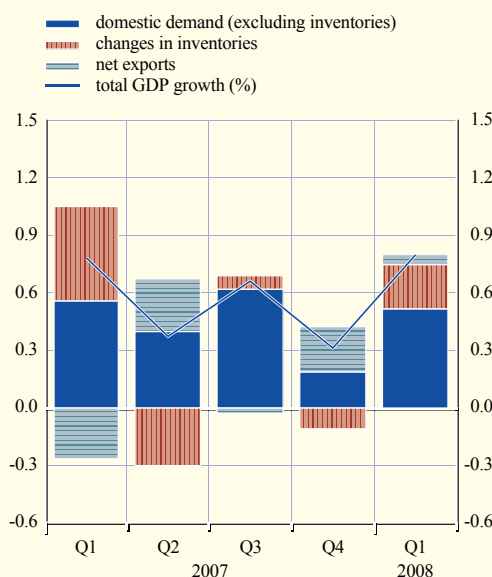
According to Eurostat's first estimate, euro area real GDP expanded by 0.8% in the first quarter of 2008 (revised upwards by 0.1 percentage point compared with the flash estimate), after expanding by 0.3% in the previous quarter (see Chart 45). Domestic demand excluding inventories made a strong contribution to euro area real GDP growth in the first quarter of 2008, of 0.5 percentage point, while inventories also provided a positive contribution of 0.2 percentage point. The contribution of net trade was broadly neutral.

The outcome for euro area GDP growth in the first quarter of 2008, which was above market expectations, is mainly explained by the exceptional real GDP growth observed in Germany, at 1.5% quarter on quarter, partly on account of very strong investment growth in this country (4.0%).

This is reflected in the breakdown of euro area real GDP into its various demand components. In the first quarter of 2008 investment growth accelerated to 1.6% quarter on quarter, following growth of 1.0% in the previous quarter. While no information on the breakdown of investment growth has yet been released at the euro area level, available data suggest that both construction and non-construction investment grew strongly in the first quarter of 2008. Developments in the construction sector are

Chart 45 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

likely to reflect the unusually mild weather conditions in the winter and are therefore expected to be short-lived (see the section on sectoral output below). However, investment growth in the first quarter was also driven by factors of a less temporary nature. In particular, high levels of capacity utilisation and the corresponding need for capacity expansion in the business sector is likely to have provided support for non-construction investment growth.

Capacity constraints partly arose from the sustained pace of external demand, as reflected in the acceleration in the growth of euro area exports in the first quarter of 2008, to 1.9% quarter on quarter, from 0.3% in the previous quarter. However, in line with buoyant domestic demand, the growth of imports also accelerated in the first quarter, to 1.8% quarter on quarter, from -0.3% in the previous quarter.

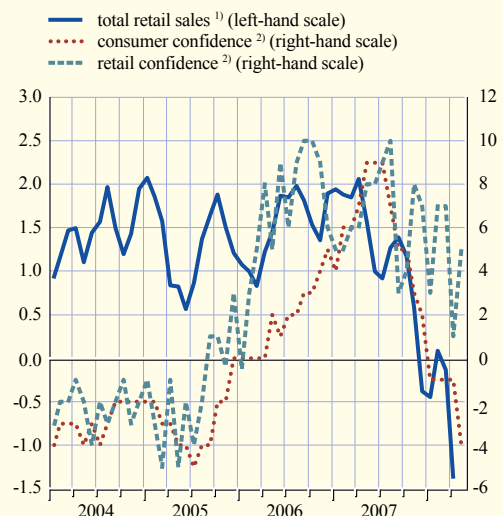
Part of this acceleration in imports was related to the moderate recovery of private consumption growth in the first quarter of 2008, which rose to 0.2% quarter on quarter, from -0.1% in the previous quarter. Despite the dampening impact of a rise in indirect taxes in one country, private consumption growth in the euro area provided support to GDP growth throughout most of 2007, in line with developments in real disposable income and favourable labour market conditions. However, private consumption showed signs of weakness at the end of the year. This may have been related to the sharp rise in retail prices for food and energy and must also be seen against the background of declining consumer confidence.

This improvement in private consumption in the first quarter of 2008 was partly due to a stabilisation in retail sales, which had declined by 0.9% in the last quarter of 2007 (see Chart 46). This stabilisation reflected an increase in sales of non-food products (0.2%), in particular textiles, which offset a decline in sales of food, beverages and tobacco products (-0.4%). New passenger car registrations in the euro area decreased by 3.2% quarter on quarter in the first quarter of 2008. Therefore, it is very likely that most of the growth in private consumption stemmed from its non-retail component, although no information for this component is available in existing monthly or quarterly statistical series.

Very little information is available on private consumption at the beginning of the second quarter of 2008. Euro area retail sales declined by 0.6% month on month in April, following a decline of 0.9% in March. New passenger car registrations increased by 4.9% month on month in April. The European Commission's retail trade confidence indicator, which captures the perceptions of retailers, increased in May. This indicator, which has been affected by significant volatility in the recent past, remains at a high level but declined notably in the course of 2007 and in the first few months of 2008. According to the European Commission's survey, euro area consumer confidence declined in May 2008, thereby resuming the downward movement that started in mid-2007. This partly reflects a worsening of consumers' expectations regarding unemployment. Nevertheless, the broadly positive labour market conditions remain supportive for private consumption.

Chart 46 Retail sales and confidence in the retail trade and household sectors

(monthly data)



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

SECTORAL OUTPUT

While higher growth in the industrial sector was the main driver of the acceleration in the GDP growth rate in 2006, the services sector gradually took over the role of sustaining the pace in early 2007. However, some moderation was observed in both sectors in the course of last year, with a sharper slowdown in services after the summer and a more resilient industrial sector. This pattern appears to have continued in the first five months of 2008.

The contribution of the services sector to euro area total value added was 0.5 percentage point in the first quarter of 2008, compared with 0.2 percentage point in the previous quarter. The contribution of both the industrial sector and the construction sector to value added growth in the first quarter was 0.2 percentage point, having made a contribution of 0.1 percentage point in the fourth quarter of 2007.

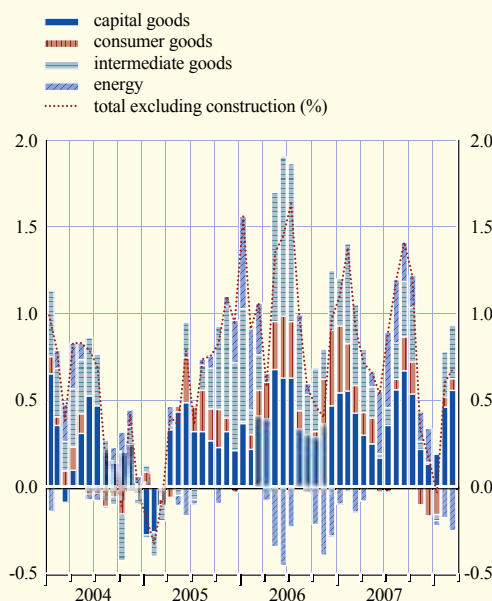
Euro area industrial production (excluding construction) grew vigorously at the start of 2008. It recorded a quarterly increase of 0.7% in the first quarter of 2008, following growth of 0.2% in the previous quarter (see Chart 47). The production of capital goods grew very strongly (with an increase of 2.0% quarter on quarter), but a notable increase was also recorded in production in the intermediate goods sector (1.0%) and, to a lesser extent, the consumer goods sector (0.2%). In contrast, the production of energy represented a drag on growth in the first quarter of 2008, probably reflecting mild weather conditions during the winter. The overall dynamism of industrial growth was somewhat dampened by the moderation in industrial new orders (excluding heavy transport equipment), however. Industrial new orders, a leading indicator of industrial production, increased by 0.2% in the first quarter of 2008, compared with 0.4% in the previous quarter. Therefore, it is possible that part of the sharp rebound in industrial production growth reflects a reduction in the backlog in order books in the industrial sector, although investment rebounded in the first quarter to address tight capacity constraints.

The positive developments in the first quarter of 2008 should not be seen as an indication of a change in the trend of moderating growth observed in the industrial sector in recent quarters, however. This trend remains visible in the Purchasing Managers' Index (PMI) for the manufacturing sector, which declined in the course of the first few months of 2008 (see Chart 48). In May the manufacturing PMI fell marginally further, to 50.6, which is only slightly above the threshold indicating positive growth. A similar picture is conveyed by the European Commission's industrial confidence indicator, which continued to decline in the first five months of 2008.

Production in the construction sector rebounded as well in the first quarter of 2008, after stabilising in the previous quarter. The increase, which was particularly pronounced in January with a rate of 2.4% month on month, was broadly based across euro area countries, probably mainly on account of the very

Chart 47 Industrial production growth and contributions

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

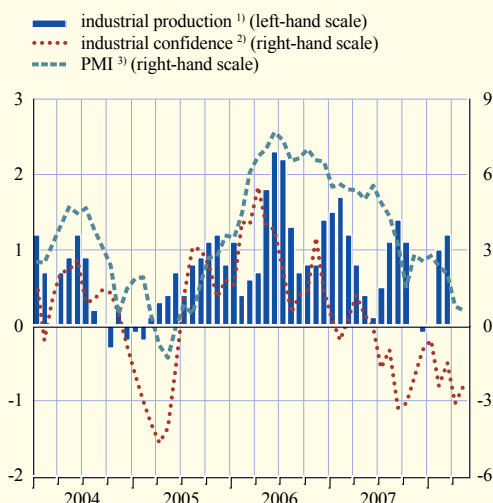


Sources: Eurostat and ECB calculations.

Notes: Data shown are calculated as three-month moving averages against the corresponding average three months earlier.

Chart 48 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics and ECB calculations.

Note: All series refer to manufacturing.

1) Three-month-on-three-month percentage changes.

2) Percentage balances; changes compared with three months earlier.

3) Purchasing Managers' Index; deviations from an index value of 50.

mild weather conditions. However, this rebound has to be seen against the background of a trend slowdown in construction activity observed since late 2006 and is likely to be short-lived, as reflected in the sharp decline in construction production in March 2008, of 2.7%. Construction confidence rebounded somewhat in May 2008, according to the European Commission's indicator, but this does not alter the overall picture of a continuing downward trend in this indicator seen since the end of 2006.

As regards services, survey data available to May 2008 point to moderating growth in this sector also. On average, the level of the PMI for services business activity in the first five months of 2008 was well below the level observed in the fourth quarter of last year. In May 2008 the PMI for services declined further, to 50.6, standing far below its historical average of 54.4. A similar picture of moderation is conveyed by the Commission's services confidence indicator, despite the slight increase observed in May. The weaker performance of the services sector likely reflects the impact of the various shocks that have affected the euro area economy

in the recent past and that stem from the financial turmoil and the rises in food and oil prices. Available information on the sub-sectoral breakdown suggests that the impact of these shocks was broadly based across services, affecting sub-sectors such as the real estate services and financial intermediation sub-sector, the transportation sub-sector, the hotels and restaurants sub-sector and the retail sales sub-sector.

Summing up, the available data for both the industrial and services sectors suggest at present that quarterly GDP growth rates in the first half of 2008 may be broadly in line, on average, with those seen in the second half of last year, although the moderation in the underlying pace of economic activity has continued in 2008. As part of the rebound in real GDP growth observed in the first quarter is likely to reflect temporary factors, like the unusually mild winter, or quarterly volatility, it is expected that real GDP growth in the second quarter will be weaker than it was in the first.

4.2 LABOUR MARKET

The euro area labour market has shown a clear improvement in recent years, and, despite moderating somewhat, this favourable performance has continued in early 2008 according to the latest data. Employment expectations, although weakening, remain positive and underpin the assessment that labour market prospects are broadly favourable.

Table 8 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
<i>of which:</i>							
Agriculture and fishing	-1.5	-0.8	-0.5	1.2	-0.6	-1.1	-0.4
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.

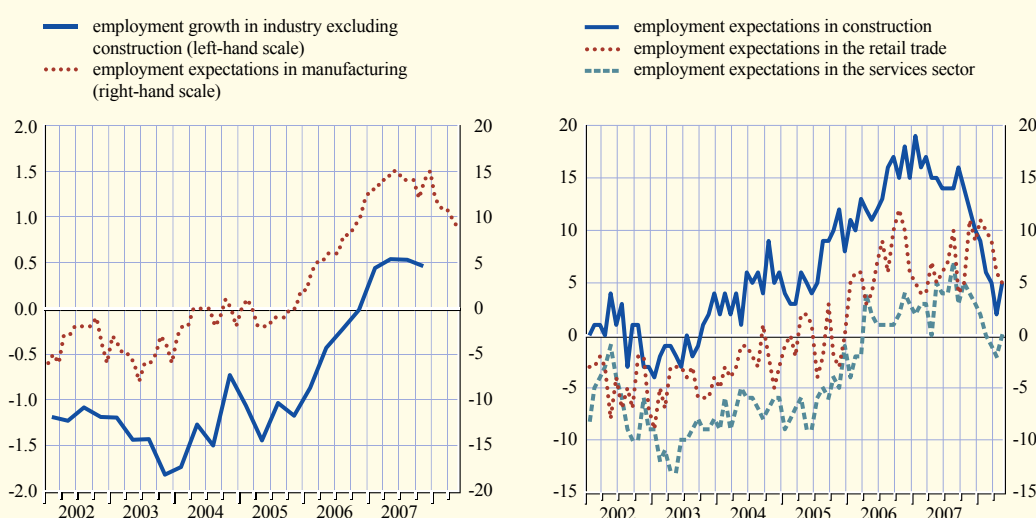
EMPLOYMENT

Following strong economic activity in the euro area, employment growth rose substantially in 2006 and 2007 compared with 2005 (see Table 8). Available information points to continued, albeit moderating, expansion in 2008.

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, but the deceleration was more pronounced in the construction sector. Among services, in the second half of 2007 a lower rate of employment growth was observed in both the trade and transportation services sub-sector and the financial and business services sub-sector.

Chart 49 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.

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 to May (see Chart 49). According to the NTC Economics PMI survey, job creation continued in May in both the industrial and services sectors. The employment expectations reported in the European Commission's Business and Consumer Survey convey a similar picture. Notwithstanding the weakening of employment indicators observed in both surveys in recent months, labour market conditions have so far remained broadly resilient despite the climate of heightened uncertainty regarding economic growth prospects. Thus, the high levels of employment attained in various regions and sectors of the euro area have led to a certain degree of tightness of the labour market. Anecdotal evidence from large corporations operating in various sectors in a number of euro area countries points to difficulties in recruiting staff with the required skills, particularly in segments where highly qualified staff are needed.

Year-on-year labour productivity growth (per person employed) was very low at the end of 2007, standing at 0.6% in the fourth quarter, following a rate of 0.8% in the previous quarter. The decline in productivity growth recorded in the second half of 2007 is mainly explained by the slowdown recorded in the services sector. Data available from the PMI survey point to a further deterioration in labour productivity growth in the first few months of 2008, in both the industrial and services sectors, although some improvement was observed in May. More information regarding recent trends in labour productivity growth in the euro area and a comparison with the United States is presented in Box 7.

Box 7

RECENT TRENDS IN LABOUR PRODUCTIVITY GROWTH IN THE EURO AREA AND THE UNITED STATES

This box summarises recent developments in labour productivity growth in the euro area and compares them with developments in the United States. It shows that the productivity growth gap between the two economies has been very small over the last three years and that differences in real GDP growth mainly reflected demographic trends.

Developments in the euro area in the last few years suggest that the decline in labour productivity growth has come to a halt. A stabilisation in euro area labour productivity growth is observed irrespective of whether labour input is measured per hour worked or per person employed. Average annual hourly labour productivity grew by 1.3% in the period 2005-07 compared with 1.4% in the period 1995-2004. In the United States hourly labour productivity growth declined to 1.2% from 2.1% over the same two periods (see Charts A and B). Measured in terms of persons employed, euro area labour productivity growth remained at around 1.0% per annum in both periods, while the corresponding US indicator declined from 1.8% in the period 1995-2004 to 1.1% in the period 2005-07. The slowdown observed in US labour productivity growth has been mainly driven by a slowdown in real GDP growth. At the same time growth in employment has remained relatively dynamic. In the euro area, the stabilisation in labour productivity growth took place in an environment of strong employment growth.

While labour productivity growth has been broadly similar in the euro area and the United States over the last three years, these recent developments do not necessarily signal the pattern of trend labour productivity growth in the years ahead for two reasons. First, in the euro area there is a broad consensus that the bulk of the recent improvements in labour productivity growth are

Chart A Hourly labour productivity growth

(annual percentage changes)

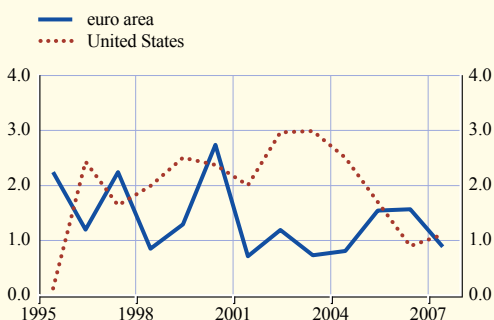
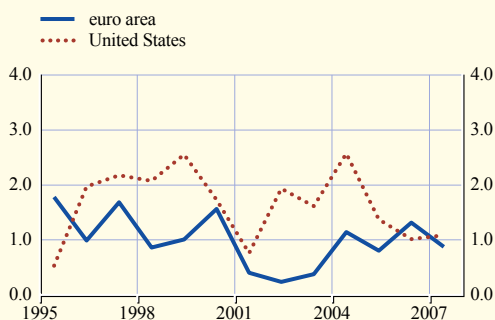


Chart B Labour productivity growth per capita

(annual percentage changes)



Sources: AMECO and OECD databases.
Note: Data for 2007 are estimates.

mainly attributable to cyclical factors.¹ Second, in the United States, while the strong rates of growth in labour productivity seen since the mid-1990s are generally regarded as exceptional, in the years ahead, once the impact of the business cycle is taken into account, growth rates should nevertheless remain above the disappointing rate of 1.2% per annum recorded on average in the 1980s and early 1990s.²

The developments in labour productivity growth over the period 2005-07 contributed to a narrowing of the real GDP growth gap between the euro area and the United States. Over this period real GDP grew at an average pace of 2.4% per year in the euro area, while it averaged 2.7% in the United States. Demographic developments, however, remain more favourable in the United States where the rate of

1 See “The EU economy: 2007 review – Moving Europe’s productivity frontier”, European Commission 2007.

2 Economic growth in the United States prior to 1995 was mainly driven by growth in capital and labour inputs rather than productivity developments. During the IT boom, there were considerable gains in total factor productivity growth but these related mainly to the information and communications technology (ICT) producing sector. It was in the period 2000-05 that strong total factor productivity growth was recorded, notably in the ICT-using sectors. For example, see Jorgenson, D. W, M. S. Ho, J. D. Samuels and K. J. Stiroh (2007), “Industry Origins of the American Productivity Resurgence”, *Economic Systems Research*, Vol. 19, No 3, pp. 229-252.

Chart C Contributions to GDP growth in the euro area

(percentage points; annual percentage changes)

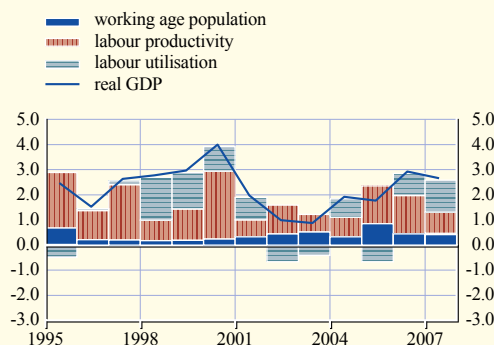
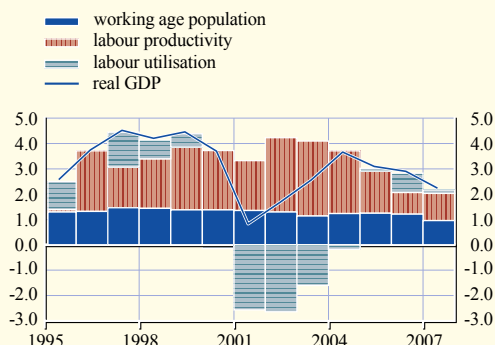


Chart D Contributions to GDP growth in the United States

(percentage points; annual percentage changes)



Sources: AMECO and OECD databases.
Note: Data for 2007 are estimates.

growth of the working age population has been significantly higher (see Charts C and D).³ Real GDP per capita therefore grew on average by 1.9% per annum in the euro area and by 1.7% in the United States over the same period.

To sum up, despite the broad stabilisation in labour productivity growth in the euro area over the last three years, there is no room for complacency. Structural reforms in the euro area have so far not been far-reaching enough and their implementation too slow to foster the emergence of a “knowledge-based economy” – the objective of the Lisbon strategy – with the aim of boosting labour productivity growth and enhancing job creation. In the context of the renewed Lisbon strategy, the challenge now is to step up the overall pace of reform.

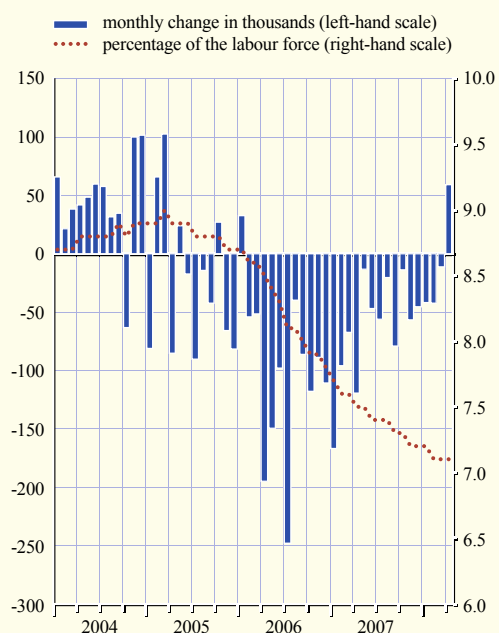
³ This analysis relies on the commonly used growth accounting framework that links real GDP (Y) to the product of labour productivity (L), labour utilisation (LU) and working age population (WA), i.e. $Y = LP \times LU \times WA$.

UNEMPLOYMENT

The euro area unemployment rate stood at 7.1% in April 2008, unchanged with respect to the previous three months (see Chart 50). This figure is the lowest rate seen since the early 1980s and is significantly below the rate of 7.5% recorded a year ago. The unchanged rate masks an increase in the numbers of unemployed persons, with a further 60,000 being unemployed in April 2008 compared with March – the first increase since February 2006. The increase can be attributed to a marked rise in the number of unemployed persons in Spain (of 68,000) and slight increases in Portugal, Ireland and Austria. Apart from in Austria, developments in the construction sector were the main driver of the rise in unemployed persons in these countries. Overall, in the euro area as a whole, the number of unemployed persons remains considerably lower than the number recorded one year ago, having fallen by 0.4 million.

Chart 50 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

At a quarter-on-quarter rate of 0.8%, real GDP growth in the first quarter of 2008 was well above expectations. In part, this strength reflected temporary factors, notably the unusually mild winter in many parts of Europe which appears to have boosted construction activity. However, the high growth rate in the first quarter may be partly offset in the second.

In line with available forecasts, 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 continued robust growth in emerging economies. This should support euro area external demand. The fundamentals of the euro area economy remain sound, and the euro area does not suffer from major imbalances. Against this background, investment growth in the euro area is expected to provide ongoing support to economic activity, as capacity utilisation remains solid and profitability in the non-financial corporate sector has been sustained. Moreover, employment and labour force participation have increased significantly, and unemployment rates have fallen to levels not seen for 25 years. These developments support disposable income, although purchasing power is being dampened by the impact of higher energy and food prices.

This outlook is also reflected in the June 2008 Eurosystem staff macroeconomic projections. The projections foresee average annual real GDP growth in a range between 1.5% and 2.1% in 2008 and between 1.0% and 2.0% in 2009. In comparison with the March ECB staff projections, the current range projected for real GDP growth in 2008 is within the upper part of the range published in March 2008, mainly as a consequence of the better than expected outcome in the first quarter. For 2009, the range has been adjusted downwards, following the increase in commodity prices over recent months. The year-on-year growth rates need to be interpreted with particular caution. While the annual rates suggest that growth may be weaker in 2009 than in 2008, they mask the fact that on a quarterly basis real GDP growth is projected to reach a trough in 2008, before gradually recovering thereafter.

The uncertainty surrounding this outlook for economic growth remains high and downside risks prevail. In particular, risks continue to relate to the potential for the financial market turbulence to have a more negative impact on the real economy than anticipated. Moreover, downside risks stem from the dampening impact on consumption and investment of further unanticipated increases in energy and food prices. Risks also arise from concerns about the emergence of protectionist pressures and the possibility of disorderly developments owing to global imbalances.

5 FISCAL DEVELOPMENTS

Following a relatively favourable fiscal outcome in 2007, public finances in the euro area look set to deteriorate. On the back of moderating real GDP growth, a partial reversal of revenue windfalls and lack of fiscal consolidation, the average euro area general government budget deficit is projected to increase again in 2008 and 2009. In some euro area countries, budget deficits are expected to move close to or reach the 3% of GDP reference value, as they have not used the recent favourable cyclical conditions to consolidate public finances sufficiently. Countries which fall short of their medium-term budgetary objective (MTO) would need to design and implement much more ambitious fiscal policies in order to bring their public finances in line with the requirements of the Stability and Growth Pact and the Eurogroup commitments. Prudent fiscal policies would also help to address macroeconomic imbalances in the euro area.

FISCAL DEVELOPMENTS IN 2007 AND THE OUTLOOK FOR 2008 AND 2009

Fiscal developments in the euro area were relatively favourable in 2007. The average general government deficit fell from 1.3% of GDP in 2006 to 0.6% in 2007 (see Table 9), which brings the deficit ratio to the lowest level recorded since 1973 (net of UMTS receipts). None of the euro area countries recorded a general government deficit above the 3% of GDP reference value. However, Eurostat is still in the process of clarifying some issues related to the deficits reported by Greece. The 2007 reduction in the euro area deficit ratio was mainly driven by favourable cyclical conditions and revenue windfalls, rather than progress with structural consolidation. The improvement in the general government budget balance could thus have been more substantial, also in light of the considerable expenditure overruns in some countries, which were partly offset by sizeable revenue windfalls.

The public finance situation in the euro area looks set to deteriorate in 2008 and 2009. According to the European Commission economic forecast of spring 2008, the general government deficit will – after four years of decline – increase to 1.0% of GDP in 2008 and, based on a no-policy-change assumption, to 1.1% of GDP in 2009 (see Table 9). The projected increase in the euro area deficit ratio results from moderating real GDP growth, a partial reversal of revenue windfalls and lack of fiscal consolidation. The euro area structural government deficit ratio (i.e. the deficit ratio corrected for the impact of the business cycle as well as for one-off and other temporary measures) is foreseen to increase by 0.3 percentage point in 2008 (to 1.0% of GDP), while improving marginally in 2009.

Table 9 Fiscal development in the euro area

(as a percentage of GDP)

	2004	2005	2006	2007	2008	2009
European Commission economic forecast spring 2008						
a. Total revenue	44.6	44.9	45.4	45.6	45.2	45.2
b. Total expenditure	47.5	47.4	46.8	46.3	46.2	46.2
Budget balance (a - b)	-2.9	-2.5	-1.3	-0.6	-1.0	-1.1
Primary budget balance	0.2	0.4	1.6	2.3	1.9	1.8
Cyclically adjusted budget balance	-2.6	-2.0	-1.2	-0.7	-1.0	-0.8
Structural balance	-2.9	-2.2	-1.2	-0.7	-1.0	-0.9
Gross debt	69.6	70.2	68.5	66.4	65.2	64.3
Memo item: real GDP (% change)	2.1	1.6	2.8	2.6	1.7	1.5
Euro area average based on 2007-2008 updated stability programmes¹⁾						
Budget balance			-1.5	-0.8	-0.9	-0.4
Primary budget balance			1.6	2.2	2.1	2.4
Cyclically adjusted budget balance			-1.4	-1.0	-0.9	-0.5
Gross debt			68.6	66.7	65.1	63.4
Memo item: real GDP (% change)			3.0	2.7	2.3	2.2

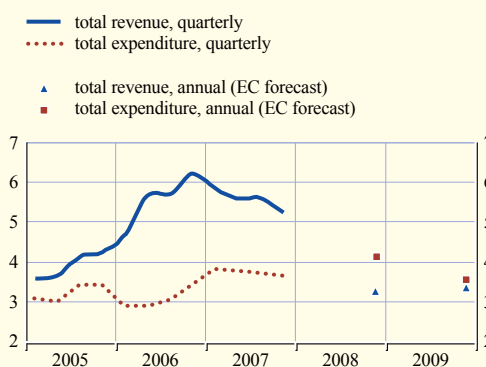
Sources: European Commission economic forecast spring 2008, updated stability programmes 2007-08 and ECB calculations.

1) Data available as at May 2008.

The European Commission projects that none of the euro area Member States will exceed the 3% of GDP reference value for the budget deficit over the projection horizon. In this regard, the Ecofin Council recently abrogated the Excessive Deficit Procedure for Italy and Portugal, despite the fact that in both cases the government debt ratios remain high and above the 60% of GDP reference value. The European Commission projects only a moderate decline in the debt ratio for Italy this and next year, while the debt ratio of Portugal is even projected to increase over the projection horizon. In the case of France, the European Commission forecast points to a general government deficit of 2.9% of GDP in 2008 and 3.0% in 2009. Furthermore, the government debt ratio is projected to rise marginally in 2008 and more significantly in 2009. In response to this fiscal outlook, the European Commission issued a policy advice to France last May with the recommendation to carry out the necessary consolidation of public finances. Budget deficits at or above 2% of GDP are also projected for Greece, Italy and Portugal.

Chart 51 Quarterly government finance statistics and projections, euro area

(year-on-year percentage growth rate in nominal terms of four-quarter moving sums)



Sources: ECB calculations based on Eurostat and national data, European Commission economic forecast spring 2008.

Note: The chart shows the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from Q1 2005 to Q4 2007, plus the annual projections for 2008 and 2009 from the European Commission economic forecast spring 2008.

Quarterly government finance statistics for the euro area available up to the fourth quarter of 2007 show strong, but moderating nominal revenue growth over the recent past reflecting similar behaviour in output growth (see Chart 51). In 2008 and 2009, total revenue growth is expected to return to lower levels as real GDP growth moderates and revenue windfalls disappear. In addition, some tax cuts will exacerbate the fall in revenue growth in 2008 and 2009. The growth rate of general government nominal expenditure is projected to rise to above 4% in 2008 and to stand at 3.5% in 2009 without taking account of further fiscal policy measures.

The European Commission economic forecast of spring 2008 suggests limited progress in the euro area countries towards their MTO. On the contrary, the number of euro area countries that have not yet reached their MTO is projected to increase from eight in 2007 (Belgium, Germany, Greece, France, Italy, Malta, Austria and Portugal) to ten in 2008, as Ireland and Slovenia are expected to move away from their MTO this year (resulting in a gap of 0.8 and 0.1 percentage point respectively). Among the countries not yet at their MTO, only Greece and Malta are projected to show an improvement in their structural balance of 0.5% of GDP in 2008 in line with the benchmark adjustment of the Stability and Growth Pact. By contrast, the European Commission foresees a significant deterioration in the structural balance in the case of Germany (by 0.5% of GDP) and in Italy (by 0.4% of GDP). Among the five countries which are projected to meet their MTO in 2008 (Spain, Cyprus, Luxembourg, the Netherlands and Finland), a considerable structural loosening is nevertheless expected this year in the case of Spain and Cyprus, whereas a significant structural improvement is anticipated in the Netherlands (although this is mainly related to the projected gas windfall revenues).

Compared with the latest stability programme updates, the European Commission forecast points to a generally less favourable fiscal outlook for this and next year, notwithstanding the fact that the 2007 budgetary outcome was somewhat better than expected. The aggregate euro area

general government deficit in 2008 and 2009 is respectively projected to be 0.1 and 0.7 percentage point higher than the average of the national budgetary targets in the latest updated stability programmes (see Table 9). The deterioration of the budgetary outlook compared with the latest stability programmes is mainly driven by a less favourable macroeconomic environment, while the consolidation efforts planned for 2009 still need to be made concrete. Substantial downward deviations in the 2009 general government budget balance compared with the latest stability programmes (of 1.0% of GDP or more) are anticipated for Greece, Spain, France and Portugal, while upward deviations (of 1.0% of GDP or more) are projected for Cyprus, Luxembourg, the Netherlands and Finland.

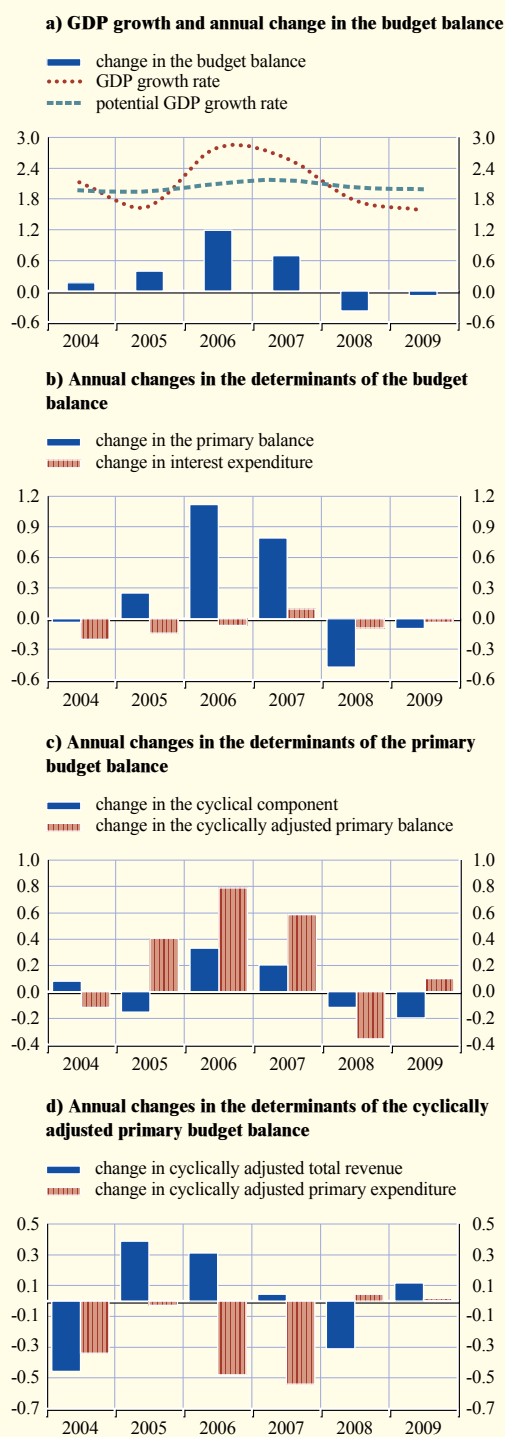
Following the decline in the euro area average general government debt to GDP ratio over the last two years, the debt ratio is expected to continue its downward path in 2008 and 2009, albeit at a slower pace. The European Commission expects the euro area general government debt ratio to fall from 66.4% of GDP in 2007 to 64.3% of GDP in 2009, notwithstanding the increase in the euro area deficit ratio. This reflects declining debt ratios in most euro area countries over the projection horizon, with the exception of Ireland and Luxembourg (countries which have a relatively low government debt ratio), as well as France and Portugal. Six euro area countries are projected to report government debt levels above 60% of GDP in 2009, of which one above 100% of GDP.

FACTORS UNDERLYING BUDGETARY DEVELOPMENTS

The projected deterioration in the euro area budget balance in 2008 and 2009 is driven by a negative development in the primary balance (see Chart 52a and b). The worsening in the primary budget balance results from a negative cyclical contribution over the projection horizon, as well as fiscal loosening (as measured by the change in the cyclically adjusted primary balance) in 2008 (see Chart 52c). The projected deterioration in the cyclically adjusted primary

Chart 52 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)



Sources: European Commission economic forecast spring 2008 and ECB calculations.

balance for the euro area this year reflects a fiscal loosening, in particular, in Germany, Ireland, Spain, Cyprus and Slovenia, while a tightening of the fiscal stance is expected in Greece.

The expected fiscal loosening at the euro area level in 2008 would be the result of a decrease in the cyclically adjusted total revenue ratio (reflecting some tax cuts and disappearing windfall revenues), while the cyclically adjusted primary expenditure ratio is expected to slightly rise again (see Chart 52d). Based on a no-policy-change scenario, the cyclically adjusted revenue ratio will again increase somewhat in 2009, while no expenditure based consolidation is projected at the aggregate level.

ASSESSMENT

The fiscal developments and outlook need to be assessed against the EU fiscal surveillance framework, as well as recent commitments undertaken by the euro area finance ministers (the Eurogroup). The Stability and Growth Pact provides the appropriate framework to guide national fiscal policies in order to ensure sound public finances in the medium term and to enhance confidence in the sustainability of public finances. Euro area countries which fall short of their MTO should achieve structural consolidation of 0.5% of GDP per annum as a benchmark. This should allow them to reach their MTO rapidly in order to ensure sound fiscal positions, which is all the more urgent as the current MTOs generally do not sufficiently address the additional fiscal burden that will be imposed by population ageing. Moreover, this will offer room to let automatic stabilisers work freely.

In May 2008, the Eurogroup ministers again underlined their commitment to implementing the provisions of the Stability and Growth Pact as key to safeguarding the consolidation gains of recent years and making further progress towards sustainable budgetary positions. The ministers thereby referred to their April 2007 structural consolidation commitments agreed in Berlin, which, in particular, stated that euro area Member States should take advantage of the favourable cyclical conditions in order to achieve their MTO in 2008 or 2009, while all of them should aim for 2010 at the latest. While acknowledging that many euro area countries have not fully respected last year's structural consolidation commitments, the May 2008 Eurogroup agreement confirms that achieving the MTOs by 2010 should be within reach for most countries that have not yet reached such a position. In particular, the euro area finance ministers commit to "rigorously implementing the 2008 budgets" and to "prudently designing fiscal policy plans for 2009 so as to ensure progress towards the MTO in line with the benchmark of 0.5% of GDP improvement of the structural balance for Member States that have not reached it; and maintaining sound structural fiscal positions in Member States that have achieved it."

So far, national fiscal developments and plans fall often short of these requirements. Looking at recent years, a number of euro area countries have failed to reach sound fiscal positions in an environment of relatively strong output growth. In this respect, some countries have used part of the revenue windfalls to finance increased expenditure or tax cuts, rather than to speed up the pace of deficit and debt reduction in order to accelerate adjustment towards their MTO. This was against the intention of the revised EU fiscal surveillance framework and of the April 2007 Eurogroup agreement, which explicitly call for more ambitious budgetary targets during good economic periods. Moreover, as described above, for countries with fiscal imbalances, the projected annual improvement in the underlying budgetary situation in 2008 and 2009 is often less than the 0.5% of GDP structural consolidation benchmark.

It is imperative that the euro area countries which have not yet reached their MTO comply with the annual structural consolidation benchmark of 0.5% of GDP, thereby pursuing sufficient adjustments to

achieve their MTO by 2010 at the latest. This implies that countries which are projected to fall short of the requirements should speed up their consolidation efforts. This is particularly urgent as some countries have little or no room for manoeuvre being still close to the 3% of GDP reference value (in particular France, but also Greece, Italy and Portugal). It is also of great concern that some countries do not seem to take European commitments into consideration, when drawing up their annual budget and medium-term fiscal plans. This does not only question the fiscal outlook, but could also undermine the credibility of the EU fiscal surveillance framework. To ensure sound public finances and underpin the credibility of the Stability and Growth Pact, all tools available under the corrective and preventive arm of the Pact should, if necessary, be employed. In this respect, the recent policy advice issued by the European Commission to France represents an appropriate example of the implementation of the available tools.

For those euro area countries that have attained sound fiscal positions in line with their MTO, it is essential to maintain them. As a rule, these countries can let automatic stabilisers operate freely and fully, thereby contributing to the smoothing of cyclical fluctuations. Against this backdrop, it is unfortunate that, after compliance in 2007, Ireland and Slovenia are projected to fall short of their respective MTO in 2008 and 2009.

Prudent fiscal policies are also warranted from a broader perspective in the current economic environment. The risk of a possible sharper-than-expected reversal of revenue windfalls calls for larger rather than smaller safety margins than usual. Moreover, the fiscal implications of the turmoil in financial markets are highly uncertain. In particular, there is still a risk that governments may be forced to intervene directly in support of troubled financial institutions which would put additional pressure on public finances. This could increase government bond yield spreads, thereby contributing to a higher interest burden (see also the box entitled “Recent developments in government bond yield spreads” in the May 2008 issue of the Monthly Bulletin). Furthermore, the overall economic scenario is subject to considerable uncertainty with immediate implications for public finances. In such an environment, it is crucial that fiscal policy-makers support the confidence of markets and the general public in a sound economic environment. This is best realised by achieving and maintaining sound fiscal positions, which will allow policy-makers to let automatic stabilisers operate freely. Fiscal activism aimed at fine-tuning the business cycle should be avoided (see also the box below entitled “Discretionary fiscal policies, automatic stabilisation and economic uncertainty”).

Box 8

DISCRETIONARY FISCAL POLICIES, AUTOMATIC STABILISATION AND ECONOMIC UNCERTAINTY

This box takes a look at the role of fiscal activism and automatic stabilisation in uncertain economic times. In view of recent calls for fiscal stimulus, this box highlights some of the dangers of a discretionary fiscal loosening, in particular the potential to increase cyclical economic fluctuations as well as the downside risks to medium-term growth and the upside risks to inflation. In addition, an activist fiscal stimulus could entail serious negative risks to fiscal outcomes, especially as a breach of the 3% of GDP reference value for the government deficit cannot be excluded for some euro area countries. These risks to fiscal soundness can be compounded by real GDP growth falling short of expectations and by a reversal of windfall revenues collected over the past years.

Assessing current calls for a discretionary fiscal stimulus

A discretionary fiscal policy attempting to fine tune the economy can have stabilising effects, but the size of the effect tends to vary depending on several factors and is generally assessed to be small.¹ What is not small, however, is the risk associated with such activist fiscal policies. Experience suggests that unless a discretionary fiscal stimulus is timely, targeted and temporary, it actually risks being harmful.

The reasons why fiscal policies frequently fail to meet the above-mentioned criteria and risk making matters worse are well documented.² As regards the first criterion of timeliness, fiscal policy is characterised by long lags regarding the design, decision and implementation of measures.³ In the current uncertain economic environment, there is thus a risk that by the time the prospective fiscal impulse finally reaches the economy, the measures taken are no longer timely, but could indeed turn out to be pro-cyclical. There is some historical evidence of such pro-cyclicality, notably in euro area countries.⁴

A similar argument applies to the second criterion of fiscal measures being well targeted. Political calls for activism frequently point to the need to support particular groups in society. But in the political process of finding majority support, the group of beneficiaries risks being expanded beyond credit-constrained consumers to also include those who may be more inclined to hold on to the money rather than spend it. This reduces the effectiveness of fiscal activism.

Finally, there is a clear risk that tax cuts or spending increases that are intended to be temporary will, in practice, become permanent, as governments – for example those close to elections – tend to refrain from reversing new benefit programmes. This raises the risk of government debt accumulation and long-term fiscal sustainability issues. The build-up of debt that has plagued many countries is a reflection of the difficulties associated with fiscal activism. A more permanent fiscal expansion that increases the budget deficit may also imply higher domestic interest rates, generating unwarranted effects on private investment, which may then negatively impinge on growth.⁵ Moreover, the rising budgetary costs from an ageing population underline the need to take the risks of an unintended permanent rise in deficits and debt seriously.

Beyond the risks that discretionary fiscal policy measures will not comply with the three criteria outlined above, there are additional caveats. First, high and volatile government spending and revenues may be harmful to growth as economic agents may postpone – or even refrain from – investment or consumption decisions.⁶ Second, there is a risk that resorting to short-term activism will detract euro area countries from implementing growth-enhancing structural reforms. Empirical evidence suggests that countries that were early in pursuing fiscal consolidation benefited more

1 See, for example, “When does fiscal stimulus work?” Box 2.1. in IMF World Economic Outlook, pp. 70-75, April 2008, and R. Hemming, M. Kell and S. Mahfouz, “The effectiveness of fiscal policy in stimulating economic activity – a review of the literature”, IMF WP/02/208, 2002.

2 See, for example, A. Fatás and I. Mihov, “The case for restricting fiscal policy discretion”, Quarterly Journal of Economics, 118 (4), pp. 1419-1447, 2003.

3 The time-lag aspect regarding fiscal policies is highlighted by A. Blinder, “The case against the case against discretionary fiscal policy”, CEPS Working Paper 100, June, 2004.

4 See OECD Economic Outlook, “Fiscal policy and institutions”, 74, pp. 125-137, December 2003 and A. Turrini, “Fiscal policy and the cycle in the euro area: The role of government revenue and expenditure”, European Commission Economic Papers, No. 323, 2008.

5 See, for instance, A. Afonso and M. St. Aubyn, “Macroeconomic Rates of Return of Public and Private Investment: Crowding-in and Crowding-out Effects”, ECB Working Paper Series, No. 864, 2008.

6 See A. Afonso and D. Furceri, “Government Size, Composition, Volatility and Economic Growth”, ECB Working Paper Series, No. 849, 2008 and Fatás and Mihov, 2003.

afterwards in terms of output growth than countries that were either slower or altogether failed to implement reforms.⁷ While the causality is often difficult to pin down, it may be the case that governments that opt for short-term activist fiscal policies may lose the focus and resolve required to pursue structural reforms that would be beneficial for potential growth in the medium term.

Automatic stabilisation and policy implications

The Stability and Growth Pact provides appropriate guidance for the conduct of fiscal policies in the euro area. In particular, it specifies the adjustment path for the structural budget balance towards a country-specific “close to balance or surplus” medium-term objective (MTO). These MTOs have been set at a level that ensures fiscal sustainability and provides sufficient leeway against breaching the 3% of GDP reference value for the government deficit under normal economic fluctuations. Indeed, those countries that have achieved their MTO are free to let automatic stabilisers operate and thus contribute to smooth economic fluctuations.⁸ The more euro area countries are in such a position, the more scope there will be for the automatic stabilisers at the aggregate euro area level to operate freely, thereby contributing to a smooth functioning of EMU.

The advantages of being able to let the automatic stabilisers operate are well known. They are not subject to time-lags in decisions in contrast with discretionary measures. Moreover, they are not subject to political decision-making processes and their economic impact adjusts automatically to the cycle.⁹ At the same time, hard earned experience from the last decades suggests caution. Recent evidence supports the advantage of automatic stabilisers, but indicates that government expenditure levels above 40% of GDP no longer bring any additional stabilisation benefits.¹⁰ Moreover, the operation of automatic stabilisers on the expenditure side may be misused as an excuse to exceed public spending limits, a situation which could be difficult to reverse. Last but not least, there is also considerable uncertainty about the measurement of output gaps and thus about the extent to which automatic stabilisers are already impacting on the economy.¹¹

To sum up, euro area countries with large government deficits and still high government debt ratios need to give priority to complying with the consolidation requirements of the Stability and Growth Pact with the aim of meeting their MTO. Attaining the MTO will give countries scope to let automatic stabilisers operate freely and fully, thereby contributing to smoothing the business cycle. They should thus resist the temptation of fiscal action to fine tune the economy in the short term, as they may end up harming long-term growth and fiscal sustainability. In this respect, euro area governments would be well advised to heed the lessons from the 1970s and ensure consistently sound and prudent fiscal policies. Finally, a discretionary fiscal stimulus also bears inflation risks. In the current environment, with inflation in the euro area standing at elevated levels, additional impulses from fiscal policy would further increase the risks to price stability. Even small fiscal impulses could potentially have lasting negative effects if they contribute to higher inflation expectations.

7 See S. Hauptmeier, M. Heipertz, and L. Schuknecht, “Expenditure reform in industrialised countries – A case study approach”, *Fiscal Studies*, 28 (3), pp. 293-342, 2007.

8 Social payments, such as unemployment benefits, are expected to increase and tax revenues and social contributions are expected to decline automatically in downturns and vice versa in upturns.

9 On the size of automatic stabilisers, see for example, A. Fatás, and I. Mihov, “Government size and automatic stabilisers: international and intranational evidence,” *Journal of International Economics*, 55 (1), pp. 3-28, 2001.

10 See X. Debrun, J. Pisani-Ferry and A. Sapir, “Government size and output volatility: should we forsake automatic stabilisation?”, IMF WP/08/122, 2008.

11 Differences between real-time output gap and those after final GDP revisions are documented by A. Orphanides and S. van Norden, “The Reliability of Inflation Forecasts Based on Output Gap Estimates in Real Time”, *Journal of Money, Credit and Banking*, 37 (3), pp. 583-601, 2005, and in “The (un)reliability of output gap estimates in real time”, ECB Monthly Bulletin box, February 2005, while automatic stabilisers are discussed in “The operation of automatic fiscal stabilisers in the euro area”, ECB Monthly Bulletin article, April 2002.

6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 20 May 2008, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.¹ Average annual real GDP growth is projected to be between 1.5% and 2.1% in 2008 and between 1.0% and 2.0% in 2009. The average rate of increase in the overall HICP is projected to be between 3.2% and 3.6% in 2008 and between 1.8% and 3.0% in 2009.

Box 9

TECHNICAL ASSUMPTIONS

The Eurosystem staff projections are based on a series of assumptions about interest rates, exchange rates, oil prices, commodity prices and fiscal policies.

The technical assumptions about interest rates and commodity prices are based on market expectations, with a cut-off date of 14 May 2008.¹ With regard to short-term interest rates, as measured by the three-month EURIBOR, market expectations are derived from forward rates, reflecting a snapshot of the yield curve at the cut-off date. They imply an average level of 4.9% in 2008, falling to 4.3% in 2009.² The market expectations for euro area ten-year nominal government bond yields imply a gradual increase, from an average of 4.4% in 2008 to 4.6% in 2009. The baseline projection also includes the assumption that bank lending spreads will remain at their current level, reflecting the current episode of heightened risk consciousness in financial markets. On the basis of the path implied by futures markets in the two-week period ending on the cut-off date, oil prices per barrel are assumed to average USD 113.3 in 2008 and USD 117.7 in 2009. The average annual increase in the prices of non-energy hard (i.e. non-food) commodities in US dollars is assumed to be 13.8% in 2008 and 6.2% in 2009. International food prices are assumed to increase by 44.0% in 2008 and 6.1% in 2009.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.54 and an effective exchange rate of the euro that is, on average, 6.4% higher in 2008 than the average for 2007 and 0.4% higher in 2009 than the average for 2008.

Fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

¹ Oil and food price assumptions are based on futures prices up to end-2009. For other commodities, prices are assumed to follow futures until mid-2009 and thereafter to develop in line with global economic activity.

² Market expectations as measured by forward rates may deviate slightly from EURIBOR futures rates. See the methodological note in the box entitled "ECB staff macroeconomic projections for the euro area" in the March 2007 issue of the Monthly Bulletin.

¹ The Eurosystem staff macroeconomic projections are produced jointly by experts from the ECB and the euro area NCBs. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. At this juncture, however, owing to financial market and commodity price developments, the uncertainty surrounding the projections is presumably larger than usual.

THE INTERNATIONAL ENVIRONMENT

Global economic growth (outside the euro area) is projected to weaken in 2008 before accelerating gradually in the course of 2009. The moderation projected for 2008 mainly reflects the slowdown in the United States as well as in a number of other developed economies that are affected by the ongoing financial turmoil. Following a weak first half of 2008, activity in the United States is projected to gradually recover, supported by monetary easing and, temporarily, by the stimulus provided by the recent fiscal package, as well as by the ongoing strength of net exports. Although the slowdown in the United States is expected to spill over to other economies, in particular to its closest trading partners, spillovers are assumed to remain relatively limited for emerging markets and commodity-producing countries.

Overall, annual growth in world real GDP outside the euro area is projected to average about 4.0% in both 2008 and 2009. Growth in the euro area's external export markets is projected to be about 5.6% in 2008 and 5.8% in 2009.

REAL GDP GROWTH PROJECTIONS

The underlying pace of euro area economic growth has been on a moderating path since 2006. The latest indicators have confirmed the slowdown, which owes to the rise in commodity prices, the appreciation of the exchange rate and the slowdown in the global economy. Eurostat's first estimate of euro area real GDP growth in the first quarter of 2008 indicates a quarter-on-quarter growth rate of 0.8%, following 0.3% in the fourth quarter of 2007. As this very favourable outturn is related partly to transitory factors, some volatility is expected in the quarterly growth rates, and economic activity in the euro area is projected to slow, in the coming quarters. Economic activity is projected to start to accelerate in 2009, benefiting from the global recovery and reaching quarterly growth rates of around 0.5% towards the end of the projection horizon. As a result, average annual real GDP growth is projected to be between 1.5% and 2.1% in 2008, being affected by a carry-over effect of 0.7 percentage point from the economic growth in 2007. In 2009, annual real GDP growth is projected to be between 1.0% and 2.0%.

Among the domestic components of GDP, private consumption growth is expected to decrease in 2008, mainly owing to real income weakness resulting from higher commodity prices. In 2009, as inflation is projected to decline and real income to gradually recover, private consumption growth is expected to rise again. Government consumption is expected to grow moderately over the projection horizon.

Table 10 Macroeconomic projections for the euro area

(average annual percentage changes)^{1), 2)}

	2007	2008	2009
HICP	2.1	3.2-3.6	1.8-3.0
Real GDP	2.7	1.5-2.1	1.0-2.0
Private consumption	1.6	1.1-1.5	0.9-2.1
Government consumption	2.1	1.3-2.3	1.2-2.2
Gross fixed capital formation	4.7	1.3-3.5	-0.4-2.8
Exports (goods and services)	5.7	3.5-6.3	2.4-5.6
Imports (goods and services)	5.2	2.9-6.3	2.2-5.6

1) The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.

2) The reported figures include Cyprus and Malta already in 2007, except with regard to the HICP, where they include Cyprus and Malta from 2008 only. The weights of Cyprus and Malta in euro area GDP are approximately 0.2% and 0.1% respectively.

Business investment is expected to decelerate over the projection horizon, reflecting the cyclical slowdown and tighter financing conditions. It is, however, expected to continue to grow at robust rates, supported by the high capacity utilisation rate and reported equipment shortages. Residential private investment is expected to decline over the projection horizon, reflecting, beyond the cyclical pattern, the ongoing correction in the housing market and the tightening of credit standards. Finally, after an assumed decline in 2008, growth in government investment is expected to rebound markedly in 2009. Overall, the average annual growth rate of total fixed investment is projected to be between 1.3% and 3.5% in 2008 and between -0.4% and 2.8% in 2009.

Export growth will be affected by the slowdown in the world economy in the projection period. In addition, the euro area's export market shares are projected to decline, owing to increased competition from emerging markets and to losses in price competitiveness. The average annual rate of growth in total imports is projected to be slightly below that of total exports, resulting overall in a slightly positive contribution from net trade to real GDP growth over the projection period.

Employment is expected to continue to grow, albeit at moderating pace over the projection horizon, reflecting the pattern of economic activity but also the dampening impact of the projected stronger real wage growth on labour demand. The labour force is also assumed to grow at a slower rate than in recent years. This results from an assumed decline in the growth of the working-age population and an expected moderation in the rise in participation rates, the latter stemming partly from less favourable labour demand conditions and an assumed waning impact of labour market reforms. Against this background, the unemployment rate is projected to remain almost unchanged over the projection horizon.

PRICE AND COST PROJECTIONS

The increase in HICP inflation since end-2007 is largely explained by developments in energy and food prices. Looking ahead, the related external price pressures are assumed, on the basis of current futures prices for oil and food commodities, to diminish in 2009, partly as a result of the past appreciation of the exchange rate of the euro.

As regards domestic price pressures, total economy wages per employee are projected to grow more strongly over the projection horizon than in previous years, reflecting available information on wage agreements and indications of tightness in labour markets. In 2008, as labour productivity growth is expected to decline as a result of cyclical developments, the growth of unit labour costs is projected to increase substantially. The impact of the latter on inflation is expected to be dampened, however, by declining growth in profit margins in view of the economic slowdown. In 2009, higher labour productivity growth and lower wage growth are projected to dampen domestic cost pressures, but growth in profit margins is expected to rise again. In addition, administered prices and indirect taxes are expected to have an upward impact on HICP inflation over the horizon.

As a result of these various elements, the average rate of increase in the overall HICP is projected to be between 3.2% and 3.6% in 2008 before falling to a range between 1.8% and 3.0% in 2009.

COMPARISON WITH THE MARCH 2008 PROJECTIONS

With regard to real GDP growth, the current range projected for 2008 is within the upper part of the range contained in the ECB staff macroeconomic projections published in the March 2008 issue of the Monthly Bulletin, largely due to the favourable latest data for the first quarter of the year. The

Table 11 Comparison with the March 2008 projections

(average annual percentage changes)

	2008	2009
Real GDP – March 2008	1.3-2.1	1.3-2.3
Real GDP – June 2008	1.5-2.1	1.0-2.0
HICP – March 2008	2.6-3.2	1.5-2.7
HICP – June 2008	3.2-3.6	1.8-3.0

range for 2009 has been adjusted downwards, reflecting the anticipated effects of higher energy prices and a stronger exchange rate of the euro than previously assumed. With regard to HICP inflation, the range projected has been shifted upwards for both 2008 and 2009, mainly as a result of higher energy and food price assumptions than in the March projections.

Box 10

FORECASTS BY OTHER INSTITUTIONS

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

In the forecasts currently available from other institutions, euro area real GDP is expected to grow by between 1.4% and 1.7% in 2008 and by between 1.2% and 1.6% in 2009. All available forecasts for growth thus fall within the ranges of the Eurosystem projections. The forecasts anticipate average annual HICP inflation to be between 2.8% and 3.4% in 2008, which means that a number of forecasts are below the range of the Eurosystem projections, possibly owing to the use of older assumptions for commodity prices. For 2009, forecasts are within the range of the Eurosystem projections.

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

(average annual percentage changes)

	Date of release	GDP growth		HICP inflation	
		2008	2009	2008	2009
IMF	April 2008	1.4	1.2	2.8	1.9
European Commission	April 2008	1.7	1.5	3.2	2.2
Survey of Professional Forecasters	April 2008	1.6	1.6	3.0	2.2
Consensus Economics Forecasts	May 2008	1.5	1.6	3.1	2.1
OECD	June 2008	1.7	1.4	3.4	2.4
Eurosystem staff projections	June 2008	1.5-2.1	1.0-2.0	3.2-3.6	1.8-3.0

Sources: European Commission Economic Forecasts, Spring 2008; IMF World Economic Outlook, April 2008; OECD Economic Outlook No 83, June 2008, preliminary edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
 Note: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

7.1 EXCHANGE RATES

Following the appreciation of the euro in the second half of 2007, the euro continued to strengthen until around mid-April 2008, after which it broadly stabilised in the course of May. On 4 June the euro stood, in effective terms, 6.5% higher than its 2007 average.

EFFECTIVE EXCHANGE RATE OF THE EURO

The effective appreciation of the euro since the second half of 2007 has largely reflected market expectations about the relative resilience of the main economic areas to the ongoing global slowdown. This tendency continued in 2008, with the euro appreciating in March and in much of April, reaching

a historical peak on 23 April 2008. These developments reflected, among other factors, shifting market expectations regarding the relative resilience of major economic areas to the downturn in the United States and the global financial turbulence, as well as corresponding monetary policy stances. Subsequently, the single currency depreciated in effective terms and then broadly stabilised in May, reflecting in part heightened market concerns about the inflation outlook in the United States. On 4 June 2008 the nominal effective exchange rate of the euro – as measured against the currencies of 22 of the euro area’s important trading partners – was 1.3% above its level at the end of February and 6.5% higher than its 2007 average (see Chart 53).

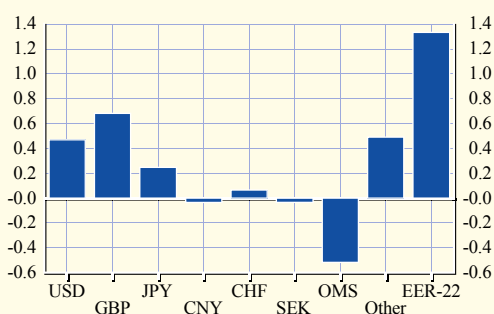
Chart 53 Euro effective exchange rate and its decomposition¹⁾

(daily data)



Contributions to EER changes²⁾

From 29 February to 4 June 2008
(in percentage points)



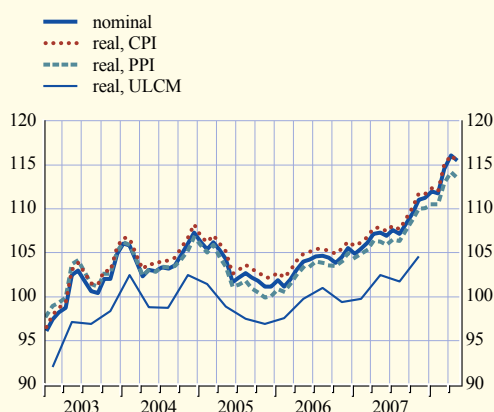
Source: ECB.

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

2) Contributions to EER-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.

Chart 54 Euro nominal and real effective exchange rates¹⁾

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



Source: ECB.

1) An upward movement of the EER-22 indices represents an appreciation of the euro. The latest observations for monthly data are for May 2008. In the case of the ULCM-based real EER-22, the latest observation is for the fourth quarter of 2007 and is partly based on estimates.

The appreciation of the euro in effective terms has been rather broad-based over the past three months. The euro strengthened considerably against the Korean won and the Japanese yen, and more moderately against the pound sterling and the Swiss franc, as well as the US, Canadian and Hong Kong dollars. By contrast, it weakened vis-à-vis the currencies of some of the new EU Member States. With regard to indicators of the international price and cost competitiveness of the euro area, in May 2008, the real effective exchange rate of the euro was on average around 6.4% above its 2007 level, based on developments in consumer and producer prices (see Chart 54).

US DOLLAR/EURO

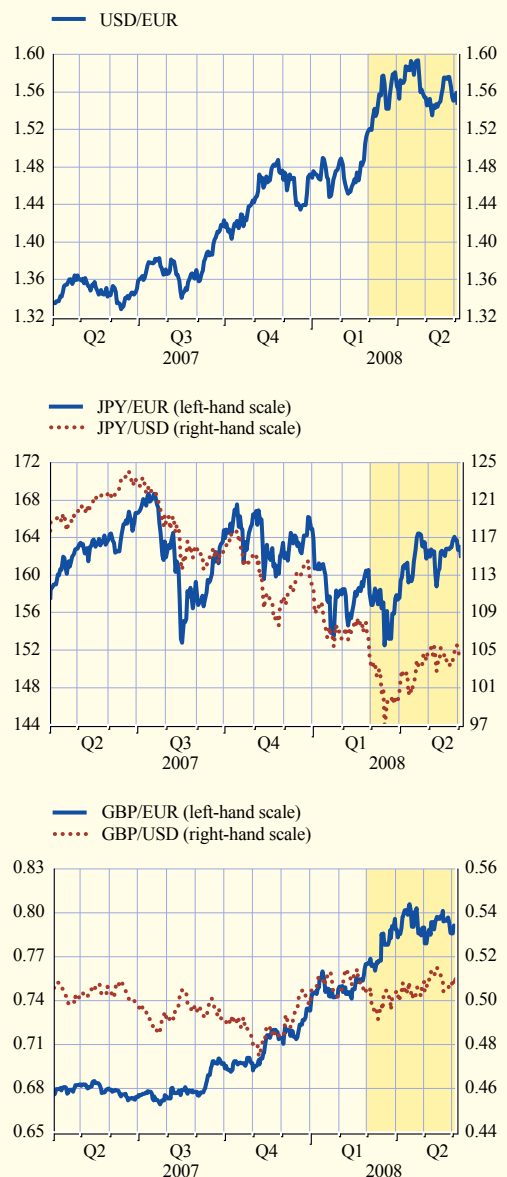
After the onset of the financial market turbulence in August 2007, the euro appreciated steadily against the US dollar and then stabilised between the end of November and early February 2008. Around mid-February, the appreciation of the euro resumed at a faster pace, primarily in relation to market expectations relating to widening interest rate differentials and signs of resilience by the euro area economy to the slowdown in the United States. This steady appreciation brought the single currency to its highest level against the US dollar since the launch of monetary union, peaking at USD 1.594 on 23 April 2008. The euro subsequently receded, to trade broadly sideways in May. The more recent weakening of the euro vis-à-vis the US currency appears to be largely related to shifting market perceptions about relative monetary policy stances in the United States and in the euro area, mostly following data releases indicating a pick-up in inflation in the United States. On 4 June the euro traded at USD 1.55, i.e. 2% above its level at the end of February and around 13% stronger than its 2007 average (see Chart 55).

JAPANESE YEN/EURO

Since the summer of 2007, the euro has generally exhibited rather large swings against the Japanese yen, fluctuating in a range from JPY 152 to JPY 167. Over the past three months the euro strengthened vis-à-vis the Japanese currency amid continued short-term volatility. The volatility of the JPY/EUR exchange rate broadly reflected oscillations in market expectations relating to asset price volatility, as these have a strong bearing on the expected profitability of carry trades, i.e. trades that consist of borrowing in a low-yielding currency (such as the Japanese yen) and investing

Chart 55 Patterns in exchange rates

(daily data)



Source: ECB.

Note: The shaded area refers to the period from 29 February 2008 to 4 June 2008.

in a high-yielding currency. The role of the Japanese yen as a carry-trade funding currency has reportedly been one of the main driving forces for developments in bilateral yen exchange rates, leading to fluctuations in response to the waves of risk reassessment by market participants following international macroeconomic data releases. In fact, the volatility in the JPY/EUR currency pair has exhibited unusually wide and swift swings since the summer of 2007. In general, an increase in the perceived risk associated with the Japanese yen exchange rate reduces its attractiveness as a funding currency, tending to put upward pressure on the Japanese currency and vice versa. Overall, in nominal effective terms the Japanese yen has appreciated since 2007, rather wide swings notwithstanding. Over the past three months the euro has appreciated vis-à-vis the Japanese yen to stand on 4 June at JPY 161.82, i.e. 2.4% stronger than its level at the end of February and less than half a percent above its 2007 average (see Chart 55).

EU MEMBER STATES' CURRENCIES

In the first five months of 2008, as in 2007, most currencies participating in ERM II remained stable against the euro and continued to trade at, or close to, their respective central rates (see Chart 56).

The exception was the Slovak koruna, against which, after a period of broad stability in 2007, the euro has depreciated through most of 2008. Since the end of February, the euro has depreciated by 6.8% against the Slovak currency. The central rate of the Slovak koruna within ERM II was revalued by 17.64% with effect from 29 May (see Box 11 "The revaluation of the Slovak koruna within ERM II"). On 4 June the Slovak currency traded at SKK 30.325, i.e. 0.7% stronger than its central rate and about 10% stronger than its level in 2007.

Among the other ERM II currencies (Danish krone, Estonian kroon, Lithuanian litas and Latvian lats), only the Latvian lats exhibited some variability. Although the Latvian lats has remained on the stronger side of the fluctuation band, it has moved progressively closer to the central rate. On 4 June the Latvian lats traded less than half a percent higher than its ERM II central rate and was around half a percent weaker vis-à-vis the euro than its level at the end of February.

With regard to the currencies of other EU Member States not participating in ERM II, after a rather sharp appreciation in the second half of 2007, the euro broadly stabilised against the pound sterling. More recently, between the end of February and 4 June 2008, the euro appreciated by 3.3% vis-à-vis the pound sterling, reflecting market concerns about the outlook for the UK economy and the exposure of the British

Chart 56 Patterns in exchange rates in ERM II

(daily data; deviation from the central parity 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 $\pm 2.25\%$; for all other currencies, the standard fluctuation band of $\pm 15\%$ applies.

1) The vertical line indicates the date of 29 May 2008, when the central rate of the Slovak koruna was revalued from 35.4424 to 30.1260 SKK/EUR.

financial system to the global financial turbulence. In contrast, the euro depreciated by 2.8%, 4.4% and 8.1% against the Romanian leu, the Polish zloty and the Hungarian forint, respectively, against the background of rising policy rates in all three countries.

Box 1

REVALUATION OF THE SLOVAK KORUNA WITHIN ERM II

With effect from 29 May 2008, the Slovak Koruna was revalued by 17.6472% within ERM II. This box provides some background to the decision.

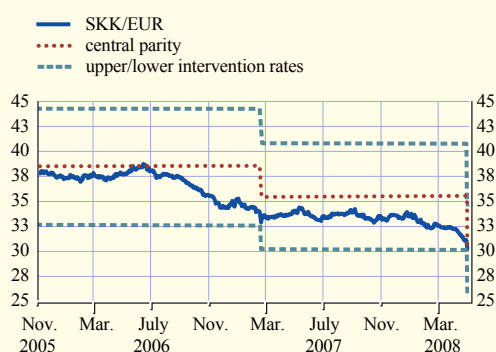
The Slovak currency began participating in the Exchange Rate Mechanism II (ERM II) on 28 November 2005 with an initial central rate of SKK/EUR 38.4550. Supported by strong macroeconomic developments and a favourable economic outlook, the koruna has traded mostly on the stronger side of the ERM II central rate since joining ERM II (see chart). Against this background, the central rate of the Slovak koruna in ERM II was revalued by 8.5% to SKK/EUR 35.4424 with effect from 19 March 2007 using the standard

ERM II exchange rate procedure.¹ Following the revaluation, the Slovak koruna continued to trade consistently on the stronger side of the ERM II central rate and was affected only temporarily by the global financial market tensions. In mid-January 2008, the koruna started to appreciate noticeably vis-à-vis the euro in the context of strong economic growth, with the appreciation gaining further momentum following the publication of the Convergence Reports by the European Commission and the ECB and the proposal by the European Commission to the Council for Slovakia to adopt the euro on 1 January 2009. On 28 May 2008, the Slovak currency stood at SKK/EUR 30.662, 13.5% stronger than its central rate.

At the request of the Slovak authorities, the ministers of the euro area Member States of the European Community, the European Central Bank and the ministers and the central bank governors of Denmark, Estonia, Latvia, Lithuania, and Slovakia have decided, by mutual agreement, following a common procedure involving the European Commission and after consultation of the Economic and Financial Committee, to adapt the central rate of the Slovak koruna in ERM II. As noted before, the central rate of the Slovak koruna has been revalued by 17.6472% with effect from 29 May 2008. The new central rate of the koruna is SKK/EUR 30.1260, at the lower end of the previous fluctuation band. The standard fluctuation band of $\pm 15\%$ continues to be observed around the central rate of the koruna. Accordingly, new compulsory intervention rates for the Slovak koruna have been established with effect from 29 May 2008, as set out in Table A below.

Developments in the exchange rate of the koruna since ERM II entry

(daily data)



Source: ECB.

¹ See Box 7 "Revaluation of the Slovak koruna within ERM II" in the April 2007 issue of the Monthly Bulletin for further information.

Table A Euro central rates and compulsory intervention rates for the currencies of the EU Member States participating in ERM II, in force from 29 May 2008

	Upper intervention rate	Central rate	Lower intervention rate
Danish krone (DKK)	7.62824	7.46038	7.29252
Estonian kroon (EEK)	17.9936	15.6466	13.2996
Latvian lats (LVL)	0.808225	0.702804	0.597383
Lithuanian litas (LTL)	3.97072	3.45280	2.93488
Slovak koruna (SKK)	34.6449	30.1260	25.6071

The following is a quote from the European Union Communiqué issued on 28 May 2008:

“The revaluation of the central rate of the Slovak koruna is justified by ongoing improvements in underlying fundamentals. It will support the authorities in maintaining macroeconomic stability. The revaluation is based on a firm commitment by the authorities to pursue appropriate supportive policies, aimed in particular at maintaining price stability in a sustainable manner, underpinning external competitiveness and strengthening economic resilience.

These policies include: strengthening the pace of fiscal adjustment in structural terms in 2008 and ensuring an annual average structural adjustment of at least 0.5% of GDP from 2009 onwards, in line with the Council opinion adopted on 12 February 2008 on the updated convergence programme of Slovakia; adopting, if necessary, an even tighter fiscal stance should additional inflationary pressures arise; promoting wage developments which reflect labour productivity growth, in particular in the public sector; further structural reforms to enhance the institutional framework in the areas of education and R&D, to foster the better functioning of labour markets (in particular by tackling the combination of a high structural unemployment rate, regional disparities and emerging skill mismatches) and to improve the business environment in order to raise productivity growth. The Slovak authorities will ensure an efficient price setting in regulated industries, in particular in the energy sector. They will continue to closely monitor financial stability to prevent relaxation of credit standards and to ensure proper accounting for credit risks. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic and exchange rate developments. The authorities commit to strengthen the policy stance as warranted.

The decision is without prejudice to the possible decision of the Council regarding euro adoption by Slovakia (as outlined in Article 122(2) of the Treaty).”

Table B The main economic indicators for Slovakia

(annual percentage changes; percentage per annum)

	2001-2006	2007
Real economic growth	5.5	10.4
HICP inflation	5.6	1.9
Current account balance ¹⁾	-7.5	-5.1
Fiscal deficit ¹⁾	-4.4	-2.2
Government debt ¹⁾	40.1	29.4
Long-term interest rate	5.5	4.5
Short-term interest rate	5.6	4.3
Exchange rate against the euro (SKK)	41.3	33.8

Sources: ECB and Eurostat (Ameco database).

Note: The data refer to annual averages.

1) Percentages of GDP

OTHER CURRENCIES

The euro exhibited rather wide swings vis-à-vis the Swiss franc in 2007 and, following a quite sharp depreciation in the first months of 2008, strengthened again from mid-March. On 4 June 2008 the euro traded at CHF 1.60, 1% stronger than at the end of February. The developments in the euro vis-à-vis the Swiss franc have been reportedly related to the positioning in and out of carry

trades. Like the Japanese yen, the Swiss franc has played the role of funding currency in this type of financial operation.

Between the end of February and 4 June 2008, the euro appreciated slightly against the Norwegian krone. The single currency also strengthened vis-à-vis the currencies of some of its main Asian trading partners, rising against the Korean won (10.6%) and the Hong Kong dollar (2.3%). A notable exception was the Chinese yuan, against which the euro remained broadly stable in the period under review.

7.2 BALANCE OF PAYMENTS

In the first quarter of 2008, balance of payments data showed a rebound in the growth of exports and a slight acceleration in the growth of imports compared with the fourth quarter of 2007. These developments notwithstanding, the surplus in the euro area current account has continued to contract, reaching a close-to-balance position (in seasonally adjusted terms) in the 12-month period to March 2008. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €32.0 billion in the 12-month period to March 2008, compared with net inflows of €246.2 billion a year earlier. This decrease mainly reflected lower net inflows in portfolio investment.

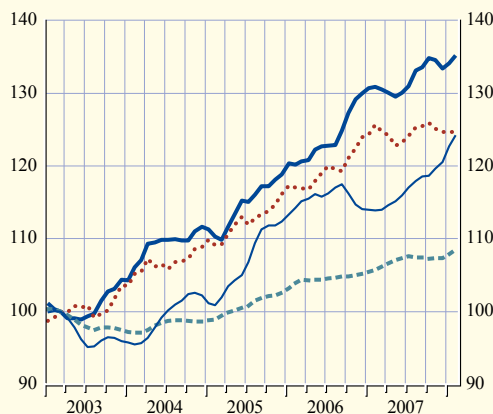
TRADE AND THE CURRENT ACCOUNT

In contrast to developments in the fourth quarter of 2007, growth in both extra-euro area exports and imports of goods and services accelerated in the first quarter of 2008. Following the decline in

Chart 57 Breakdown of trade in goods into volumes and prices

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

- export volumes
- import volumes
- - - export prices
- - - import prices

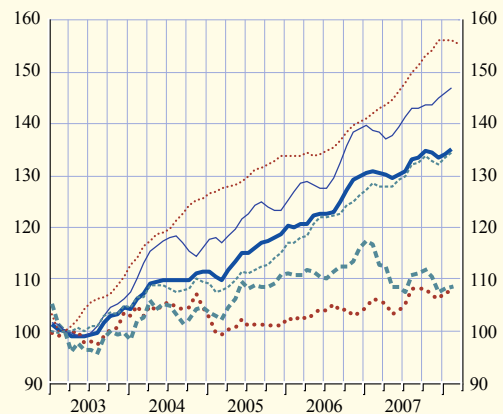


Sources: Eurostat and ECB calculations.
Note: Latest extra-euro area observations are for February 2008.

Chart 58 Euro area export volumes to selected trading partners

(indices: Q1 2003 = 100; seasonally adjusted; three-month moving averages)

- extra-euro area
- United Kingdom
- - - United States
- Asia
- OPEC
- - - non-EA EU Member States



Sources: Eurostat and ECB calculations.
Note: The latest observations refer to March 2008 except for the extra-euro area, non-EA EU Member States, the United States, the United Kingdom and Asia (February 2008).

Table 12 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2008		Three-month moving average figures ending				12-month cumulated figures ending	
	2008 Feb.	2008 Mar.	2007 June	2007 Sep.	2007 Dec.	2008 Mar.	2007 Mar.	2008 Mar.
<i>EUR billions</i>								
Current account	7.5	-15.3	3.4	3.3	-1.3	-5.2	6.5	0.4
Goods balance	4.5	-3.9	6.1	5.2	2.0	0.8	32.3	42.3
Exports	133.7	127.8	124.2	128.1	126.9	131.0	1,425.4	1,530.7
Imports	129.2	131.7	118.2	122.9	124.9	130.2	1,393.1	1,488.4
Services balance	6.0	3.6	3.6	4.7	4.2	4.8	45.1	52.1
Exports	41.7	41.8	40.4	41.9	42.4	41.4	450.9	498.2
Imports	35.8	38.1	36.7	37.2	38.2	36.6	405.8	446.2
Income balance	1.1	-4.2	-0.2	0.8	0.6	-2.4	7.9	-3.8
Current transfers balance	-4.0	-10.8	-6.1	-7.4	-8.1	-8.4	-78.9	-90.1
Financial account¹⁾	-24.9	11.8	16.6	32.5	-24.7	4.7	70.2	87.5
Combined net direct and portfolio investment	-0.7	-17.5	10.8	8.1	-8.7	0.4	246.2	32.0
Net direct investment	-20.0	-18.8	-19.3	-13.6	6.1	-22.9	-130.2	-149.3
Net portfolio investment	19.4	1.3	30.1	21.7	-14.7	23.3	376.4	181.3
Equities	35.4	4.8	21.5	8.6	-6.1	32.0	213.1	167.9
Debt instruments	-16.0	-3.5	8.7	13.1	-8.7	-8.6	163.3	13.4
Bonds and notes	-2.8	2.1	3.1	2.6	0.6	9.2	250.9	46.4
Money market instruments	-13.2	-5.7	5.6	10.5	-9.2	-17.8	-87.6	-33.0
<i>Percentage changes over previous period</i>								
Goods and services								
Exports	1.9	-3.3	1.4	3.3	-0.4	1.8	11.8	8.1
Imports	-0.4	3.0	1.4	3.4	1.9	2.3	11.9	7.5
Goods								
Exports	1.7	-4.4	1.7	3.1	-0.9	3.2	12.9	7.4
Imports	-0.3	2.0	0.8	4.0	1.6	4.2	13.1	6.8
Services								
Exports	2.3	0.1	0.3	3.8	1.2	-2.2	8.5	10.5
Imports	-0.5	6.7	3.2	1.3	2.7	-4.2	7.9	10.0

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.

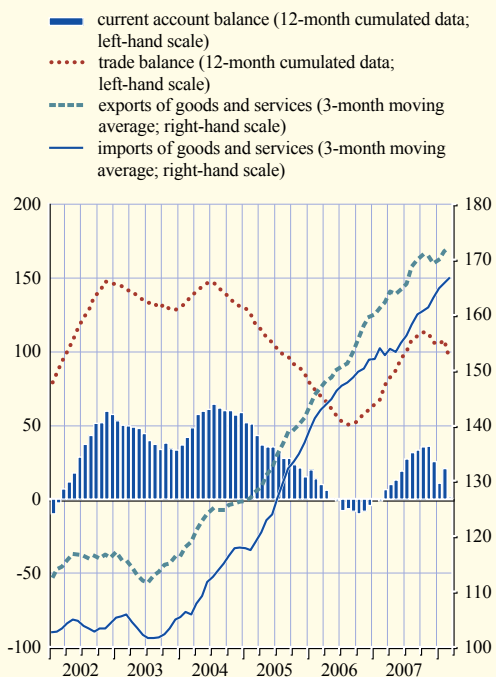
the fourth quarter of 2007, the value of exports of goods and services grew by 1.8% in seasonally adjusted terms (see Table 12). At the same time, imports of goods and services increased by 2.3%, compared with a rise of 1.9% in the fourth quarter of 2007.

The acceleration in the growth rate of exports and imports in the first quarter mainly resulted from a pick up in goods trade, which was partly offset by the decline in both exports and imports of services. Overall, this development appears to have been broadly consistent with growth in foreign demand and of euro area GDP in this period.

While export volumes accounted for most of the decline in export values in the fourth quarter of 2007, the recent rebound seemed to reflect developments in both export volumes and prices. According to the breakdown of trade in goods into volumes and prices, available until February 2008, export volumes picked up, increasing by 0.4% in the three-month period to February (see Chart 57). Furthermore, export prices rose by 1.1%, compared with a slight decline of 0.1% in the three-month period to November 2007.

Chart 59 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

As the geographical breakdown of euro area goods trade indicates, the evolution of export volumes masks distinct developments in euro area exports to different destinations. While euro area export volumes were supported by the robust growth in exports to central and eastern European countries and Asia, exports to the United States have continued to decline (see Chart 58). Furthermore, there has also been a recent slowdown in exports to OPEC members.

Turning to imports, prices picked up markedly in the three-month period to February 2008, growing by 3.8%. This accounts for most of the acceleration in the growth of import values in the first quarter. Overall, import prices have risen significantly since the second half of 2007, largely on account of the sharp rise in the prices of both oil and non-oil commodities, which were only partly offset by the appreciation in the euro effective exchange rate. By contrast, import volumes have continued to decline in the three-month period to February 2008 (see Chart 57), which seems to be mostly associated with subdued euro area private consumption. In terms of product composition,

declines in import volumes were broad based, with import volumes of consumer goods showing the strongest decrease.

Taking a longer-term perspective, the 12-month cumulated current account was close to balance in March 2008, compared with a surplus of €6.5 billion a year earlier (see Chart 59). This development largely resulted from a shift in the income account to a deficit and an increase in the deficit in current transfers, which were only partly offset by increases in the surpluses in goods and services. More recently, the decline in the current account surplus was also driven by the decline in the goods surplus, which started in October 2007.

FINANCIAL ACCOUNT

In the first quarter of 2008, euro area combined direct and portfolio investment recorded average monthly net inflows of €0.4 billion, as opposed to net outflows of €8.7 billion in the fourth quarter of 2007 (see Table 12). This switch in the direction of financial flows mostly reflected a similar shift in portfolio equities and, to a lesser extent, higher net inflows in bonds and notes. These developments more than offset the shift from net inflows to net outflows in direct investment and higher net outflows in money market instruments.

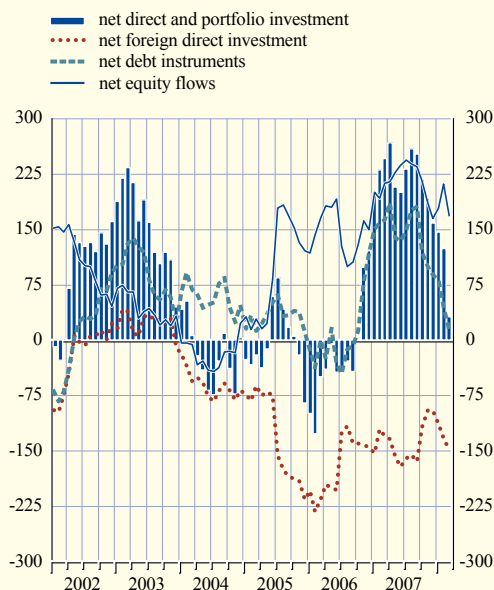
Overall, the March data suggest that cross-border portfolio investment continued to be affected by the credit market turmoil, which began in August 2007. In particular, euro area investors have remained cautious in their foreign investment strategies. In the first quarter of 2008, euro area residents reduced their equity investment abroad, while the reduction in net investment flows in

foreign bonds was offset by the increase in net investment flows in money market instruments. Foreign investors, by contrast, showed renewed interest in cross-border investment, particularly in euro area equities.

From a longer-term perspective, cumulative net inflows in combined direct and portfolio investment amounted to €32.0 billion in the 12-month period to March 2008, compared with net inflows of €246.2 a year earlier (see Chart 60). This decrease largely resulted from lower net inflows in portfolio investment, which, in turn, mainly reflected lower net purchases of euro area bonds and notes by non-residents. Meanwhile, net outflows in direct investment remained at a similar level as a year earlier, recording cumulative net outflows of €149.3 billion in the 12-month period to March 2008.

Chart 60 Euro area combined direct and portfolio investment

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



Source: ECB.

EURO AREA STATISTICS



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

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ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 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	15.3	3.08	3.91
2007	6.4	9.9	11.1	-	10.8	18.7	4.28	4.38
2007 Q2	6.2	9.2	10.6	-	10.5	18.5	4.07	4.51
Q3	6.5	10.3	11.5	-	11.0	20.1	4.49	4.38
Q4	5.9	10.7	12.0	-	11.2	19.8	4.72	4.38
2008 Q1	3.8	10.4	11.2	-	11.0	20.5	4.48	4.13
2007 Dec.	4.0	10.1	11.5	11.8	11.2	21.9	4.85	4.38
2008 Jan.	4.4	10.4	11.6	11.5	11.1	21.8	4.48	4.05
Feb.	3.7	10.7	11.3	11.0	11.0	20.4	4.36	4.06
Mar.	2.9	9.9	10.1	10.7	10.8	17.1	4.60	4.13
Apr.	2.5	10.5	10.6	.	10.6	.	4.78	4.32
May	.	.	.	.	.	.	4.86	4.52

2. Prices, output, demand and labour markets

	HICP ¹⁾	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	3.5	84.2	1.8	7.4
2007 Q3	1.9	2.1	2.5	2.7	4.0	84.0	1.9	7.3
Q4	2.9	4.0	2.7	2.1	3.1	84.0	1.7	7.2
2008 Q1	3.4	5.4	.	2.2	2.8	83.7	.	7.1
2007 Dec.	3.1	4.4	-	-	1.8	-	-	7.2
2008 Jan.	3.2	5.0	-	-	3.5	83.9	-	7.2
Feb.	3.3	5.4	-	-	3.3	-	-	7.1
Mar.	3.6	5.8	-	-	1.7	-	-	7.1
Apr.	3.3	6.1	-	-	.	83.5	-	7.1
May	3.6	.	-	-	.	-	-	.

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)	
							7	
1	2	3	4	5	6	7	8	
2006	7.9	19.2	-144.7	266.3	325.8	103.6	104.5	1.2556
2007	40.5	55.6	-94.8	253.9	347.4	107.7	108.3	1.3705
2007 Q2	0.1	20.1	-57.9	90.4	325.3	107.1	107.7	1.3481
Q3	15.2	17.1	-40.9	65.1	340.5	107.6	108.2	1.3738
Q4	16.8	9.7	18.2	-44.2	347.4	110.5	111.2	1.4486
2008 Q1	-12.1	-2.7	-68.8	70.0	356.3	112.7	113.1	1.4976
2007 Dec.	6.1	-2.3	-20.8	-10.1	347.4	111.2	111.7	1.4570
2008 Jan.	-15.5	-7.3	-29.9	49.3	374.8	112.0	112.3	1.4718
Feb.	10.5	4.2	-20.0	19.4	375.4	111.8	112.0	1.4748
Mar.	-7.0	0.3	-18.8	1.3	356.3	114.6	115.0	1.5527
Apr.	.	.	.	.	348.7	116.0	116.1	1.5751
May	.	.	.	.	.	115.5	115.4	1.5557

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.

- 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.
- 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.
- Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
- For the definition of the trading partner groups and other information, please refer to the General notes.



MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	2008 9 May	2008 16 May	2008 23 May	2008 30 May
Gold and gold receivables	209,628	209,609	209,563	209,545
Claims on non-euro area residents in foreign currency	137,324	138,408	138,403	136,301
Claims on euro area residents in foreign currency	48,204	47,793	53,266	54,943
Claims on non-euro area residents in euro	15,403	15,321	15,677	15,613
Lending to euro area credit institutions in euro	445,042	486,640	461,949	455,821
Main refinancing operations	150,002	191,499	176,501	170,002
Longer-term refinancing operations	295,024	295,026	285,028	285,027
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	14	115	418	791
Credits related to margin calls	2	0	2	1
Other claims on euro area credit institutions in euro	34,575	33,932	32,462	32,095
Securities of euro area residents in euro	110,608	112,212	112,357	114,000
General government debt in euro	38,009	38,010	38,013	38,007
Other assets	354,070	358,954	362,107	366,920
Total assets	1,392,863	1,440,879	1,423,797	1,423,245

2. Liabilities

	2008 9 May	2008 16 May	2008 23 May	2008 30 May
Banknotes in circulation	673,524	671,118	669,292	672,006
Liabilities to euro area credit institutions in euro	195,480	233,356	195,456	207,582
Current accounts (covering the minimum reserve system)	194,841	233,151	195,380	207,516
Deposit facility	478	46	67	55
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	161	159	9	11
Other liabilities to euro area credit institutions in euro	174	172	164	156
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	61,588	72,899	88,478	71,916
Liabilities to non-euro area residents in euro	65,675	65,963	73,947	73,373
Liabilities to euro area residents in foreign currency	1,451	1,852	2,876	2,280
Liabilities to non-euro area residents in foreign currency	19,099	18,396	16,282	16,514
Counterpart of special drawing rights allocated by the IMF	5,148	5,148	5,148	5,148
Other liabilities	142,670	143,806	143,984	146,100
Revaluation accounts	156,231	156,231	156,231	156,231
Capital and reserves	71,823	71,938	71,939	71,939
Total liabilities	1,392,863	1,440,879	1,423,797	1,423,245

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			
	Level	Change	Fixed rate	Minimum bid rate	Change	Level	Change
			Level	Level			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 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							
2008 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
16	249,682	310	204,500	4.00	4.21	4.26	7
23	218,419	302	173,000	4.00	4.21	4.25	7
30	247,451	316	170,000	4.00	4.26	4.29	7
7 May	229,288	304	150,000	4.00	4.26	4.29	7
14	208,523	287	191,500	4.00	4.18	4.26	7
21	203,091	326	176,500	4.00	4.15	4.22	7
28	224,080	330	170,000	4.00	4.19	4.23	7
4 June	210,100	336	153,000	4.00	4.17	4.22	7
Longer-term refinancing operations							
2007 23 Nov.	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 May	101,175	177	50,000	-	4.67	4.75	90
22	86,628	138	50,000	-	4.50	4.68	84
29	97,744	171	50,000	-	4.51	4.62	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	
2007 17 Dec.	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
15 Apr.	Collection of fixed-term deposits	14,880	7	14,880	4.00	-	-	-	1
13 May	Collection of fixed-term deposits	32,465	29	23,500	4.00	-	-	-	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
Q4 ²⁾	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008 Jan.	17,678.3	9,525.3	845.1	2,140.6	1,512.9	3,654.4
Feb.	17,734.6	9,572.0	844.7	2,132.7	1,533.9	3,651.2
Mar.	17,703.1	9,551.5	840.2	2,126.0	1,558.4	3,627.1

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
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	207.5	0.6	0.0	4.19
13 May	207.8	208.6	0.8	0.0	4.24
10 June	207.3	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors							Liquidity-absorbing factors			Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem							Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations ⁴⁾					
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
2008 15 Jan.	343.8	255.7	268.8	0.3	0.0	1.1	68.4	668.2	46.4	-116.4	200.9	870.2
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
15 Apr.	349.1	181.5	278.6	0.1	2.6	0.6	0.4	661.7	70.2	-128.6	207.5	869.9
13 May	364.5	174.4	295.0	0.1	0.0	0.3	0.8	667.6	68.9	-112.3	208.6	876.5

Source: ECB.

- End of period.
- 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)).
- 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.
- 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.



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
Eurosysteem														
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	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
2007 Q4	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 Q1	2,017.8	965.9	19.4	0.7	945.9	278.5	235.9	2.3	40.3	-	16.2	383.3	15.2	358.6
2008 Jan.	1,934.3	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.	1,957.8	902.9	19.4	0.7	882.8	279.1	236.2	2.2	40.7	-	16.5	400.6	15.3	343.3
Mar.	2,017.8	965.9	19.4	0.7	945.9	278.5	235.9	2.3	40.3	-	16.2	383.3	15.2	358.6
Apr. ^(p)	2,012.4	951.4	18.8	0.7	931.9	278.9	235.1	2.5	41.3	-	16.6	375.3	16.0	374.3
MFIs excluding the Eurosysteem														
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	29,467.6	16,902.9	956.1	10,158.1	5,788.7	3,880.7	1,194.1	949.7	1,736.9	93.5	1,318.5	4,873.1	206.0	2,193.0
2007 Q4	29,467.6	16,902.9	956.1	10,158.1	5,788.7	3,880.7	1,194.1	949.7	1,736.9	93.5	1,318.5	4,873.1	206.0	2,193.0
2008 Q1	30,233.4	17,231.1	958.2	10,447.7	5,825.2	4,037.2	1,216.4	1,004.8	1,815.9	100.4	1,312.4	4,971.8	197.4	2,383.1
2008 Jan.	30,051.9	17,122.7	961.0	10,299.1	5,862.6	3,973.5	1,219.7	962.1	1,791.8	98.2	1,315.4	5,090.0	205.7	2,246.5
Feb.	30,224.5	17,164.7	951.4	10,354.6	5,858.7	4,023.9	1,216.4	983.9	1,823.6	102.7	1,303.0	5,129.2	200.6	2,300.4
Mar.	30,233.4	17,231.1	958.2	10,447.7	5,825.2	4,037.2	1,216.4	1,004.8	1,815.9	100.4	1,312.4	4,971.8	197.4	2,383.1
Apr. ^(p)	30,524.9	17,426.3	971.2	10,524.3	5,930.9	4,094.6	1,223.1	1,032.1	1,839.5	99.9	1,365.8	5,078.4	197.8	2,262.0

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
Eurosysteem											
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	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2007 Q4	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Q1	2,017.8	681.9	703.2	60.4	20.8	622.0	-	0.1	246.5	70.3	315.9
2008 Jan.	1,934.3	671.3	626.6	54.6	21.0	551.1	-	0.1	254.5	72.9	308.9
Feb.	1,957.8	674.4	653.9	53.7	23.1	577.0	-	0.1	259.3	58.2	311.9
Mar.	2,017.8	681.9	703.2	60.4	20.8	622.0	-	0.1	246.5	70.3	315.9
Apr. ^(p)	2,012.4	690.5	682.9	66.9	23.1	592.9	-	0.1	237.9	81.4	319.7
MFIs excluding the Eurosysteem											
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	29,467.6	-	15,085.2	127.1	8,865.9	6,092.1	754.1	4,645.2	1,678.8	4,530.2	2,774.2
2007 Q4	29,467.6	-	15,085.2	127.1	8,865.9	6,092.1	754.1	4,645.2	1,678.8	4,530.2	2,774.2
2008 Q1	30,233.4	-	15,293.1	139.8	9,017.3	6,136.0	843.0	4,678.6	1,719.0	4,761.2	2,938.5
2008 Jan.	30,051.9	-	15,192.5	114.3	8,931.1	6,147.1	835.5	4,686.7	1,699.4	4,795.9	2,841.9
Feb.	30,224.5	-	15,224.3	135.4	8,947.6	6,141.3	852.8	4,686.7	1,702.8	4,869.1	2,889.0
Mar.	30,233.4	-	15,293.1	139.8	9,017.3	6,136.0	843.0	4,678.6	1,719.0	4,761.2	2,938.5
Apr. ^(p)	30,524.9	-	15,489.1	130.9	9,114.8	6,243.3	850.7	4,705.8	1,726.5	4,927.6	2,825.3

Source: ECB.

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

2.2 Consolidated balance sheet of euro area MFIs¹⁾

(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	22,349.0	11,132.6	973.9	10,158.7	2,370.9	1,419.2	951.7	903.5	5,246.8	221.1	2,474.1
2007 Q4	22,349.0	11,132.6	973.9	10,158.7	2,370.9	1,419.2	951.7	903.5	5,246.8	221.1	2,474.1
2008 Q1	23,017.4	11,425.9	977.6	10,448.3	2,459.4	1,452.3	1,007.1	871.5	5,355.2	212.6	2,692.7
2008 Jan.	22,839.4	11,280.2	980.5	10,299.7	2,413.9	1,449.9	964.0	893.5	5,491.2	221.1	2,539.5
Feb.	22,980.8	11,326.1	970.8	10,355.2	2,438.7	1,452.6	986.1	872.3	5,529.8	216.0	2,598.0
Mar.	23,017.4	11,425.9	977.6	10,448.3	2,459.4	1,452.3	1,007.1	871.5	5,355.2	212.6	2,692.7
Apr. ⁽⁶⁾	23,183.6	11,514.9	990.0	10,525.0	2,492.7	1,458.2	1,034.5	921.2	5,453.7	213.8	2,587.3
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	2,590.9	1,014.7	-9.7	1,024.4	229.5	-46.8	276.3	59.9	791.3	-0.5	496.0
2007 Q4	552.8	230.5	8.0	222.5	99.9	-12.1	112.0	45.6	91.2	-5.8	91.5
2008 Q1	782.8	258.3	0.9	257.4	81.8	24.8	57.1	-10.8	261.3	-9.7	201.8
2008 Jan.	413.0	95.0	3.6	91.5	22.4	13.5	8.9	6.5	237.9	-1.3	52.4
Feb.	191.9	51.4	-9.6	61.0	26.1	2.9	23.2	-19.8	83.9	-5.1	55.5
Mar.	177.8	111.9	6.9	104.9	33.3	8.3	25.0	2.5	-60.5	-3.3	94.0
Apr. ⁽⁶⁾	154.0	89.7	12.1	77.6	36.9	9.3	27.6	47.7	85.1	1.2	-106.7

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units ²⁾	Debt securities issued ³⁾	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
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	22,349.0	638.5	151.0	8,885.0	660.6	2,866.9	1,484.4	4,596.2	3,104.5	-38.1
2007 Q4	22,349.0	638.5	151.0	8,885.0	660.6	2,866.9	1,484.4	4,596.2	3,104.5	-38.1
2008 Q1	23,017.4	632.9	200.2	9,038.1	742.5	2,822.5	1,508.5	4,831.5	3,254.4	-13.1
2008 Jan.	22,839.4	623.1	168.9	8,952.0	737.3	2,853.8	1,515.8	4,868.8	3,150.8	-31.1
Feb.	22,980.8	628.7	189.2	8,970.7	750.1	2,822.5	1,514.8	4,927.3	3,200.9	-23.3
Mar.	23,017.4	632.9	200.2	9,038.1	742.5	2,822.5	1,508.5	4,831.5	3,254.4	-13.1
Apr. ⁽⁶⁾	23,183.6	641.3	197.8	9,138.0	750.7	2,825.1	1,503.3	5,008.9	3,145.0	-26.6
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	2,590.9	45.8	-13.3	835.0	54.7	270.2	163.3	775.8	464.4	-5.0
2007 Q4	552.8	28.1	-49.8	311.2	-12.7	22.7	83.3	98.6	64.9	6.5
2008 Q1	782.8	-6.7	46.8	123.7	53.4	-6.0	32.6	337.4	147.5	54.0
2008 Jan.	413.0	-16.4	15.3	21.0	43.8	2.2	12.8	259.4	60.8	14.1
Feb.	191.9	5.6	20.3	25.6	11.9	-22.7	2.3	97.6	36.4	14.9
Mar.	177.8	4.1	11.2	77.1	-2.3	14.5	17.5	-19.6	50.2	25.0
Apr. ⁽⁶⁾	154.0	8.5	-2.4	96.6	8.8	0.7	4.8	156.4	-104.1	-15.4

Source: ECB.

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

2.3 Monetary statistics ¹⁾

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

1. Monetary aggregates ²⁾ and counterparts

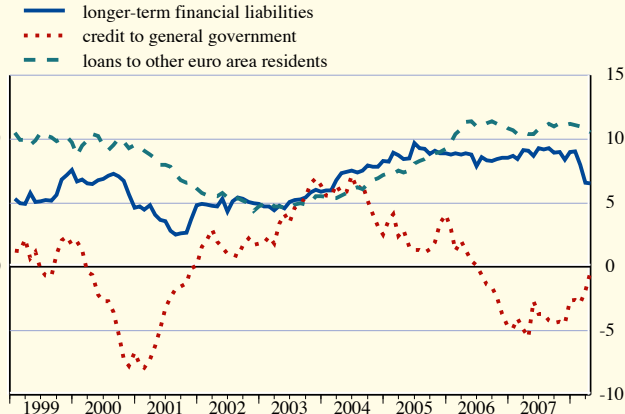
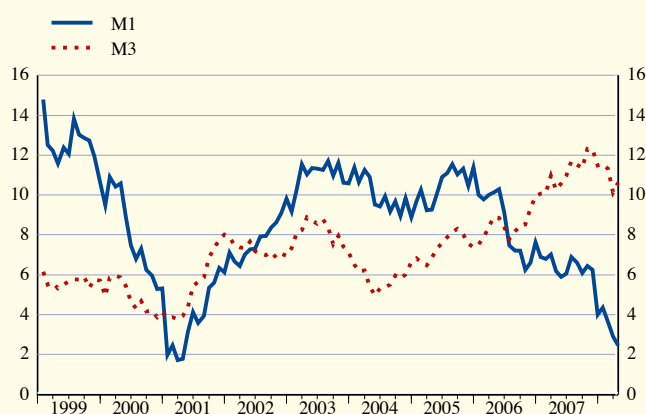
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ³⁾
	1	2	3	4	5	6	7	8	Loans		11
Outstanding amounts											
2005	3,423.3	2,653.2	6,076.5	998.1	7,074.6	-	5,000.6	2,473.0	9,564.3	8,289.3	424.3
2006	3,686.1	2,953.0	6,639.1	1,101.7	7,740.8	-	5,429.7	2,321.3	10,664.1	9,171.5	635.7
2007	3,835.4	3,504.0	7,339.4	1,310.7	8,650.1	-	5,974.7	2,417.2	12,046.2	10,174.7	630.3
2007 Q4	3,835.4	3,504.0	7,339.4	1,310.7	8,650.1	-	5,974.7	2,417.2	12,046.2	10,174.7	630.3
2008 Q1	3,855.1	3,672.1	7,527.3	1,337.2	8,864.5	-	5,972.4	2,421.5	12,328.5	10,451.8	541.7
2008 Jan.	3,857.1	3,580.7	7,437.8	1,349.2	8,787.0	-	6,037.4	2,430.8	12,172.5	10,303.6	620.0
Feb.	3,853.5	3,635.8	7,489.3	1,339.6	8,828.9	-	6,014.7	2,423.7	12,246.0	10,372.6	599.2
Mar.	3,855.1	3,672.1	7,527.3	1,337.2	8,864.5	-	5,972.4	2,421.5	12,328.5	10,451.8	541.7
Apr. ^(p)	3,842.4	3,780.1	7,622.5	1,334.5	8,957.1	-	6,003.7	2,433.7	12,419.8	10,515.2	477.9
Transactions											
2005	339.8	139.3	479.1	8.4	487.5	-	401.5	94.1	837.0	701.8	-0.4
2006	261.2	309.8	571.0	131.0	702.0	-	427.5	-114.7	1,107.4	898.6	200.6
2007	147.3	523.4	670.8	220.3	891.1	-	489.8	-60.1	1,368.2	1,029.7	14.9
2007 Q4	18.2	160.6	178.8	54.7	233.5	-	139.0	6.4	389.1	238.5	-22.2
2008 Q1	14.3	143.1	157.4	9.4	166.7	-	33.1	-6.9	273.1	244.9	-37.8
2008 Jan.	9.5	45.8	55.3	16.5	71.8	-	44.5	-6.6	89.9	79.4	-3.7
Feb.	0.0	57.0	57.0	-10.1	46.9	-	-9.6	-6.8	81.5	74.5	-14.6
Mar.	4.7	40.4	45.1	3.0	48.1	-	-1.8	6.5	101.7	91.0	-19.6
Apr. ^(p)	-13.5	107.2	93.8	-2.2	91.5	-	37.9	15.3	90.5	64.4	-56.2
Growth rates											
2005 Dec.	11.4	5.4	8.5	0.9	7.4	7.5	8.9	4.1	9.6	9.3	-0.4
2006 Dec.	7.6	11.7	9.4	13.3	10.0	9.8	8.5	-4.7	11.6	10.8	200.6
2007 Dec.	4.0	17.7	10.1	20.0	11.5	11.8	9.0	-2.6	12.8	11.2	14.9
2007 Dec.	4.0	17.7	10.1	20.0	11.5	11.8	9.0	-2.6	12.8	11.2	14.9
2008 Mar.	2.9	18.3	9.9	11.8	10.1	10.7	6.6	-1.9	12.2	10.8	-161.2
2008 Jan.	4.4	17.9	10.4	18.2	11.6	11.5	9.0	-2.6	12.7	11.1	17.5
Feb.	3.7	19.4	10.7	15.0	11.3	11.0	8.0	-2.8	12.6	11.0	-37.9
Mar.	2.9	18.3	9.9	11.8	10.1	10.7	6.6	-1.9	12.2	10.8	-161.2
Apr. ^(p)	2.5	20.2	10.5	11.2	10.6	.	6.5	-0.4	11.8	10.6	-191.8

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⁾

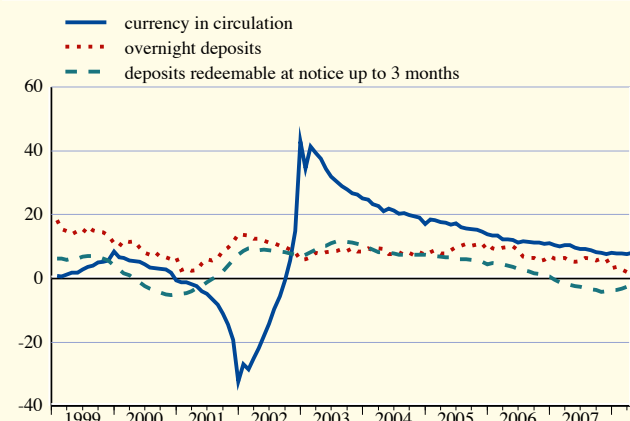
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	521.1	2,902.2	1,109.6	1,543.7	236.0	635.9	126.2	2,205.0	86.8	1,511.3	1,197.5
2006	578.4	3,107.7	1,401.0	1,552.0	266.1	637.0	198.6	2,399.6	102.2	1,655.0	1,273.0
2007	625.8	3,209.6	1,968.7	1,535.3	307.4	686.8	316.5	2,561.1	119.6	1,813.5	1,480.6
2007 Q4	625.8	3,209.6	1,968.7	1,535.3	307.4	686.8	316.5	2,561.1	119.6	1,813.5	1,480.6
2008 Q1	638.0	3,217.1	2,130.6	1,541.6	307.7	746.9	282.5	2,540.6	119.4	1,813.2	1,499.1
2008 Jan.	629.5	3,227.6	2,043.7	1,537.0	306.4	745.2	297.7	2,579.0	122.9	1,819.0	1,516.6
Feb.	634.2	3,219.3	2,099.1	1,536.6	313.4	754.8	271.5	2,561.4	121.3	1,816.0	1,516.1
Mar.	638.0	3,217.1	2,130.6	1,541.6	307.7	746.9	282.5	2,540.6	119.4	1,813.2	1,499.1
Apr. ^(p)	644.8	3,197.6	2,237.3	1,542.9	323.5	742.5	268.5	2,557.1	118.8	1,818.0	1,509.8
Transactions											
2005	63.0	276.8	70.3	69.0	-7.1	-0.9	16.4	199.5	-4.3	111.4	94.9
2006	57.3	203.9	300.5	9.3	30.9	30.0	70.1	217.2	15.4	138.1	56.8
2007	46.9	100.4	579.4	-55.9	43.3	58.8	118.2	152.4	9.9	164.5	163.1
2007 Q4	14.2	4.0	171.6	-11.1	12.2	8.8	33.8	3.2	-0.1	51.1	84.8
2008 Q1	11.2	3.1	142.4	0.7	0.6	31.3	-22.5	6.5	-1.5	1.3	26.9
2008 Jan.	2.7	6.8	49.8	-4.1	-0.9	25.0	-7.6	22.0	1.9	3.2	17.5
Feb.	4.7	-4.6	57.2	-0.3	7.0	8.8	-25.9	-9.2	-1.5	-1.6	2.7
Mar.	3.8	0.9	35.3	5.1	-5.5	-2.5	11.0	-6.4	-1.8	-0.3	6.7
Apr. ^(p)	6.8	-20.2	106.0	1.3	15.8	-3.9	-14.2	14.7	-0.7	3.1	20.7
Growth rates											
2005 Dec.	13.8	11.0	6.6	4.4	-3.0	-0.1	15.7	10.0	-4.7	8.1	8.8
2006 Dec.	11.0	7.0	27.2	0.6	13.2	4.9	54.5	9.9	17.8	9.1	4.7
2007 Dec.	8.1	3.2	41.3	-3.6	16.3	9.2	59.5	6.4	9.6	9.9	12.5
2007 Dec.	8.1	3.2	41.3	-3.6	16.3	9.2	59.5	6.4	9.6	9.9	12.5
2008 Mar.	7.7	2.0	39.6	-2.5	11.2	8.2	22.2	3.8	3.5	7.1	11.5
2008 Jan.	7.8	3.7	41.3	-3.7	17.6	11.0	40.0	6.4	9.2	9.5	13.3
Feb.	7.7	2.9	43.4	-3.1	18.4	10.9	21.9	4.8	6.3	8.9	12.8
Mar.	7.7	2.0	39.6	-2.5	11.2	8.2	22.2	3.8	3.5	7.1	11.5
Apr. ^(p)	8.0	1.4	42.4	-2.2	17.8	6.6	15.7	3.6	1.9	6.5	12.3

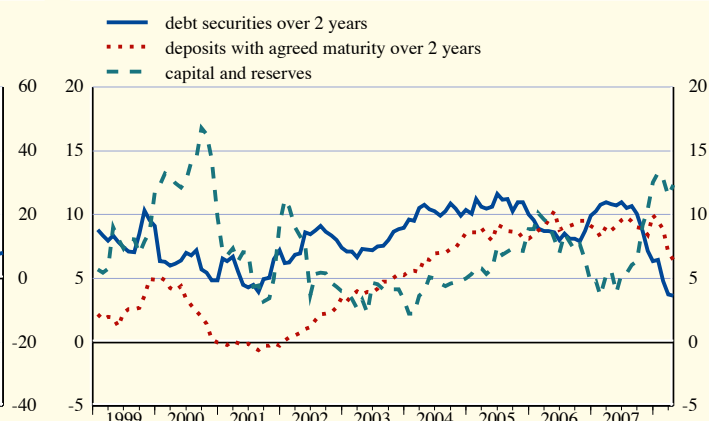
C3 Components of monetary aggregates ¹⁾

(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)}

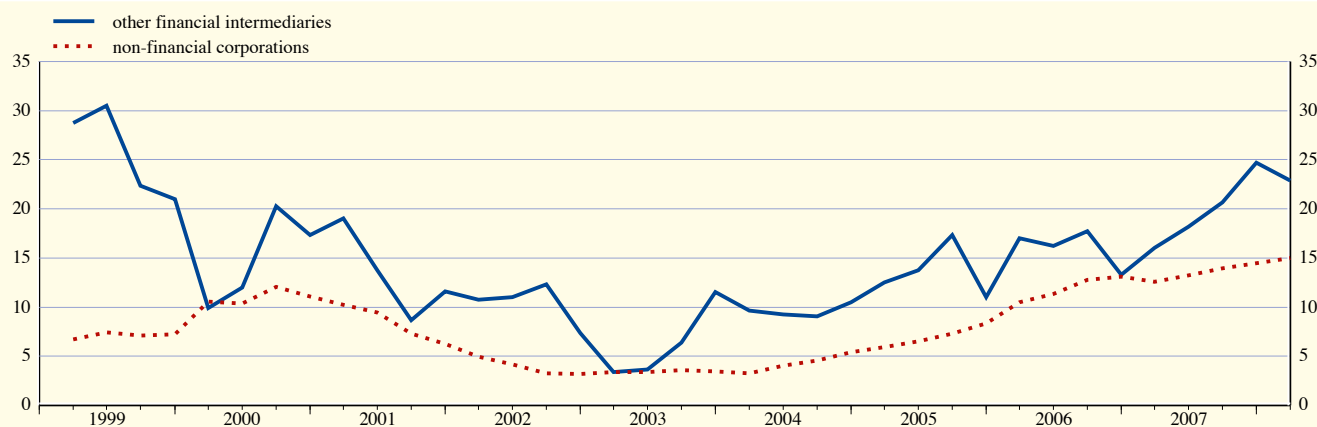
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries ⁴⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 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	96.4	70.6	864.6	524.4	4,389.0	1,276.7	858.9	2,253.3
2007 Q4	96.4	70.6	864.6	524.4	4,389.0	1,276.7	858.9	2,253.3
2008 Q1	104.2	78.7	935.3	588.0	4,548.1	1,329.8	895.4	2,323.0
2008 Jan.	101.7	75.7	900.0	557.6	4,462.0	1,296.2	878.7	2,287.0
Feb.	102.7	76.7	900.4	557.9	4,499.8	1,309.0	887.9	2,302.9
Mar.	104.2	78.7	935.3	588.0	4,548.1	1,329.8	895.4	2,323.0
Apr. ^(p)	102.1	76.0	958.1	608.6	4,593.7	1,339.7	902.0	2,352.0
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	14.0	15.8	173.4	111.6	557.4	145.2	155.7	256.5
2007 Q4	-15.5	-17.1	15.0	-7.6	162.1	30.5	47.7	83.9
2008 Q1	8.0	8.3	73.5	65.2	139.6	48.9	33.2	57.5
2008 Jan.	5.3	5.2	32.4	30.6	45.2	12.4	14.0	18.8
Feb.	1.1	1.0	2.1	1.7	40.2	13.8	10.3	16.1
Mar.	1.6	2.1	39.0	32.9	54.1	22.7	8.8	22.6
Apr. ^(p)	-2.1	-2.7	20.2	18.3	47.6	11.6	6.8	29.2
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 Dec.	16.9	28.5	24.7	26.5	14.5	12.8	22.0	12.8
2007 Dec.	16.9	28.5	24.7	26.5	14.5	12.8	22.0	12.8
2008 Mar.	6.3	10.3	22.8	22.4	15.0	13.9	21.9	13.1
2008 Jan.	2.2	5.4	26.4	28.1	14.5	12.4	22.7	12.8
Feb.	6.4	9.9	22.9	22.7	14.9	13.2	22.8	12.9
Mar.	6.3	10.3	22.8	22.4	15.0	13.9	21.9	13.1
Apr. ^(p)	-2.9	-3.9	21.8	22.5	14.9	13.2	21.1	13.7

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)}

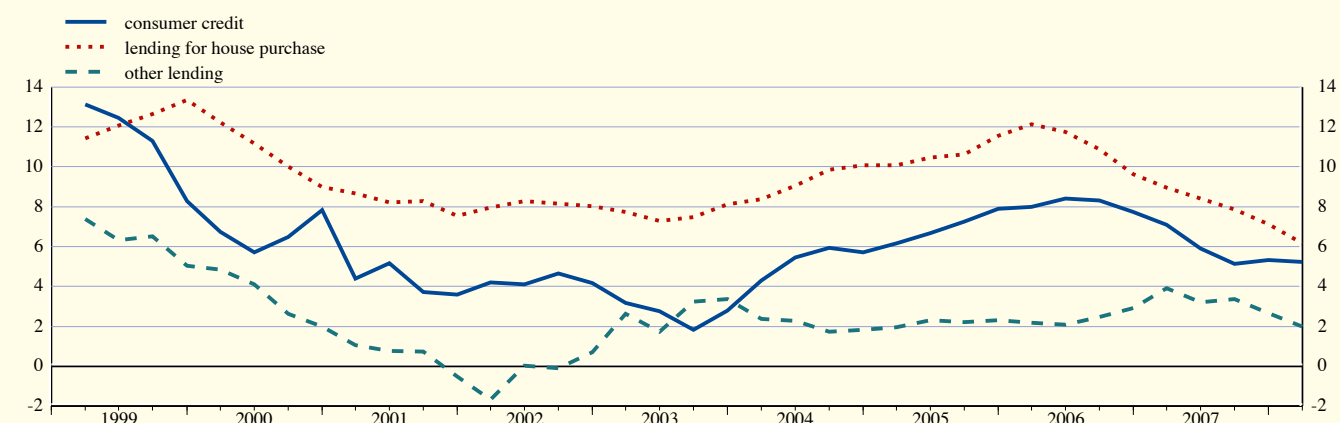
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households³⁾

	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	4,808.1	617.9	137.8	203.5	276.6	3,436.9	15.9	73.8	3,347.2	753.4	147.5	104.0	501.8	
2007 Q4	4,808.1	617.9	137.8	203.5	276.6	3,436.9	15.9	73.8	3,347.2	753.4	147.5	104.0	501.8	
2008 Q1	4,860.2	623.1	136.9	203.0	283.2	3,476.2	16.1	73.6	3,386.6	760.8	147.1	105.5	508.3	
2008 Jan.	4,835.4	619.4	136.8	204.1	278.5	3,457.1	15.9	73.7	3,367.5	758.9	146.7	104.8	507.3	
Feb.	4,851.7	619.0	135.7	202.5	280.8	3,471.5	15.8	73.5	3,382.2	761.2	145.4	105.7	510.1	
Mar.	4,860.2	623.1	136.9	203.0	283.2	3,476.2	16.1	73.6	3,386.6	760.8	147.1	105.5	508.3	
Apr. ^(p)	4,870.4	627.1	136.5	204.6	286.0	3,484.9	16.1	73.4	3,395.4	758.4	145.7	102.7	510.0	
Transactions														
2005	357.5	40.6	9.0	11.6	20.0	300.6	0.7	4.8	295.0	16.2	3.8	1.3	11.1	
2006	345.3	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	279.4	31.3	3.6	1.1	26.7	228.5	0.9	2.3	225.3	19.6	1.4	4.4	13.8	
2007 Q4	60.9	10.8	4.2	0.6	6.0	46.6	0.0	0.6	46.1	3.4	1.2	1.0	1.2	
2008 Q1	36.4	1.6	-1.4	-1.7	4.7	31.3	0.0	-0.3	31.6	3.5	-1.3	0.9	3.9	
2008 Jan.	8.6	-1.6	-1.7	-0.7	0.8	11.1	-0.1	-0.2	11.5	-0.9	-1.9	-0.1	1.1	
Feb.	17.5	-0.5	-1.0	-1.5	2.0	14.8	-0.1	-0.2	15.0	3.3	-1.2	1.0	3.5	
Mar.	10.3	3.8	1.3	0.5	1.9	5.4	0.2	0.1	5.1	1.1	1.8	0.0	-0.7	
Apr. ^(p)	11.9	4.4	-0.3	1.7	3.0	9.3	0.0	-0.2	9.4	-1.8	-1.2	-2.7	2.1	
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 Dec.	6.2	5.3	2.7	0.5	10.7	7.1	6.1	3.2	7.2	2.7	1.0	4.3	2.8	
2007 Dec.	6.2	5.3	2.7	0.5	10.7	7.1	6.1	3.2	7.2	2.7	1.0	4.3	2.8	
2008 Mar.	5.4	5.2	4.1	0.0	9.9	6.1	2.3	2.5	6.2	2.0	-0.4	4.5	2.1	
2008 Jan.	6.0	5.3	1.9	0.7	10.8	6.9	7.2	2.4	7.0	2.6	0.5	5.1	2.7	
Feb.	5.8	5.4	2.8	0.3	10.9	6.6	4.5	1.9	6.7	2.7	-0.6	6.0	3.0	
Mar.	5.4	5.2	4.1	0.0	9.9	6.1	2.3	2.5	6.2	2.0	-0.4	4.5	2.1	
Apr. ^(p)	5.2	5.2	2.9	0.9	9.8	5.9	4.9	2.2	6.0	1.8	-0.3	1.5	2.5	

C6 Loans to households²⁾

(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)}

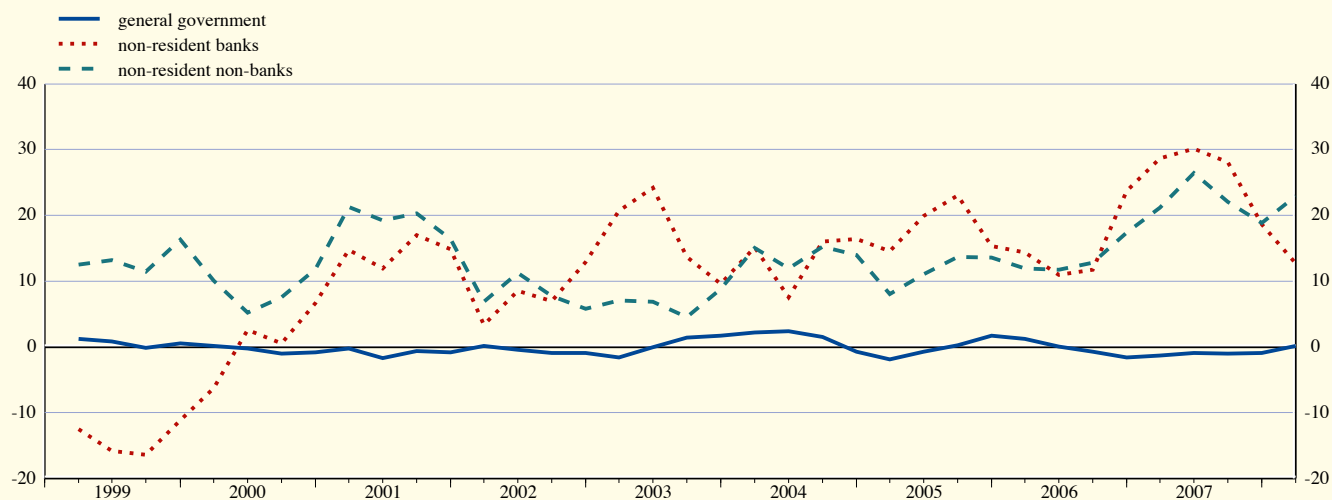
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	956.1	213.4	217.6	495.7	29.4	3,295.2	2,337.9	957.3	59.8	897.4
2007 Q2	798.3	95.7	218.8	446.2	37.6	3,286.4	2,334.4	952.0	61.4	890.6
Q3	794.0	92.7	213.9	446.0	41.4	3,303.2	2,354.5	948.7	61.3	887.4
Q4	956.1	213.4	217.6	495.7	29.4	3,295.2	2,337.9	957.3	59.8	897.4
2008 Q1 ^(p)	958.2	211.2	212.8	504.2	30.1	3,412.4	2,395.6	1,016.7	61.3	955.4
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	129.5	-0.1	129.6
2007	-7.7	-4.5	-13.0	6.2	3.5	542.0	382.3	159.8	0.3	159.5
2007 Q2	-3.5	-1.8	-5.5	-2.5	6.4	135.3	79.7	55.7	1.8	53.9
Q3	-4.2	-2.8	-5.0	-0.2	3.8	77.6	57.8	19.8	1.2	18.6
Q4	8.0	7.0	3.8	9.2	-12.0	56.4	22.9	33.5	-0.1	33.6
2008 Q1 ^(p)	0.9	-2.7	-4.9	7.9	0.7	214.4	122.7	91.4	2.5	88.9
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 Dec.	-1.0	-4.3	-5.6	1.4	13.7	18.7	18.6	18.8	0.5	20.2
2007 June	-0.9	-7.7	-5.9	2.0	17.3	29.0	30.1	26.5	-5.2	29.4
Sep.	-1.0	-7.8	-6.3	1.9	16.0	26.3	28.1	22.1	-2.0	24.2
Dec.	-1.0	-4.3	-5.6	1.4	13.7	18.7	18.6	18.8	0.5	20.2
2008 Mar. ^(p)	0.1	1.2	-5.2	3.1	-3.5	15.6	12.7	22.9	9.3	23.9

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)}

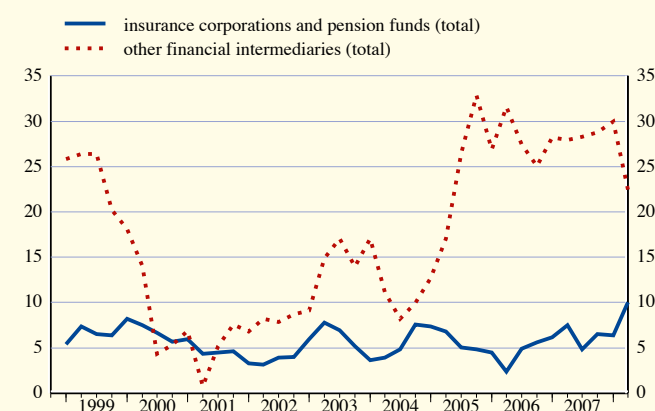
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

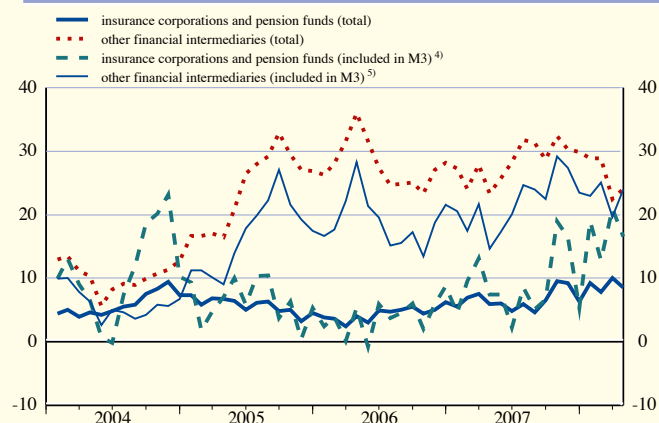
	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
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	687.8	71.1	68.9	525.1	0.8	1.1	20.9	1,472.7	312.3	348.0	652.8	12.2	0.3	147.1
2007 Q4	687.8	71.1	68.9	525.1	0.8	1.1	20.9	1,472.7	312.3	348.0	652.8	12.2	0.3	147.1
2008 Q1	723.3	81.8	83.9	532.6	1.6	1.6	21.9	1,532.8	335.6	366.9	648.2	13.2	0.2	168.5
2008 Jan.	714.7	83.6	76.3	526.6	1.5	1.4	25.2	1,507.2	332.3	344.9	652.4	12.9	0.3	164.5
Feb.	707.2	72.8	75.9	530.7	1.6	1.6	24.6	1,504.8	315.2	367.7	643.7	11.9	0.3	166.1
Mar.	723.3	81.8	83.9	532.6	1.6	1.6	21.9	1,532.8	335.6	366.9	648.2	13.2	0.2	168.5
Apr. ^(p)	721.1	75.0	87.7	532.8	1.4	1.6	22.6	1,575.5	314.7	408.3	657.5	14.1	0.2	180.8
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	41.4	0.8	11.7	33.4	-0.2	-0.3	-4.1	341.1	32.7	98.9	183.7	1.7	0.1	24.1
2007 Q4	12.7	3.4	5.9	3.6	0.0	0.0	-0.1	82.4	-17.6	41.9	73.1	-0.7	-0.5	-13.9
2008 Q1	33.2	10.5	13.9	7.4	0.2	0.2	1.0	66.9	25.5	20.5	-1.3	1.0	-0.1	21.4
2008 Jan.	24.0	12.2	6.0	1.4	0.1	0.0	4.4	31.8	18.1	-3.7	-0.2	0.5	-0.1	17.2
Feb.	-7.3	-10.8	-0.2	4.1	0.1	0.2	-0.6	2.1	-14.5	23.5	-7.7	-0.9	0.0	1.6
Mar.	16.5	9.2	8.2	1.9	0.0	0.0	-2.8	33.0	21.8	0.6	6.6	1.4	0.0	2.6
Apr. ^(p)	-2.3	-6.8	3.7	0.2	-0.2	0.0	0.7	40.3	-21.3	41.0	7.6	0.8	0.0	12.2
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 Dec.	6.4	1.1	20.5	6.8	-22.5	-	-16.3	30.0	11.5	39.5	39.1	16.0	-	19.0
2007 Dec.	6.4	1.1	20.5	6.8	-22.5	-	-16.3	30.0	11.5	39.5	39.1	16.0	-	19.0
2008 Mar.	10.0	12.6	41.8	6.6	-17.7	-	-4.3	22.5	7.1	38.7	26.4	17.6	-	12.9
2008 Jan.	9.2	15.9	30.1	6.2	-21.5	-	4.0	28.9	8.9	41.1	37.6	24.1	-	21.8
Feb.	7.8	4.3	28.2	6.3	-21.4	-	1.9	28.9	6.5	50.4	34.5	16.7	-	21.2
Mar.	10.0	12.6	41.8	6.6	-17.7	-	-4.3	22.5	7.1	38.7	26.4	17.6	-	12.9
Apr. ^(p)	8.6	6.7	37.5	6.0	-20.6	-	-7.3	24.1	3.4	49.1	24.2	24.0	-	20.4

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)}

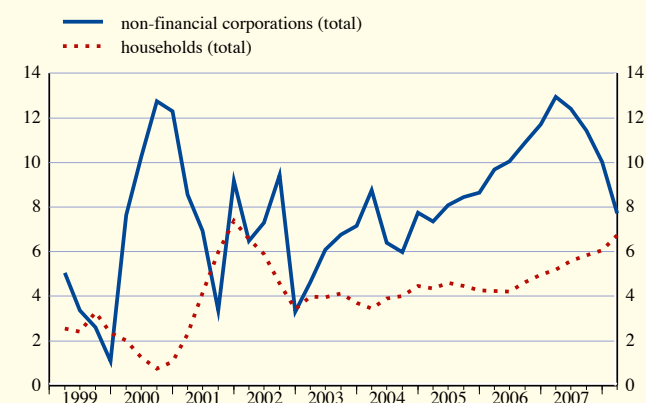
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	1,470.6	882.1	474.6	59.6	29.2	1.4	23.7	4,989.0	1,777.6	994.5	561.1	1,457.6	111.1	87.1
2007 Q4	1,470.6	882.1	474.6	59.6	29.2	1.4	23.7	4,989.0	1,777.6	994.5	561.1	1,457.6	111.1	87.1
2008 Q1	1,448.4	846.7	488.7	59.7	28.9	1.5	23.0	5,076.4	1,757.1	1,100.2	548.5	1,465.9	109.1	95.6
2008 Jan.	1,425.9	840.7	472.0	60.0	29.4	1.6	22.3	5,044.9	1,763.0	1,057.4	558.5	1,462.4	112.0	91.6
Feb.	1,441.0	833.3	494.0	60.3	28.6	1.5	23.3	5,053.9	1,747.7	1,084.3	553.3	1,461.6	111.1	95.9
Mar.	1,448.4	846.7	488.7	59.7	28.9	1.5	23.0	5,076.4	1,757.1	1,100.2	548.5	1,465.9	109.1	95.6
Apr. ^(p)	1,458.3	837.7	509.1	60.4	27.8	1.5	21.9	5,120.5	1,771.6	1,134.8	544.1	1,464.8	107.8	97.5
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	134.5	31.8	123.3	-8.0	-11.0	-0.7	-1.1	280.9	21.7	321.9	-45.4	-45.6	11.2	17.1
2007 Q4	69.6	38.0	38.3	-4.1	-1.8	-0.1	-0.7	136.7	23.4	107.7	-3.1	2.3	3.3	3.1
2008 Q1	-27.5	-35.7	10.9	0.0	-1.9	-0.1	-0.8	59.1	-26.6	89.1	-14.1	5.1	-2.9	8.5
2008 Jan.	-55.1	-43.8	-8.5	-0.1	-1.3	0.0	-1.5	26.2	-21.2	45.9	-4.4	1.4	0.0	4.6
Feb.	17.1	-6.7	23.1	0.4	-0.8	-0.1	1.1	9.1	-15.2	26.6	-5.1	-0.7	-0.9	4.3
Mar.	10.5	14.7	-3.7	-0.4	0.2	0.0	-0.4	23.8	9.7	16.6	-4.6	4.4	-2.0	-0.4
Apr. ^(p)	9.5	-9.1	20.1	0.7	-1.1	0.0	-1.1	43.7	14.1	34.6	-4.4	-1.2	-1.3	1.9
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 Dec.	10.0	3.7	34.8	-11.7	-26.9	-31.6	-4.3	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2007 Dec.	10.0	3.7	34.8	-11.7	-26.9	-31.6	-4.3	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2008 Mar.	7.7	1.9	29.3	-10.9	-29.0	-1.3	-15.1	6.7	1.4	45.5	-7.5	-2.1	2.7	25.1
2008 Jan.	9.6	4.3	31.5	-11.9	-27.7	-34.7	-10.6	6.9	2.3	48.6	-7.4	-3.5	9.2	25.7
Feb.	10.7	3.2	37.2	-10.6	-26.9	-37.4	-11.3	6.9	1.4	48.0	-7.4	-2.8	6.2	27.9
Mar.	7.7	1.9	29.3	-10.9	-29.0	-1.3	-15.1	6.7	1.4	45.5	-7.5	-2.1	2.7	25.1
Apr. ^(p)	8.5	0.5	34.4	-10.0	-28.6	-3.8	-10.6	7.0	1.1	46.0	-7.3	-1.8	1.2	28.3

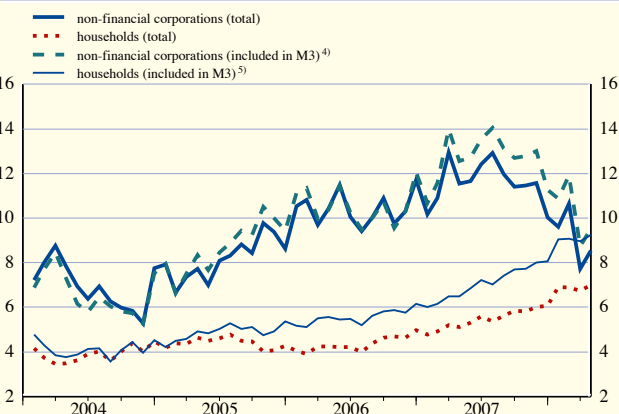
C10 Total deposits by sector ²⁾

(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)}

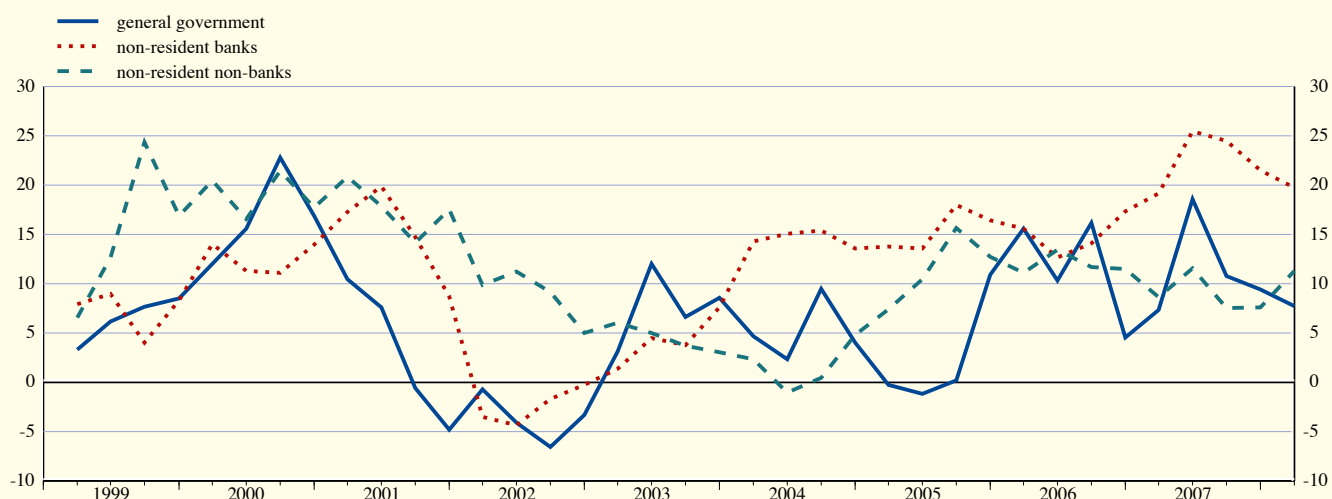
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	372.9	127.1	59.0	106.7	80.1	3,853.2	2,960.2	893.0	143.4	749.6
2007 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	3,877.1	2,963.5	913.6	145.9	767.7
Q4	372.9	127.1	59.0	106.7	80.1	3,853.2	2,960.2	893.0	143.4	749.6
2008 Q1 ^(p)	376.2	139.8	49.8	106.6	80.0	4,036.9	3,097.4	939.5	133.2	806.3
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	30.9	-3.1	13.7	8.9	11.5	611.6	545.5	66.0	20.2	45.8
2007 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	130.1	120.7	9.4	10.8	-1.4
Q4	-12.0	-21.9	-0.9	2.8	8.1	47.1	51.5	-4.4	-0.5	-3.8
2008 Q1 ^(p)	3.1	12.7	-9.2	-0.2	-0.2	279.3	228.3	51.0	-7.0	58.0
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 Dec.	9.4	-2.3	30.1	9.7	16.7	18.0	21.5	7.6	15.8	6.2
2007 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	24.5	7.5	13.2	6.5
Dec.	9.4	-2.3	30.1	9.7	16.7	18.0	21.5	7.6	15.8	6.2
2008 Mar. ^(p)	7.7	-3.6	18.4	12.3	17.8	17.7	19.7	11.3	6.6	12.1

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.

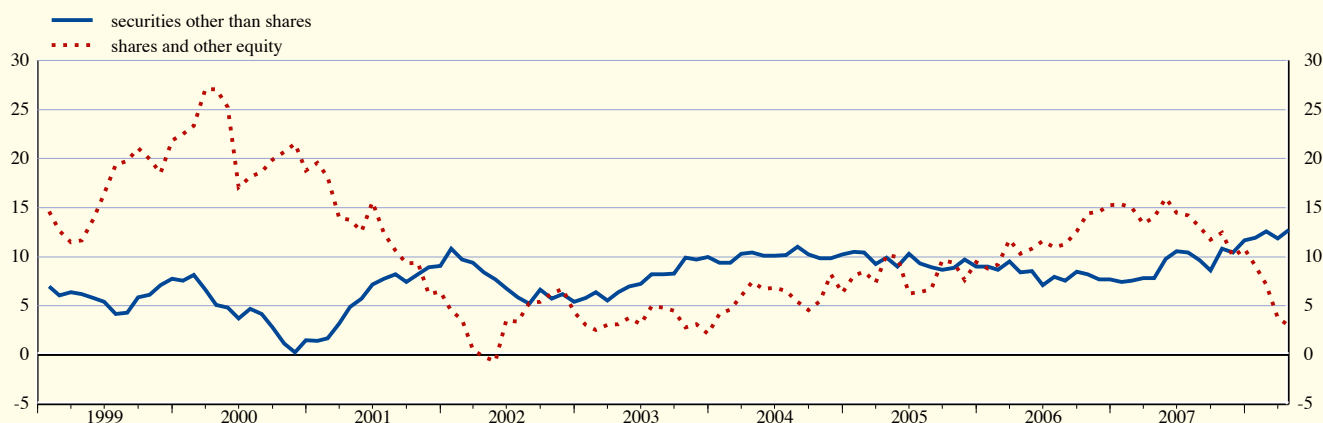
2.6 MFI holdings of securities, breakdown ^{1), 2)}

(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	5,113.6	1,652.9	84.0	1,177.5	16.6	916.3	33.4	1,232.8	1,662.3	427.9	890.6	343.8
2007 Q4	5,113.6	1,652.9	84.0	1,177.5	16.6	916.3	33.4	1,232.8	1,662.3	427.9	890.6	343.8
2008 Q1	5,301.6	1,727.3	88.6	1,201.1	15.3	960.5	44.4	1,264.5	1,605.5	452.5	859.9	293.1
2008 Jan.	5,251.2	1,698.0	93.7	1,202.1	17.6	925.3	36.7	1,277.7	1,646.7	433.6	881.7	331.3
Feb.	5,313.4	1,728.8	94.9	1,200.7	15.7	949.9	34.0	1,289.5	1,629.1	442.7	860.3	326.1
Mar.	5,301.6	1,727.3	88.6	1,201.1	15.3	960.5	44.4	1,264.5	1,605.5	452.5	859.9	293.1
Apr. ^(p)	5,380.1	1,747.7	91.8	1,207.0	16.0	984.0	48.1	1,285.5	1,669.5	456.6	909.2	303.7
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	541.2	136.6	18.2	-86.7	1.5	267.3	9.5	194.8	161.5	50.5	59.8	51.2
2007 Q4	190.0	48.7	5.0	-20.3	2.5	113.5	-1.2	41.9	56.1	10.9	45.7	-0.4
2008 Q1	217.8	58.1	6.8	20.1	-0.6	43.4	13.4	76.6	-21.9	24.1	-11.0	-35.0
2008 Jan.	103.7	29.1	7.2	14.1	0.8	5.7	3.3	43.6	11.9	6.0	6.5	-0.6
Feb.	80.1	29.9	2.8	-1.5	-1.6	24.8	-1.9	27.6	-14.4	9.0	-20.0	-3.4
Mar.	34.0	-0.9	-3.2	7.6	0.3	12.9	12.1	5.3	-19.4	9.1	2.5	-31.0
Apr. ^(p)	73.7	20.4	2.5	8.5	0.6	23.8	3.6	14.2	61.3	4.3	47.7	9.3
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 Dec.	11.7	8.8	25.6	-6.9	10.5	42.9	33.4	17.7	10.8	13.4	7.3	17.3
2007 Dec.	11.7	8.8	25.6	-6.9	10.5	42.9	33.4	17.7	10.8	13.4	7.3	17.3
2008 Mar.	11.8	8.7	26.5	-5.5	12.3	41.1	48.4	16.4	3.8	13.6	3.3	-6.8
2008 Jan.	11.9	8.9	32.5	-6.9	20.1	44.0	32.0	17.8	9.0	12.8	6.3	11.8
Feb.	12.6	10.2	28.4	-6.8	8.8	45.2	16.0	18.2	7.2	12.3	5.2	6.0
Mar.	11.8	8.7	26.5	-5.5	12.3	41.1	48.4	16.4	3.8	13.6	3.3	-6.8
Apr. ^(p)	12.7	9.1	28.4	-2.9	16.3	40.2	56.7	15.8	3.0	12.1	2.1	-5.8

C13 MFI holdings of securities ²⁾

(annual growth rates)



Source: ECB.

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

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

2.7 Revaluation of selected MFI balance sheet items ^{1), 2)}

(EUR billions)

1. Write-offs/write-downs of loans to households³⁾

	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	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.8	-0.8	-2.3	-3.7
2007 Q4	-1.6	-0.4	-0.6	-0.6	-1.2	-0.1	-0.1	-1.0	-2.2	-0.2	-1.1	-1.0
2008 Q1	-1.1	-0.4	-0.3	-0.4	-1.2	0.0	-0.1	-1.2	-1.4	-0.4	-0.2	-0.9
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.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.3	-0.1	-0.1	-0.2
Mar.	-0.3	-0.1	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.6	-0.1	-0.1	-0.4
Apr. ^(p)	-0.3	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.4	-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	-12.4	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2007 Q4	-4.9	-0.9	-2.6	-1.4	-3.7	-3.3	-0.4
2008 Q1	-3.0	-1.2	-0.8	-1.0	-2.4	-1.8	-0.6
2008 Jan.	-1.5	-0.8	-0.3	-0.5	-0.3	-0.1	-0.3
Feb.	-0.4	-0.1	-0.2	-0.1	-0.2	0.0	-0.2
Mar.	-1.1	-0.3	-0.3	-0.4	-1.8	-1.7	-0.1
Apr. ^(p)	-0.9	-0.5	-0.3	-0.2	0.1	0.0	0.1

3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2005	21.5	3.4	0.5	6.7	0.7	1.3	0.2	8.6	25.7	5.0	14.4	6.3
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007	-11.8	-2.7	0.0	0.6	-0.2	-2.5	-0.5	-6.5	13.6	3.2	9.6	0.8
2007 Q4	-4.0	-1.0	0.0	0.9	-0.1	-0.4	-0.2	-3.2	0.3	2.7	0.0	-2.4
2008 Q1	-23.4	-4.7	-0.2	0.4	-0.2	-4.8	-0.7	-13.1	-23.2	-1.4	-13.6	-8.3
2008 Jan.	-7.7	-3.4	0.0	2.6	0.0	-3.1	-0.1	-3.7	-15.8	-2.1	-9.2	-4.4
Feb.	-3.6	0.1	0.0	0.0	-0.1	-0.2	-0.3	-3.1	-3.2	0.0	-1.4	-1.8
Mar.	-12.1	-1.4	-0.1	-2.2	-0.2	-1.5	-0.4	-6.3	-4.2	0.7	-3.0	-2.0
Apr. ^(p)	-2.2	0.3	0.0	-2.3	0.0	-0.2	-0.4	0.4	3.6	1.1	1.2	1.2

Source: ECB.

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

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

3) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ^{1),2)}

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

1. Deposits

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
By euro area residents														
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,092.1	92.1	7.9	4.8	0.4	1.1	1.0	8,993.0	96.4	3.6	2.2	0.4	0.1	0.5
2007 Q2	5,572.9	90.5	9.5	5.8	0.4	1.3	1.1	8,448.2	96.3	3.7	2.3	0.3	0.1	0.6
Q3	5,700.6	91.2	8.8	5.3	0.4	1.3	1.0	8,554.3	96.1	3.9	2.4	0.3	0.1	0.6
Q4	6,092.1	92.1	7.9	4.8	0.4	1.1	1.0	8,993.0	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q1 ⁴⁾	6,136.0	91.8	8.2	4.8	0.5	1.3	1.0	9,157.1	96.4	3.6	2.1	0.4	0.1	0.6
By non-euro area residents														
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007	2,960.2	46.7	53.3	33.7	2.9	2.5	11.1	893.0	50.3	49.7	32.8	1.6	1.6	10.0
2007 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	2,963.5	46.2	53.8	33.6	2.6	2.3	11.9	913.6	49.5	50.5	33.8	1.1	1.9	9.6
Q4	2,960.2	46.7	53.3	33.7	2.9	2.5	11.1	893.0	50.3	49.7	32.8	1.6	1.6	10.0
2008 Q1 ⁴⁾	3,097.4	48.1	51.9	33.3	2.9	2.7	10.1	939.5	52.3	47.7	32.0	1.4	1.5	8.9

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	3.2
2006	4,485.5	80.5	19.5	10.0	1.6	3.5
2007	4,948.0	81.4	18.6	9.3	1.7	3.4
2007 Q2	4,797.0	80.2	19.8	10.1	1.6	3.7
Q3	4,862.4	80.8	19.2	9.7	1.7	3.6
Q4	4,948.0	81.4	18.6	9.3	1.7	3.4
2008 Q1 ⁴⁾	4,988.8	82.1	17.9	8.8	1.7	3.3

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items ^{1),2)}

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

3. Loans

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2005	4,569.7	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5	
2006	4,933.5	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5	
2007	5,788.7	-	-	-	-	-	11,114.2	96.2	3.8	1.8	0.2	0.9	0.6	
2007 Q2	5,264.6	-	-	-	-	-	10,510.8	96.2	3.8	1.8	0.2	1.0	0.6	
Q3	5,432.9	-	-	-	-	-	10,743.4	96.1	3.9	1.9	0.2	1.0	0.5	
Q4	5,788.7	-	-	-	-	-	11,114.2	96.2	3.8	1.8	0.2	0.9	0.6	
2008 Q1 ^(p)	5,825.2	-	-	-	-	-	11,405.9	96.1	3.9	1.8	0.2	1.0	0.6	
To non-euro area residents														
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007	2,337.9	48.0	52.0	28.9	2.3	2.4	12.7	957.3	40.9	59.1	41.3	1.2	3.7	8.2
2007 Q2	2,334.4	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	2,354.5	48.8	51.2	28.3	2.1	2.5	12.9	948.7	39.2	60.8	43.3	1.1	3.9	8.2
Q4	2,337.9	48.0	52.0	28.9	2.3	2.4	12.7	957.3	40.9	59.1	41.3	1.2	3.7	8.2
2008 Q1 ^(p)	2,395.6	48.1	51.9	28.7	2.6	2.6	12.1	1,016.7	43.1	56.9	39.3	1.3	4.2	7.6

4. Holdings of securities other than shares

	Issued by MFIs ³⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006	1,632.9	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	1,736.9	95.2	4.8	2.4	0.3	0.3	1.5	2,143.8	97.7	2.3	1.4	0.2	0.1	0.5
2007 Q2	1,716.6	95.4	4.6	2.2	0.3	0.3	1.6	2,043.0	97.6	2.4	1.3	0.3	0.1	0.7
Q3	1,727.6	95.2	4.8	2.4	0.3	0.2	1.5	2,019.2	97.5	2.5	1.4	0.3	0.1	0.7
Q4	1,736.9	95.2	4.8	2.4	0.3	0.3	1.5	2,143.8	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q1 ^(p)	1,815.9	95.1	4.9	2.6	0.3	0.3	1.3	2,221.3	97.3	2.7	1.8	0.3	0.1	0.4
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	580.5	53.8	46.2	27.4	0.7	0.4	14.4	652.3	35.8	64.2	39.4	4.5	0.8	12.6
2007 Q2	584.0	51.9	48.1	28.5	0.7	0.5	14.6	666.9	37.4	62.6	36.9	4.3	0.7	15.7
Q3	573.9	53.9	46.1	26.7	0.7	0.4	15.0	650.8	35.3	64.7	38.9	4.1	0.7	14.5
Q4	580.5	53.8	46.2	27.4	0.7	0.4	14.4	652.3	35.8	64.2	39.4	4.5	0.8	12.6
2008 Q1 ^(p)	633.5	51.2	48.8	29.8	0.8	0.5	14.4	630.9	37.7	62.3	37.5	5.0	0.8	11.7

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 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
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 ^(a)	5,779.8	353.0	1,994.4	183.8	1,810.6	2,073.7	783.3	190.7	384.7

2. Liabilities

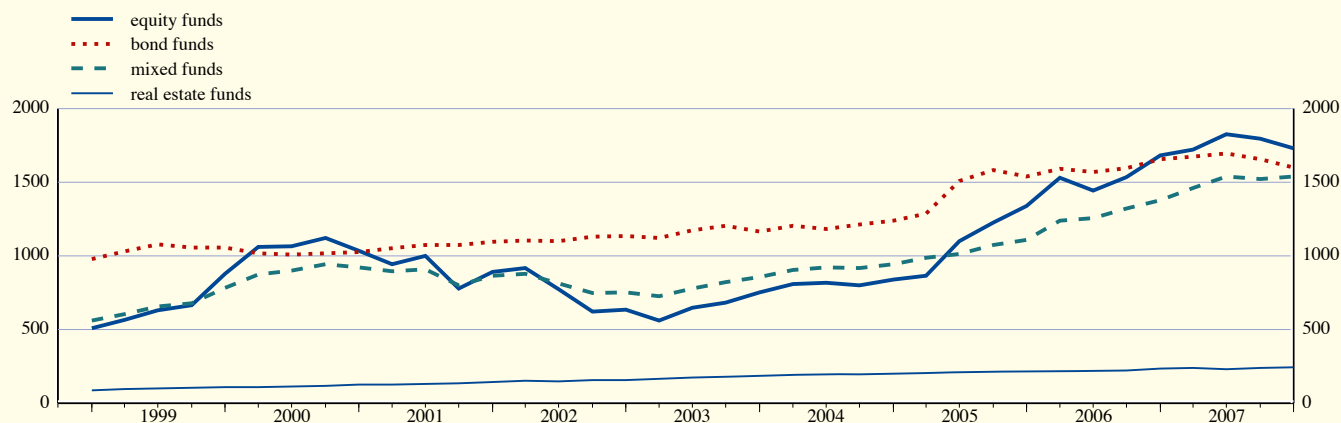
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
Q4	5,551.3	77.8	5,217.0	256.4
2007 Q1	5,713.3	82.2	5,349.3	281.8
Q2	5,989.1	85.9	5,586.6	316.6
Q3	5,892.3	80.1	5,495.5	316.7
Q4 ^(a)	5,779.8	78.2	5,409.4	292.2

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

	Total 1	Funds by investment policy					Funds by type of investor		
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 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 ^(a)	5,779.8	1,732.0	1,598.1	1,537.2	244.0	668.6	4,344.1	1,435.7	

CI4 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 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
Equity funds									
2006 Q3	1,533.3	53.8	76.1	33.2	42.9	1,284.3	66.8	-	52.3
2006 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
2007 Q2	1,824.8	60.9	67.9	27.4	40.4	1,546.2	84.0	-	65.9
2007 Q3	1,796.1	71.9	68.6	26.7	41.9	1,505.0	82.2	-	68.4
2007 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
2006 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
2007 Q2	1,693.4	114.9	1,346.7	99.5	1,247.2	62.9	55.7	-	113.2
2007 Q3	1,655.8	109.9	1,319.6	97.0	1,222.6	62.6	53.2	-	110.5
2007 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
2006 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
2007 Q2	1,539.2	84.0	529.2	50.2	479.0	398.9	346.4	0.9	179.8
2007 Q3	1,522.8	86.2	522.4	46.3	476.1	405.3	345.0	0.5	163.3
2007 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
2006 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
2007 Q2	230.9	18.8	6.6	1.9	4.7	2.0	10.0	180.4	12.9
2007 Q3	236.1	20.7	6.4	1.6	4.8	2.0	13.1	181.1	12.8
2007 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 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2006 Q3	4,085.5	260.6	1,374.1	1,531.3	470.9	151.2	297.3
2006 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
2007 Q2	4,577.2	280.9	1,432.0	1,816.8	576.5	147.3	323.7
2007 Q3	4,468.4	287.8	1,376.6	1,788.8	564.0	144.8	306.4
2007 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
2006 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
2007 Q2	1,411.8	65.3	612.4	399.3	207.6	34.7	92.7
2007 Q3	1,423.9	70.3	639.2	377.1	209.3	37.7	90.2
2007 Q4 ^(p)	1,435.7	73.2	656.5	358.8	214.2	40.0	92.9

Source: ECB.



EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2007 Q4						
External account						
Exports of goods and services						523.0
<i>Trade balance</i> ¹⁾						-27.9
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,144.1	119.1	718.4	57.9	248.7	
Other taxes less subsidies on production	39.7	9.2	20.7	4.7	5.1	
Consumption of fixed capital	321.8	87.9	180.4	10.9	42.6	
<i>Net operating surplus and mixed income</i> ¹⁾	557.1	280.7	255.7	26.6	-6.0	
Allocation of primary income account						
Net operating surplus and mixed income						4.5
Compensation of employees						
Taxes less subsidies on production						
Property income	835.6	53.9	313.8	403.7	64.2	137.2
Interest	501.1	50.8	84.9	301.2	64.2	84.3
Other property income	334.5	3.0	228.9	102.5	0.0	53.0
<i>Net national income</i> ¹⁾	2,003.0	1,634.5	73.4	47.7	247.4	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	336.0	249.5	71.2	15.0	0.3	1.4
Social contributions	428.1	428.1				1.0
Social benefits other than social transfers in kind	420.4	1.5	16.0	25.3	377.7	0.8
Other current transfers	192.6	72.3	25.1	49.1	46.1	8.9
Net non-life insurance premiums	46.3	33.4	11.1	1.0	0.7	1.1
Non-life insurance claims	46.2			46.2		0.6
Other	100.1	38.9	14.0	1.9	45.4	7.2
<i>Net disposable income</i> ¹⁾	1,977.6	1,392.5	-8.2	46.3	547.0	
Use of income account						
Net disposable income						
Final consumption expenditure	1,775.2	1,278.9			496.3	
Individual consumption expenditure	1,575.6	1,278.9			296.7	
Collective consumption expenditure	199.6				199.6	
Adjustment for the change in net equity of households in pension fund reserves	16.2	0.1	1.8	14.3	0.0	0.1
<i>Net saving/current external account</i> ¹⁾	202.5	129.8	-10.0	32.0	50.7	-16.9
Capital account						
Net saving / current external account						
Gross capital formation	507.4	163.1	256.4	9.6	78.3	
Gross fixed capital formation	513.1	163.8	261.6	9.5	78.2	
Changes in inventories and acquisitions less disposals of valuables	-5.8	-0.7	-5.2	0.1	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.1	0.0	0.7	0.0	-0.6	-0.1
Capital transfers	60.4	9.8	2.5	2.7	45.4	7.8
Capital taxes	6.3	6.0	0.2	0.0		0.0
Other capital transfers	54.1	3.8	2.2	2.7	45.4	7.8
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	22.0	59.5	-52.7	31.6	-16.3	-22.0
Statistical discrepancy	0.0	17.6	-17.6	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	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2007 Q4						
External account						
Imports of goods and services						495.1
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	2,062.7	497.0	1,175.2	100.1	290.3	
Taxes less subsidies on products	247.8					
Gross domestic product (market prices) ²⁾	2,310.5					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
Allocation of primary income account						
Net operating surplus and mixed income	557.1	280.7	255.7	26.6	-6.0	
Compensation of employees	1,145.9	1,145.9				2.7
Taxes less subsidies on production	295.6				295.6	-8.1
Property income	840.1	261.8	131.5	424.7	22.0	132.7
Interest	489.1	77.8	48.1	354.0	9.2	96.3
Other property income	351.0	184.0	83.5	70.7	12.8	36.4
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	2,003.0	1,634.5	73.4	47.7	247.4	
Current taxes on income, wealth, etc.	336.7				336.7	0.7
Social contributions	428.1	1.2	18.3	40.7	368.0	1.0
Social benefits other than social transfers in kind	418.5	418.5				2.7
Other current transfers	168.5	89.7	12.5	47.3	19.1	33.0
Net non-life insurance premiums	46.2			46.2		1.2
Non-life insurance claims	45.7	35.3	9.2	0.8	0.3	1.1
Other	76.7	54.3	3.3	0.3	18.8	30.7
<i>Net disposable income</i>						
Use of income account						
Net disposable income	1,977.6	1,392.5	-8.2	46.3	547.0	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	16.3	16.3				0.0
<i>Net saving/current external account</i>						
Capital account						
Net saving / current external account	202.5	129.8	-10.0	32.0	50.7	-16.9
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	321.8	87.9	180.4	10.9	42.6	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	65.6	14.8	36.4	1.0	13.4	2.6
Capital taxes	6.3				6.3	0.0
Other capital transfers	59.3	14.8	36.4	1.0	7.1	2.6
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
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	Euro area	Households	Non-financial corporations	MFIs	Other financial inter- mediaries	Insurance corporations and pension funds	General govern- ment	Rest of the world
2007 Q4								
Opening balance sheet, financial assets								
Total financial assets		17,530.1	14,616.1	21,596.0	10,129.1	6,221.1	2,904.5	15,059.5
Monetary gold and special drawing rights (SDRs)				191.7				
Currency and deposits		5,494.2	1,686.2	2,465.4	1,490.3	775.8	580.3	3,999.6
Short-term debt securities		50.0	122.8	111.5	269.1	261.8	41.3	799.7
Long-term debt securities		1,258.6	223.0	3,473.6	1,962.7	1,956.1	220.0	2,391.4
Loans		41.8	2,015.9	11,717.4	1,490.6	335.0	362.5	1,645.2
<i>of which long-term</i>		25.8	1,171.0	8,790.8	1,178.2	298.6	321.6	.
Shares and other equity		5,188.2	7,752.1	1,877.2	4,701.7	2,414.7	1,137.7	5,436.2
Quoted shares		1,215.4	1,920.0	740.2	2,514.3	860.3	427.1	.
Unquoted shares and other equity		2,321.4	5,434.8	858.7	1,482.6	464.2	561.1	.
Mutual fund shares		1,651.4	397.4	278.3	704.7	1,090.3	149.6	.
Insurance technical reserves		5,164.2	136.1	2.0	0.0	149.6	3.2	220.4
Other accounts receivable and financial derivatives		333.2	2,680.0	1,757.2	214.8	328.1	559.3	567.1
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		151.4	209.0	504.8	331.2	80.7	-50.0	258.4
Monetary gold and special drawing rights (SDRs)				-1.4				1.4
Currency and deposits		147.5	50.2	40.3	115.2	10.4	-42.9	67.2
Short-term debt securities		-1.5	2.5	3.0	18.3	-2.7	-6.8	-17.4
Long-term debt securities		9.3	4.0	176.8	-20.6	40.9	6.0	85.1
Loans		-1.4	48.7	250.9	96.0	-5.7	8.1	68.9
<i>of which long-term</i>		-1.9	4.1	225.9	59.1	-5.0	-1.0	.
Shares and other equity		-46.4	46.1	21.3	123.6	41.4	-3.1	40.9
Quoted shares		-24.8	34.0	-3.4	41.5	4.6	0.6	.
Unquoted shares and other equity		3.6	47.7	31.7	70.4	21.3	-5.1	.
Mutual fund shares		-25.2	-35.6	-7.0	11.8	15.5	1.4	.
Insurance technical reserves		58.6	0.3	0.0	0.0	2.4	0.0	3.3
Other accounts receivable and financial derivatives		-14.6	57.2	13.9	-1.3	-6.0	-11.3	9.0
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		-108.4	52.3	79.6	-257.8	-55.4	29.4	-100.0
Monetary gold and special drawing rights (SDRs)				15.3				
Currency and deposits		7.1	-1.4	-41.1	-82.7	-5.0	-0.1	-71.3
Short-term debt securities		-2.3	12.5	3.1	-0.6	0.2	0.0	-8.1
Long-term debt securities		0.6	-2.6	-14.5	-16.1	-4.3	-0.1	0.6
Loans		-0.1	6.8	115.5	-78.2	1.3	7.5	-11.7
<i>of which long-term</i>		0.0	2.5	139.1	-73.4	0.7	7.5	.
Shares and other equity		-111.7	43.0	-16.3	-81.9	-46.5	20.8	-42.1
Quoted shares		-61.8	7.2	-17.2	-41.0	-21.4	11.4	.
Unquoted shares and other equity		-38.3	38.4	6.0	-39.3	-3.8	12.1	.
Mutual fund shares		-11.5	-2.5	-5.1	-1.6	-21.4	-2.7	.
Insurance technical reserves		-0.7	-0.1	0.0	0.0	-4.2	0.0	22.9
Other accounts receivable and financial derivatives		-1.4	-6.0	17.6	1.7	3.2	1.3	9.7
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		17,573.1	14,877.4	22,180.4	10,202.5	6,246.4	2,883.8	15,216.5
Monetary gold and special drawing rights (SDRs)				205.6				
Currency and deposits		5,648.7	1,735.0	2,464.6	1,522.7	781.3	537.3	3,995.5
Short-term debt securities		46.2	137.8	117.6	286.7	259.3	34.5	774.2
Long-term debt securities		1,268.5	224.4	3,635.9	1,926.1	1,992.6	225.9	2,477.1
Loans		40.3	2,071.5	12,083.8	1,508.3	330.6	378.1	1,702.3
<i>of which long-term</i>		23.9	1,177.6	9,155.7	1,163.9	294.3	328.2	.
Shares and other equity		5,030.1	7,841.2	1,882.2	4,743.4	2,409.5	1,155.4	5,435.0
Quoted shares		1,128.7	1,961.1	719.6	2,514.8	843.5	439.0	.
Unquoted shares and other equity		2,286.6	5,520.8	896.4	1,513.7	481.7	568.0	.
Mutual fund shares		1,614.7	359.3	266.2	714.9	1,084.3	148.3	.
Insurance technical reserves		5,222.1	136.3	2.0	0.0	147.8	3.3	246.6
Other accounts receivable and financial derivatives		317.2	2,731.2	1,788.7	215.2	325.3	549.4	585.8
<i>Net financial worth</i>								

Source: ECB.

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

(EUR billions)

Liabilities	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
2007 Q4								
Opening balance sheet, liabilities								
Total liabilities		5,826.4	23,570.5	21,699.9	10,017.0	6,413.4	6,811.3	13,526.2
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.5	13,182.7	221.8	4.6	331.2	2,724.9
Short-term debt securities			276.4	405.7	79.3	0.8	661.4	232.6
Long-term debt securities			445.6	2,691.3	1,446.0	25.0	4,343.1	2,534.4
Loans		5,245.0	6,931.5		1,483.2	184.3	1,081.9	2,682.3
<i>of which long-term</i>		4,935.6	4,729.8		734.0	73.4	920.5	.
Shares and other equity			13,149.7	3,185.4	6,571.7	677.5	10.2	4,913.4
Quoted shares			4,978.1	1,032.2	264.0	295.1	0.0	.
Unquoted shares and other equity			8,171.6	1,105.6	904.7	381.8	10.2	.
Mutual fund shares				1,047.6	5,402.9			.
Insurance technical reserves		32.7	335.7	53.3	0.6	5,252.8	0.5	
Other accounts payable and financial derivatives		548.7	2,405.0	2,181.6	214.5	268.4	383.0	438.7
<i>Net financial worth¹⁾</i>	-1,341.5	11,703.7	-8,954.3	-103.9	112.1	-192.3	-3,906.9	
Financial account, transactions in liabilities								
Total transactions in liabilities		74.3	279.3	450.8	362.0	72.3	-33.7	280.4
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			-1.6	396.1	9.6	-0.2	12.3	-28.5
Short-term debt securities			4.6	34.9	8.2	-0.1	-55.7	3.3
Long-term debt securities			9.6	11.7	215.4	1.6	-7.2	70.4
Loans		83.5	201.9		78.1	-18.1	-2.8	122.8
<i>of which long-term</i>		77.7	162.7		50.9	-7.8	17.9	.
Shares and other equity			40.1	39.2	63.1	2.3	0.2	78.9
Quoted shares			-20.0	-1.1	13.8	-1.0	0.0	.
Unquoted shares and other equity			60.1	43.8	80.6	3.3	0.2	.
Mutual fund shares				-3.5	-31.3			.
Insurance technical reserves		0.0	2.1	-0.2	0.0	62.7	0.0	
Other accounts payable and financial derivatives		-9.3	22.6	-31.1	-12.3	24.1	19.4	33.5
<i>Changes in net financial worth due to transactions¹⁾</i>	22.0	77.1	-70.4	54.0	-30.8	8.4	-16.3	-22.0
Other changes account, liabilities								
Total other changes in liabilities		1.8	35.9	74.1	-235.5	-33.8	0.6	-218.9
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	77.9	-142.5	0.0	-90.2	-39.6
Short-term debt securities			0.2	5.4	-0.1	0.0	-0.2	-0.5
Long-term debt securities			-2.3	20.7	-22.4	-0.4	-12.1	-19.7
Loans		0.3	-18.9		-1.6	-0.3	98.0	-36.4
<i>of which long-term</i>		0.7	-2.5		-4.1	-0.1	98.2	.
Shares and other equity			25.3	-54.9	-71.9	-17.5	0.0	-115.8
Quoted shares			10.7	-30.7	-14.4	-17.6	0.0	.
Unquoted shares and other equity			14.6	-14.9	-10.4	0.0	0.0	.
Mutual fund shares				-9.2	-47.1			.
Insurance technical reserves		0.0	0.0	0.0	0.0	17.8	0.0	
Other accounts payable and financial derivatives		1.5	31.7	25.1	3.0	-33.4	5.1	-7.0
<i>Other changes in net financial worth¹⁾</i>	-103.6	-110.2	16.4	5.5	-22.3	-21.7	28.7	118.9
Closing balance sheet, liabilities								
Total liabilities		5,902.5	23,885.7	22,224.9	10,143.5	6,451.9	6,778.3	13,587.7
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			25.0	13,656.8	88.9	4.5	253.3	2,656.8
Short-term debt securities			281.2	446.0	87.4	0.6	605.6	235.4
Long-term debt securities			452.8	2,723.7	1,638.9	26.2	4,323.8	2,585.1
Loans		5,328.9	7,114.5		1,559.7	165.9	1,177.1	2,768.8
<i>of which long-term</i>		5,014.0	4,890.0		780.8	65.5	1,036.6	.
Shares and other equity			13,215.1	3,169.7	6,562.8	662.3	10.4	4,876.5
Quoted shares			4,968.8	1,000.3	263.3	276.5	0.0	.
Unquoted shares and other equity			8,246.3	1,134.5	974.9	385.1	10.4	.
Mutual fund shares				1,034.9	5,324.6			.
Insurance technical reserves		32.7	337.7	53.2	0.6	5,333.4	0.5	
Other accounts payable and financial derivatives		541.0	2,459.3	2,175.6	205.1	259.1	407.5	465.2
<i>Net financial worth¹⁾</i>	-1,423.1	11,670.6	-9,008.3	-44.4	59.0	-205.5	-3,894.5	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2003	2004	2005	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3	2007 Q1- 2007 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,666.7	3,772.0	3,878.6	4,031.3	4,074.5	4,116.5	4,155.5	4,203.8
Other taxes less subsidies on production	110.2	121.5	130.2	131.3	132.8	133.4	132.6	128.7
Consumption of fixed capital	1,072.7	1,120.3	1,171.7	1,223.7	1,235.5	1,246.4	1,256.9	1,269.0
<i>Net operating surplus and mixed income</i> ¹⁾	1,889.1	1,990.9	2,055.5	2,163.3	2,199.3	2,236.3	2,279.2	2,312.5
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,281.2	2,338.2	2,556.9	2,929.9	3,025.6	3,128.2	3,213.7	3,296.7
Interest	1,268.1	1,243.6	1,331.7	1,602.1	1,676.0	1,751.2	1,821.4	1,896.1
Other property income	1,013.1	1,094.7	1,225.1	1,327.9	1,349.6	1,377.0	1,392.3	1,400.6
<i>Net national income</i> ¹⁾	6,408.3	6,679.7	6,913.0	7,241.0	7,336.8	7,423.5	7,516.1	7,607.9
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	856.8	882.1	931.6	1,023.0	1,035.9	1,058.7	1,085.0	1,106.7
Social contributions	1,388.8	1,428.2	1,470.7	1,532.5	1,545.7	1,560.8	1,573.1	1,588.3
Social benefits other than social transfers in kind	1,408.7	1,453.7	1,498.2	1,543.0	1,551.1	1,559.8	1,569.7	1,586.0
Other current transfers	658.4	683.6	703.2	708.3	711.5	717.4	719.3	726.5
Net non-life insurance premiums	173.8	175.7	175.6	175.3	176.2	177.4	177.9	178.8
Non-life insurance claims	174.5	176.3	176.7	175.5	176.6	177.8	178.1	178.6
Other	310.0	331.7	350.8	357.5	358.7	362.2	363.4	369.1
<i>Net disposable income</i> ¹⁾	6,338.5	6,602.1	6,826.4	7,151.1	7,247.3	7,334.8	7,427.9	7,517.7
Use of income account								
Net disposable income								
Final consumption expenditure	5,854.8	6,075.8	6,307.5	6,565.3	6,619.5	6,670.7	6,727.0	6,789.8
Individual consumption expenditure	5,234.7	5,432.1	5,646.9	5,887.0	5,936.1	5,983.5	6,034.6	6,090.8
Collective consumption expenditure	620.1	643.7	660.6	678.3	683.4	687.2	692.4	698.9
Adjustment for the change in net equity of households in pension funds reserves	54.6	57.3	59.5	63.0	63.1	61.2	61.2	60.9
<i>Net saving</i> ¹⁾	483.9	526.5	519.2	586.2	628.1	664.4	701.2	728.1
Capital account								
Net saving								
Gross capital formation	1,528.0	1,609.6	1,701.8	1,842.7	1,884.5	1,918.1	1,947.2	1,981.5
Gross fixed capital formation	1,527.5	1,600.3	1,689.5	1,814.7	1,857.6	1,890.6	1,919.4	1,946.5
Changes in inventories and acquisitions less disposals of valuables	0.5	9.3	12.3	28.0	26.9	27.5	27.7	35.0
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0.6	-1.1	-0.1	0.6	0.2	0.0	0.0	0.3
Capital transfers	182.6	172.7	181.4	175.8	174.0	170.5	168.7	160.2
Capital taxes	35.9	29.8	24.3	22.3	22.9	23.4	24.1	24.0
Other capital transfers	146.8	142.9	157.2	153.5	151.1	147.1	144.6	136.2
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	40.2	54.7	2.7	-17.9	-3.2	9.8	26.8	30.1

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	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3	2007 Q1- 2007 Q4
Generation of income account								
Gross value added (basic prices)	6,738.7	7,004.7	7,235.9	7,549.6	7,642.1	7,732.7	7,824.3	7,914.0
Taxes less subsidies on products	761.3	797.2	839.7	904.4	921.3	933.5	944.2	953.9
Gross domestic product (market prices) ²⁾	7,500.0	7,801.9	8,075.6	8,454.0	8,563.3	8,666.1	8,768.5	8,867.9
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
Allocation of primary income account								
Net operating surplus and mixed income	1,889.1	1,990.9	2,055.5	2,163.3	2,199.3	2,236.3	2,279.2	2,312.5
Compensation of employees	3,673.9	3,779.1	3,884.3	4,037.4	4,080.7	4,122.8	4,161.8	4,210.2
Taxes less subsidies on production	880.7	932.4	981.5	1,046.9	1,063.7	1,076.4	1,085.6	1,091.8
Property income	2,246.0	2,315.5	2,548.7	2,923.3	3,018.7	3,116.2	3,203.2	3,290.1
Interest	1,237.2	1,212.6	1,303.5	1,570.0	1,642.2	1,718.6	1,786.8	1,857.4
Other property income	1,008.8	1,103.0	1,245.2	1,353.4	1,376.5	1,397.6	1,416.4	1,432.7
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	6,408.3	6,679.7	6,913.0	7,241.0	7,336.8	7,423.5	7,516.1	7,607.9
Current taxes on income, wealth, etc.	858.7	885.2	935.4	1,027.8	1,041.2	1,065.7	1,092.5	1,114.2
Social contributions	1,387.9	1,427.4	1,470.3	1,532.0	1,545.3	1,560.3	1,572.5	1,587.8
Social benefits other than social transfers in kind	1,402.2	1,446.2	1,490.6	1,535.4	1,543.2	1,551.8	1,561.4	1,577.8
Other current transfers	594.0	611.3	620.8	621.6	624.9	630.3	632.5	637.5
Net non-life insurance premiums	174.5	176.3	176.7	175.5	176.6	177.8	178.1	178.6
Non-life insurance claims	171.2	173.5	174.4	172.9	173.9	175.2	175.7	176.5
Other	248.3	261.5	269.7	273.2	274.4	277.3	278.7	282.4
<i>Net disposable income</i>								
Use of income account								
Net disposable income	6,338.5	6,602.1	6,826.4	7,151.1	7,247.3	7,334.8	7,427.9	7,517.7
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	63.4	63.5	61.5	61.4	61.1
<i>Net saving</i>								
Capital account								
Net saving	483.9	526.5	519.2	586.2	628.1	664.4	701.2	728.1
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,072.7	1,120.3	1,171.7	1,223.7	1,235.5	1,246.4	1,256.9	1,269.0
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	194.8	189.2	195.0	191.4	191.8	187.5	184.5	175.0
Capital taxes	35.9	29.8	24.3	22.3	22.9	23.4	24.1	24.0
Other capital transfers	158.9	159.4	170.7	169.1	168.9	164.1	160.4	151.0
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

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	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3	2007 Q1- 2007 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	3,673.9	3,779.1	3,884.3	4,037.4	4,080.7	4,122.8	4,161.8	4,210.2
Gross operating surplus and mixed income (+)	1,229.9	1,281.7	1,330.5	1,404.7	1,425.3	1,447.0	1,467.5	1,484.5
Interest receivable (+)	237.6	230.7	228.8	259.8	267.2	275.4	284.1	292.9
Interest payable (-)	124.0	125.2	128.8	157.0	165.3	174.3	181.4	189.0
Other property income receivable (+)	614.9	650.9	696.4	736.5	743.1	755.6	759.7	765.2
Other property income payable (-)	8.9	9.3	9.4	9.5	9.5	9.6	9.6	9.7
Current taxes on income and wealth (-)	702.2	705.6	738.4	788.8	796.7	810.2	828.4	845.9
Net social contributions (-)	1,385.1	1,424.5	1,466.7	1,528.2	1,541.4	1,556.5	1,568.8	1,584.0
Net social benefits (+)	1,397.5	1,441.3	1,485.4	1,529.9	1,537.7	1,546.2	1,555.9	1,572.2
Net current transfers receivable (+)	66.8	65.4	67.8	64.3	65.4	65.3	65.7	66.0
= Gross disposable income	5,000.3	5,184.6	5,349.8	5,549.0	5,606.5	5,661.8	5,706.5	5,762.6
Final consumption expenditure (-)	4,319.8	4,484.8	4,652.4	4,843.5	4,881.5	4,920.4	4,960.6	5,005.4
Changes in net worth in pension funds (+)	54.4	57.1	59.4	62.9	63.0	61.1	61.0	60.7
= Gross saving	734.9	756.9	756.8	768.4	788.1	802.5	806.9	818.0
Consumption of fixed capital (-)	288.3	303.6	318.7	335.6	339.1	342.4	344.8	347.3
Net capital transfers receivable (+)	12.6	18.8	24.9	28.4	27.6	25.7	23.6	17.5
Other changes in net worth ¹⁾ (+)	265.3	305.8	564.3	497.3	404.9	611.2	225.6	-100.0
= Changes in net worth ¹⁾	724.5	777.9	1,027.3	958.5	881.5	1,096.9	711.4	388.2
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	495.9	526.8	560.2	612.6	627.3	638.1	644.6	649.9
Consumption of fixed capital (-)	288.3	303.6	318.7	335.6	339.1	342.4	344.8	347.3
Main items of financial investment (+)								
Short-term assets	211.4	214.7	207.6	304.6	347.5	379.7	395.6	418.9
Currency and deposits	226.5	213.0	247.9	283.8	293.2	316.8	328.2	348.0
Money market fund shares	25.1	-6.4	-20.2	0.7	25.7	44.7	44.4	43.3
Debt securities ²⁾	-40.1	8.2	-20.2	20.1	28.6	18.2	23.0	27.6
Long-term assets	309.4	342.2	443.1	322.2	284.6	246.3	196.2	144.8
Deposits	-8.7	29.6	-8.8	-6.6	-20.6	-31.0	-37.4	-48.0
Debt securities	27.3	65.1	12.3	70.2	51.7	38.1	8.3	8.6
Shares and other equity	59.6	-4.6	139.2	-30.6	-22.9	-37.4	-36.2	-65.5
Quoted, unquoted shares and other equity	7.5	-11.1	65.7	-0.1	36.2	32.1	40.6	21.1
Mutual fund shares	52.1	6.5	73.6	-30.5	-59.0	-69.5	-76.9	-86.6
Life insurance and pension fund reserves	231.2	252.1	300.3	289.1	276.4	276.5	261.5	249.7
Main items of financing (-)								
Loans	262.8	311.6	390.6	390.0	382.0	365.1	360.4	341.1
<i>of which from euro area MFIs</i>	211.6	280.8	358.3	346.5	337.2	316.8	302.3	279.4
Other changes in financial assets (+)								
Shares and other equity	274.6	252.9	483.8	474.6	371.4	576.5	203.0	-112.4
Life insurance and pension fund reserves	28.8	56.3	129.5	51.3	35.6	65.2	32.1	16.8
Remaining net flows (+)	-44.5	0.2	-87.5	-81.2	-63.9	-101.3	-54.9	-41.5
= Changes in net worth ¹⁾	724.5	777.9	1,027.3	958.5	881.5	1,096.9	711.4	388.2
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,058.1	4,276.0	4,494.1	4,752.8	4,830.8	4,970.1	5,017.5	5,204.0
Currency and deposits	3,710.1	3,926.0	4,176.7	4,456.5	4,497.3	4,613.3	4,653.9	4,844.8
Money market fund shares	321.0	313.9	300.5	261.7	281.0	305.0	304.3	303.7
Debt securities ²⁾	27.1	36.0	16.9	34.6	52.4	51.8	59.4	55.5
Long-term assets	9,131.2	9,767.9	10,808.8	11,675.7	11,889.6	11,979.0	11,788.2	11,661.5
Deposits	843.0	881.6	890.9	881.3	854.2	841.7	840.3	804.0
Debt securities	1,207.2	1,248.0	1,233.6	1,286.1	1,296.4	1,249.8	1,249.2	1,259.2
Shares and other equity	3,554.3	3,803.2	4,419.4	4,903.0	5,057.7	5,120.1	4,883.9	4,726.4
Quoted, unquoted shares and other equity	2,406.4	2,638.3	3,102.5	3,524.3	3,682.4	3,734.8	3,536.7	3,415.3
Mutual fund shares	1,147.9	1,164.9	1,316.8	1,378.6	1,375.3	1,385.4	1,347.2	1,311.0
Life insurance and pension fund reserves	3,526.7	3,835.2	4,265.0	4,605.4	4,681.2	4,767.4	4,814.7	4,871.9
Remaining net assets (+)	213.8	252.9	187.1	146.0	155.1	143.3	143.0	134.0
Liabilities (-)								
Loans	3,923.9	4,247.6	4,634.4	5,018.6	5,079.2	5,170.1	5,245.0	5,328.9
<i>of which from euro area MFIs</i>	3,521.2	3,812.5	4,195.9	4,543.0	4,611.3	4,692.7	4,752.9	4,808.7
= Net financial wealth	9,479.2	10,049.2	10,855.7	11,556.0	11,796.3	11,922.3	11,703.7	11,670.6

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	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3	2007 Q1- 2007 Q4
Income and saving								
Gross value added (basic prices) (+)	3,834.8	3,989.3	4,113.8	4,294.8	4,354.3	4,412.3	4,467.6	4,518.7
Compensation of employees (-)	2,313.1	2,382.4	2,445.7	2,544.6	2,573.2	2,605.6	2,633.5	2,664.4
Other taxes less subsidies on production (-)	58.6	64.6	71.4	75.1	77.1	78.0	77.6	73.4
= Gross operating surplus (+)	1,463.1	1,542.4	1,596.8	1,675.1	1,704.1	1,728.7	1,756.5	1,780.9
Consumption of fixed capital (-)	607.2	631.9	660.4	686.9	693.0	698.6	704.5	711.2
= Net operating surplus (+)	855.8	910.5	936.4	988.2	1,011.0	1,030.2	1,052.0	1,069.7
Property income receivable (+)	320.5	364.2	427.8	468.7	478.5	485.4	496.3	507.5
Interest receivable	126.6	121.9	132.5	154.8	161.1	168.6	175.1	181.3
Other property income receivable	193.9	242.3	295.4	313.9	317.4	316.8	321.2	326.2
Interest and rents payable (-)	228.9	226.8	235.4	279.2	293.4	307.5	318.6	331.2
= Net entrepreneurial income (+)	947.5	1,047.8	1,128.8	1,177.7	1,196.2	1,208.1	1,229.7	1,246.0
Distributed income (-)	693.4	751.5	837.2	906.8	915.1	923.4	931.3	933.1
Taxes on income and wealth payable (-)	117.0	135.6	147.8	184.1	188.4	195.8	203.6	208.1
Social contributions receivable (+)	73.4	73.5	74.2	76.8	77.2	76.0	74.7	73.0
Social benefits payable (-)	59.9	60.4	62.2	62.1	62.1	61.9	62.0	62.2
Other net transfers (-)	57.0	63.2	61.8	61.6	61.3	58.5	56.1	55.3
= Net saving	93.6	110.7	94.0	39.8	46.5	44.6	51.4	60.4
Investment, financing and saving								
Net acquisition of non-financial assets (+)	196.5	214.4	241.2	288.6	304.0	318.3	330.2	349.2
Gross fixed capital formation (+)	803.8	841.0	889.4	950.2	973.6	993.4	1,010.8	1,029.8
Consumption of fixed capital (-)	607.2	631.9	660.4	686.9	693.0	698.6	704.5	711.2
Net acquisition of other non-financial assets (+)	-0.1	5.4	12.2	25.3	23.4	23.5	23.9	30.6
Main items of financial investment (+)								
Short-term assets	105.9	103.1	126.7	155.4	188.8	205.1	177.7	176.2
Currency and deposits	64.9	88.9	112.9	144.5	163.2	163.4	157.6	148.3
Money market fund shares	22.5	16.5	8.6	3.7	19.7	23.5	-9.2	-18.5
Debt securities ¹⁾	18.5	-2.4	5.2	7.2	5.8	18.2	-29.3	46.4
Long-term assets	281.6	213.0	365.4	376.0	372.5	395.2	429.8	430.3
Deposits	43.9	5.2	35.6	27.6	28.6	35.5	20.0	-1.8
Debt securities	-46.1	-52.5	-29.7	-21.7	-31.4	-42.5	-42.5	-56.1
Shares and other equity	149.4	179.3	228.9	207.3	197.7	207.0	243.5	295.5
Other, mainly intercompany loans	134.3	81.0	130.7	162.7	177.7	195.2	208.8	192.7
Remaining net assets (+)	56.1	76.0	100.7	171.0	159.5	149.5	194.2	182.4
Main items of financing (-)								
Debt	289.7	235.0	422.0	657.7	660.8	695.4	750.1	781.0
of which loans from euro area MFIs	102.7	172.4	264.6	448.6	443.9	483.6	520.6	557.1
of which debt securities	63.1	7.0	12.0	40.2	39.4	53.6	37.3	49.5
Shares and other equity	210.6	197.1	257.2	223.9	245.6	256.3	260.0	230.7
Quoted shares	18.7	11.9	100.5	36.2	55.6	74.4	81.1	44.2
Unquoted shares and other equity	191.8	185.3	156.8	187.7	190.0	181.9	178.9	186.6
Net capital transfers receivable (-)	46.3	63.8	60.8	69.6	71.9	69.5	68.1	66.7
= Net saving	93.6	110.7	94.0	39.8	46.5	44.6	51.4	60.4
Financial balance sheet								
Financial assets								
Short-term assets	1,318.8	1,379.2	1,510.2	1,655.6	1,694.4	1,747.0	1,762.3	1,830.7
Currency and deposits	1,028.9	1,102.6	1,220.7	1,356.8	1,364.8	1,405.0	1,429.0	1,499.7
Money market fund shares	143.8	163.7	176.3	185.9	204.2	205.2	185.8	162.3
Debt securities ¹⁾	146.1	112.9	113.2	112.9	125.4	136.8	147.5	168.7
Long-term assets	6,696.2	7,194.0	8,160.6	9,371.6	9,733.8	10,115.2	10,037.8	10,179.2
Deposits	136.5	137.4	180.3	210.2	261.7	269.0	257.2	235.3
Debt securities	380.9	328.5	284.8	260.3	236.5	228.6	198.3	193.5
Shares and other equity	4,709.8	5,191.4	6,020.7	7,050.3	7,309.1	7,637.8	7,566.4	7,678.9
Other, mainly intercompany loans	1,469.1	1,536.7	1,674.7	1,850.8	1,926.5	1,979.8	2,015.9	2,071.5
Remaining net assets	195.2	240.6	285.2	356.8	430.5	428.1	437.7	433.2
Liabilities								
Debt	6,163.8	6,344.9	6,788.9	7,422.7	7,588.5	7,836.9	7,989.2	8,186.3
of which loans from euro area MFIs	3,034.4	3,160.8	3,419.5	3,857.4	3,956.3	4,106.8	4,230.6	4,388.6
of which debt securities	628.2	650.8	668.9	690.5	698.2	730.3	722.0	734.0
Shares and other equity	8,289.2	9,216.8	10,539.2	12,229.6	12,685.1	13,315.8	13,149.7	13,215.1
Quoted shares	2,731.5	2,986.7	3,680.5	4,451.1	4,685.5	5,060.7	4,978.1	4,968.8
Unquoted shares and other equity	5,557.7	6,230.1	6,858.7	7,778.4	7,999.6	8,255.1	8,171.6	8,246.3

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	2006 Q1- 2006 Q4	2006 Q2- 2007 Q1	2006 Q3- 2007 Q2	2006 Q4- 2007 Q3	2007 Q1- 2007 Q4
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	21.7	40.0	23.8	50.6	69.5	57.7	49.3	44.2
Currency and deposits	7.0	13.2	7.2	12.4	18.0	2.4	8.9	7.8
Money market fund shares	7.7	2.7	0.4	3.7	7.1	3.6	0.3	0.1
Debt securities ¹⁾	7.1	24.1	16.2	34.5	44.4	51.7	40.2	36.3
Long-term assets	231.0	218.5	286.4	318.1	289.7	295.5	266.3	273.2
Deposits	22.7	37.6	17.1	51.9	61.6	65.4	62.2	53.5
Debt securities	144.9	131.2	132.9	131.3	148.3	162.1	155.8	158.3
Loans	11.6	6.6	-2.6	-0.9	-18.4	-17.2	-23.0	-17.0
Quoted shares	9.5	13.0	31.7	19.2	14.9	8.1	7.1	8.5
Unquoted shares and other equity	5.1	-0.4	20.3	28.2	20.8	23.3	29.1	31.1
Mutual fund shares	37.1	30.6	87.1	88.4	62.6	53.8	35.2	38.8
Remaining net assets (+)	-2.3	11.7	15.1	30.0	34.6	30.5	41.3	2.4
Main items of financing (-)								
Debt securities	4.9	-1.7	-0.4	5.2	5.0	3.9	3.3	1.4
Loans	12.5	4.6	18.4	32.7	19.8	25.5	21.9	9.2
Shares and other equity	11.6	13.6	9.9	8.6	11.1	12.5	10.7	12.0
Insurance technical reserves	236.8	262.1	335.3	344.5	340.0	341.3	324.2	301.8
Net equity of households in life insurance and pension fund reserves	210.5	230.5	292.0	288.6	280.3	281.7	274.5	263.9
Prepayments of insurance premiums and reserves for outstanding claims	26.4	31.6	43.3	55.9	59.7	59.7	49.8	37.9
= Changes in net financial worth due to transactions	-15.3	-8.3	-37.8	7.7	18.0	0.6	-3.2	-4.7
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	106.8	110.3	175.7	176.4	136.5	253.0	141.9	17.8
Other net assets	-12.3	140.1	53.8	-49.6	-64.5	-86.0	-119.6	-55.3
Other changes in liabilities (-)								
Shares and other equity	98.3	21.0	124.1	44.2	31.0	95.1	12.7	-17.9
Insurance technical reserves	33.5	83.7	139.8	56.3	43.3	72.5	34.5	34.8
Net equity of households in life insurance and pension fund reserves	34.0	63.9	145.4	59.1	43.7	70.2	34.0	20.5
Prepayments of insurance premiums and reserves for outstanding claims	-0.5	19.8	-5.6	-2.8	-0.4	2.2	0.5	14.3
= Other changes in net financial worth	-37.3	145.6	-34.5	26.2	-2.3	-0.5	-24.9	-54.4
Financial balance sheet								
Financial assets (+)								
Short-term assets	264.5	401.4	430.2	481.4	505.4	511.2	515.6	521.5
Currency and deposits	121.3	133.6	142.7	154.6	155.9	144.4	154.0	163.2
Money market fund shares	68.5	72.2	74.3	80.4	82.8	84.3	81.0	78.2
Debt securities ¹⁾	74.7	195.5	213.2	246.4	266.7	282.6	280.6	280.1
Long-term assets	3,754.0	4,110.3	4,588.6	5,014.9	5,102.1	5,205.3	5,227.8	5,251.8
Deposits	457.6	497.1	515.6	570.8	595.1	609.4	621.8	618.1
Debt securities	1,470.6	1,639.7	1,789.9	1,857.7	1,890.8	1,901.2	1,937.3	1,971.8
Loans	368.3	363.5	360.1	353.6	337.5	338.9	335.0	330.6
Quoted shares	524.9	574.9	703.7	827.0	847.2	873.9	860.3	843.5
Unquoted shares and other equity	304.7	334.5	377.5	444.0	447.3	468.1	464.2	481.7
Mutual fund shares	627.8	700.6	841.8	961.8	984.2	1,013.8	1,009.3	1,006.1
Remaining net assets (+)	108.5	125.0	165.6	209.6	207.9	205.7	204.8	209.5
Liabilities (-)								
Debt securities	24.4	22.9	22.0	26.8	26.6	25.7	25.8	26.8
Loans	126.3	119.8	131.7	160.6	167.3	178.4	184.3	165.9
Shares and other equity	446.7	481.3	615.4	668.2	684.0	711.4	677.5	662.3
Insurance technical reserves	3,775.0	4,120.8	4,595.9	4,996.7	5,094.2	5,193.8	5,252.8	5,333.4
Net equity of households in life insurance and pension fund reserves	3,194.2	3,488.6	3,926.0	4,273.7	4,352.8	4,443.5	4,495.8	4,558.1
Prepayments of insurance premiums and reserves for outstanding claims	580.8	632.2	669.9	723.0	741.4	750.3	757.0	775.3
= Net financial wealth	-245.4	-108.1	-180.4	-146.5	-156.7	-187.1	-192.3	-205.5

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

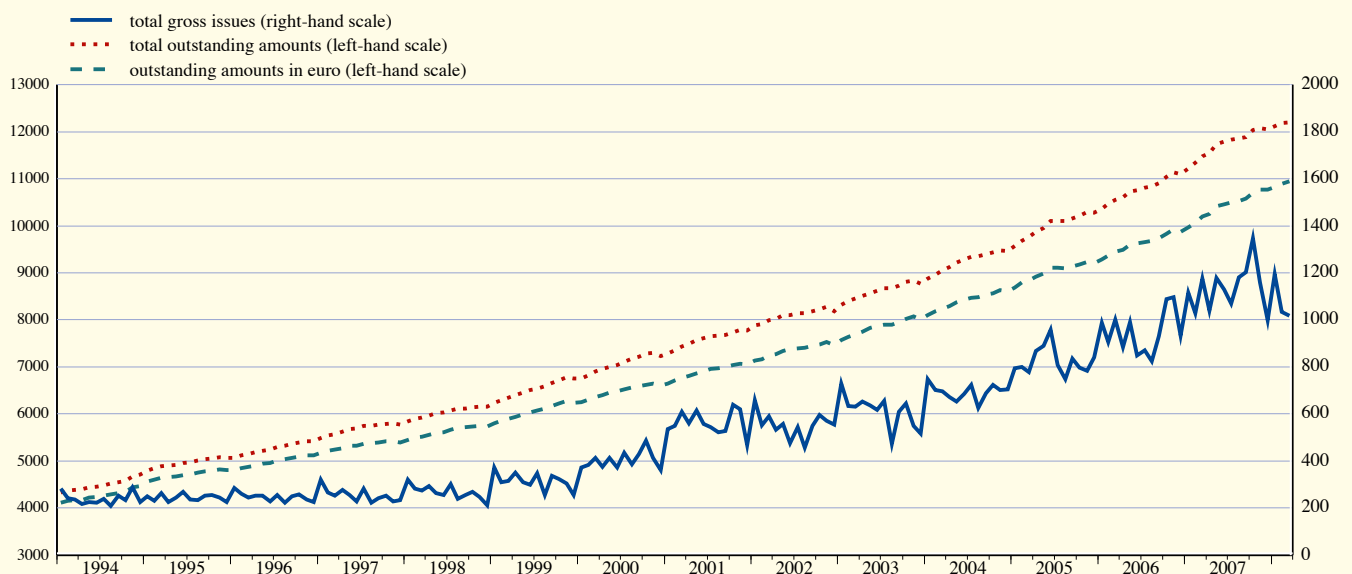
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies			Annual growth rates	Seasonally adjusted ²⁾	
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues		Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2007 Mar.	12,173.0	1,258.1	229.3	10,202.1	1,120.2	135.4	11,476.8	1,174.2	141.6	8.5	107.2	10.1
Apr.	12,196.2	1,041.1	23.4	10,257.5	983.1	55.6	11,541.8	1,039.6	72.4	8.6	63.5	9.1
May	12,407.3	1,216.5	211.4	10,416.8	1,115.2	159.6	11,729.1	1,178.8	181.3	9.0	135.5	9.7
June	12,537.2	1,219.8	129.8	10,461.7	1,069.0	44.9	11,790.9	1,128.9	59.2	9.2	53.3	9.7
July	12,541.6	1,076.0	3.3	10,491.1	1,004.1	28.5	11,835.0	1,068.0	46.3	9.2	62.0	9.4
Aug.	12,570.4	1,183.8	29.0	10,517.8	1,131.6	26.9	11,856.2	1,181.5	27.0	9.2	84.0	9.1
Sep.	12,662.3	1,243.3	90.3	10,574.7	1,153.8	55.3	11,885.3	1,201.6	45.6	9.0	57.0	8.1
Oct.	12,771.5	1,349.6	108.0	10,704.8	1,278.1	129.1	12,031.0	1,347.0	146.4	9.1	130.3	9.3
Nov.	12,859.7	1,175.3	86.3	10,775.1	1,107.0	68.3	12,074.9	1,158.9	63.0	8.6	46.9	7.6
Dec.	12,883.2	1,036.4	26.6	10,769.6	954.9	-2.4	12,053.5	997.8	-19.8	9.1	104.9	8.5
2008 Jan.	12,917.3	1,199.4	38.1	10,824.3	1,129.9	58.8	12,122.1	1,195.4	68.3	8.5	20.1	7.7
Feb.	12,999.4	1,024.1	82.2	10,896.5	965.7	72.4	12,182.7	1,033.5	75.4	8.0	42.3	6.9
Mar.	13,103.0	1,067.7	104.3	10,941.5	963.7	45.5	12,198.2	1,018.7	42.8	7.0	4.9	6.0
Long-term												
2007 Mar.	11,044.1	277.7	137.2	9,242.9	213.2	96.3	10,343.2	234.3	101.7	8.6	78.5	9.9
Apr.	11,085.8	182.6	41.8	9,274.4	156.1	31.7	10,379.7	177.9	45.2	8.6	53.3	9.0
May	11,269.9	266.3	185.3	9,407.8	199.3	134.6	10,534.4	225.6	149.6	9.0	105.8	9.1
June	11,369.7	258.8	98.4	9,472.9	190.9	63.7	10,615.5	217.8	77.5	8.9	47.2	8.8
July	11,396.6	198.4	26.5	9,484.6	162.2	11.5	10,639.3	188.2	25.6	8.8	46.8	8.3
Aug.	11,391.4	102.8	-5.8	9,478.4	86.9	-6.8	10,638.0	104.2	-1.8	8.5	51.1	7.6
Sep.	11,416.2	157.5	23.5	9,495.4	132.2	15.7	10,628.4	146.6	14.5	8.0	9.9	6.2
Oct.	11,492.8	236.1	77.7	9,559.0	199.9	64.9	10,690.2	224.1	71.7	7.8	80.3	6.7
Nov.	11,572.7	174.1	78.2	9,618.5	140.5	57.7	10,731.4	155.2	54.5	7.1	34.9	5.2
Dec.	11,626.7	194.7	54.7	9,663.5	160.8	45.7	10,763.4	171.8	34.4	7.3	78.8	5.8
2008 Jan.	11,626.0	194.3	2.6	9,656.8	166.1	-3.4	10,760.8	189.7	1.6	6.7	11.9	5.1
Feb.	11,672.9	181.2	46.8	9,705.8	161.9	49.0	10,802.9	186.0	51.1	6.1	27.4	4.6
Mar.	11,706.3	175.9	34.4	9,729.0	141.4	24.0	10,799.4	156.0	20.2	5.3	-3.9	4.4

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	11,090	4,573	1,161	635	4,417	305	11,360	8,396	422	1,114	1,342	85
2007	12,054	5,052	1,473	684	4,530	315	13,619	10,085	542	1,458	1,453	80
2007 Q2	11,791	4,878	1,311	683	4,610	308	3,347	2,369	118	453	389	18
Q3	11,885	4,960	1,342	678	4,595	310	3,451	2,604	89	394	346	19
Q4	12,054	5,052	1,473	684	4,530	315	3,504	2,661	194	326	302	21
2008 Q1	12,198	5,093	1,489	688	4,615	313	3,248	2,358	67	317	478	27
2007 Dec.	12,054	5,052	1,473	684	4,530	315	998	761	88	91	52	5
2008 Jan.	12,122	5,102	1,464	695	4,546	315	1,195	887	7	108	181	12
Feb.	12,183	5,105	1,480	694	4,589	314	1,034	744	32	102	148	8
Mar.	12,198	5,093	1,489	688	4,615	313	1,019	728	28	107	149	7
	Short-term											
2006	1,015	575	12	94	330	4	9,195	7,392	61	1,023	688	31
2007	1,290	787	18	122	357	7	11,348	9,052	58	1,367	832	38
2007 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	2,953	2,427	20	304	192	10
2008 Q1	1,399	817	31	133	411	7	2,716	2,100	21	306	278	12
2007 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
Feb.	1,380	818	31	132	392	7	848	649	15	98	82	4
Mar.	1,399	817	31	133	411	7	863	659	3	103	95	3
	Long-term ¹⁾											
2006	10,075	3,998	1,148	540	4,087	301	2,165	1,004	362	90	654	54
2007	10,763	4,265	1,454	563	4,173	309	2,271	1,033	484	92	621	42
2007 Q2	10,615	4,247	1,300	563	4,203	304	621	288	106	40	179	8
Q3	10,628	4,245	1,333	561	4,186	304	439	198	79	16	138	8
Q4	10,763	4,265	1,454	563	4,173	309	551	234	174	23	110	11
2008 Q1	10,799	4,276	1,458	555	4,204	306	532	258	47	11	200	15
2007 Dec.	10,763	4,265	1,454	563	4,173	309	172	67	83	6	14	2
2008 Jan.	10,761	4,277	1,446	564	4,166	308	190	95	5	3	80	7
Feb.	10,803	4,287	1,450	562	4,197	306	186	95	17	4	66	5
Mar.	10,799	4,276	1,458	555	4,204	306	156	69	25	4	54	4
	Of which long-term fixed rate											
2006	7,058	2,136	543	413	3,729	237	1,292	475	143	56	579	39
2007	7,324	2,272	589	426	3,787	250	1,280	530	117	57	540	36
2007 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	25	8	123	7
Q4	7,324	2,272	589	426	3,787	250	273	126	23	16	99	8
2008 Q1	7,304	2,271	583	417	3,788	246	330	131	13	8	168	10
2007 Dec.	7,324	2,272	589	426	3,787	250	56	31	8	3	13	1
2008 Jan.	7,302	2,277	586	426	3,766	247	122	48	2	2	66	4
Feb.	7,322	2,281	584	424	3,789	244	120	52	5	2	58	3
Mar.	7,304	2,271	583	417	3,788	246	88	31	6	3	44	3
	Of which long-term variable rate											
2006	2,596	1,512	594	114	312	64	718	408	215	31	49	15
2007	2,984	1,615	847	126	338	58	819	372	358	33	51	5
2007 Q2	2,835	1,608	702	124	341	60	228	112	76	16	23	1
Q3	2,855	1,610	725	126	336	57	138	71	51	7	8	1
Q4	2,984	1,615	847	126	338	58	240	74	148	7	8	3
2008 Q1	3,023	1,625	854	127	357	60	154	95	30	3	20	5
2007 Dec.	2,984	1,615	847	126	338	58	104	26	74	3	0	1
2008 Jan.	2,993	1,618	841	127	346	60	46	32	2	1	8	3
Feb.	3,011	1,626	845	128	351	62	53	35	10	1	5	1
Mar.	3,023	1,625	854	127	357	60	55	28	18	1	7	1

Source: ECB.

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

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

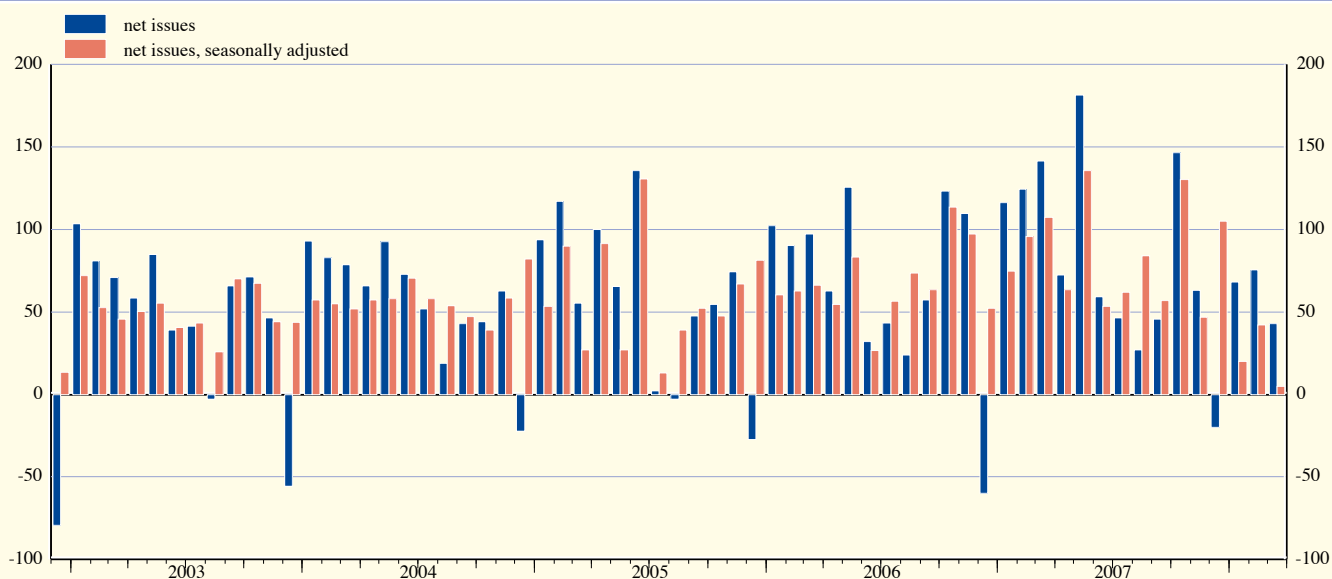
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2006	807.1	422.3	240.7	31.4	90.3	22.3	808.9	427.8	237.1	31.7	89.9	22.3
2007	1,003.6	483.0	333.6	55.4	120.7	10.9	1,014.7	493.3	329.0	58.1	123.5	10.9
2007 Q2	312.9	105.9	58.9	36.3	111.9	-0.1	252.2	114.2	45.6	28.2	65.1	-0.9
Q3	118.8	95.3	35.8	-3.2	-11.3	2.3	203.0	120.9	63.8	3.8	8.3	6.3
Q4	189.6	93.7	144.7	9.3	-63.0	4.9	282.1	135.0	108.1	15.5	20.6	2.9
2008 Q1	186.5	69.1	23.4	7.3	88.9	-2.1	67.3	-9.0	44.2	2.3	33.2	-3.4
2007 Dec.	-19.8	-10.3	66.8	-6.7	-67.8	-1.9	104.9	53.6	42.2	3.5	6.0	-0.4
2008 Jan.	68.3	48.8	-8.2	11.1	16.9	-0.4	20.1	16.3	15.6	9.6	-20.3	-1.1
Feb.	75.4	14.1	18.4	-0.1	44.0	-1.1	42.3	-12.4	18.2	-1.6	40.0	-1.9
Mar.	42.8	6.1	13.2	-3.8	28.0	-0.6	4.9	-12.9	10.5	-5.8	13.6	-0.4
	Long-term											
2006	755.7	347.4	235.3	28.1	121.6	23.3	755.7	349.3	231.9	27.9	123.4	23.3
2007	739.3	283.4	327.6	28.1	92.3	8.1	736.9	285.2	323.1	28.0	92.7	8.0
2007 Q2	272.3	101.2	59.2	22.3	90.2	-0.6	206.4	97.0	45.8	15.8	49.1	-1.3
Q3	38.3	14.2	37.6	0.1	-14.0	0.4	107.8	27.9	65.9	2.7	7.1	4.2
Q4	160.6	26.5	135.5	4.7	-11.0	4.9	194.0	52.8	99.2	2.0	37.1	2.9
2008 Q1	73.0	34.5	10.9	-4.5	34.2	-2.1	35.4	-1.5	31.4	2.1	6.8	-3.3
2007 Dec.	34.4	-10.5	64.2	-1.6	-16.9	-0.9	78.8	16.7	40.3	-2.1	23.4	0.5
2008 Jan.	1.6	15.3	-7.5	1.3	-6.6	-0.8	11.9	18.2	15.6	6.0	-26.6	-1.3
Feb.	51.1	15.1	5.5	-0.7	32.3	-1.2	27.4	-8.3	4.9	1.0	31.5	-1.8
Mar.	20.2	4.1	12.8	-5.1	8.5	0.0	-3.9	-11.5	10.8	-5.0	1.9	-0.2

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

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



Source: ECB.

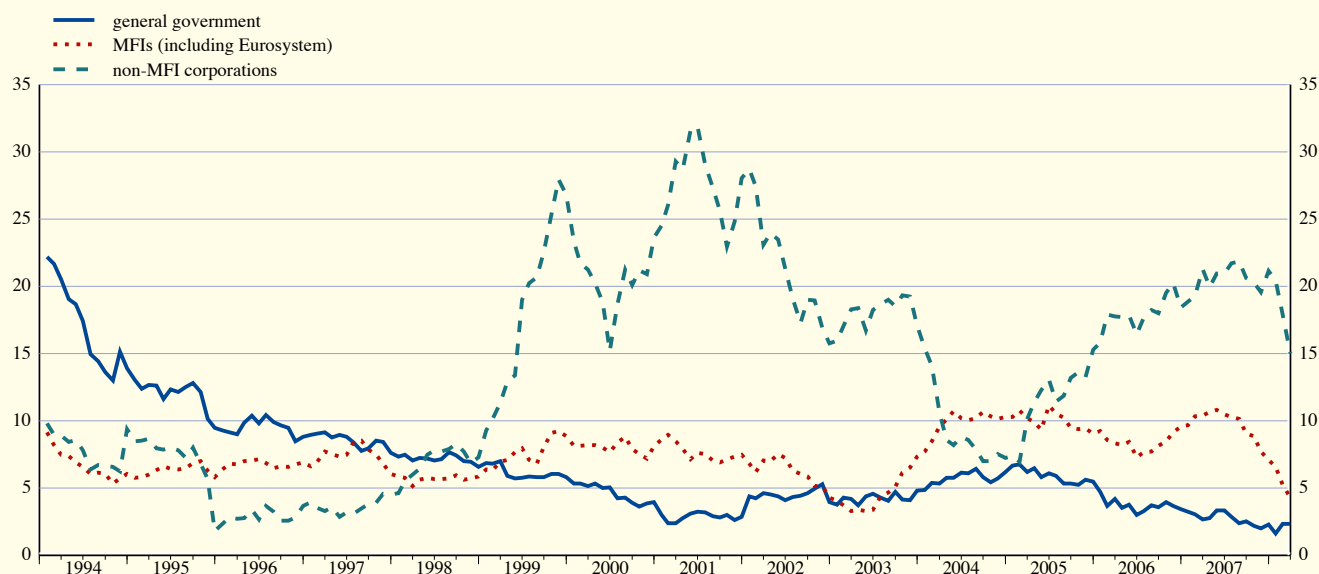
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾

(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 Mar.	8.5	10.5	30.1	5.7	2.4	6.6	10.1	11.8	37.4	7.3	3.1	5.1
Apr.	8.6	10.7	28.1	6.0	2.6	7.2	9.1	10.9	28.7	7.8	3.0	6.1
May	9.0	10.5	29.8	6.0	3.5	5.0	9.7	11.5	30.0	8.2	3.7	3.3
June	9.2	10.8	28.3	8.2	3.8	3.3	9.7	10.5	29.4	12.5	4.3	1.1
July	9.2	10.8	28.9	10.1	3.3	2.5	9.4	9.7	29.7	15.5	3.8	0.7
Aug.	9.2	11.0	28.9	9.8	3.1	2.6	9.1	9.8	26.9	12.1	3.8	3.1
Sep.	9.0	10.9	27.3	8.6	3.2	4.3	8.1	10.1	18.2	10.1	3.3	3.5
Oct.	9.1	11.0	27.4	9.1	3.0	5.6	9.3	11.1	26.0	10.5	3.0	5.5
Nov.	8.6	10.4	26.1	9.0	2.7	4.3	7.6	9.4	22.1	9.9	1.6	5.3
Dec.	9.1	10.6	28.9	8.7	2.7	3.6	8.5	10.8	28.4	5.8	1.3	6.1
2008 Jan.	8.5	9.9	27.5	10.5	2.2	3.0	7.7	10.2	25.4	6.1	0.6	5.3
Feb.	8.0	8.6	24.8	9.8	3.0	2.8	6.9	7.4	22.8	7.6	2.1	2.3
Mar.	7.0	7.6	21.1	7.7	2.8	1.6	6.0	5.1	23.9	5.3	2.4	-0.3
Long-term												
2007 Mar.	8.6	10.4	29.9	5.3	2.4	6.9	9.9	12.1	37.9	5.7	2.1	5.2
Apr.	8.6	10.6	28.1	4.8	2.4	7.4	9.0	11.9	29.3	5.8	1.7	5.8
May	9.0	10.8	29.9	4.2	3.2	5.1	9.1	11.1	30.5	6.0	2.5	2.8
June	8.9	10.5	28.6	6.3	3.3	3.4	8.8	10.4	29.9	8.9	2.4	0.6
July	8.8	10.3	29.2	7.2	2.9	2.7	8.3	9.3	30.4	8.4	2.1	0.6
Aug.	8.5	10.1	29.3	7.1	2.4	2.7	7.6	8.0	27.4	8.0	2.1	2.8
Sep.	8.0	9.0	27.9	6.3	2.4	3.5	6.2	6.1	18.8	6.9	2.7	2.0
Oct.	7.8	8.8	27.2	6.1	2.0	4.6	6.7	5.9	25.2	6.3	2.4	3.7
Nov.	7.1	7.7	25.9	6.3	1.9	3.1	5.2	4.3	21.4	6.5	1.3	3.4
Dec.	7.3	7.1	28.7	5.2	2.3	2.7	5.8	3.9	27.5	1.7	2.1	4.8
2008 Jan.	6.7	6.5	27.3	5.9	1.6	2.2	5.1	3.9	24.2	3.4	1.0	3.7
Feb.	6.1	5.2	23.4	5.7	2.4	1.9	4.6	2.5	19.5	3.4	2.6	0.9
Mar.	5.3	4.3	19.7	4.2	2.4	0.9	4.4	2.4	20.5	1.5	2.1	-0.3

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.

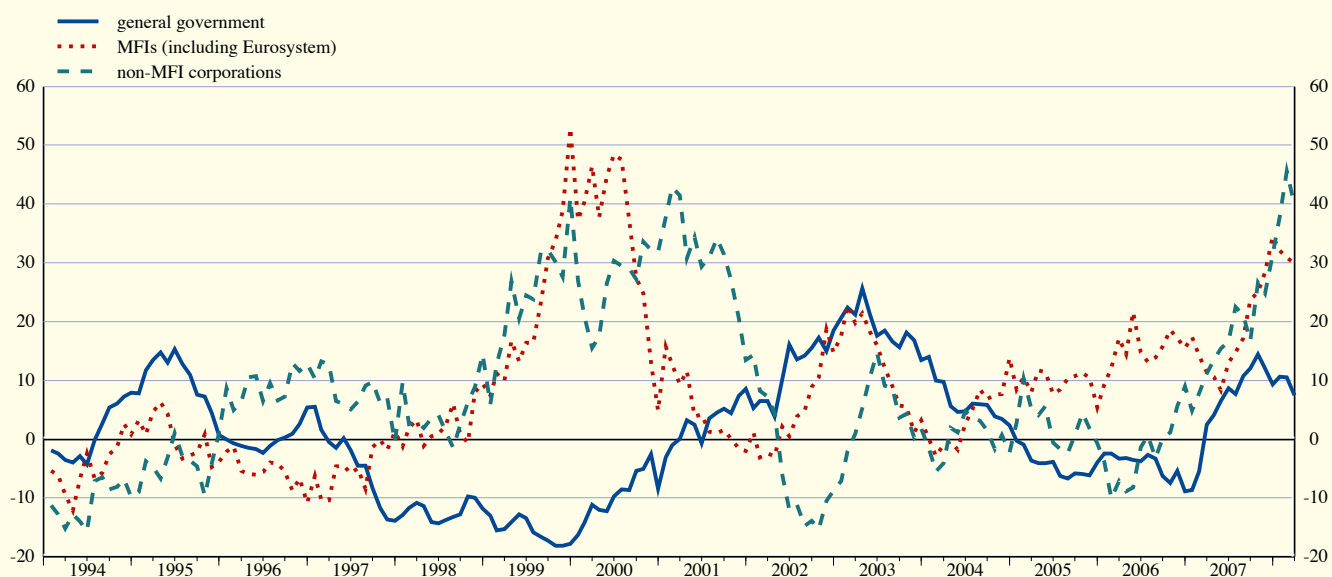
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(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	16.1	11.9	39.9	26.5	5.0	4.5
2007	5.2	7.1	17.8	3.8	2.4	6.6	15.7	11.1	37.5	18.7	3.8	-1.8
2007 Q2	5.5	7.5	19.9	2.7	2.7	7.5	16.4	12.1	37.7	19.2	5.1	-0.3
Q3	5.4	8.0	17.6	4.7	2.3	5.0	16.1	11.1	39.3	19.9	4.4	-4.7
Q4	4.5	6.7	13.5	4.9	1.8	6.3	15.0	9.0	39.3	14.4	4.8	-6.5
2008 Q1	3.3	5.2	8.6	4.2	1.3	3.3	14.2	5.9	38.6	12.3	11.4	-3.3
2007 Oct.	4.6	6.9	13.8	5.1	1.7	6.8	15.6	9.9	39.5	14.3	4.9	-3.4
Nov.	4.3	6.5	12.6	5.3	1.7	6.4	14.2	8.3	37.4	14.2	4.6	-9.3
Dec.	4.3	6.7	11.4	4.4	1.7	5.8	15.4	7.1	43.5	10.7	8.3	-8.8
2008 Jan.	3.4	5.9	10.4	4.7	0.7	4.0	15.3	6.7	41.9	13.0	11.6	-4.6
Feb.	3.1	4.8	6.9	4.5	1.5	2.4	13.7	5.3	37.3	12.6	12.2	-0.2
Mar.	2.6	3.5	5.8	2.8	1.6	1.4	12.0	4.6	30.6	12.0	12.3	-1.3
In euro												
2006	3.8	3.1	11.3	0.1	3.2	13.6	14.9	10.1	36.4	29.2	5.2	3.7
2007	4.6	6.4	14.5	2.2	2.7	6.7	15.0	10.2	35.2	18.7	3.9	-2.4
2007 Q2	4.9	6.8	16.4	0.8	2.9	7.4	15.7	11.2	35.2	20.0	5.2	-0.8
Q3	4.7	7.1	14.6	3.3	2.5	5.2	15.6	10.3	37.5	19.0	4.5	-5.6
Q4	4.1	6.2	11.3	3.5	2.1	6.6	14.8	8.6	37.8	13.3	4.9	-7.2
2008 Q1	2.9	4.8	7.4	3.0	1.5	3.5	14.8	5.7	39.1	11.7	11.7	-4.1
2007 Oct.	4.1	6.3	11.9	3.5	1.9	7.1	15.3	9.5	37.6	13.1	5.1	-4.2
Nov.	4.0	6.1	10.5	4.2	1.9	6.8	14.0	8.1	35.7	13.0	4.8	-10.0
Dec.	3.9	6.2	9.7	3.3	1.9	6.2	15.8	6.9	43.5	9.9	8.6	-8.9
2008 Jan.	2.9	5.3	9.0	3.4	0.9	4.3	15.9	6.5	42.0	12.3	11.9	-5.0
Feb.	2.9	4.4	6.1	3.3	1.7	2.5	14.4	5.1	38.1	11.9	12.5	-1.5
Mar.	2.3	3.2	4.8	1.1	1.8	1.4	12.6	4.2	31.7	11.7	12.9	-2.8

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)

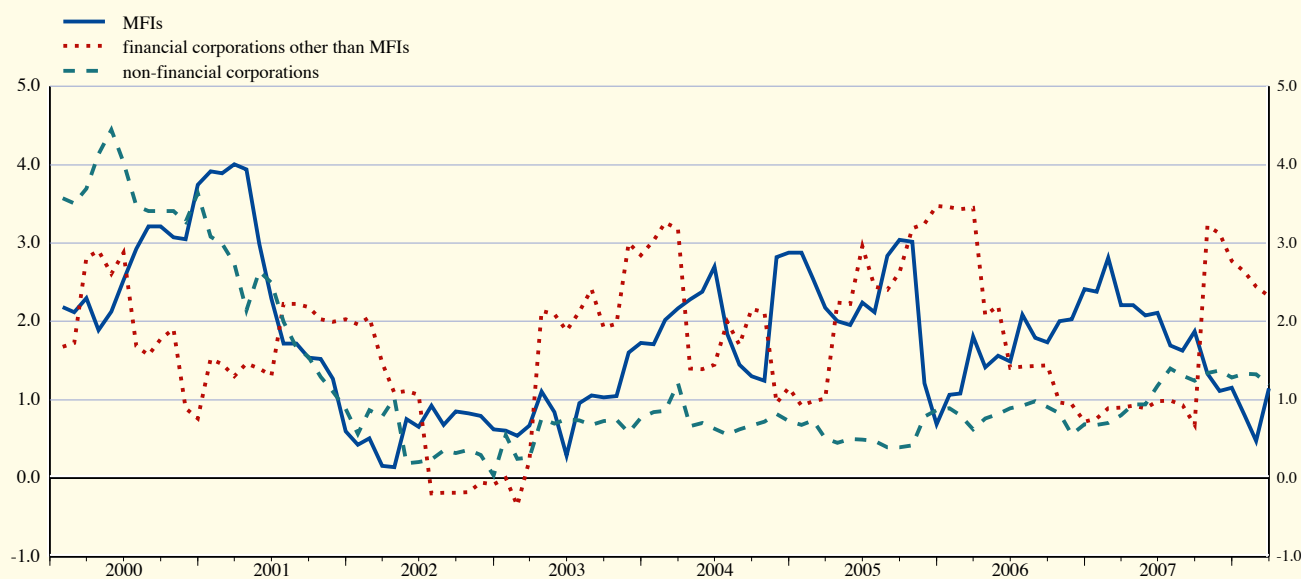
1. Outstanding amounts and annual growth rates

(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 Mar.	5,656.9	103.6	1.1	971.1	1.8	585.1	3.4	4,100.7	0.6
Apr.	5,681.7	103.7	1.0	957.5	1.4	579.1	2.1	4,145.1	0.8
May	5,390.8	103.8	1.1	901.3	1.6	543.6	2.2	3,945.8	0.8
June	5,402.3	103.9	1.0	909.8	1.5	539.7	1.4	3,952.8	0.9
July	5,399.1	104.0	1.2	923.0	2.1	553.7	1.4	3,922.4	0.9
Aug.	5,580.7	104.0	1.2	963.8	1.8	604.6	1.4	4,012.4	1.0
Sep.	5,722.5	104.1	1.1	991.8	1.7	616.7	1.4	4,114.0	0.9
Oct.	5,911.5	104.2	1.0	1,022.4	2.0	623.8	1.0	4,265.2	0.8
Nov.	5,966.3	104.2	0.9	1,031.8	2.0	613.6	0.9	4,320.9	0.6
Dec.	6,184.5	104.5	1.0	1,063.9	2.4	633.2	0.7	4,487.4	0.7
2007 Jan.	6,364.1	104.5	1.0	1,123.5	2.4	646.2	0.8	4,594.4	0.7
Feb.	6,278.9	104.7	1.1	1,092.8	2.8	637.8	0.9	4,548.3	0.7
Mar.	6,504.8	104.7	1.1	1,111.4	2.2	649.3	0.9	4,744.1	0.8
Apr.	6,754.5	104.9	1.2	1,168.6	2.2	675.5	0.9	4,910.4	0.9
May	7,034.1	104.9	1.1	1,174.5	2.1	688.8	0.9	5,170.7	0.9
June	6,955.9	105.3	1.3	1,128.6	2.1	677.1	1.0	5,150.1	1.2
July	6,725.7	105.5	1.4	1,099.8	1.7	608.8	1.0	5,017.0	1.4
Aug.	6,612.3	105.4	1.3	1,060.2	1.6	583.8	0.9	4,968.4	1.3
Sep.	6,675.8	105.4	1.3	1,048.8	1.9	597.2	0.7	5,029.8	1.2
Oct.	6,929.5	105.7	1.5	1,072.8	1.3	629.2	3.2	5,227.5	1.3
Nov.	6,615.1	105.8	1.5	1,032.7	1.1	579.2	3.1	5,003.2	1.4
Dec.	6,571.3	105.9	1.4	1,017.2	1.2	579.0	2.8	4,975.2	1.3
2008 Jan.	5,749.8	106.0	1.4	887.9	0.8	497.3	2.6	4,364.6	1.3
Feb.	5,803.3	106.0	1.3	858.2	0.5	492.4	2.4	4,452.8	1.3
Mar.	5,552.7	106.0	1.3	858.5	1.1	501.3	2.3	4,192.9	1.2

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⁾

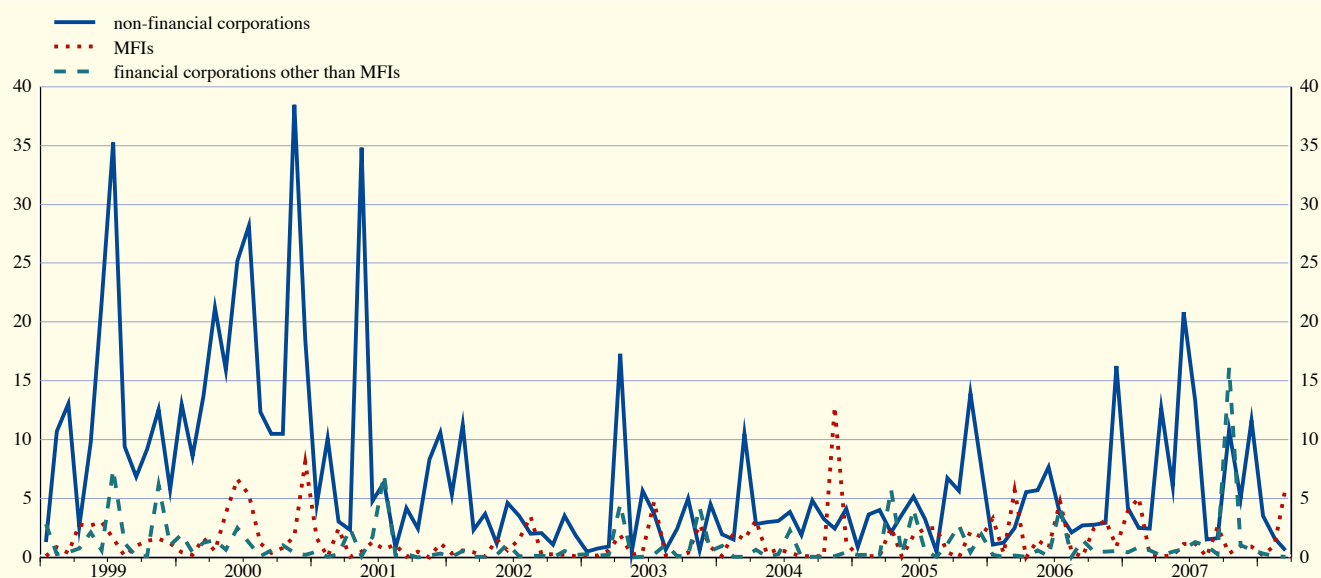
(EUR billions; market values)

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 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.	5.6	0.5	5.1	0.0	0.2	-0.1	0.0	0.0	0.0	5.5	0.3	5.2
May	7.7	2.2	5.5	1.4	0.0	1.4	0.6	0.0	0.6	5.7	2.2	3.5
June	8.5	2.7	5.8	0.8	0.3	0.5	0.1	0.1	0.0	7.7	2.4	5.3
July	12.6	6.6	6.0	4.7	0.0	4.7	4.2	3.5	0.7	3.6	3.1	0.6
Aug.	2.6	1.8	0.8	0.5	0.0	0.5	0.0	0.1	-0.1	2.1	1.6	0.5
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.	5.7	1.2	4.5	2.5	0.0	2.5	0.5	0.0	0.5	2.7	1.2	1.5
Nov.	6.5	2.0	4.5	3.1	0.0	3.1	0.5	0.2	0.3	2.9	1.8	1.1
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.	8.5	3.9	4.6	4.0	0.1	3.8	0.4	0.0	0.4	4.1	3.8	0.3
Feb.	8.4	2.0	6.3	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	3.2	1.7	1.5	0.2	0.0	0.2	0.6	0.4	0.2	2.4	1.4	1.0
Apr.	12.9	0.4	12.5	0.1	0.3	-0.2	0.2	0.0	0.1	12.7	0.2	12.5
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	22.6	1.6	21.0	1.1	0.0	1.1	0.7	0.0	0.7	20.8	1.6	19.3
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.	2.5	6.6	-4.2	0.0	0.1	-0.1	1.0	1.4	-0.5	1.5	5.1	-3.6
Sep.	4.5	2.5	2.0	2.6	0.0	2.6	0.3	0.3	-0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.3	3.2	-2.9	16.1	0.5	15.5	10.8	4.3	6.5
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.	13.2	4.6	8.6	0.9	0.0	0.9	0.7	2.2	-1.5	11.6	2.5	9.2
2008 Jan.	3.9	1.4	2.6	0.1	0.0	0.1	0.3	0.7	-0.4	3.5	0.7	2.8
Feb.	2.7	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.6	1.6	0.1
Mar.	6.5	5.8	0.6	5.9	0.0	5.9	0.0	0.5	-0.4	0.6	5.4	-4.8

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 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	4.38	4.68	3.95
Feb.	1.21	4.10	4.18	3.22	2.65	3.77	2.02	4.07	4.18	4.36	3.93
Mar.	1.22	4.14	3.97	3.09	2.69	3.78	2.02	4.19	4.25	4.08	3.96

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 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007 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	8.47	8.48	5.32	5.02	5.07	5.14	5.37	5.59	5.93	5.49
Feb.	10.45	8.54	7.24	8.44	8.70	5.26	4.97	5.02	5.11	5.35	5.55	5.87	5.55
Mar.	10.52	8.36	7.05	8.39	8.56	5.19	4.88	4.96	5.08	5.32	5.65	5.78	5.43

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 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.		6.56	5.84	5.86	5.24	5.04	5.43	5.14
Mar.		6.55	5.91	5.75	5.20	5.19	5.37	5.30

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)

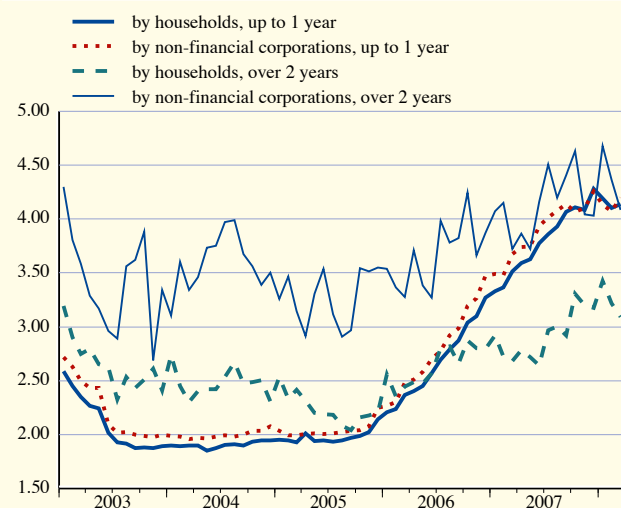
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ¹⁾²⁾		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2007 Apr.	1.04	3.23	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	4.33	4.17	4.01
2008 Jan.	1.20	3.98	3.06	2.57	3.75	2.01	4.27	4.21	4.01
Feb.	1.21	3.99	3.11	2.65	3.77	2.02	4.23	4.24	3.97
Mar.	1.22	4.01	3.06	2.69	3.78	2.02	4.28	4.23	3.96

5. Interest rates on loans (outstanding amounts)

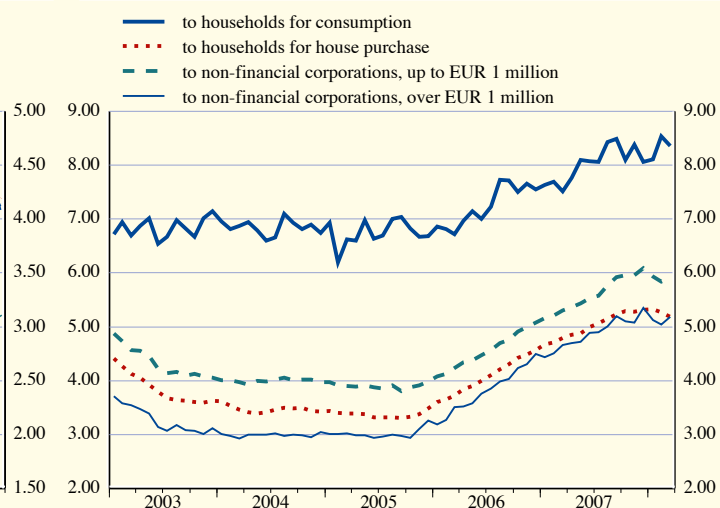
	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2007 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.	5.54	4.75	5.00	8.97	7.13	6.22	6.08	5.57	5.28
2008 Jan.	5.62	4.75	5.01	8.99	7.15	6.24	6.06	5.55	5.27
Feb.	5.60	4.82	5.03	9.05	7.21	6.26	5.99	5.52	5.30
Mar.	5.62	4.80	5.02	9.07	7.17	6.28	6.01	5.51	5.28

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.

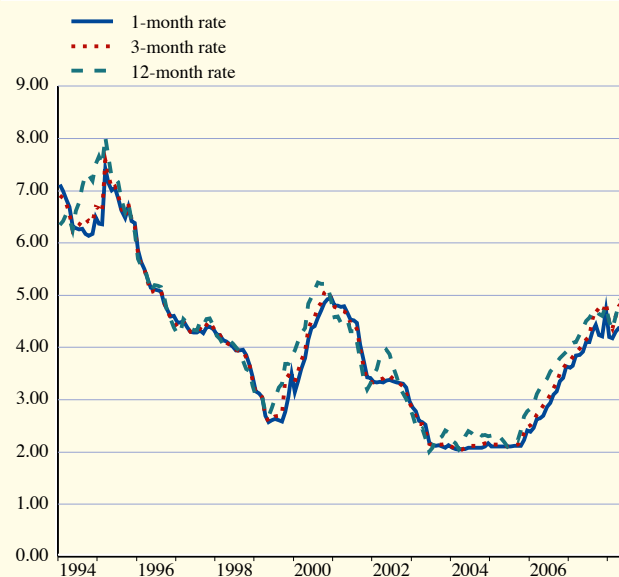
4.6 Money market interest rates

(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 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
Apr.	3.99	4.37	4.78	4.80	4.82	2.79	0.92
May	4.01	4.39	4.86	4.90	4.99	2.69	0.92

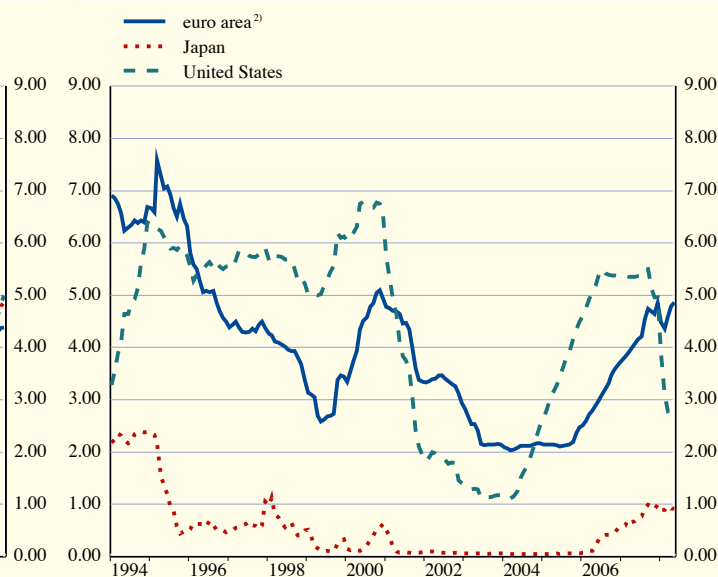
C23 Euro area money market rates ²⁾

(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.

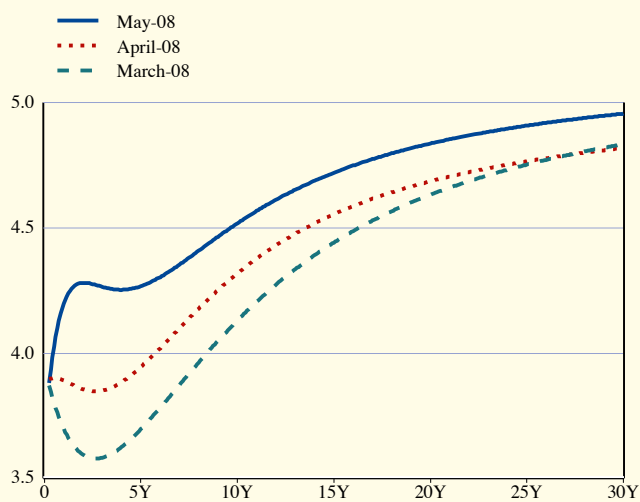
4.7 Euro area yield curves ¹⁾

(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
Apr.	3.90	3.89	3.86	3.95	4.10	4.32	0.42	0.46	3.86	3.81	4.29	4.95
May	3.88	4.20	4.28	4.27	4.35	4.52	0.64	0.24	4.41	4.29	4.40	5.03

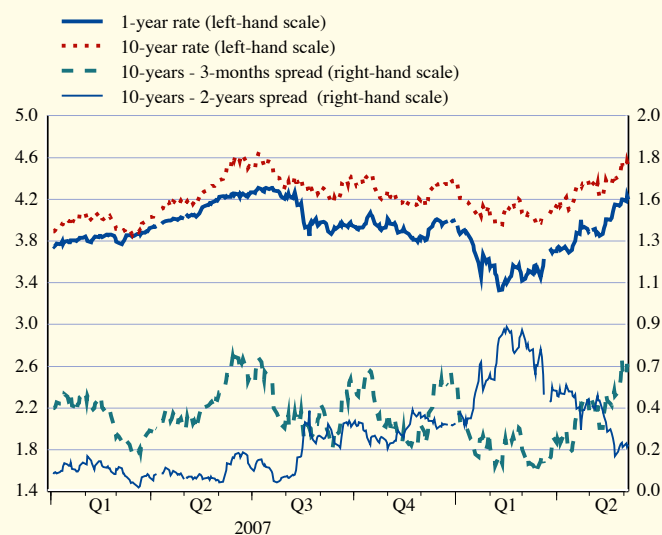
C25 Euro area spot yield curves

(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.

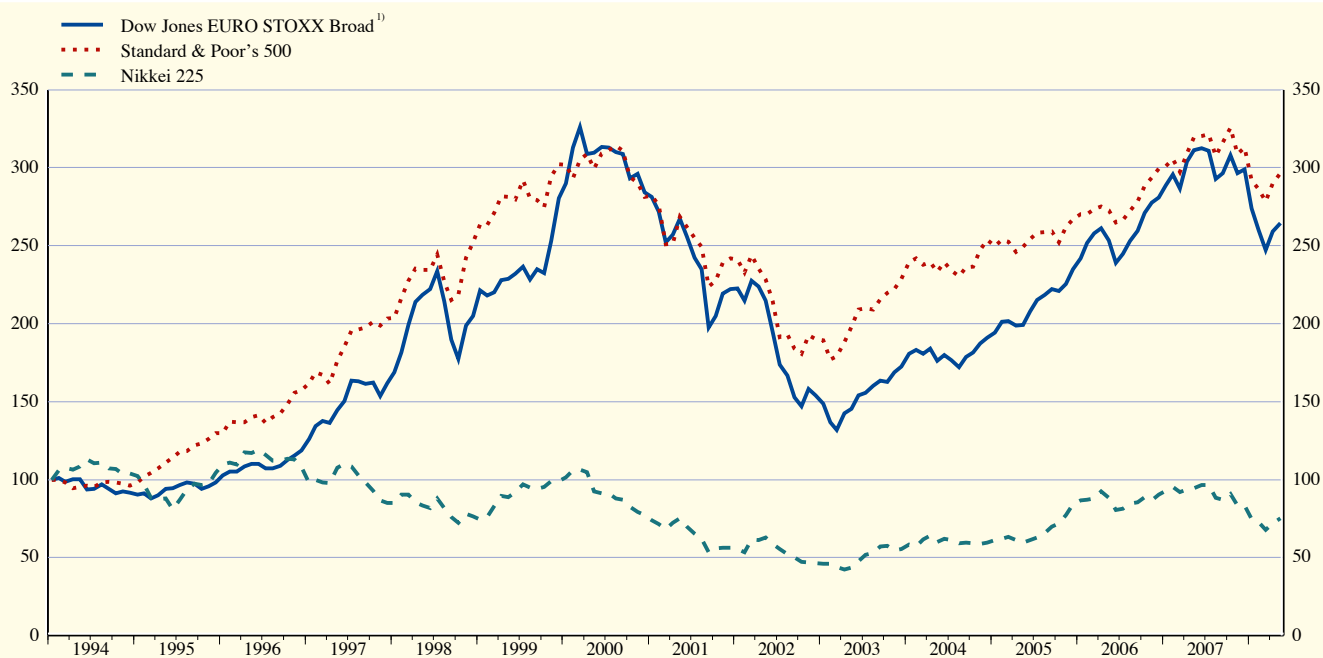
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices ¹⁾												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
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 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
Apr.	359.6	3,768.1	553.9	189.3	324.6	423.2	326.5	406.2	312.8	550.2	449.3	429.6	1,370.5	13,382.1
May	367.1	3,812.8	588.9	189.2	328.2	462.5	325.8	424.3	313.2	567.2	447.5	436.3	1,402.0	14,000.2

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices¹⁾

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices ²⁾	
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total excl. unprocessed food and energy											
% of total ³⁾	100.0	100.0	82.6	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
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
2008 Q1	106.4	3.4	2.5	3.9	2.6	1.0	2.0	0.5	0.2	3.4	0.7	3.5	2.2
2007 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	0.4	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.	107.2	3.6	2.7	4.1	2.8	0.6	0.3	0.7	0.1	2.3	0.5	3.7	2.4
Apr.	107.6	3.3	2.4	4.0	2.3	0.1	0.4	0.2	0.0	1.0	-0.3	3.4	2.3
May ⁴⁾	.	3.6	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents
% of total ³⁾	19.5	11.9	7.6	39.6	29.8	9.8	10.1	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
2007 Q1	2.5	2.1	3.1	1.1	1.1	2.6	2.0	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
2008 Q1	5.2	6.4	3.5	3.2	0.8	10.7	2.5	1.9	3.1	-2.5	3.2	3.2
2007 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.	4.9	5.9	3.3	3.1	0.7	10.6	2.6	1.9	3.1	-2.9	3.0	3.3
Feb.	5.2	6.5	3.3	3.1	0.8	10.4	2.5	1.9	3.0	-3.1	3.1	3.2
Mar.	5.6	6.8	3.8	3.4	0.9	11.2	2.5	1.9	3.3	-1.5	3.7	3.1
Apr.	5.4	7.0	3.1	3.2	0.8	10.8	2.4	1.8	3.2	-1.6	2.7	2.1

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	Interme- diate goods	Capital goods	Consumer goods								
							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	2.8	7.8	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	4.2	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	4.0	4.5	3.9	9.2	52.8
2007 Q1	117.3	2.9	2.5	3.4	6.0	2.0	1.6	2.0	1.5	1.2	4.5	-	-5.5	15.7	44.8
Q2	118.5	2.4	2.6	3.2	5.4	2.0	1.7	1.8	1.7	-0.4	4.5	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	3.6	-	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	4.0 ⁶⁾	23.5	1.6	61.0
2008 Q1	123.6	5.4	5.4	3.6	4.2	1.5	4.4	2.3	4.8	11.7	.	-	36.5	11.9	64.2
2007 Dec.	121.7	4.4	4.8	3.2	3.5	1.5	3.9	2.0	4.3	8.6	-	-	24.1	1.4	62.8
2008 Jan.	122.8	5.0	5.2	3.4	3.8	1.4	4.2	2.3	4.6	10.8	-	-	37.5	10.4	62.4
Feb.	123.6	5.4	5.4	3.6	4.2	1.5	4.3	2.3	4.7	11.7	-	-	37.2	15.0	64.1
Mar.	124.5	5.8	5.6	3.8	4.4	1.5	4.6	2.5	5.0	12.7	-	-	34.8	10.3	66.1
Apr.	125.5	6.1	5.4	3.7	4.3	1.6	4.4	2.4	4.8	14.3	-	-	32.7	5.8	69.8
May	.	.	.	.	.	.	.	.	.	.	-	-	47.7	6.0	80.1

3. Hourly labour costs⁷⁾

	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
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
2008 Q1	.	.	.	.	.	.	.	2.7

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		
	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	7.6	-0.6	3.4	0.9	1.4	2.0	
2006	109.8	1.0	0.9	-0.4	1.4	0.5	1.9	2.6	
2007	111.4	1.4	1.1	-0.4	4.0	0.5	3.3	1.8	
2006 Q4	109.8	0.2	-0.6	-1.0	1.6	-0.2	1.8	0.8	
2007 Q1	110.7	1.0	0.6	-0.9	1.3	-0.5	3.4	2.0	
Q2	111.4	1.3	1.4	0.2	4.6	0.2	3.7	0.7	
Q3	111.4	1.4	2.0	-0.9	5.3	0.8	2.7	2.0	
Q4	112.0	2.0	0.9	-0.1	4.9	1.5	3.3	2.2	
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	103.0	0.7	-5.2	2.2	-0.9	0.8	0.7	-0.2	
2006	104.2	1.2	0.5	3.8	1.9	1.2	-0.1	-0.7	
2007	105.1	0.9	1.6	2.9	-0.6	1.3	-0.6	0.4	
2006 Q4	104.9	1.6	3.1	3.9	1.8	2.3	0.2	-0.5	
2007 Q1	105.1	1.4	2.0	3.0	2.4	2.3	-0.2	0.3	
Q2	104.9	0.9	1.6	2.6	-1.9	1.7	-0.8	0.7	
Q3	105.2	0.8	1.1	3.0	-1.6	0.9	-0.5	0.2	
Q4	105.3	0.4	1.2	2.7	-1.4	0.3	-0.9	0.4	

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	109.5	1.9	2.1	2.1	2.2	2.5	1.0	1.4
2005	111.6	2.0	2.3	2.1	2.5	2.6	2.5	3.5
2006	113.7	1.9	2.4	2.2	1.9	2.9	2.7	3.9
2007	116.2	2.2	2.1	2.1	1.5	2.7	1.4	1.2
2007 Q1	115.3	2.1	1.8	1.9	1.5	3.0	1.4	0.5
Q2	116.1	2.2	1.9	1.9	0.8	2.9	1.6	0.7
Q3	116.6	2.2	2.1	1.9	1.4	2.5	1.2	0.9
Q4	117.0	2.2	2.7	2.7	2.4	2.3	1.5	2.7
2008 Q1	117.7	2.0	.	3.1	2.2	2.2	2.2	3.9

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
	<i>Current prices (EUR billions, seasonally adjusted)</i>								
2004	7,809.6	7,660.9	4,479.1	1,594.0	1,578.6	9.1	148.8	2,858.4	2,709.6
2005	8,101.5	7,992.4	4,650.1	1,658.8	1,672.0	11.5	109.1	3,076.2	2,967.1
2006	8,499.1	8,406.0	4,844.8	1,723.7	1,814.8	22.7	93.1	3,413.5	3,320.4
2007	8,915.7	8,786.7	5,024.7	1,790.2	1,944.6	27.3	129.0	3,669.4	3,540.5
2007 Q1	2,196.5	2,166.2	1,235.5	441.6	479.1	10.0	30.3	894.1	863.8
Q2	2,218.1	2,182.5	1,250.7	445.2	482.0	4.6	35.6	908.7	873.1
Q3	2,242.8	2,209.7	1,262.9	449.8	488.4	8.7	33.1	930.3	897.2
Q4	2,258.2	2,228.3	1,275.6	453.6	495.1	4.0	29.9	936.3	906.4
2008 Q1	2,288.7	2,261.7	1,288.3	457.5	507.1	8.7	27.0	963.2	936.2
	<i>percentage of GDP</i>								
2007	100.0	98.6	56.4	20.1	21.8	0.3	1.4	-	-
	<i>Chain-linked volumes (prices of the previous year, seasonally adjusted³⁾)</i>								
	<i>quarter-on-quarter percentage changes</i>								
2007 Q1	0.8	1.1	0.2	0.9	1.2	-	-	0.9	1.6
Q2	0.4	0.1	0.6	0.3	0.0	-	-	0.9	0.2
Q3	0.7	0.7	0.4	0.8	0.9	-	-	2.2	2.4
Q4	0.3	0.1	-0.1	0.0	1.0	-	-	0.3	-0.3
2008 Q1	0.8	0.8	0.2	0.4	1.6	-	-	1.9	1.8
	<i>annual percentage changes</i>								
2004	2.1	1.9	1.6	1.4	2.4	-	-	7.2	7.0
2005	1.6	1.9	1.7	1.5	3.1	-	-	4.7	5.6
2006	2.8	2.6	1.8	2.0	5.2	-	-	7.9	7.6
2007	2.6	2.3	1.6	2.3	4.5	-	-	6.0	5.3
2007 Q1	3.2	3.0	1.5	2.3	6.8	-	-	6.6	6.1
Q2	2.6	2.3	1.8	2.4	3.8	-	-	5.9	5.2
Q3	2.7	2.2	1.8	2.6	3.9	-	-	7.2	6.1
Q4	2.1	2.0	1.2	2.0	3.2	-	-	4.4	4.0
2008 Q1	2.2	1.6	1.2	1.4	3.6	-	-	5.4	4.3
	<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>								
2007 Q1	0.8	1.0	0.1	0.2	0.3	0.5	-0.3	-	-
Q2	0.4	0.1	0.3	0.1	0.0	-0.3	0.3	-	-
Q3	0.7	0.7	0.3	0.2	0.2	0.1	0.0	-	-
Q4	0.3	0.1	0.0	0.0	0.2	-0.1	0.2	-	-
2008 Q1	0.8	0.7	0.1	0.1	0.4	0.2	0.0	-	-
	<i>contributions to annual percentage changes of GDP in percentage points</i>								
2004	2.1	1.9	0.9	0.3	0.5	0.2	0.2	-	-
2005	1.6	1.9	0.9	0.3	0.6	0.0	-0.2	-	-
2006	2.8	2.6	1.0	0.4	1.1	0.1	0.2	-	-
2007	2.6	2.3	0.9	0.5	1.0	0.0	0.3	-	-
2007 Q1	3.2	3.0	0.9	0.5	1.4	0.2	0.3	-	-
Q2	2.6	2.2	1.0	0.5	0.8	-0.1	0.3	-	-
Q3	2.7	2.2	1.0	0.5	0.8	-0.2	0.5	-	-
Q4	2.1	1.9	0.7	0.4	0.7	0.1	0.2	-	-
2008 Q1	2.2	1.6	0.7	0.3	0.8	-0.1	0.5	-	-

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	7,010.9	153.5	1,436.4	414.1	1,488.6	1,914.6	1,603.6	798.7
2005	7,260.0	142.1	1,472.6	439.8	1,527.1	2,013.0	1,665.4	841.5
2006	7,590.0	139.6	1,537.8	482.4	1,585.4	2,121.0	1,723.9	909.1
2007	7,962.6	150.8	1,614.3	520.6	1,654.4	2,232.5	1,790.0	953.1
2007 Q1	1,957.4	36.7	397.6	128.4	407.5	546.8	440.4	239.0
Q2	1,981.4	37.0	401.9	129.0	411.6	555.9	446.0	236.7
Q3	2,005.5	38.4	407.0	130.8	417.2	562.4	449.7	237.3
Q4	2,018.2	38.7	407.7	132.4	418.1	567.4	453.8	240.1
2008 Q1	2,046.7	39.5	414.8	136.5	424.6	573.5	457.7	242.0
	<i>percentage of value added</i>							
2007	100.0	1.9	20.3	6.5	20.8	28.0	22.5	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted ¹⁾)							
	<i>quarter-on-quarter percentage changes</i>							
2007 Q1	0.8	0.9	0.9	1.4	0.7	0.9	0.6	0.4
Q2	0.5	-1.0	0.6	-1.4	0.7	0.8	0.5	-0.7
Q3	0.7	-1.1	1.1	0.5	0.8	0.6	0.3	0.7
Q4	0.4	1.3	0.5	0.4	0.1	0.5	0.2	-0.2
2008 Q1	0.7	2.5	0.6	1.9	1.1	0.6	0.2	1.2
	<i>annual percentage changes</i>							
2004	2.2	10.9	2.7	0.9	2.3	1.8	1.6	1.0
2005	1.6	-6.0	1.0	1.6	1.6	3.1	1.3	1.6
2006	2.8	-0.9	3.4	4.7	2.7	3.6	1.1	3.0
2007	2.8	0.8	3.4	3.2	3.0	3.2	1.7	1.4
2007 Q1	3.3	2.1	3.4	7.4	3.7	3.6	1.6	2.2
Q2	2.7	0.4	3.2	2.6	3.1	3.1	1.8	1.3
Q3	2.8	-0.1	3.5	2.0	3.1	3.2	1.7	1.8
Q4	2.4	0.1	3.2	0.9	2.3	2.9	1.7	0.1
2008 Q1	2.3	1.7	2.9	1.4	2.7	2.6	1.3	1.0
	<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>							
2007 Q1	0.8	0.0	0.2	0.1	0.1	0.2	0.1	-
Q2	0.5	0.0	0.1	-0.1	0.1	0.2	0.1	-
Q3	0.7	0.0	0.2	0.0	0.2	0.2	0.1	-
Q4	0.4	0.0	0.1	0.0	0.0	0.1	0.1	-
2008 Q1	0.7	0.0	0.1	0.1	0.2	0.2	0.1	-
	<i>contributions to annual percentage changes of value added in percentage points</i>							
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	2.8	0.0	0.7	0.3	0.6	1.0	0.3	-
2007	2.8	0.0	0.7	0.2	0.6	0.9	0.4	-
2007 Q1	3.3	0.0	0.7	0.5	0.8	1.0	0.4	-
Q2	2.7	0.0	0.6	0.2	0.6	0.9	0.4	-
Q3	2.8	0.0	0.7	0.1	0.7	0.9	0.4	-
Q4	2.4	0.0	0.7	0.1	0.5	0.8	0.4	-
2008 Q1	2.3	0.0	0.6	0.1	0.6	0.7	0.3	-

Sources: Eurostat and ECB calculations.

1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction									Construction
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy							Energy		
			Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total ¹⁾	100.0	82.8	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	1.4	1.1	0.8	2.9	0.4	-0.9	0.7	1.4	0.3
2006	4.0	108.1	4.0	4.4	4.4	4.9	5.9	2.5	4.2	2.2	0.8	4.0
2007	3.5	111.8	3.5	4.0	3.9	3.8	6.0	2.3	1.1	2.6	-0.3	3.2
2007 Q2	3.0	111.1	2.9	3.4	3.2	3.2	5.0	2.0	1.3	2.1	-0.2	2.7
Q3	3.8	112.7	4.0	4.3	4.2	3.6	6.6	3.1	2.0	3.2	1.4	1.8
Q4	2.6	112.9	3.1	2.6	2.4	1.9	5.2	0.7	-2.7	1.3	5.9	-0.8
2008 Q1	2.6	113.7	2.8	2.2	2.1	1.7	5.8	0.4	-1.4	0.7	4.4	1.2
2007 Oct.	4.3	113.2	4.4	4.0	3.9	3.2	7.3	1.8	0.4	2.1	6.9	2.9
Nov.	2.4	112.7	3.0	2.3	2.0	1.6	5.2	0.4	-3.8	1.2	6.4	-1.7
Dec.	1.0	112.8	1.8	1.4	1.1	0.6	3.2	-0.3	-4.9	0.5	4.7	-3.9
2008 Jan.	3.3	113.6	3.5	3.5	3.2	2.3	7.2	1.8	0.0	2.1	3.0	2.4
Feb.	3.5	113.9	3.3	3.1	3.4	2.0	6.9	1.0	-0.7	1.3	4.3	4.6
Mar.	1.3	113.4	1.7	0.2	-0.1	0.8	3.7	-1.5	-3.2	-1.2	5.8	-2.2
<i>month-on-month percentage changes (s.a.)</i>												
2007 Oct.	0.9	-	0.7	0.6	0.5	0.6	1.1	0.1	0.1	0.1	0.9	1.7
Nov.	-0.7	-	-0.5	-0.5	-0.6	-0.9	-0.2	-0.5	-2.0	-0.3	0.2	-1.8
Dec.	0.1	-	0.1	0.3	0.4	0.7	-0.4	0.2	-0.1	0.2	0.5	-0.2
2008 Jan.	1.0	-	0.7	1.2	1.2	0.8	2.5	0.9	2.0	0.7	-4.5	2.4
Feb.	0.6	-	0.3	0.2	0.4	0.3	0.5	-0.3	-0.1	-0.4	1.4	1.6
Mar.	-0.9	-	-0.5	-0.5	-1.4	-0.4	-1.4	-0.8	-1.6	-0.6	2.7	-2.6

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., thousands) ³⁾	Total
	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				
									Textiles, clothing, footwear	Household equipment			
% of total ¹⁾	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	12	13	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	109.2	3.9	110.8	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	2.9	108.4	1.6	0.3	2.6	2.8	4.4	968	3.0
2007	128.9	8.3	126.1	6.3	2.4	109.4	0.9	-0.3	1.8	3.2	2.1	963	-0.5
2007 Q2	129.6	10.6	125.9	6.3	2.2	109.6	1.0	-0.2	1.8	3.2	2.9	952	-2.5
Q3	129.0	6.5	127.4	6.3	2.6	109.9	1.4	-0.6	2.9	5.8	2.8	965	2.1
Q4	131.5	8.2	127.1	5.3	2.1	108.9	-0.4	-0.9	0.1	0.0	-1.2	981	0.3
2008 Q1	131.5	4.3	131.3	4.6	3.1	108.9	-0.1	-1.4	0.7	0.1	-1.1	949	-0.6
2007 Nov.	133.9	11.3	128.0	4.6	2.1	108.7	-0.5	-1.2	-0.2	-0.8	-2.0	960	-3.7
Dec.	128.9	2.1	125.9	1.7	1.4	108.8	-1.3	-1.9	-0.7	-1.0	-1.8	1,009	4.1
2008 Jan.	131.9	7.1	132.1	7.5	3.7	109.3	0.8	-1.6	2.4	2.9	0.4	955	-1.3
Feb.	132.2	10.0	131.7	10.2	4.6	109.1	1.3	0.2	2.0	4.3	-0.4	980	5.8
Mar.	130.3	-3.2	130.3	-2.7	1.1	108.1	-2.3	-2.5	-2.1	-6.3	-3.1	913	-4.8
Apr.	.	.	.	.	0.6	107.4	-2.9	-3.4	-2.4	.	.	958	2.2
<i>month-on-month percentage changes (s.a.)</i>													
2007 Nov.	-	1.7	-	0.4	-0.1	-	-0.6	-0.8	-0.4	-0.7	-0.8	-	-1.3
Dec.	-	-3.7	-	-1.6	0.3	-	0.1	-0.2	0.1	0.2	0.7	-	5.1
2008 Jan.	-	2.4	-	4.9	0.9	-	0.5	0.1	0.9	1.8	0.3	-	-5.4
Feb.	-	0.2	-	-0.3	0.0	-	-0.2	0.1	-0.4	1.1	-0.2	-	2.7
Mar.	-	-1.4	-	-1.1	-0.7	-	-0.9	-0.3	-1.2	-5.0	-1.2	-	-6.8
Apr.	-	.	-	.	0.1	-	-0.6	-1.0	-0.5	.	.	-	4.9

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	83.7	-12	-7	-17	11	-12
2007 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
Apr.	97.1	-2	-5	9	8	83.5	-12	-8	-19	11	-12
May	97.1	-2	-5	9	8	-	-15	-10	-21	14	-15
	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	-14	-1	-1	2	16	12	10	4	12	15
2007 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	13
Apr.	-12	-18	-6	-5	-4	18	6	7	1	7	12
May	-10	-17	-3	-1	3	14	7	8	4	8	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
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
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		49.6		50.4	
	1	2	3	4	5	6	7	8	9	10
2004	13.095	8.8	10.156	7.7	2.939	17.0	6.557	7.9	6.539	9.9
2005	13.285	8.8	10.339	7.8	2.946	17.1	6.696	8.0	6.589	9.9
2006	12.510	8.2	9.770	7.2	2.740	16.1	6.213	7.4	6.297	9.3
2007	11.372	7.4	8.895	6.5	2.477	14.8	5.590	6.6	5.782	8.4
2007 Q1	11.635	7.6	9.112	6.7	2.523	15.1	5.710	6.8	5.925	8.7
Q2	11.414	7.5	8.942	6.6	2.472	14.8	5.586	6.6	5.828	8.5
Q3	11.282	7.3	8.831	6.5	2.451	14.6	5.560	6.5	5.722	8.3
Q4	11.156	7.2	8.696	6.3	2.461	14.7	5.505	6.5	5.651	8.2
2008 Q1	11.034	7.1	8.568	6.2	2.466	14.7	5.433	6.4	5.600	8.1
2007 Nov.	11.153	7.2	8.696	6.3	2.456	14.6	5.504	6.5	5.649	8.2
Dec.	11.107	7.2	8.649	6.3	2.458	14.7	5.487	6.4	5.621	8.1
2008 Jan.	11.066	7.2	8.602	6.2	2.464	14.7	5.440	6.4	5.625	8.1
Feb.	11.023	7.1	8.561	6.2	2.462	14.7	5.428	6.4	5.596	8.1
Mar.	11.012	7.1	8.540	6.2	2.472	14.7	5.432	6.4	5.580	8.0
Apr.	11.072	7.1	8.552	6.2	2.520	15.0	5.491	6.4	5.581	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⁾
	1	2	Direct taxes		Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes	13		
			Households	Corporations			Employers	Employees						
1999	47.0	46.7	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.5	46.2	12.7	9.4	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.5	12.3	9.2	2.7	13.5	0.5	15.6	8.1	4.7	2.2	0.2	0.3	41.7
2002	45.2	44.8	11.8	9.1	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	8.8	2.3	13.5	0.4	15.7	8.2	4.6	2.1	0.6	0.5	41.1
2004	44.6	44.1	11.3	8.5	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	44.9	44.4	11.6	8.6	2.6	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	41.0
2006	45.5	45.2	12.1	8.8	3.0	13.9	0.3	15.4	8.1	4.5	2.1	0.3	0.3	41.6
2007	45.6	45.4	12.5	9.0	3.2	13.8	0.3	15.2	8.0	4.4	2.1	0.3	0.3	41.9

2. Euro area – expenditure

	Total	Current expenditure							Capital expenditure			Memo: primary expenditure ³⁾		
	1	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions	
														2	3	4	5	6	7	8	9	10	11	12	13
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	44.3
2000	46.5	43.8	10.4	4.8	3.9	24.7	21.7	2.0	0.5	2.8	2.5	1.3	0.0	42.6
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.4	1.8	0.5	3.9	2.5	1.4	0.0	44.4
2005	47.4	43.5	10.4	5.1	3.0	25.1	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.4
2006	46.8	43.0	10.2	5.0	2.9	24.9	22.1	1.7	0.5	3.9	2.5	1.4	0.0	43.9
2007	46.3	42.5	10.1	5.0	3.0	24.5	21.7	1.6	0.4	3.8	2.5	1.3	0.0	43.3

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
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.8	2.3	8.3	11.6
2000	0.0	-0.4	-0.1	0.1	0.5	3.9	19.7	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.8	-1.7	-0.4	-0.1	0.3	2.0	19.8	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	20.2	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	1.8	2.1	8.3	12.2
2004	-2.9	-2.5	-0.4	-0.3	0.2	0.2	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	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.3
2007	-0.6	-1.1	0.0	0.0	0.5	2.3	20.1	10.1	5.0	5.2	1.9	2.1	7.8	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
2004	0.0	-3.8	1.4	-7.4	-0.3	-3.6	-3.5	-4.1	-1.2	-4.6	-1.7	-3.7	-3.4	-2.3	2.4
2005	-2.3	-3.4	1.6	-5.1	1.0	-2.9	-4.2	-2.4	-0.1	-3.0	-0.3	-1.5	-6.1	-1.5	2.9
2006	0.3	-1.6	3.0	-2.6	1.8	-2.4	-3.4	-1.2	1.3	-2.5	0.5	-1.5	-3.9	-1.2	4.1
2007	-0.2	0.0	0.3	-2.8	2.2	-2.7	-1.9	3.3	2.9	-1.8	0.4	-0.5	-2.6	-0.1	5.3

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

1) The data refer to the Euro 15. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated.

Transactions among Member States' governments are not consolidated.

2) The fiscal burden comprises taxes and social contributions.

3) Comprises total expenditure minus interest expenditure.

4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.

5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt ¹⁾

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				Other creditors ³⁾
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1998	72.8	2.8	15.2	5.3	49.6	52.5	26.5	14.5	11.5	20.4
1999	72.0	2.9	14.4	4.3	50.5	48.8	25.3	13.8	9.7	23.2
2000	69.3	2.7	13.1	3.7	49.7	44.2	22.0	12.4	9.8	25.1
2001	68.2	2.8	12.4	4.0	49.0	42.0	20.6	11.1	10.4	26.2
2002	68.0	2.7	11.8	4.5	49.0	40.2	19.3	10.7	10.1	27.9
2003	69.2	2.1	12.4	5.0	49.7	39.4	19.5	11.2	8.7	29.7
2004	69.6	2.2	11.9	5.0	50.5	37.6	18.4	10.8	8.3	32.0
2005	70.2	2.4	11.8	4.7	51.3	35.5	17.2	11.1	7.2	34.7
2006	68.5	2.5	11.4	4.1	50.5	33.8	17.5	9.4	6.9	34.6
2007	66.3	2.2	10.8	4.3	49.1	32.3	17.0	8.5	6.9	34.0

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

	Total	Issued by ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies ⁵⁾	Other currencies
1998	72.8	61.2	6.1	5.2	0.4	8.2	64.6	7.8	15.5	26.4	30.9	71.0	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.3	64.7	6.8	13.6	27.9	30.6	69.9	2.1
2000	69.3	58.1	5.9	4.9	0.4	6.5	62.7	6.1	13.4	27.8	28.0	67.3	1.9
2001	68.2	57.0	6.1	4.7	0.4	7.0	61.2	5.2	13.7	26.5	28.0	66.5	1.7
2002	68.0	56.6	6.3	4.7	0.4	7.6	60.4	5.1	15.3	25.0	27.7	66.6	1.5
2003	69.2	57.0	6.5	5.1	0.6	7.8	61.4	5.0	14.8	25.8	28.6	68.0	1.1
2004	69.6	57.4	6.6	5.1	0.4	7.8	61.7	4.7	14.7	26.2	28.7	68.5	1.1
2005	70.2	57.7	6.7	5.3	0.5	7.9	62.3	4.6	14.9	25.7	29.6	68.9	1.2
2006	68.5	56.0	6.5	5.4	0.5	7.5	61.0	4.5	14.4	24.5	29.6	67.5	1.0
2007	66.3	54.2	6.3	5.3	0.5	7.5	58.9	4.2	14.2	23.4	28.8	65.5	0.8

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
2004	94.2	65.6	29.5	98.6	46.2	64.9	103.8	70.2	6.3	72.6	52.4	63.8	58.3	27.6	44.1
2005	92.1	67.8	27.4	98.0	43.0	66.4	105.8	69.1	6.1	70.4	52.3	63.5	63.6	27.5	41.3
2006	88.2	67.6	25.1	95.3	39.7	63.6	106.5	64.8	6.6	64.2	47.9	61.8	64.7	27.2	39.2
2007	84.9	65.0	25.4	94.5	36.2	64.2	104.0	59.8	6.8	62.6	45.4	59.1	63.6	24.1	35.4

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

- 1) The data refer to the Euro 15. 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 debt¹⁾

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors ⁷⁾
		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	
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-0.9	2.8	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	-0.1	0.0	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	0.7	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	0.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.7	3.9
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.1	-0.4	1.5	0.0	1.1	-1.2	1.5
2007	1.1	1.1	0.0	0.0	0.0	-0.1	-0.1	0.4	0.9	0.1	0.3	-0.5	1.0

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+) ⁸⁾	Deficit-debt adjustment ⁹⁾											Other ¹⁰⁾
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Loans	Securities ¹¹⁾	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	-0.1	0.1
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	-0.1
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.9	0.2	0.3	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.0
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	-0.2
2006	1.5	-1.3	0.1	0.4	0.4	-0.1	0.3	-0.1	-0.3	0.1	0.1	0.0	0.0	-0.3
2007	1.1	-0.6	0.4	0.5	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1

Source: ECB.

- 1) The data refer to the Euro 15 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$.
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) 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⁾
	1	2	Direct taxes 3	Indirect taxes 4	Social contributions 5	Sales 6	Property income 7	8	Capital taxes 9	
2001 Q4	49.0	48.5	13.5	13.8	16.3	2.9	1.1	0.5	0.3	43.9
2002 Q1	41.9	41.5	10.1	12.7	15.4	1.7	0.8	0.4	0.2	38.5
Q2	45.4	44.9	12.5	12.7	15.5	1.9	1.5	0.5	0.3	40.9
Q3	43.4	43.0	11.2	12.7	15.4	1.9	0.8	0.4	0.3	39.6
Q4	49.0	48.4	13.4	14.0	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	41.9	41.5	9.8	12.8	15.5	1.7	0.7	0.5	0.2	38.4
Q2	45.8	44.4	12.0	12.7	15.7	2.0	1.3	1.5	1.2	41.5
Q3	42.8	42.3	10.8	12.7	15.5	1.9	0.7	0.5	0.2	39.2
Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.3	40.9	9.6	12.8	15.3	1.7	0.6	0.4	0.3	38.0
Q2	44.9	44.1	12.1	13.0	15.3	2.0	0.9	0.8	0.6	41.0
Q3	42.6	42.2	10.6	12.7	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.2	48.2	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	44.6	43.9	11.8	13.2	15.2	2.0	1.0	0.6	0.3	40.5
Q3	43.3	42.6	11.0	12.9	15.2	1.9	0.8	0.7	0.3	39.4
Q4	49.3	48.5	13.4	14.3	16.1	2.9	0.9	0.8	0.3	44.1
2006 Q1	42.6	42.1	10.2	13.3	15.2	1.7	0.8	0.5	0.3	39.0
Q2	45.7	45.2	12.5	13.6	15.2	2.0	1.2	0.4	0.3	41.5
Q3	43.6	43.2	11.5	12.9	15.2	1.9	0.8	0.5	0.3	39.9
Q4	49.6	48.9	14.1	14.3	15.9	2.9	0.9	0.6	0.3	44.6
2007 Q1	42.4	42.0	10.3	13.5	14.9	1.7	0.9	0.4	0.3	39.0
Q2	46.2	45.7	13.0	13.6	15.1	2.0	1.2	0.4	0.3	42.0
Q3	43.8	43.3	12.1	12.8	15.0	1.9	0.8	0.4	0.3	40.1
Q4	49.7	49.2	14.5	14.2	15.8	2.9	0.9	0.6	0.3	44.8

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure					Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)	
	Total 1	Compensation of employees 2	Intermediate consumption 3	Interest 4	Current transfers 5	Social benefits 6	Subsidies 7	Investment 8	Capital transfers 9				
										10			11	12	13
2001 Q4	51.1	46.1	11.0	5.6	3.6	25.9	22.1	1.7	4.9	3.2	1.8	-2.0	1.5
2002 Q1	46.2	42.7	10.2	4.4	3.7	24.4	21.1	1.4	3.4	2.0	1.5	-4.3	-0.6
Q2	46.5	43.1	10.3	4.9	3.5	24.4	21.2	1.3	3.4	2.3	1.1	-1.1	2.5
Q3	46.7	43.1	10.0	4.7	3.5	24.8	21.4	1.4	3.7	2.5	1.2	-3.3	0.2
Q4	50.8	46.3	11.1	5.6	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	4.6	3.5	25.0	21.5	1.3	3.5	1.9	1.6	-4.9	-1.4
Q2	47.2	43.7	10.4	4.8	3.4	25.1	21.7	1.3	3.5	2.3	1.2	-1.4	2.0
Q3	47.0	43.3	10.2	4.8	3.3	25.0	21.5	1.3	3.7	2.5	1.2	-4.2	-0.9
Q4	51.1	46.3	11.0	5.6	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.1	25.0	21.4	1.2	3.4	1.9	1.5	-5.0	-1.9
Q2	46.6	43.2	10.4	4.8	3.3	24.8	21.4	1.3	3.3	2.3	1.0	-1.7	1.6
Q3	46.0	42.7	10.0	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	51.0	45.8	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.7	1.2
2005 Q1	46.8	43.1	10.2	4.7	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.8	-1.7
Q2	46.2	42.9	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.7	1.5
Q3	45.8	42.4	9.9	4.8	2.9	24.7	21.3	1.2	3.4	2.5	1.0	-2.5	0.4
Q4	50.7	45.9	11.1	5.8	2.8	26.1	22.6	1.4	4.8	3.1	1.6	-1.4	1.4
2006 Q1	45.4	42.3	10.0	4.5	2.9	24.8	21.2	1.2	3.1	1.9	1.2	-2.8	0.1
Q2	45.6	42.4	10.3	4.8	3.1	24.2	21.2	1.1	3.2	2.3	0.9	0.1	3.1
Q3	45.3	41.9	9.8	4.7	2.9	24.4	21.1	1.2	3.4	2.5	1.0	-1.7	1.2
Q4	50.6	45.2	10.7	5.8	2.7	25.9	22.3	1.3	5.4	3.2	2.2	-1.0	1.7
2007 Q1	44.5	41.4	9.8	4.6	3.0	24.1	20.6	1.2	3.1	2.0	1.2	-2.1	0.8
Q2	44.9	41.8	10.0	4.8	3.2	23.8	20.8	1.1	3.2	2.3	0.8	1.2	4.5
Q3	44.7	41.3	9.7	4.7	3.0	24.0	20.8	1.2	3.4	2.5	0.9	-0.9	2.0
Q4	50.5	45.2	10.7	5.8	2.8	25.9	22.2	1.4	5.3	3.3	2.0	-0.8	2.0

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 15. 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 ¹⁾

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument ²⁾

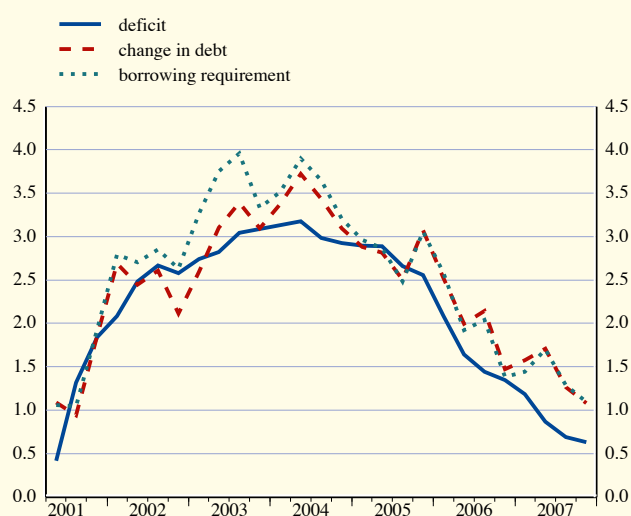
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2005 Q1	70.9	2.2	12.0	5.2	51.5
Q2	71.5	2.3	11.7	5.2	52.3
Q3	71.1	2.4	11.8	5.2	51.8
Q4	70.2	2.4	11.8	4.7	51.3
2006 Q1	70.6	2.5	11.7	4.9	51.4
Q2	70.6	2.5	11.6	4.9	51.6
Q3	70.1	2.5	11.6	4.7	51.3
Q4	68.5	2.5	11.4	4.1	50.5
2007 Q1	68.8	2.4	11.4	4.8	50.2
Q2	69.0	2.2	11.2	5.1	50.5
Q3	68.0	2.1	11.0	5.2	49.7
Q4	66.3	2.2	10.8	4.3	49.1

2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7				Shares and other equity 8
2005 Q1	7.3	-4.8	2.4	2.4	1.3	0.3	0.3	0.5	-0.1	0.1	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	-1.9	-2.4	-2.3	0.0	0.3	-0.4	0.1	0.4	0.5
Q4	-0.6	-1.4	-2.0	-0.4	0.0	0.0	-0.3	-0.1	0.0	-1.5	-0.6
2006 Q1	4.8	-2.8	2.0	1.3	1.0	0.1	0.7	-0.5	-0.4	1.1	5.2
Q2	3.3	0.1	3.3	3.2	2.5	0.0	0.4	0.2	0.6	-0.5	2.6
Q3	1.2	-1.7	-0.5	-0.8	-0.7	-0.1	0.2	-0.2	0.2	0.1	1.0
Q4	-3.1	-1.0	-4.1	-2.1	-1.2	-0.6	-0.2	-0.2	-0.1	-1.9	-3.0
2007 Q1	5.1	-2.1	3.0	2.0	1.0	0.1	0.6	0.2	-0.1	1.1	5.2
Q2	3.7	1.2	5.0	4.7	4.1	0.0	0.5	0.1	0.1	0.1	3.6
Q3	-0.6	-0.9	-1.5	-1.6	-2.1	0.0	0.4	0.1	0.0	0.1	-0.6
Q4	-3.6	-0.8	-4.4	-2.9	-2.0	-0.1	-0.6	-0.1	-0.1	-1.4	-3.5

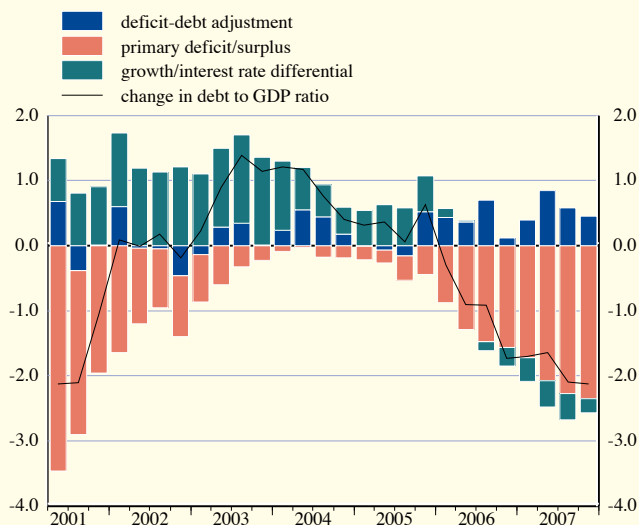
C28 Deficit, borrowing requirement and change in debt

(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 data refer to the Euro 15.

2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.



EXTERNAL TRANSACTIONS AND POSITIONS

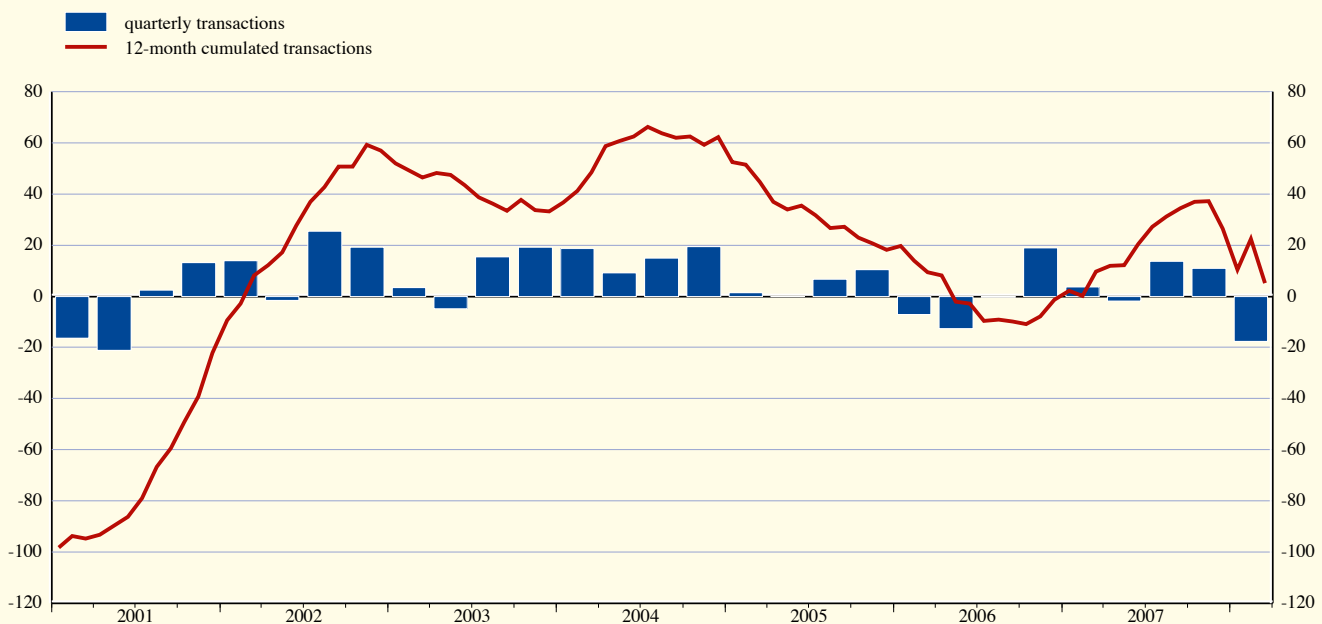
7.1 Summary balance of payments ¹⁾

(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	18.1	48.3	37.3	5.4	-72.9	11.4	29.5	9.2	-216.4	131.4	-18.2	94.6	17.8	-38.8
2006	-1.3	19.2	42.3	15.1	-77.9	9.2	7.9	112.4	-144.7	266.3	2.4	-10.3	-1.4	-120.3
2007	26.4	55.6	51.5	3.0	-83.6	14.1	40.5	102.8	-94.8	253.9	-110.1	58.9	-5.2	-143.3
2007 Q1	3.7	8.6	9.4	6.9	-21.3	4.6	8.4	29.4	-14.3	142.6	-15.2	-82.2	-1.4	-37.8
Q2	-2.0	20.1	14.0	-19.4	-16.7	2.1	0.1	49.8	-57.9	90.4	-19.7	41.4	-4.4	-50.0
Q3	13.6	17.1	17.2	5.0	-25.6	1.6	15.2	97.5	-40.9	65.1	-26.8	104.4	-4.3	-112.7
Q4	11.0	9.7	10.9	10.4	-20.1	5.8	16.8	-74.0	18.2	-44.2	-48.3	-4.7	4.9	57.2
2008 Q1	-17.6	-2.7	9.8	1.0	-25.7	5.5	-12.1	14.2	-68.8	70.0	-3.7	22.2	-5.5	-2.1
2007 Mar.	9.4	10.2	4.5	2.7	-7.9	1.2	10.6	-26.8	-2.4	76.8	-3.8	-99.4	2.0	16.2
Apr.	-2.5	4.9	3.7	-3.4	-7.7	0.6	-1.9	51.8	-5.1	6.5	-9.5	61.4	-1.6	-49.8
May	-13.2	4.0	3.8	-16.0	-5.0	1.5	-11.7	7.0	-25.9	11.3	-1.9	24.3	-0.8	4.7
June	13.7	11.2	6.5	0.0	-4.0	0.0	13.8	-9.0	-26.9	72.6	-8.3	-44.3	-2.0	-4.8
July	6.3	7.8	5.6	0.7	-7.7	0.9	7.2	48.0	-0.1	20.6	-12.9	43.4	-3.0	-55.3
Aug.	1.1	3.6	4.3	1.6	-8.5	0.2	1.3	66.5	0.5	3.8	-5.2	66.2	1.1	-67.8
Sep.	6.2	5.7	7.2	2.8	-9.4	0.4	6.7	-17.0	-41.2	40.7	-8.8	-5.2	-2.4	10.3
Oct.	4.6	6.9	4.1	3.6	-10.0	1.3	6.0	-49.1	29.5	-44.1	-6.0	-28.6	0.0	43.2
Nov.	3.6	5.1	3.5	1.7	-6.6	1.0	4.7	-1.6	9.5	9.9	-31.4	10.1	0.2	-3.0
Dec.	2.7	-2.3	3.3	5.1	-3.4	3.5	6.1	-23.2	-20.8	-10.1	-11.0	13.9	4.7	17.1
2008 Jan.	-17.9	-7.3	2.6	-3.2	-10.1	2.4	-15.5	27.3	-29.9	49.3	-13.0	27.7	-6.8	-11.7
Feb.	8.1	4.2	4.5	3.8	-4.4	2.3	10.5	-24.9	-20.0	19.4	1.8	-30.7	4.7	14.4
Mar.	-7.8	0.3	2.6	0.4	-11.2	0.8	-7.0	11.8	-18.8	1.3	7.4	25.2	-3.3	-4.8
	<i>12-month cumulated transactions</i>													
2008 Mar.	5.0	44.2	51.9	-3.0	-88.1	15.1	20.1	87.5	-149.3	181.3	-98.6	163.3	-9.3	-107.6

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

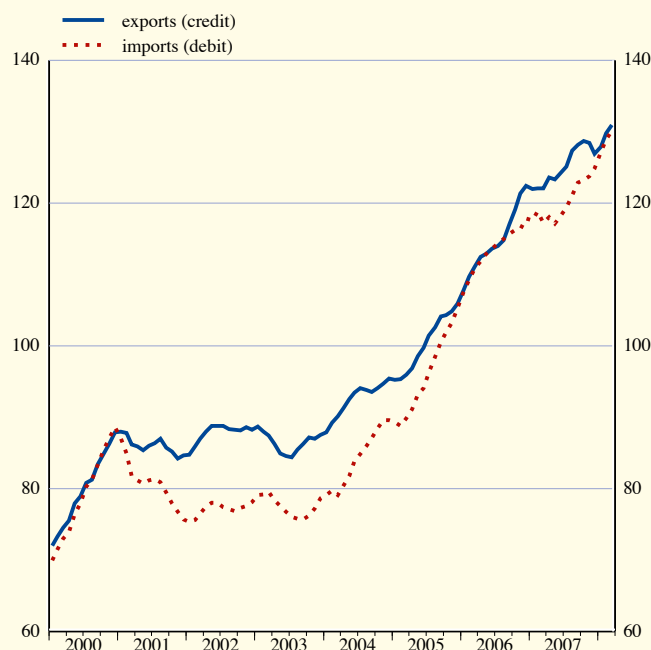
(EUR billions; transactions)

1. Summary current and capital accounts

	Current account												Capital account		
	Total			Goods		Services		Income		Current transfers			Credit	Debit	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Workers remittances				
											11	12	13		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2005	2,090.7	2,072.6	18.1	1,220.3	1,172.0	405.9	368.5	378.7	373.3	85.8	5.3	158.8	14.6	24.3	12.9
2006	2,401.1	2,402.4	-1.3	1,391.2	1,372.0	437.0	394.8	483.7	468.6	89.2	5.4	167.0	16.9	23.7	14.5
2007	2,639.4	2,613.0	26.4	1,503.6	1,448.1	494.8	443.3	550.8	547.8	90.2	6.1	173.8	20.1	25.7	11.6
2007 Q1	627.5	623.7	3.7	361.5	352.8	111.4	101.9	127.6	120.6	27.0	1.4	48.3	4.6	7.7	3.1
Q2	656.0	658.0	-2.0	373.6	353.5	120.2	106.2	142.7	162.0	19.5	1.6	36.2	4.9	4.6	2.5
Q3	665.5	651.9	13.6	376.1	359.0	135.4	118.2	137.6	132.6	16.4	1.7	42.1	5.2	4.3	2.8
Q4	690.3	679.4	11.0	392.4	382.7	127.8	116.9	142.9	132.6	27.1	1.4	47.2	5.3	9.1	3.2
2008 Q1	668.7	686.3	-17.6	386.7	389.4	114.3	104.5	139.8	138.8	27.9	-	53.6	-	8.4	2.8
2008 Jan.	213.4	231.3	-17.9	124.7	131.9	37.5	34.9	44.3	47.4	7.0	.	17.1	.	3.3	1.0
Feb.	231.7	223.5	8.1	131.8	127.5	37.8	33.3	46.1	42.3	16.0	.	20.3	.	3.0	0.7
Mar.	223.6	231.5	-7.8	130.3	129.9	39.0	36.3	49.4	49.0	5.0	.	16.2	.	2.0	1.2
	Seasonally adjusted														
2007 Q1	639.8	630.4	9.3	366.3	351.6	120.7	106.7	130.6	130.3	22.1	.	41.8	.	.	.
Q2	652.2	642.0	10.1	372.7	354.5	121.1	110.1	136.1	136.9	22.3	.	40.5	.	.	.
Q3	675.5	665.7	9.8	384.4	368.7	125.7	111.6	144.0	141.7	21.5	.	43.8	.	.	.
Q4	669.8	673.6	-3.8	380.8	374.7	127.2	114.6	140.3	138.5	21.6	.	45.9	.	.	.
2008 Q1	683.9	699.6	-15.7	392.9	390.6	124.3	109.9	144.1	151.3	22.6	.	47.9	.	.	.
2007 Oct.	225.2	222.7	2.5	128.3	122.7	41.7	37.6	48.3	46.4	6.9	.	15.9	.	.	.
Nov.	224.3	223.4	0.9	128.0	124.2	42.9	38.0	47.5	47.4	5.9	.	13.7	.	.	.
Dec.	220.3	227.5	-7.2	124.4	127.8	42.6	38.9	44.5	44.6	8.8	.	16.2	.	.	.
2008 Jan.	225.6	233.6	-7.9	131.4	129.6	40.8	36.0	47.6	51.7	5.8	.	16.2	.	.	.
Feb.	236.8	229.2	7.5	133.7	129.2	41.7	35.8	50.2	49.1	11.1	.	15.1	.	.	.
Mar.	221.5	236.8	-15.3	127.8	131.7	41.8	38.1	46.2	50.4	5.7	.	16.5	.	.	.

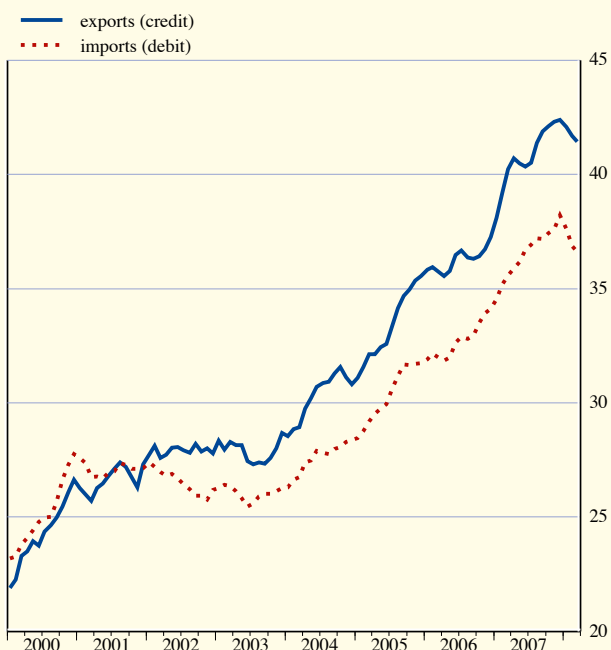
C31 B.o.p. goods

(EUR billions, seasonally adjusted; three-month moving average)



C32 B.o.p. services

(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.2 Current and capital accounts

(EUR billions)

2. Income account

(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity			Debt			Equity		Debt		Credit	Debit
	Credit	Debit			Reinv. earnings	Debit	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit			
			1	2										3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	15.7	9.3	363.1	364.0	140.2	38.5	97.6	-14.3	15.4	14.4	31.5	69.4	82.2	81.1	93.8	101.5
2006	16.5	10.0	467.2	458.6	171.4	36.8	106.0	39.0	19.7	17.3	39.1	99.2	102.2	85.6	134.7	150.5
2007	17.3	10.6	533.5	537.2	168.5	53.2	100.6	18.9	24.6	20.7	45.1	115.5	118.0	106.1	177.3	194.4
2006 Q4	4.3	2.6	127.6	118.7	47.8	10.3	28.4	8.8	5.5	5.0	8.2	19.0	28.2	23.1	37.9	43.2
2007 Q1	4.2	2.0	123.4	118.6	39.7	18.4	27.0	6.5	5.5	4.8	9.8	18.3	27.9	24.1	40.4	44.4
Q2	4.2	2.6	138.5	159.4	44.4	6.2	27.7	1.0	6.3	5.4	15.2	52.5	28.9	26.4	43.7	47.5
Q3	4.3	3.2	133.3	129.4	40.4	16.4	23.5	10.7	5.9	5.0	10.9	23.9	30.4	26.7	45.7	50.2
Q4	4.6	2.7	138.3	129.8	44.0	12.2	22.4	0.7	6.9	5.5	9.0	20.8	30.8	28.9	47.5	52.2

3. Geographical breakdown

(cumulated transactions)

	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2007 Q1 to 2007 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
Current account	2,639.4	1,005.3	54.6	84.9	531.4	275.7	58.8	32.3	34.7	76.2	30.6	57.0	87.9	171.6	410.1	733.6
Goods	1,503.6	545.2	34.4	55.0	236.7	219.0	0.0	18.3	18.3	60.1	22.9	34.0	67.3	84.8	194.9	457.7
Services	494.8	174.8	9.8	13.4	117.9	28.1	5.7	5.2	7.0	13.1	5.9	10.8	11.2	48.0	84.0	134.8
Income	550.8	219.4	9.7	15.2	162.4	25.7	6.5	8.7	8.7	2.8	1.8	11.7	9.2	32.8	123.2	132.5
investment income	533.5	213.5	9.6	15.1	160.4	25.5	2.9	8.6	8.6	2.7	1.8	11.7	9.2	26.3	121.5	129.7
Current transfers	90.2	65.9	0.7	1.3	14.4	2.8	46.5	0.2	0.7	0.2	0.0	0.5	0.2	6.0	8.0	8.5
Capital account	25.7	22.3	0.0	0.1	1.1	0.1	20.9	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	2.2
Debits																
Current account	2,613.0	865.2	44.1	80.5	427.1	214.2	99.2	-	29.2	-	-	95.0	-	166.6	361.2	-
Goods	1,448.1	423.8	28.1	50.5	174.1	171.2	0.0	24.9	12.9	164.4	18.4	56.1	90.2	74.4	135.2	447.7
Services	443.3	142.2	9.5	11.2	92.1	29.2	0.2	4.2	6.8	10.4	3.9	8.1	8.2	35.4	91.9	132.2
Income	547.8	190.1	5.9	17.4	149.7	9.7	7.4	-	7.5	-	-	30.4	-	51.1	126.7	-
investment income	537.2	183.7	5.8	17.3	148.3	4.9	7.4	-	7.4	-	-	30.3	-	50.6	125.6	-
Current transfers	173.8	109.1	0.7	1.5	11.1	4.2	91.6	1.5	2.0	2.4	0.7	0.4	0.5	5.7	7.4	44.1
Capital account	11.6	1.9	0.0	0.1	1.0	0.3	0.5	0.1	0.1	0.1	0.2	0.1	0.1	0.6	1.2	7.3
Net																
Current account	26.4	140.2	10.5	4.4	104.3	61.4	-40.4	-	5.5	-	-	-38.0	-	4.9	49.0	-
Goods	55.6	121.4	6.3	4.6	62.6	47.9	0.0	-6.7	5.4	-104.3	4.5	-22.1	-22.9	10.5	59.7	10.1
Services	51.5	32.6	0.4	2.2	25.7	-1.1	5.5	1.0	0.2	2.7	2.0	2.7	3.0	12.6	-7.8	2.6
Income	3.0	29.3	3.8	-2.2	12.6	16.0	-0.9	-	1.2	-	-	-18.6	-	-18.3	-3.5	-
investment income	-3.7	29.7	3.7	-2.2	12.1	20.6	-4.5	-	1.2	-	-	-18.6	-	-24.4	-4.1	-
Current transfers	-83.6	-43.2	0.0	-0.1	3.3	-1.4	-45.0	-1.3	-1.3	-2.1	-0.6	0.0	-0.3	0.2	0.6	-35.6
Capital account	14.1	20.4	0.0	0.0	0.1	-0.1	20.5	-0.1	-0.1	0.0	-0.2	-0.1	0.0	-0.2	-0.4	-5.2

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	132.5	142.8	-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	143.6	155.7	-12.1	3,050.2	2,654.1	4,459.0	5,960.7	-43.6	4,402.3	4,611.5	327.3
2007 Q3	13,645.2	14,948.0	-1,302.8	154.8	169.6	-14.8	3,385.9	2,896.4	4,784.6	6,707.8	-0.5	5,134.3	5,343.9	340.8
Q4	13,709.3	15,052.9	-1,343.6	153.9	168.9	-15.1	3,428.3	2,987.8	4,730.9	6,705.1	45.1	5,156.3	5,360.1	348.8
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	26.2	25.6	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	19.4	-2.3	253.8	209.6	571.5	855.1	2.6	623.6	586.1	5.8
2007 Q3	233.1	366.0	-133.0	10.6	16.6	-6.0	68.9	79.3	-21.1	49.3	11.1	159.8	237.5	14.5
Q4	64.2	104.9	-40.7	2.8	4.5	-1.8	42.3	91.4	-53.7	-2.7	45.6	22.0	16.2	8.0
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	1,326.1	1,335.3	-9.2	16.4	16.5	-0.1	364.7	148.3	412.6	544.0	18.2	548.4	643.0	-17.8
2006	1,598.4	1,710.8	-112.4	18.8	20.1	-1.3	346.0	201.3	535.9	802.2	-2.4	717.6	707.3	1.4
2007	1,807.3	1,910.0	-102.8	20.3	21.4	-1.2	401.8	307.0	422.5	676.4	110.1	867.7	926.6	5.2
2007 Q3	390.7	488.3	-97.5	17.7	22.2	-4.4	115.8	75.0	33.9	99.0	26.8	209.9	314.3	4.3
Q4	310.9	236.9	74.0	13.4	10.2	3.2	78.3	96.6	94.6	50.4	48.3	94.5	89.9	-4.9
2008 Q1	432.0	446.2	-14.2	19.2	19.9	-0.6	103.2	34.4	44.1	114.1	3.7	275.5	297.7	5.5
2007 Nov.	172.5	170.9	1.6	.	.	.	28.9	38.4	43.0	53.0	31.4	69.4	79.5	-0.2
Dec.	-97.2	-120.5	23.2	.	.	.	24.8	4.0	-22.1	-32.2	11.0	-106.2	-92.3	-4.7
2008 Jan.	282.0	309.3	-27.3	.	.	.	46.0	16.0	14.9	64.2	13.0	201.4	229.0	6.8
Feb.	135.4	110.5	24.9	.	.	.	33.2	13.2	28.0	47.4	-1.8	80.6	49.9	-4.7
Mar.	14.6	26.5	-11.8	.	.	.	24.0	5.2	1.2	2.5	-7.4	-6.5	18.8	3.3
Other changes														
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	802.0	742.5	59.5	9.9	9.2	0.7	117.1	54.3	432.3	485.2	-27.0	222.4	203.0	57.2
2006	-141.1	-60.0	-81.1	-1.7	-0.7	-1.0	-92.2	8.3	35.6	52.9	5.0	-94.0	-121.3	4.4
2007	-293.1	-93.3	-199.7	-3.3	-1.0	-2.2	-23.7	26.6	-150.6	58.1	-21.4	-113.7	-178.1	16.3
2007 Q3	-157.7	-122.2	-35.5	-7.2	-5.5	-1.6	-47.0	4.3	-55.0	-49.7	-15.7	-50.1	-76.8	10.1
Q4	-246.7	-131.9	-114.7	-10.6	-5.7	-4.9	-36.0	-5.2	-148.3	-53.1	-2.7	-72.6	-73.7	12.9
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	-3.4	-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	14.9	13.7	-	.	.	.	15.4	6.6	13.0	12.8	.	17.7	19.7	-5.8
2006	15.1	14.9	-	.	.	.	12.6	8.3	13.9	15.8	.	19.3	17.7	0.4
2007 Q3	17.0	16.7	-	.	.	.	13.4	9.0	11.0	15.6	.	25.1	22.8	3.9
Q4	14.8	14.4	-	.	.	.	13.1	11.5	9.5	11.3	.	19.7	20.2	1.6
2008 Q1	12.7	12.3	-	.	.	.	13.0	9.5	7.0	8.0	.	16.4	19.5	2.8

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

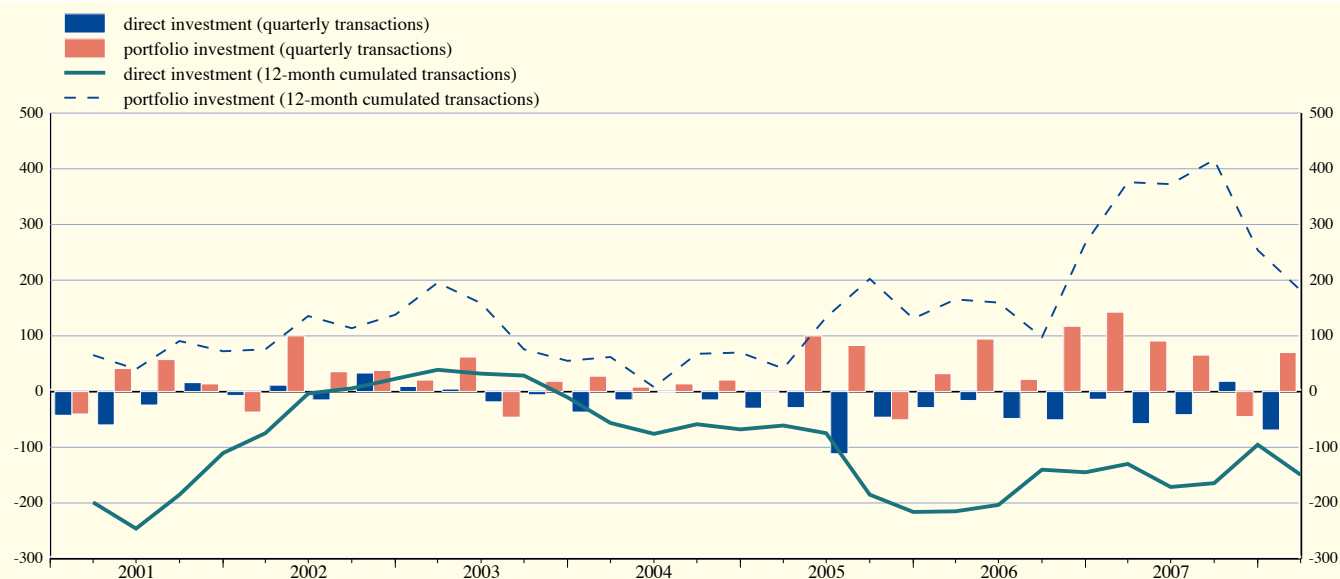
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	MFI	Non-MFI	Total	MFI	Non-MFI		Total	into MFI	into Non-MFI	Total	to MFI	to Non-MFI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding 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 Q3	3,385.9	2,735.1	239.3	2,495.8	650.9	7.8	643.1	2,896.4	2,204.9	60.5	2,144.4	691.5	12.8	678.6
Q4	3,428.3	2,773.0	235.0	2,538.1	655.2	8.4	646.8	2,987.8	2,252.9	61.7	2,191.2	735.0	13.7	721.2
Transactions														
2006	346.0	271.5	38.6	232.9	74.5	0.0	74.5	201.3	171.7	5.8	165.9	29.5	0.1	29.5
2007	401.8	310.1	26.0	284.1	91.7	-0.5	92.2	307.0	210.3	1.4	208.9	96.7	1.3	95.4
2007 Q3	115.8	85.9	18.0	68.0	29.9	-0.6	30.5	75.0	51.7	0.4	51.3	23.3	0.3	22.9
Q4	78.3	65.4	-6.9	72.2	12.9	0.6	12.3	96.6	53.6	1.4	52.2	43.0	0.7	42.3
2008 Q1	103.2	68.9	13.9	55.1	34.2	2.3	31.9	34.4	17.5	0.0	17.5	16.9	-0.1	17.0
2007 Nov.	28.9	20.6	3.6	17.0	8.3	-0.6	8.9	38.4	12.7	0.3	12.4	25.7	1.7	24.1
Dec.	24.8	21.4	0.8	20.6	3.4	1.6	1.8	4.0	5.8	1.0	4.8	-1.8	0.2	-2.0
2008 Jan.	46.0	33.3	6.9	26.4	12.6	0.3	12.4	16.0	6.9	0.3	6.6	9.1	0.9	8.3
Feb.	33.2	16.8	3.8	13.0	16.4	-0.5	16.9	13.2	1.7	0.4	1.4	11.4	0.2	11.2
Mar.	24.0	18.8	3.2	15.7	5.2	2.6	2.6	5.2	8.8	-0.7	9.6	-3.6	-1.2	-2.4
Growth rates														
2005	15.4	15.8	13.4	16.0	13.4	-1.1	13.5	6.6	7.0	1.7	7.2	5.2	-4.4	5.3
2006	12.6	12.1	23.2	11.2	14.7	-2.2	14.8	8.3	9.3	10.4	9.3	5.0	-0.2	5.0
2007 Q3	13.4	12.2	24.2	11.2	18.7	-38.4	18.9	9.0	8.7	2.1	8.9	10.1	1.7	10.2
Q4	13.1	12.4	12.4	12.4	15.9	-43.5	16.2	11.5	10.3	2.3	10.6	15.4	8.1	15.4
2008 Q1	13.0	12.3	15.3	12.0	16.0	68.2	15.5	9.5	8.5	0.8	8.7	12.7	15.8	12.7

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										
		Total	MFIs		Non-MFIs		Bonds and notes			Money market instruments			Total	MFIs		Non-MFIs	
			Euro-system	General government	Euro-system	General government	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 Q3	4,784.6	2,120.5	139.7	2.8	1,980.9	42.6	2,263.1	935.4	11.6	1,327.7	15.3	400.9	315.1	8.1	85.8	9.6	
2007 Q4	4,730.9	2,049.6	144.4	2.8	1,905.1	41.8	2,277.6	929.0	11.3	1,348.6	15.5	403.7	323.5	8.2	80.2	0.4	
Transactions																	
2006	535.9	153.0	18.3	0.0	134.7	6.1	314.5	173.2	2.6	141.3	1.1	68.4	56.2	8.0	12.2	-0.1	
2007	422.5	46.7	28.8	0.0	17.9	5.3	326.6	149.5	1.7	177.1	2.3	49.2	40.1	0.2	9.1	0.3	
2007 Q3	33.9	7.5	-8.3	0.0	15.8	2.1	42.3	12.2	0.4	30.1	0.7	-16.0	-14.2	0.0	-1.7	-0.2	
2007 Q4	94.6	11.4	13.4	0.0	-1.9	0.9	77.2	20.1	0.3	57.1	0.3	6.0	18.3	0.8	-12.3	-9.1	
2008 Q1	44.1	-36.9	-39.7	0.1	2.8	-	11.4	18.0	-1.1	-6.6	-	69.7	65.0	-0.1	4.7	-	
2007 Nov.	43.0	8.7	2.3	0.0	6.3	-	42.7	33.6	0.2	9.1	-	-8.3	-2.3	-0.1	-6.0	-	
2007 Dec.	-22.1	-8.0	1.5	0.0	-9.6	-	-3.7	-27.2	0.0	23.5	-	-10.3	-7.1	0.9	-3.3	-	
2008 Jan.	14.9	-19.2	-10.0	0.0	-9.2	-	-3.4	9.7	-0.3	-13.1	-	37.5	37.9	0.0	-0.4	-	
2008 Feb.	28.0	-7.4	-2.9	0.0	-4.5	-	21.6	12.0	-0.2	9.6	-	13.9	14.6	0.0	-0.7	-	
2008 Mar.	1.2	-10.3	-26.8	0.1	16.5	-	-6.8	-3.7	-0.6	-3.1	-	18.3	12.4	-0.1	5.8	-	
Growth rates																	
2005	13.0	9.8	18.2	5.9	9.3	19.7	17.0	20.9	9.3	14.7	8.0	5.9	6.2	-6.6	3.5	-8.3	
2006	13.9	8.9	18.3	0.9	8.3	21.7	17.4	24.9	30.5	12.7	10.6	21.9	22.3	1,022.8	22.1	-20.8	
2007 Q3	11.0	3.4	29.1	0.1	1.9	17.3	17.3	21.6	52.4	14.3	24.0	19.0	14.4	11.3	40.7	157.3	
2007 Q4	9.5	2.3	23.7	0.4	0.9	13.8	16.0	17.9	16.3	14.6	16.9	13.1	13.2	1.9	13.6	70.1	
2008 Q1	7.0	-0.4	-22.3	5.5	1.2	-	11.6	13.3	-1.1	10.4	-	21.2	26.8	8.9	0.5	-	

4. Portfolio investment liabilities

	Total	Equity			Debt instruments											
		Total	MFIs		Non-MFIs	Bonds and notes			Money market instruments			Total	MFIs		Non-MFIs	
			Euro-system	General government		Euro-system	General government	Euro-system	General government	Euro-system	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	6,707.8	3,300.5	783.1	2,519.1	3,039.9	1,047.5	1,992.4	1,285.9	367.4	148.7	218.8	193.8				
2007 Q4	6,705.1	3,232.0	743.7	2,494.0	3,129.7	1,061.4	2,067.2	1,303.7	343.4	180.1	164.6	147.0				
Transactions																
2006	802.2	302.4	95.1	207.3	498.1	212.9	285.1	149.1	1.6	28.2	-26.5	-20.1				
2007	676.4	212.0	55.4	156.4	407.1	178.8	226.7	135.3	57.3	52.3	5.7	13.8				
2007 Q3	99.0	33.3	21.7	11.8	50.1	28.4	21.7	24.8	15.6	4.1	11.5	12.4				
2007 Q4	50.4	-6.8	-37.5	30.9	78.9	20.5	56.8	28.5	-21.7	26.3	-47.3	-43.5				
2008 Q1	114.1	59.0	72.9	-13.9	39.0	23.0	16.0	-	16.1	-2.9	19.0	-				
2007 Nov.	53.0	-3.2	-	-	55.7	-	-	-	0.5	-	-	-				
2007 Dec.	-32.2	-10.0	-	-	-3.2	-	-	-	-19.0	-	-	-				
2008 Jan.	64.2	36.5	-	-	24.9	-	-	-	2.8	-	-	-				
2008 Feb.	47.4	28.0	-	-	18.7	-	-	-	0.7	-	-	-				
2008 Mar.	2.5	-5.5	-	-	-4.7	-	-	-	12.6	-	-	-				
Growth rates																
2005	12.8	13.0	-	-	11.2	-	-	-	23.6	-	-	-				
2006	15.8	12.3	17.7	10.8	21.8	31.4	17.7	13.1	0.5	26.7	-13.1	-12.5				
2007 Q3	15.6	10.6	17.4	8.6	20.3	31.9	15.3	13.3	24.4	39.8	16.0	23.6				
2007 Q4	11.3	7.1	8.2	6.8	15.0	21.3	12.1	11.0	19.2	40.8	3.7	10.2				
2008 Q1	8.0	5.2	9.7	3.7	10.2	14.1	8.3	-	15.8	31.7	5.4	-				

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

	Outstanding amounts (international investment position)														
	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	Currency and deposits	Trade credits	Loans/currency and deposits	Currency and deposits		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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 Q3	5,134.3	20.5	20.2	0.3	3,359.1	3,291.7	67.4	108.5	13.6	48.2	13.3	1,646.3	195.9	1,317.0	446.7
Q4	5,156.3	22.3	22.0	0.3	3,355.2	3,283.4	71.8	108.1	13.4	48.3	13.2	1,670.7	195.5	1,345.2	422.8
Transactions															
2006	717.6	3.3	3.2	0.0	521.4	517.2	4.2	-2.0	0.0	-2.7	3.1	194.9	5.2	176.2	25.0
2007	867.7	10.8	10.8	0.0	560.7	549.3	11.4	-5.9	-0.3	-7.2	-2.0	302.0	10.5	278.2	16.3
2007 Q3	209.9	1.8	1.8	0.0	75.9	78.7	-2.8	-18.2	-0.1	-18.4	-14.1	150.4	3.1	147.1	5.1
Q4	94.5	0.7	0.7	0.0	57.5	55.8	1.8	2.3	-0.2	1.7	-0.1	33.9	3.6	31.4	-21.2
2008 Q1	275.5	5.2	-	-	211.4	-	-	-4.0	-	-	-0.9	62.9	-	-	14.9
2007 Nov.	69.4	-1.5	-	-	55.4	-	-	3.4	-	-	4.1	12.1	-	-	-12.4
Dec.	-106.2	0.4	-	-	-98.2	-	-	3.3	-	-	0.1	-11.7	-	-	-14.6
2008 Jan.	201.4	2.3	-	-	186.2	-	-	-3.6	-	-	-3.8	16.5	-	-	10.6
Feb.	80.6	0.6	-	-	61.9	-	-	1.0	-	-	4.1	17.0	-	-	-5.3
Mar.	-6.5	2.3	-	-	-36.7	-	-	-1.4	-	-	-1.2	29.4	-	-	9.6
Growth rates															
2005	17.7	22.0	22.6	13.6	19.3	19.7	6.0	-3.5	0.2	-9.1	12.7	17.1	5.2	20.3	1.3
2006	19.3	47.7	50.0	9.8	21.1	21.3	7.6	-1.6	0.0	-4.5	26.1	17.5	2.8	22.3	7.0
2007 Q3	25.1	125.8	130.2	10.2	26.0	26.2	15.1	-2.7	-0.8	-7.6	11.4	24.7	4.7	30.4	7.9
Q4	19.7	107.3	111.2	0.1	19.1	19.1	18.9	-5.1	-2.2	-12.5	-13.3	22.3	5.5	26.9	4.7
2008 Q1	16.4	73.7	-	-	15.2	-	-	-2.3	-	-	21.2	19.8	-	-	-0.5

6. Other investment liabilities

	Outstanding amounts (international investment position)														
	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	
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 Q3	5,343.9	114.2	113.9	0.3	3,958.6	3,896.1	62.6	55.3	0.0	49.1	6.1	1,215.7	155.6	938.0	122.1
Q4	5,360.1	138.2	137.9	0.2	3,944.2	3,875.3	68.9	54.4	0.0	49.1	5.3	1,223.3	158.7	954.0	110.7
Transactions															
2006	707.3	18.6	18.5	0.0	496.1	492.8	3.2	2.0	0.0	2.1	-0.1	190.8	11.7	167.2	11.9
2007	926.6	40.1	40.1	0.0	640.9	635.7	5.2	2.9	0.0	3.1	-0.1	242.7	11.6	247.7	-16.5
2007 Q3	314.3	-1.3	-1.3	0.0	139.1	138.4	0.8	3.8	0.0	3.1	0.7	172.6	3.1	174.7	-5.2
Q4	89.9	25.0	25.1	-0.1	52.5	52.2	0.3	-1.7	0.0	-0.7	-0.9	14.0	4.4	27.0	-17.3
2008 Q1	297.7	9.1	-	-	271.9	-	-	0.7	-	-	-	16.0	-	-	-
2007 Nov.	79.5	5.2	-	-	61.6	-	-	2.6	-	-	-	10.1	-	-	-
Dec.	-92.3	15.8	-	-	-100.7	-	-	-6.2	-	-	-	-1.1	-	-	-
2008 Jan.	229.0	6.9	-	-	200.3	-	-	4.0	-	-	-	17.8	-	-	-
Feb.	49.9	-12.8	-	-	101.3	-	-	-3.2	-	-	-	-35.5	-	-	-
Mar.	18.8	15.0	-	-	-29.7	-	-	-0.2	-	-	-	33.6	-	-	-
Growth rates															
2005	19.7	8.9	8.9	4.3	19.2	19.5	4.3	-4.6	10.3	-4.4	-7.2	24.9	11.5	30.2	13.1
2006	17.7	22.6	22.6	6.6	16.2	16.3	6.1	4.2	-24.1	5.0	-3.2	24.0	8.7	28.3	16.8
2007 Q3	22.8	20.6	20.6	8.4	20.3	20.5	10.5	3.4	17.8	2.1	9.9	33.2	7.4	42.3	5.1
Q4	20.2	40.2	40.3	-3.3	18.5	18.6	9.6	5.8	42.3	6.8	-8.2	24.7	7.8	33.3	-13.1
2008 Q1	19.5	41.8	-	-	17.6	-	-	5.7	-	-	-	25.1	-	-	-

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Outstanding amounts (international investment position)																
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
Q4	347.3	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.7	20.4	0.5	0.0	44.1	-38.5
2008 Feb.	375.4	226.3	353.285	4.6	3.5	140.9	7.3	26.6	106.6	-	-	-	0.5	0.1	28.1	-27.3
Mar.	356.3	208.4	353.060	4.3	3.4	140.1	6.6	26.8	105.9	-	-	-	0.9	0.1	36.6	-37.2
Apr.	348.7	197.8	352.868	4.3	3.4	143.1	8.0	25.4	109.8	-	-	-	0.0	0.0	44.7	-48.1
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	5.2	-2.9	-	0.3	-0.8	8.6	2.8	0.7	5.2	0.0	14.3	-9.1	0.0	0.0	-	-
2007 Q3	4.3	-0.3	-	0.1	-0.3	4.9	2.0	0.8	2.1	0.1	2.2	-0.2	0.0	0.0	-	-
Q4	-4.9	-1.5	-	0.1	-0.2	-3.3	1.5	-5.3	0.5	0.1	3.8	-3.5	0.0	0.0	-	-
2008 Q1	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth rates																
2004	-4.1	-0.9	-	-10.3	-17.1	-4.6	30.2	-9.9	-6.3	-46.6	-22.6	45.1	-56.3	-	-	-
2005	-5.8	-2.8	-	4.4	-44.5	-3.9	-2.4	-24.0	1.6	2.2	7.2	-7.9	20.0	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	-75.3	-8.9	-	-
2007 Q3	3.9	-1.4	-	10.7	-32.4	12.5	75.0	14.2	9.4	-29.8	19.0	-14.6	-98.8	0.0	-	-
Q4	1.6	-1.6	-	6.8	-17.4	6.1	45.3	2.0	4.8	1.1	18.2	-30.3	-96.2	0.0	-	-
2008 Q1	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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. organisations	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
2007 Q1 to 2007 Q4	Cumulated transactions														
Direct investment	94.8	37.9	-2.2	2.4	12.3	25.4	0.0	16.8	0.8	-7.7	10.8	-47.4	24.5	-0.2	59.3
Abroad	401.8	134.1	0.3	2.9	100.2	30.7	0.0	20.6	1.2	0.7	29.6	69.5	70.3	-0.1	78.2
Equity/reinvested earnings	310.1	97.1	-0.5	1.0	70.9	25.7	0.0	13.0	-0.8	2.5	16.7	54.2	59.8	0.0	67.6
Other capital	91.7	37.0	0.7	2.0	29.3	5.0	0.0	7.6	1.9	-1.8	12.9	15.4	10.5	-0.1	8.3
In the euro area	307.0	96.2	2.5	0.5	87.8	5.3	0.0	3.8	0.4	8.4	18.8	117.0	45.8	0.1	16.6
Equity/reinvested earnings	210.3	81.0	2.4	2.3	75.8	0.5	0.0	-0.6	0.4	8.5	8.9	76.8	24.8	0.0	10.5
Other capital	96.7	15.2	0.1	-1.7	12.0	4.8	0.0	4.4	0.0	-0.1	9.9	40.2	21.1	0.1	6.1
Portfolio investment assets	422.5	98.5	5.2	15.7	67.8	4.6	5.2	8.6	-6.3	-12.2	-5.6	171.7	61.4	-2.1	108.6
Equity	46.7	-15.8	1.4	1.0	-16.1	-2.3	0.1	-1.3	-7.0	-9.6	-7.1	23.5	32.1	0.0	31.9
Debt instruments	375.7	114.3	3.8	14.7	83.8	6.9	5.1	9.9	0.7	-2.6	1.4	148.2	29.3	-2.1	76.7
Bonds and notes	326.6	87.9	3.7	11.5	61.5	6.8	4.5	7.9	0.4	4.0	2.4	122.8	21.1	-2.3	82.5
Money market instruments	49.2	26.4	0.1	3.2	22.4	0.1	0.6	2.0	0.3	-6.6	-0.9	25.4	8.2	0.2	-5.8
Other investment	-58.9	-11.7	35.2	-6.7	-70.2	42.4	-12.4	0.6	6.6	-28.4	-64.5	-115.3	51.8	10.0	92.0
Assets	867.7	320.5	15.8	1.4	247.9	51.8	3.5	2.9	5.6	-2.6	-33.2	290.7	124.6	12.0	147.2
General government	-5.9	-4.5	-1.4	0.0	-3.9	-0.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	-2.5
MFIs	571.6	237.6	17.1	4.2	163.6	52.8	0.0	-0.2	2.3	8.6	-32.8	118.6	107.5	10.8	119.2
Other sectors	302.0	87.4	0.2	-2.8	88.2	-0.7	2.5	3.1	3.3	-11.2	-0.4	172.1	17.2	0.0	30.5
Liabilities	926.6	332.2	-19.4	8.1	318.1	9.4	15.9	2.3	-1.0	25.8	31.3	406.0	72.8	2.0	55.2
General government	2.9	3.1	-0.3	0.1	-2.4	0.0	5.7	0.0	0.0	-0.2	0.8	0.2	0.1	-0.8	-0.3
MFIs	681.0	315.1	-19.1	6.1	317.4	5.0	5.8	1.7	-1.9	26.4	15.5	221.1	62.7	2.8	37.5
Other sectors	242.7	13.9	0.0	2.0	3.1	4.4	4.4	0.6	0.8	-0.5	15.1	184.8	10.0	0.1	17.9

Source: ECB.

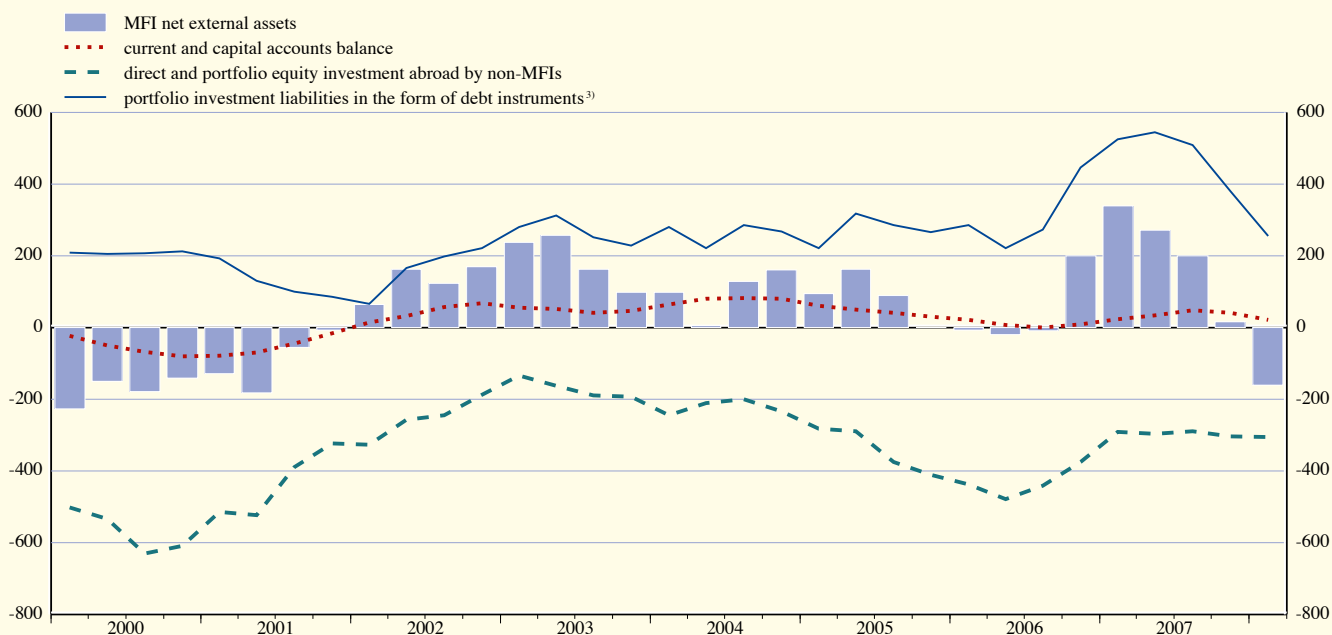
7.4 Monetary presentation of the balance of payments ¹⁾

(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 Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ²⁾	Debt instruments ³⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2005	29.9	-349.1	149.6	-264.8	212.4	266.2	-150.8	148.2	-18.2	-33.9	-10.6	-0.1
2006	9.7	-313.5	206.6	-288.3	242.1	445.2	-192.9	192.8	2.4	-114.8	189.4	200.4
2007	41.4	-377.0	305.8	-205.5	166.2	380.3	-296.2	245.7	-110.2	-136.3	14.4	15.6
2007 Q1	8.7	-90.2	80.0	-52.4	91.4	165.4	-70.9	10.5	-15.2	-36.1	91.1	101.0
Q2	-0.1	-101.3	53.8	-67.4	65.6	134.1	-56.8	46.7	-19.8	-56.7	-2.0	-8.9
Q3	14.9	-99.5	76.1	-42.9	25.3	48.0	-132.1	176.7	-26.8	-104.8	-65.3	-69.2
Q4	18.0	-86.1	96.0	-42.7	-16.0	32.8	-36.3	11.9	-48.3	61.4	-9.5	-7.4
2008 Q1	-12.3	-87.0	34.5	-0.9	19.3	41.0	-58.9	16.6	-3.7	-2.0	-53.1	-76.1
2007 Mar.	10.6	-22.6	28.8	-12.8	18.1	65.8	-12.2	-20.2	-3.8	17.0	68.7	84.7
Apr.	-2.0	-23.2	20.7	-20.2	-11.9	41.2	-8.7	23.1	-9.5	-50.6	-41.1	-38.4
May	-11.9	-42.7	21.5	-19.8	12.1	47.3	-24.9	6.2	-1.9	4.5	-9.6	-17.1
June	13.8	-35.4	11.5	-27.4	65.3	45.7	-23.1	17.4	-8.4	-10.7	48.7	46.6
July	7.0	-25.5	26.7	-22.3	33.1	19.5	32.2	4.9	-12.9	-53.7	9.0	5.6
Aug.	1.2	-28.5	33.3	-11.1	-14.7	23.6	-12.6	31.8	-5.1	-66.9	-48.9	-51.2
Sep.	6.6	-45.5	16.0	-9.5	7.0	4.8	-151.7	139.9	-8.8	15.8	-25.3	-23.5
Oct.	6.2	-36.8	55.3	-22.3	-17.8	2.4	-29.3	6.5	-6.0	44.6	3.0	11.7
Nov.	5.1	-26.4	37.0	-9.6	0.6	62.0	-15.5	12.8	-31.4	-1.0	33.7	28.2
Dec.	6.7	-22.9	3.6	-10.9	1.1	-31.5	8.4	-7.5	-11.0	17.8	-46.2	-47.3
2008 Jan.	-15.6	-38.8	15.2	22.8	3.0	15.4	-12.9	21.8	-13.0	-11.7	-13.8	-21.5
Feb.	10.4	-29.9	13.0	-4.3	20.3	18.0	-18.1	-38.7	1.8	14.5	-13.0	-13.8
Mar.	-7.1	-18.3	6.4	-19.3	-4.0	7.6	-27.9	33.5	7.4	-4.8	-26.4	-40.9
	<i>12-month cumulated transactions</i>											
2008 Mar.	20.5	-373.8	260.3	-153.9	94.1	255.9	-284.1	251.8	-98.7	-102.1	-129.9	-161.6

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.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		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	1,142.4	543.5	246.4	313.6	995.0	1,075.8	604.6	184.3	256.8	771.2	130.0
2005	7.8	13.4	1,236.8	589.4	269.0	333.9	1,068.7	1,227.4	705.6	208.2	277.1	846.6	187.0
2006	11.6	13.7	1,383.4	669.5	292.5	371.5	1,182.8	1,397.1	833.5	213.2	308.1	943.3	224.5
2007	8.3	5.6	1,497.9	722.0	315.8	395.6	1,275.3	1,473.4	884.1	208.6	325.0	1,009.5	222.0
2006 Q4	12.3	7.6	362.8	176.5	76.0	97.0	312.1	356.5	212.4	52.8	79.3	246.4	51.8
2007 Q1	9.0	5.2	367.3	177.0	77.8	97.1	311.9	358.6	213.0	53.1	80.1	250.8	47.5
Q2	9.4	3.6	370.2	178.2	78.3	97.9	317.2	360.4	217.7	50.4	79.7	249.0	52.5
Q3	10.1	6.4	380.6	183.8	79.7	100.6	325.7	375.3	223.7	53.2	83.1	259.2	57.5
Q4	5.0	7.1	379.8	183.0	80.0	100.0	320.6	379.1	229.8	52.0	82.1	250.4	64.5
2008 Q1	6.8	9.8	394.3	.	.	.	328.9	396.4	.	.	.	254.5	.
2007 Oct.	10.6	9.1	128.2	62.2	27.0	33.8	108.4	126.9	75.4	17.9	27.8	84.6	20.2
Nov.	4.7	7.1	127.8	61.3	27.2	33.5	108.6	126.6	76.8	17.4	27.5	83.7	21.6
Dec.	-0.7	4.9	123.8	59.5	25.7	32.7	103.6	125.6	77.6	16.7	26.7	82.1	22.8
2008 Jan.	10.3	12.6	132.2	63.2	27.6	34.7	110.4	133.5	80.8	18.3	27.8	86.0	24.5
Feb.	12.1	10.0	133.0	63.7	27.8	34.4	111.9	131.5	78.4	17.8	26.9	85.6	21.0
Mar.	-1.0	6.9	129.1	.	.	.	106.6	131.5	.	.	.	82.9	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2004	9.0	6.4	117.4	114.9	120.2	118.6	118.6	108.0	104.1	108.8	117.6	109.0	106.2
2005	4.7	5.0	123.5	119.6	129.8	123.7	124.6	114.1	107.5	123.6	123.6	117.1	110.6
2006	7.8	6.0	133.4	130.3	138.4	133.5	134.4	121.0	114.7	126.5	132.9	126.0	110.0
2007	5.9	4.1	141.3	136.0	147.2	140.2	142.0	125.8	118.1	127.1	138.9	133.6	107.0
2006 Q4	9.5	5.9	139.3	136.4	143.4	139.3	140.7	125.1	118.9	127.2	136.6	131.0	111.4
2007 Q1	7.2	6.3	139.8	134.6	145.6	137.8	139.4	126.0	119.4	128.1	137.5	132.7	107.9
Q2	6.5	3.4	139.4	133.8	145.5	139.0	140.7	124.4	118.1	123.6	137.8	132.0	105.8
Q3	7.4	5.3	143.1	138.0	148.5	142.2	144.7	126.7	117.7	129.8	140.4	136.4	106.5
Q4	2.9	1.4	142.9	137.6	149.3	141.9	143.2	125.9	117.2	126.8	139.8	133.3	107.8
2008 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2007 Oct.	8.2	4.4	144.9	140.1	151.9	143.7	145.1	128.1	117.6	131.1	142.6	135.0	107.9
Nov.	2.7	0.9	144.3	138.1	152.9	142.7	145.8	125.7	116.9	126.7	140.8	133.5	105.6
Dec.	-2.6	-1.3	139.6	134.6	143.1	139.2	138.8	123.9	117.1	122.4	135.9	131.5	109.9
2008 Jan.	7.1	2.0	147.3	140.0	152.2	146.9	147.2	128.0	118.7	132.5	139.0	135.3	116.6
Feb.	8.9	-0.3	147.6	140.5	153.8	144.1	148.4	125.7	114.4	128.3	135.4	134.5	99.5
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.
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	137.7
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	166.5
2007	2.3	1.4	106.3	108.4	100.2	108.0	104.1	114.6	126.8	89.5	106.1	102.9	169.2
2006 Q4	2.6	1.5	104.5	105.8	99.0	106.6	102.9	111.5	121.0	90.5	105.3	102.4	151.5
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	143.5
Q2	2.8	0.2	106.6	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	176.2
Q4	2.0	5.7	106.6	108.7	100.1	107.9	103.8	117.8	132.8	89.4	106.4	102.3	195.2
2008 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2007 Oct.	2.2	4.6	106.5	108.8	99.7	108.1	103.9	116.3	130.3	89.3	106.1	102.4	183.1
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	200.0
Dec.	1.9	6.4	106.8	108.4	100.8	107.8	103.8	118.9	134.6	89.4	106.9	102.1	202.6
2008 Jan.	3.1	10.4	108.0	110.7	101.7	108.6	104.3	122.4	138.4	90.1	108.7	103.8	205.5
Feb.	2.9	10.3	108.5	111.2	101.1	109.7	104.9	122.7	139.3	90.7	108.1	104.1	206.3
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.

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	Switzerland	Turkey	United States	Asia		Africa	Latin America	Other countries	
	1	Denmark	Sweden	United Kingdom	Other EU countries	6	7	8	9	China	Japan	13	14	15	
Exports (f.o.b.)															
2004	1,142.4	25.8	42.1	204.5	133.9	35.9	66.6	31.8	172.7	225.7	40.4	33.3	64.6	40.7	98.1
2005	1,236.8	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	107.1
2006	1,383.4	31.7	49.9	216.8	189.9	55.2	77.2	38.8	199.8	271.7	53.7	34.5	77.7	54.4	120.4
2007	1,497.9	33.8	55.3	228.8	219.8	67.0	81.8	40.9	194.8	296.0	60.1	34.2	87.1	61.3	131.2
2006 Q4	362.8	8.2	13.2	54.8	51.3	15.7	20.8	9.7	51.2	71.9	14.8	8.7	20.1	14.2	31.7
2007 Q1	367.3	8.3	13.5	56.6	52.3	15.7	20.5	10.2	49.8	72.2	14.3	8.7	21.4	14.8	32.1
Q2	370.2	8.4	13.9	56.0	53.8	16.7	20.1	9.9	48.6	73.2	14.9	8.9	21.4	15.4	32.9
Q3	380.6	8.5	14.2	58.7	56.3	17.2	20.6	10.3	49.4	74.9	15.3	8.5	22.2	15.6	32.6
Q4	379.8	8.5	13.7	57.5	57.4	17.5	20.7	10.4	47.0	75.7	15.6	8.2	22.2	15.6	33.7
2008 Q1	394.3	.	.	.	.	19.2	20.6	11.6	48.6	77.9	16.7	8.4	23.4	16.0	.
2007 Oct.	128.2	2.8	4.7	19.4	19.2	5.8	6.9	3.4	16.2	25.1	5.3	2.7	7.3	5.3	12.0
Nov.	127.8	2.9	4.6	19.2	19.2	5.9	7.0	3.6	15.9	25.2	5.1	2.7	7.3	5.2	12.0
Dec.	123.8	2.8	4.5	18.9	19.0	5.8	6.8	3.4	15.0	25.4	5.2	2.8	7.5	5.0	9.7
2008 Jan.	132.2	3.0	4.6	19.9	20.3	6.2	6.9	4.0	16.5	26.1	5.8	2.9	7.7	5.3	11.6
Feb.	133.0	3.0	4.7	19.2	20.4	6.5	6.9	4.0	16.6	26.2	5.5	2.9	7.9	5.4	12.4
Mar.	129.1	.	.	.	.	6.5	6.8	3.7	15.5	25.7	5.5	2.7	7.8	5.3	.
<i>% share of total exports</i>															
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	1,075.8	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	76.2
2005	1,227.4	26.4	42.3	153.2	127.8	76.3	58.1	25.5	120.2	363.6	118.2	53.2	96.0	53.8	84.2
2006	1,397.1	28.5	47.7	167.2	152.2	95.6	62.3	29.4	125.9	418.6	144.5	57.0	110.5	66.3	93.1
2007	1,473.4	28.1	51.7	167.6	174.4	97.3	67.1	32.2	130.8	444.8	170.0	58.3	112.6	74.5	92.3
2006 Q4	356.5	7.1	12.6	40.9	41.0	22.1	16.0	7.6	32.6	108.2	39.8	14.4	27.7	17.4	23.3
2007 Q1	358.6	7.0	12.9	40.7	41.4	22.6	16.9	7.9	33.5	110.7	42.4	14.9	26.4	18.1	20.6
Q2	360.4	7.1	12.7	41.5	42.5	23.8	16.5	7.9	32.0	107.4	39.9	14.3	27.0	18.4	23.5
Q3	375.3	7.3	12.8	42.8	44.9	23.6	17.2	8.1	33.3	114.5	44.6	14.8	28.1	18.8	23.9
Q4	379.1	6.7	13.3	42.6	45.7	27.3	16.5	8.3	32.0	112.2	43.2	14.3	31.1	19.2	24.3
2008 Q1	396.4	.	.	.	.	27.6	16.9	8.4	33.8	115.9	43.3	14.6	33.8	19.1	.
2007 Oct.	126.9	2.3	4.4	14.3	15.4	9.0	5.6	2.7	10.7	37.7	14.8	4.9	9.5	6.4	9.0
Nov.	126.6	2.3	4.5	14.2	15.4	9.2	5.5	2.8	10.9	37.0	14.3	4.6	10.1	6.5	8.4
Dec.	125.6	2.2	4.5	14.1	14.9	9.2	5.4	2.8	10.4	37.5	14.1	4.7	11.4	6.3	6.9
2008 Jan.	133.5	2.3	4.6	14.9	15.9	9.5	5.5	2.8	11.5	39.5	14.9	4.8	11.5	6.5	9.0
Feb.	131.5	2.6	4.7	14.6	16.0	9.0	5.8	2.7	11.0	38.1	14.5	4.9	11.1	6.3	9.5
Mar.	131.5	.	.	.	.	9.2	5.6	2.8	11.3	38.3	13.9	4.8	11.2	6.4	.
<i>% share of total imports</i>															
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	2.3	59.7	18.4	-20.7	13.3	8.6	59.3	-83.6	-52.0	-20.8	-8.4	-4.5	21.9
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	-6.9	22.9
2006	-13.7	3.2	2.2	49.7	37.7	-40.4	15.0	9.4	74.0	-146.9	-90.8	-22.4	-32.8	-11.9	27.3
2007	24.5	5.7	3.6	61.2	45.3	-30.3	14.7	8.7	64.0	-148.8	-109.9	-24.0	-25.5	-13.2	39.0
2006 Q4	6.2	1.1	0.6	13.9	10.4	-6.4	4.8	2.1	18.6	-36.2	-25.0	-5.6	-7.7	-3.2	8.3
2007 Q1	8.7	1.3	0.6	15.9	10.9	-7.0	3.6	2.3	16.3	-38.5	-28.1	-6.2	-5.1	-3.3	11.5
Q2	9.8	1.4	1.2	14.5	11.2	-7.1	3.6	2.0	16.6	-34.3	-25.0	-5.4	-5.6	-3.1	9.4
Q3	5.3	1.2	1.4	15.9	11.5	-6.4	3.4	2.2	16.1	-39.5	-29.2	-6.3	-6.0	-3.2	8.7
Q4	0.7	1.8	0.4	14.9	11.7	-9.8	4.2	2.2	15.0	-36.5	-27.6	-6.1	-8.9	-3.6	9.4
2008 Q1	-2.1	.	.	.	.	-8.4	3.8	3.3	14.9	-38.0	-26.6	-6.1	-10.4	-3.1	.
2007 Oct.	1.3	0.5	0.3	5.1	3.9	-3.2	1.3	0.7	5.4	-12.5	-9.5	-2.2	-2.2	-1.1	3.0
Nov.	1.2	0.6	0.1	5.0	3.8	-3.3	1.5	0.8	5.0	-11.8	-9.2	-1.9	-2.8	-1.2	3.6
Dec.	-1.7	0.7	0.0	4.8	4.1	-3.3	1.4	0.7	4.5	-12.2	-8.8	-2.0	-3.9	-1.3	2.8
2008 Jan.	-1.3	0.7	0.0	5.0	4.3	-3.2	1.4	1.1	5.0	-13.4	-9.1	-2.0	-3.8	-1.1	2.7
Feb.	1.6	0.4	0.0	4.6	4.4	-2.5	1.1	1.2	5.6	-12.0	-9.0	-2.1	-3.3	-0.9	2.9
Mar.	-2.4	.	.	.	.	-2.7	1.3	0.9	4.3	-12.6	-8.5	-2.1	-3.4	-1.1	.

Source: Eurostat.



EXCHANGE RATES

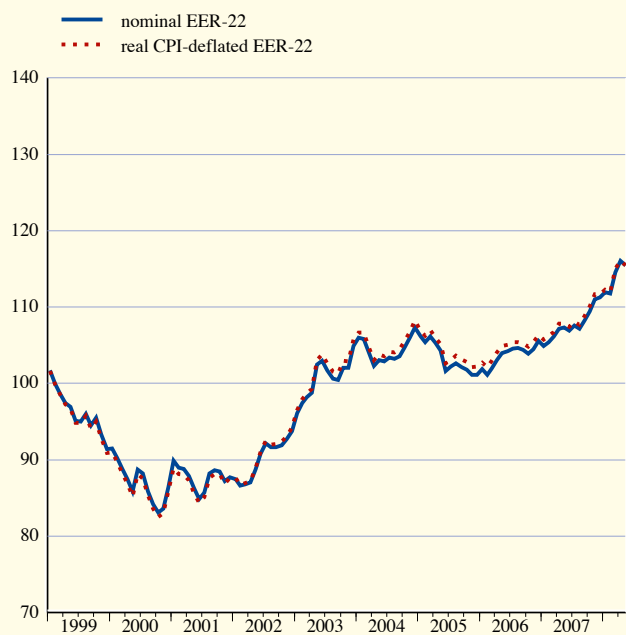
8.1 Effective exchange rates ¹⁾

(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	98.6	101.8	109.7	103.7
2006	103.6	104.6	103.0	102.2	99.4	101.3	110.0	103.4
2007	107.7	108.3	106.9	105.7	102.1	104.5	114.2	106.6
2007 Q1	105.5	106.2	104.9	103.7	99.8	102.2	112.1	104.9
Q2	107.1	107.7	106.1	105.2	102.4	104.3	113.5	106.0
Q3	107.6	108.2	106.8	105.6	101.7	104.4	114.1	106.4
Q4	110.5	111.2	109.6	108.2	104.6	107.0	117.0	109.0
2008 Q1	112.7	113.1	111.3	.	.	.	119.4	110.8
2007 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	110.1	-	-	-	117.6	109.4
2008 Jan.	112.0	112.3	110.5	-	-	-	118.3	109.9
Feb.	111.8	112.0	110.5	-	-	-	118.2	109.5
Mar.	114.6	115.0	112.9	-	-	-	121.5	112.9
Apr.	116.0	116.1	114.2	-	-	-	123.1	113.9
May	115.5	115.4	113.5	-	-	-	122.4	113.1
	<i>% change versus previous month</i>							
2008 May	-0.5	-0.5	-0.6	-	-	-	-0.6	-0.7
	<i>% change versus previous year</i>							
2008 May	7.6	7.0	6.8	-	-	-	7.7	6.6

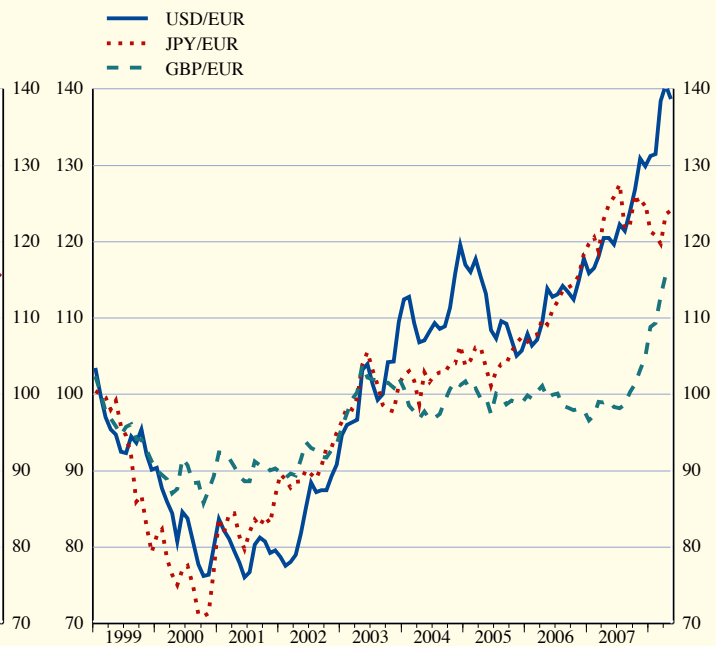
C35 Effective exchange rates

(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 kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 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 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
Apr.	7.4603	9.3699	0.79487	1.5751	161.56	1.5964	1,555.98	12.2728	2.1493	1.5965	7.9629	1.6933
May	7.4609	9.3106	0.79209	1.5557	162.31	1.6247	1,613.18	12.1341	2.1259	1.5530	7.8648	1.6382
	<i>% change versus previous month</i>											
2008 May	0.0	-0.6	-0.3	-1.2	0.5	1.8	3.7	-1.1	-1.1	-2.7	-1.2	-3.3
	<i>% change versus previous year</i>											
2008 May	0.1	1.1	16.3	15.1	-0.6	-1.6	28.7	14.9	3.3	5.0	-3.4	0.0
	Czech koruna 13	Estonian kroon 14	Latvian lats 15	Lithuanian litas 16	Hungarian forint 17	Polish zloty 18	Slovak koruna 19	Bulgarian lev 20	New Roman- ian leu 21	Croatian kuna 22	New Turkish lira 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 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	
Apr.	25.064	15.6466	0.6974	3.4528	253.75	3.4421	32.374	1.9558	3.6428	7.2654	2.0500	
May	25.100	15.6466	0.6987	3.4528	247.69	3.4038	31.466	1.9558	3.6583	7.2539	1.9408	
	<i>% change versus previous month</i>											
2008 May	0.1	0.0	0.2	0.0	-2.4	-1.1	-2.8	0.0	0.4	-0.2	-5.3	
	<i>% change versus previous year</i>											
2008 May	-11.1	0.0	0.3	0.0	-0.3	-10.0	-6.7	0.0	11.4	-1.0	7.6	
	Brazilian real ¹⁾ 24	Chinese yuan renminbi 25	Icelandic krona 26	Indonesian rupiah 27	Malaysian ringgit 28	Mexican peso ¹⁾ 29	New Zealand dollar 30	Philippine peso 31	Russian rouble 32	South African rand 33	Thai baht 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 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	
Apr.	2.6602	11.0237	116.65	14,497.21	4.9819	16.5608	1.9960	65.790	37.0494	12.2729	49.752	
May	2.5824	10.8462	117.46	14,436.99	5.0081	16.2402	2.0011	66.895	36.9042	11.8696	49.942	
	<i>% change versus previous month</i>											
2008 May	-2.9	-1.6	0.7	-0.4	0.5	-1.9	0.3	1.7	-0.4	-3.3	0.4	
	<i>% change versus previous year</i>											
2008 May	-1.9	4.6	38.0	21.0	9.0	11.1	8.5	6.0	5.7	25.1	12.2	

Source: ECB.

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



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	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	12.4	7.6	3.2	11.3	16.3	10.8	6.9	4.5	8.0	3.4	3.1	2.4
2007 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.	13.2	7.1	3.3	11.2	16.6	11.4	6.7	4.4	8.7	3.6	3.2	2.5
Apr.	13.4	6.7	3.4	11.6	17.4	11.9	6.8	4.3	8.7	3.7	3.2	3.0
General government deficit (-)/surplus (+) as a % of GDP												
2005	1.8	-3.6	5.0	1.8	-0.4	-0.5	-7.8	-4.3	-1.2	-2.8	2.2	-3.4
2006	3.0	-2.7	4.8	3.4	-0.2	-0.5	-9.2	-3.8	-2.2	-3.6	2.3	-2.6
2007	3.4	-1.6	4.4	2.8	0.0	-1.2	-5.5	-2.0	-2.5	-2.2	3.5	-2.9
General government gross debt as a % of GDP												
2005	29.2	29.7	36.4	4.5	12.4	18.6	61.6	47.1	15.8	34.2	50.9	42.1
2006	22.7	29.4	30.4	4.2	10.7	18.2	65.6	47.6	12.4	30.4	45.9	43.1
2007	18.2	28.7	26.0	3.4	9.7	17.3	66.0	45.2	13.0	29.4	40.6	43.8
Long-term government bond yield as a % per annum, period average												
2007 Nov.	4.94	4.55	4.21	-	5.12	4.57	6.74	5.70	6.96	4.59	4.22	4.74
Dec.	5.08	4.68	4.33	-	5.10	4.94	6.93	5.86	7.05	4.61	4.31	4.70
2008 Jan.	5.07	4.56	4.15	-	5.71	4.73	7.11	5.81	7.15	4.48	4.09	4.26
Feb.	5.24	4.53	4.08	-	5.11	4.51	7.58	5.82	7.29	4.36	4.02	4.45
Mar.	4.85	4.68	4.04	-	5.25	4.36	8.41	5.99	7.34	4.34	3.92	4.42
Apr.	4.80	4.72	4.29	-	5.93	4.59	8.02	5.99	7.35	4.46	4.06	4.62
3-month interest rate as a % per annum, period average												
2007 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
Mar.	6.68	4.04	4.81	6.35	6.49	4.82	8.21	6.03	10.54	4.29	4.84	5.89
Apr.	6.77	4.11	5.00	6.33	5.96	5.05	8.54	6.29	11.59	4.28	4.86	5.92
Real GDP												
2006	6.3	6.4	3.9	11.2	12.2	7.7	3.9	6.2	7.9	8.5	4.1	2.9
2007	6.2	6.5	1.8	7.1	10.3	8.8	1.3	6.7	6.0	10.4	2.7	3.0
2007 Q3	4.9	6.4	1.6	6.4	10.9	10.4	1.0	6.3	5.7	9.4	2.6	3.1
Q4	6.9	6.6	1.9	4.8	8.1	8.5	0.5	6.7	6.6	14.3	2.6	2.8
2008 Q1	.	.	.	.	.	6.7	0.7	6.4	8.2	8.7	2.3	2.5
Current and capital accounts balance as a % of GDP												
2006	-17.1	-2.9	2.7	-13.2	-21.3	-9.6	-5.4	-2.1	-10.5	-7.1	7.8	-3.8
2007	-20.3	-2.0	1.1	-15.8	-20.9	-11.9	-3.9	-2.6	-13.5	-4.7	8.3	-4.0
2007 Q3	-11.8	-4.4	2.5	-16.5	-24.5	-10.1	-2.8	-2.0	-10.8	-6.3	7.0	-5.6
Q4	-25.1	-2.1	0.9	-11.0	-13.2	-10.2	-2.5	-1.8	-13.5	-6.8	9.6	-1.4
2008 Q1	.	.	.	.	.	-11.1	.	-3.1	-14.1	0.4	12.1	.
Unit labour costs												
2006	4.4	1.7	1.7	8.1	15.3	8.8	1.4	-1.0	.	1.7	-0.2	2.6
2007	14.2	.	3.7	18.9	24.9	7.0	6.8	.	.	0.2	4.3	1.4
2007 Q3	16.7	2.3	4.2	20.7	-	5.9	-	-	-	0.3	3.6	2.0
Q4	14.5	1.5	3.1	19.1	-	9.1	-	-	-	-1.6	5.3	2.2
2008 Q1	.	.	.	.	.	.	.	.	.	5.5	.	.
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	3.8	4.7	6.0	4.3	7.4	9.6	6.4	11.1	6.1	5.2
2007 Q3	6.7	5.1	3.9	4.4	6.0	4.1	7.3	9.2	6.3	11.1	5.9	5.2
Q4	6.0	4.8	3.4	4.2	5.4	4.3	7.8	8.6	6.2	10.5	5.9	5.0
2008 Q1	6.0	4.6	3.1	4.2	5.3	4.6	7.6	8.1	.	10.0	5.6	.
2007 Dec.	5.9	4.7	3.3	4.2	5.3	4.4	7.8	8.3	6.2	10.3	5.8	5.0
2008 Jan.	6.1	4.7	3.2	4.1	5.3	4.6	7.6	8.4	.	10.2	5.7	5.0
Feb.	6.0	4.6	3.1	4.3	5.3	4.6	7.6	8.1	.	10.0	5.6	5.0
Mar.	5.9	4.5	3.0	4.2	5.2	4.6	7.6	7.8	.	9.9	5.6	.
Apr.	5.5	4.4	2.7	4.1	5.1	4.4	7.6	7.7	.	10.0	5.4	.

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

9.2 In the United States and Japan

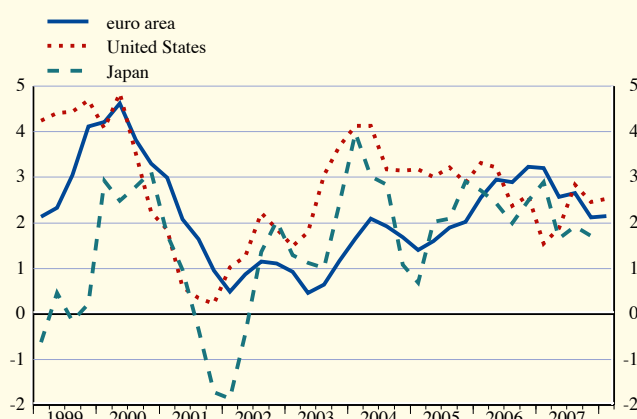
(annual percentage changes, unless otherwise indicated)

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	-0.6	3.1	4.2	5.1	4.4	3.56	5.05	1.2441	-3.6	49.2
2006	3.2	1.7	2.9	2.8	4.6	4.8	5.19	5.26	1.2556	-2.6	48.6
2007	2.9	1.9	2.2	1.8	4.6	5.9	5.30	4.81	1.3705	-3.0	49.2
2007 Q1	2.4	2.8	1.5	0.9	4.5	5.4	5.36	5.27	1.3106	-3.0	49.5
Q2	2.7	2.9	1.9	1.8	4.5	6.1	5.36	5.78	1.3481	-2.7	48.3
Q3	2.4	2.3	2.8	2.2	4.7	6.3	5.45	5.34	1.3738	-3.1	48.7
Q4	4.0	-0.4	2.5	2.5	4.8	5.8	5.02	4.81	1.4486	-3.3	49.2
2008 Q1	4.1	-1.3	2.5	1.9	4.9	6.4	3.26	4.24	1.4976	.	.
2008 Jan.	4.3	-	-	2.7	4.9	5.6	3.92	4.37	1.4718	-	-
Feb.	4.0	-	-	1.9	4.8	6.7	3.09	4.47	1.4748	-	-
Mar.	4.0	-	-	1.1	5.1	7.0	2.78	4.24	1.5527	-	-
Apr.	3.9	-	-	-0.1	5.0	6.5	2.79	4.59	1.5751	-	-
May	.	-	-	.	.	.	2.69	4.82	1.5557	-	-
Japan											
2004	0.0	-4.9	2.7	4.8	4.7	1.9	0.05	1.53	134.44	-6.2	156.8
2005	-0.3	-0.6	1.9	1.4	4.4	1.8	0.06	1.66	136.85	-6.7	163.2
2006	0.2	-2.6	2.4	4.5	4.1	1.1	0.30	1.85	146.02	-1.4	159.5
2007	0.1	.	2.0	2.8	3.8	1.6	0.79	1.70	161.25	.	.
2007 Q1	-0.1	-2.2	3.2	3.0	4.0	1.0	0.62	1.85	156.43	.	.
Q2	-0.1	.	1.8	2.3	3.8	1.5	0.69	2.11	162.89	.	.
Q3	-0.1	.	1.9	2.6	3.8	1.9	0.89	1.88	161.90	.	.
Q4	0.5	.	1.4	3.4	3.8	2.0	0.96	1.70	163.83	.	.
2008 Q1	1.0	.	1.1	2.3	3.9	2.2	0.92	1.48	157.80	.	.
2008 Jan.	0.7	-	-	2.9	3.8	2.1	0.89	1.63	158.68	-	-
Feb.	1.0	-	-	5.1	3.9	2.3	0.90	1.60	157.97	-	-
Mar.	1.2	-	-	-0.6	3.8	2.3	0.97	1.48	156.59	-	-
Apr.	0.8	-	-	1.8	4.0	1.8	0.92	1.76	161.56	-	-
May	.	-	-	.	.	.	0.92	2.00	162.31	-	-

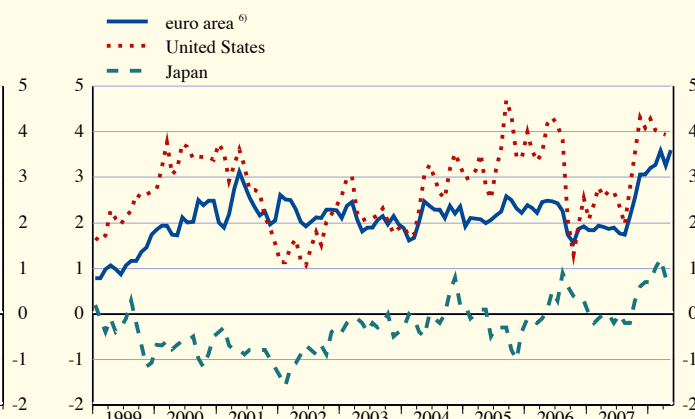
C37 Real gross domestic product

(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.



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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

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:

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

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

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

where L^{t-3} is the amount outstanding at the end of month $t-3$ (the end of the previous quarter)

and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t .

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

Growth rates 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:

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

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" subsection 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:

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.³ The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and

revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

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

CALCULATION OF BALANCING ITEMS

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

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

- 1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.europa.eu), under the "Money, banking and financial markets" sub-section.
- 2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.
- 3 It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

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

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

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

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

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

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of the month t , the index I_t of notional stocks in month t is defined as:

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

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:

$$k) \quad a_t = \left[\prod_{i=0}^{11} \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used 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:

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

where I_t is the index of notional stocks as at month t. Likewise, for the year ending in month t, the average growth rate is calculated as:

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the 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 STATISTICS⁴

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:

$$o) \quad a_t = \left[\prod_{i=0}^5 \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

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

RELATING TO TABLE I IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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 4 June 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 sector¹, as last amended by Regulation ECB/2003/10².

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 model³. 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 statistics⁴. 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 2001⁵. 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 index⁶ and in

the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁷. 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

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.

seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000⁸ 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 government⁹. 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). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported.

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 EUROSYSTEM¹



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 allotment amount again at the beginning of 2008.

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

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

12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

**5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER,
8 NOVEMBER AND 6 DECEMBER 2007, AND
10 JANUARY, 7 FEBRUARY, 6 MARCH, 10 APRIL,
8 MAY AND 5 JUNE 2008**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.



DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2007

This list is designed to inform readers about selected documents published by the European Central Bank since January 2007. For Working Papers, the list only refers to publications released between March and May 2008. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu.

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ANNUAL REPORT

- "Annual Report 2006", April 2007.
- "Annual Report 2007", April 2008.

CONVERGENCE REPORT

- "Convergence Report May 2007".
- "Convergence Report May 2008".

MONTHLY BULLETIN SPECIAL EDITION

- "10th anniversary of the ECB 1998-2008", May 2008

MONTHLY BULLETIN ARTICLES

- "The enlarged EU and euro area economies", January 2007.
- "Developments in the structural features of the euro area labour markets over the last decade", January 2007.
- "Putting China's economic expansion in perspective", January 2007.
- "Challenges to fiscal sustainability in the euro area", February 2007.
- "The EU arrangements for financial crisis management", February 2007.
- "Migrant remittances to regions neighbouring the EU", February 2007.
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- "Output growth differentials in the euro area: sources and implications", April 2007.
- "From government deficit to debt: bridging the gap", April 2007.
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- "Competition in and economic performance of the euro area services sector", May 2007.
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- "The financing of small and medium-sized enterprises in the euro area", August 2007.
- "Leveraged buyouts and financial stability", August 2007.
- "Long-term developments in MFI loans to households in the euro area: main patterns and determinants", October 2007.
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- "Circulation and supply of euro banknotes and preparations for the second series of banknotes", October 2007.

- “The stock market’s changing structure and its consolidation: implications for the efficiency of the financial system and monetary policy”, November 2007.
- “The introduction of quarterly sectoral accounts statistics for the euro area”, November 2007.
- “Productivity developments and monetary policy”, January 2008.
- “Globalisation, trade and the euro area macroeconomy”, January 2008.
- “The Eurosystem’s experience with forecasting autonomous factors and excess reserves”, January 2008.
- “The analysis of the euro money market from a monetary policy perspective”, February 2008.
- “Securitisation in the euro area”, February 2008.
- “The new euro area yield curves”, February 2008.
- “Business investment in the euro area and the role of firms’ financial positions”, April 2008.
- “Short-term forecasts of economic activity in the euro area”, April 2008.
- “Developments in the EU arrangements for financial stability”, April 2008.
- “Price stability and growth”, May 2008.
- “The Eurosystem’s open market operations during the recent period of financial market volatility”, May 2008.

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“Research Bulletin”, No 6, June 2007.

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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.

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