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EUROPEAN CENTRAL BANK

MONTHLY BULLETIN
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ABBREVIATIONS

COUNTRIES

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

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
HWWA	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
PPI	Producer Price Index
SITC Rev. 3	Standard International Trade Classification (revision 3)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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

EDITORIAL

At its meeting on 7 July 2005, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

On the basis of its regular economic and monetary analyses, the Governing Council concluded that the monetary policy stance is appropriate, given the current outlook for price stability over the medium term. Accordingly, the Governing Council decided to leave the key ECB interest rates unchanged. Across the maturity spectrum, interest rates in the euro area are low by historical standards, in both nominal and real terms, and thus lend ongoing support to economic activity. The Governing Council confirmed that it will continue to monitor carefully all factors that might affect this assessment and that it remains vigilant with respect to the emergence of risks to price stability over the medium term.

Starting with the economic analysis, recent indicators of economic activity in the euro area have, on balance, confirmed that growth has remained subdued. High and rising oil prices in particular appear to have weighed on demand and confidence. On the basis of current information, the growth rate in the second quarter of this year is expected to be lower than the first quarter growth rate of 0.5%, quarter on quarter. Available data are still mixed, with some of the most recent indicators showing a slight improvement, but there are no signs as yet that a more sustained recovery in economic activity has already started. At the same time, looking beyond the short term, there continues to be reason to expect a gradual improvement in economic activity in the euro area. On the domestic side, investment should benefit from the very favourable financing conditions, the robust growth of corporate earnings currently observed and ongoing improvements in corporate efficiency. Consumption growth should evolve broadly in line with expected developments in disposable income. On the external side, ongoing growth in global demand and improvements in euro area price competitiveness should support euro area exports. This assessment is in line with available forecasts and projections.

This baseline scenario for growth continues to be surrounded by a good deal of uncertainty. On balance, risks to economic growth lie on the downside and are notably related to the persistence of high oil prices, the low level of confidence prevailing in the euro area and global imbalances.

Turning to price developments, annual HICP inflation was 2.1% in June, according to Eurostat's flash estimate, compared with 1.9% in May. Over the next few months annual HICP inflation rates are expected to fluctuate around current levels and may not fall below 2% for the remainder of 2005. This outlook mainly reflects recent developments in oil prices, which constitute an upside risk to inflation in the context of the June 2005 Eurosystem staff macroeconomic projections. However, wage increases have remained contained over recent quarters and, in the context of moderate economic growth and weak labour markets, this trend should continue for the time being. Overall, there continues to be no significant evidence of underlying domestic inflationary pressures building up in the euro area.

At the same time, upside risks to this scenario for inflation warrant close monitoring. These risks relate mainly to oil price developments and their potential to lead to second-round effects stemming from wage and price-setting behaviour. It is important that the social partners continue to meet their responsibilities. Moreover, uncertainties about future developments in administrative prices and indirect taxes need to be taken into account when assessing currently available inflation projections.

Looking at inflation prospects over medium to longer horizons, the assessment is also based on the results of the monetary analysis. In line with developments since mid-2004, monetary and credit growth in the euro area remain strong. The stimulating impact of the low level of interest rates has remained the dominant factor driving monetary developments, as reflected in the strength of M1 growth and the dynamism of loans to the private sector. Liquidity remains ample by all plausible measures. Overall, monetary developments support the case for vigilance with regard to upward risks to price stability over medium to long-term horizons.

To sum up, the economic analysis confirms that domestic inflationary pressures over the medium term remain contained in the euro area, while oil price developments in particular imply some upward revisions to the main scenario for price developments. The monetary analysis identifies risks to price stability over the longer term. Overall, cross-checking the information from the two pillars suggests a need for ongoing vigilance in order to maintain inflation expectations in line with price stability. In fact, by keeping medium-term inflation expectations firmly anchored at levels consistent with price stability, monetary policy is making a significant contribution towards a recovery in economic growth.

Prudent fiscal policies could provide considerable support for confidence in the euro area. The discussions on revising the Stability and Growth Pact regulations have been concluded and rigorous implementation is now key to ensuring an effective framework for fiscal policy coordination and discipline. This is all the more true as current and projected fiscal deficits in several euro area countries still need to be addressed with rigour. In a number of cases these deficits not only imply a rising debt ratio, but also leave no safety margin for short-term budgetary relief in the event of adverse developments. In this context, as significant revisions of past deficit and debt figures have been reported for a few countries, the Governing Council reiterated its previous calls for the reliable compilation and timely reporting of government finance statistics.

Finally, as stressed repeatedly by the Governing Council, a decisive and comprehensive set of structural reform measures aimed at achieving a more dynamic and competitive European economy with flexible labour and product markets is urgently needed. The main objective of such measures is to deal with the ongoing challenges from globalisation, rapid technological change and ageing populations and, overall, to ensure greater resilience to shocks. These challenges are not specific to the euro area. However, successful structural reforms would also contribute to fostering the adjustment processes within the euro area. In particular, they would allow those member countries with a weaker record in terms of economic growth and employment creation or with persistently high inflation to perform better in the future. As regards existing growth and inflation differentials within the euro area, available data suggest that the dispersion of growth and inflation rates in the euro area is not materially different from that of the United States and has not increased since 1999. However, in cases where growth and inflation differentials are not due to catching-up processes or temporary factors, structural reforms are even more necessary to enhance economic performance and flexibility in the adjustment process.

This issue of the Monthly Bulletin contains three articles. The first article reviews the concept of the HICP, discusses its properties and examines the experience gained with this consumer price index. The second article discusses the implementation of structural reforms in the context of the Lisbon strategy and its relaunch following the European Council's mid-term review in March 2005. Finally, the third article examines the use of harmonised statistics on interest rates applied by MFIs to euro-denominated deposits and loans, compiled by the ECB since the beginning of 2003.

ECONOMIC AND MONETARY DEVELOPMENTS

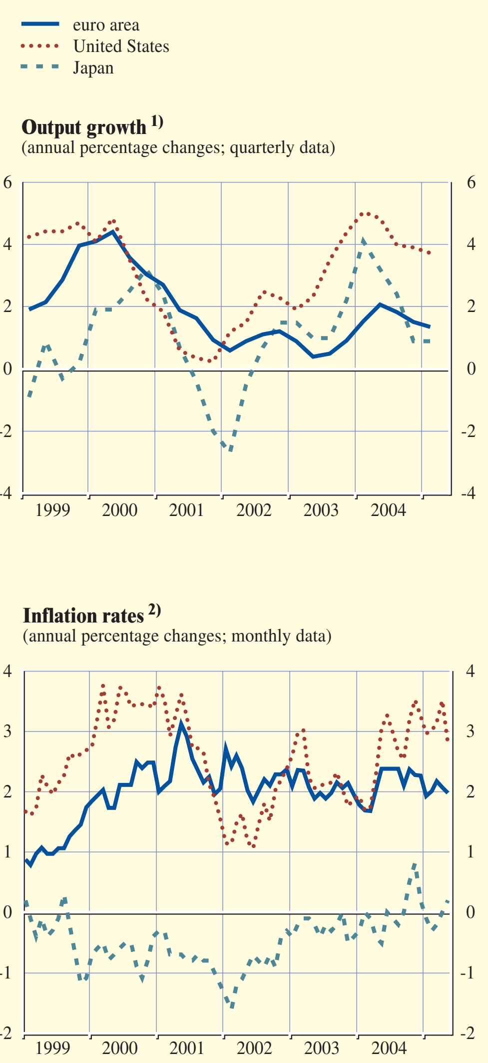
1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy is continuing to expand at a fairly robust, albeit gradually moderating, pace. At the same time, inflationary pressures at the global level generally appear to be relatively well contained. The outlook for the global economy and for euro area foreign demand remains fairly favourable. However, the continued high level of oil prices poses an important risk to this outlook.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy is continuing to expand at a fairly robust pace (see Chart 1). Growth is particularly strong in the United States and in some Asian countries, notably China. However, in many countries it is moderating from the rates observed at the end of 2004. Activity remains supported by the services sector in particular, while the manufacturing sector has shown some signs of weakening in a number of countries, reflecting in part the impact of the rise in oil prices and inventory adjustments. Oil prices have rebounded again recently, with Brent crude oil reaching a new historical high at the end of June. Nonetheless, inflationary pressures at the global level generally appear to be relatively well contained.

Chart 1 Main developments in major industrialised economies



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

UNITED STATES

In the United States, the economic expansion continued at a robust pace in the first half of 2005. According to final estimates, in the first quarter real GDP grew by 3.8% from the previous quarter in annualised terms, led by strong domestic demand. At the same time, the continued drag from net trade on growth in part led to the current account deficit reaching a new record of 6.4% of GDP in the first quarter. Economic growth appears to have continued at a rather brisk rate in the second quarter of 2005, although it may have moderated somewhat. In particular, growth in the industrial sector has generally weakened, which seems to have been related, to some extent, to an inventory correction after a strong build-up of stocks last year and earlier this year. Other factors that seem to have negatively affected final demand in the first half of this year include the high price of oil and possibly the expiration of tax incentives for investment spending at the turn of the year. By contrast, the low level of long-term interest rates has continued to support domestic demand.

According to recent data releases, residential investment seems to have remained strong. The growth of private consumption appears to have continued, albeit at a more moderate pace than in the first quarter. The expansion of business fixed investment also seems to have remained below the very rapid rate experienced in the second half of 2004. Looking ahead, the outlook for overall economic activity in the near future remains rather benign, although output growth may turn out to be somewhat weaker than the rapid pace of expansion experienced over the first quarter.

High oil prices and an apparent acceleration of unit labour costs did not lead to a significant pick-up in consumer price inflation excluding energy up to end-May. That month, annual consumer price inflation decreased to 2.8%, after standing at 3.5% in April. The decrease was mainly due to the temporary drop in oil prices. Excluding food and energy, annual consumer price inflation remained at 2.2% in May.

Concerning monetary policy, the US Federal Open Market Committee raised the federal funds target rate by 0.25 percentage point for the ninth consecutive time to 3.25% at its meeting on 30 June. The Committee reiterated its statement that "policy accommodation can be removed at a pace that is likely to be measured".

JAPAN

In Japan the second estimate of national accounts confirmed that the economy recorded strong growth in the first quarter of 2005. According to the revised data, real GDP grew by 1.2% quarter on quarter, equating to an annualised increase of 4.9%. This represents a marginal revision downward from the initial estimate. The strong rebound in real GDP in the first quarter of 2005 was largely driven by private domestic demand, particularly private consumption and non-residential investment.

The results of the Bank of Japan's Tankan corporate survey for the second quarter of 2005 were fairly favourable, providing further indications that the recovery in the Japanese economy is firming. Household surveys confirm that real spending is strengthening, largely reflecting improvements in labour markets. Rising retail sales and higher new car registrations also point to sustained growth in domestic demand, while consumer confidence remains high. By contrast, export activity remains subdued, largely reflecting a slowdown in trade with China.

Looking ahead, the Japanese economy is expected to continue its present expansion, albeit at a slower rate than in the first quarter. Growth is likely to be supported by domestic demand rather than by the external sector.

Concerning consumer price developments, in May annual nationwide headline CPI increased by 0.2%, while the CPI excluding fresh food remained flat. By contrast, producer prices – as measured by the domestic corporate goods price index – have continued to rise in recent months, reflecting higher prices for energy products and raw materials. In May domestic corporate goods prices rose by 1.8% year on year. Against this background, the Bank of Japan, at its meeting on 15 June, decided to maintain its target for the outstanding balance of current accounts unchanged at around JPY 30-35 trillion.

UNITED KINGDOM

In the United Kingdom, output growth moderated somewhat in the first quarter of 2005 to a quarterly rate of 0.4%, down from 0.6% in the previous quarter, and stood at 2.1% in annual terms. The moderation in growth stemmed mainly from subdued private consumption growth. Gross fixed capital formation rose somewhat, while exports declined. However, as imports fell more sharply, the contribution of net exports to quarterly GDP growth turned positive in the first quarter. The indicators point to relatively stable growth in the second quarter, although the risks are on the downside. Looking ahead, real GDP growth for 2005 as a whole may turn out to be somewhat weaker than last year, largely reflecting the slowdown in private consumption growth.

HICP inflation remained at 1.9% year on year in May, unchanged since March. Annual growth in average earnings remained unchanged in April at 4.1% year on year, but growth in average earnings (including bonuses) increased slightly. The unemployment rate in April was 4.7%, unchanged from the previous quarter, but lower than a year ago. The housing market seems to have stabilised and year-on-year increases in house prices slowed further in April. Against this background, in June and early July the Bank of England's Monetary Policy Committee left the repo rate unchanged at 4.75%.

OTHER EUROPEAN COUNTRIES

In Denmark and Sweden, real GDP growth slowed significantly in the first quarter of 2005 to an annual rate of 0.8% and 0.4% respectively (down from approximately 3% in both countries in the previous quarter), though this was partly due to a lower number of working days in the first quarter. The slowdown was broad-based in both countries, with both domestic and external demand weakening in year-on-year terms. The slowdown in exports reflects weaker demand from the trading partners and follows a strong performance in 2004, particularly in the case of Sweden. The weakness in private consumption reflects labour market conditions which are still subdued. Inflation has remained low in both economies, with annual HICP inflation dropping further in May to 1.3% and 0.2% in Denmark and Sweden respectively. In both countries, moderate wage cost increases, combined with strong labour productivity growth and relatively low capacity pressures, have kept domestic cost and price developments subdued. On 20 June, Sveriges Riksbank lowered its key interest rate by 0.5 percentage point to a historically low 1.5%, against the background of a subdued inflation outlook.

In the new Member States, output growth also slowed in the first quarter of 2005, although the underlying dynamics and the near-term outlook still look favourable. The deceleration in economic activity in the first quarter to some extent reflects statistical factors, such as base effects associated with the increase in growth a year ago in anticipation of EU accession. Average real GDP growth in the ten new Member States declined to a weighted annual rate of 3.8% in the first quarter, down from 4.4% in the fourth quarter, although it remained relatively strong in the Baltic States and Slovakia.

Among the three largest new Member States, the slowdown was most pronounced in Hungary, where annual real GDP growth declined to 2.9%. This weakening came from lower export growth and a decline in inventories. In the Czech Republic real GDP growth slowed to an annual rate of 4.4% in the first quarter, whereas in Poland it remained broadly stable at 3.8%.

In the three largest new Member States, data for May brought confirmation of the declining trend in inflation. The highest annual HICP inflation rate was recorded in Hungary, at 3.5%, whereas HICP inflation fell to 2.2% in Poland and 0.9% in the Czech Republic. The disinflation trend in these countries is associated with base effects resulting from the impact of the EU accession-related increases in indirect taxes and administered prices on inflation in early 2004, lower food prices, weaker domestic demand and increased competition in the retail sector. In addition, earlier currency appreciations seem to have pushed down import prices. Against the background of an improved inflation outlook, Magyar Nemzeti Bank reduced its policy rate by 0.25 percentage point on 20 June to 7%. On 29 June, Narodowy Bank Polski lowered its key policy rate by 0.5 percentage point to 5.0%.

NON-JAPAN ASIA

In China, the economy has continued to grow strongly in recent months, following annual GDP growth of 9.4% in the first quarter of 2005. Both surging exports and robust domestic demand contributed to the acceleration in economic activity. Exports continued to expand rapidly, growing 30.6% year on year in May, while imports rose by 15.7%, resulting in a large trade surplus of USD 9 billion. Year-on-year growth of industrial production and retail sales increased to 16.6% and 12.8% respectively. In addition, fixed asset investment showed no signs of a slowdown, rising 26.4% year on year in nominal terms in the first five months of 2005. Annual CPI inflation remained at 1.8% in May, unchanged from April.

Some other major countries in non-Japan Asia have experienced a slight improvement in growth momentum in recent months. In particular, retail sales have improved in most economies in the region. Inflationary pressures have continued to ease in a number of major non-Japan Asian economies, but have increased substantially in Malaysia and Thailand. Overall, economic prospects for the economies in the region remain rather favourable, supported by the continuous improvement in domestic demand, particularly private consumption.

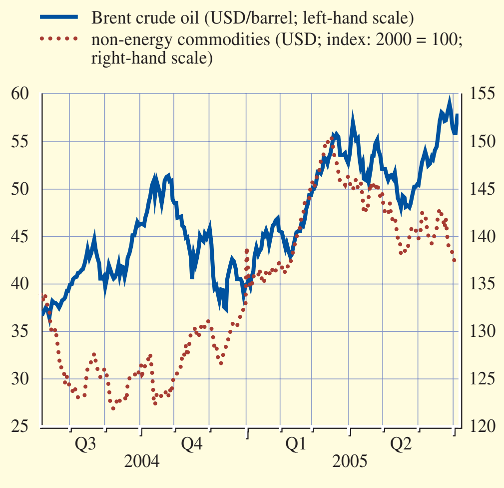
LATIN AMERICA

Latin American economies are continuing to experience a period of strong economic expansion, albeit at a slower pace than last year. The region's largest economies are still driven mainly by export growth, but are also supported by domestic demand. In April industrial production increased by 6.3% and 5.7% (year on year) in Brazil and Mexico respectively, while in May it expanded by 8.5% (year on year) in Argentina. The economic prospects for the region remain favourable as its largest economies are expected to be buoyed by both export activity and domestic demand. However, inflation rates that are higher than targeted, if they persist, may provide some cause for concern.

1.2 COMMODITY MARKETS

In an environment of considerable volatility, oil prices surged once again in June. Brent crude oil reached an all-time high of USD 58.9 per barrel on 28 June (see Chart 2). Expectations of strong demand in the second half of the year, combined with constraints throughout the oil supply chain and continued

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

concerns over the security of oil supplies, have kept upward pressure on oil prices. The limited spare capacity in both oil production and refining, and therefore the high sensitivity to changes in the supply-demand balance, is expected to keep oil prices both high and volatile in the short term. Indeed, the price of Brent crude oil futures, for delivery at end-2007, stood at close to USD 60 in early July.

The box entitled "Oil-bill recycling and its impact" describes the repercussions resulting from the rise in oil revenues in oil-exporting countries, focusing on two main transmission channels with respect to global trade and financial flows.

Non-energy commodity prices, expressed in US dollars, remained broadly unchanged in June in comparison with the previous month. On average, prices in June were almost 5% below their historical high reached in March 2005. Nevertheless, non-energy commodity prices were almost 8% higher in June than a year previously.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The outlook for the external environment and for euro area external demand remains fairly favourable. Although some of the weakening in global manufacturing appears to be related to inventory corrections and may thus be of a more temporary nature, part of it may also be more lasting, especially if oil prices remain at high levels. In general, some further gradual deceleration of global economic activity cannot be ruled out at this point. This is also suggested by the further decline in the six-month rate of change of the OECD composite leading indicator in April. The growth outlook continues to be associated with some important risks, with oil prices, which reached a new historical high in June, being the main source. In addition, the persistence of global imbalances constitutes a further risk.

Box 1

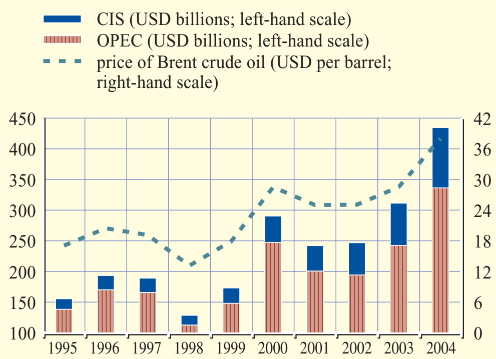
OIL-BILL RECYCLING AND ITS IMPACT

Oil price increases and rising production volumes have generated substantially higher oil export revenues for most oil-producing countries. This box focuses on two groups of countries, the Organization of the Petroleum Exporting Countries (OPEC) and the Commonwealth of Independent States (CIS), which together produce approximately 70% of internationally traded oil. Combined OPEC and CIS oil revenues are estimated to have increased from USD 250 billion in 2002 to more than USD 430 billion in 2004 (see Chart A). This has strengthened the fiscal position in some of the OPEC and CIS economies. Since 2001 both OPEC and CIS economies have noticeably increased their import activities, thus limiting the initial negative effect on the current accounts of some oil-importing economies. This box looks at the feedback effects stemming from rising oil revenues, also referred to as "oil-bill recycling", and in particular at two main transmission channels: (i) financial markets and (ii) trade.

One possible scenario associated with the reallocation of wealth following a period of sustained high oil prices is that oil-exporting countries increase their deposits in the international banking system and/or their investments in fixed income and equity securities.

While this was an important channel of oil-bill recycling during the first and second oil crises, it has not been so significant in recent years. Although OPEC economies deposited a considerable proportion of their additional oil export revenues with international banks after the rise in oil prices in 1999, this did not occur to the same extent during the most recent surge from 2002 to 2004. Banking statistics, as reported by the BIS,[1] suggest that the rise in oil prices from mid-1998 to end-2000 was accompanied, with a slight lag, by a near doubling of the real stock of international banks' net liabilities vis-à-vis the OPEC – a measure of the net funnelling of OPEC funds into deposits with international banks. This was no longer the case in the most recent cycle, as the real net stock of liabilities of BIS reporting banks vis-à-vis the OPEC rose by only 3% between the second quarter of 2002 and the second quarter of 2004 (the latest available data).

Chart A Oil export revenues



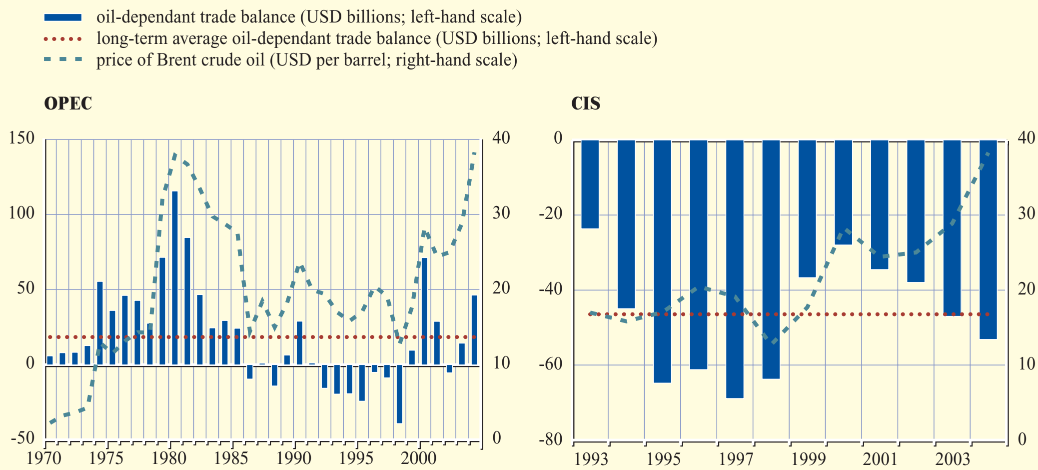
Sources: FMDB and ECB staff estimations.

Although the overall bank net liabilities vis-à-vis the OPEC remained relatively flat throughout the latest surge in oil prices, their decomposition has changed as the OPEC have moved away from US dollar-denominated deposits into deposits denominated in euro and other currencies. Indeed, the share of funds denominated in US dollars and deposited by the OPEC with BIS reporting banks fell from 75% of total deposits in the third quarter of 2001 to 61.5% in the second quarter of 2004, while the share of euro-denominated deposits rose from 12% to 20% over the same period. This move towards a more balanced deposit portfolio in terms of currencies may signal oil producers' intent to safeguard their purchasing power at times when their imports are shifting away from the United States towards Europe and other countries (see below). The investment pattern which can be observed by monitoring banks' balance sheet positions may, however, not give the full picture. Indeed, looking at cross-border capital flows, the US Department of the Treasury reports an increase of 46% in OPEC holdings of US Treasury securities from April 2003 to April 2005 (from USD 41.5 billion to USD 60.6 billion). In addition, some oil export revenues may have been channelled through financial centres into US Treasury securities.

International trade represents the second potential recycling channel of increased oil revenues. Recent trade data for both the OPEC and the CIS point to a higher recycling through oil-exporting economies' imports. During the first and second oil price shocks, the OPEC persistently ran relatively large surpluses between its oil export revenues and total imports ("oil-dependant trade balance"), which turned into small deficits in the mid-1980s when the price of oil plunged back to about USD 15 (see Chart B, left panel). The large surplus appeared again in 2000 when oil prices started to pick up sharply. However, in the most recent period from 2001 to 2004, the OPEC's annual oil-dependant trade surpluses remained relatively moderate despite the strong rise in both oil prices and oil export volumes. A similar trend can be

1 See BIS Quarterly Review (December 2004).

Chart B Oil-dependant trade balance [1]



Sources: CHELEM, IMF and ECB calculations.
1) The oil-dependant trade balance refers to the difference between a country's oil export revenues and its total imports.

observed for the CIS (see Chart B, right panel). Although the CIS recorded oil-dependant trade deficits throughout the entire observation period, the rise in oil prices in 1998 was followed by a relatively sharp reduction in deficits in 1999 and 2000. The strong increase in oil prices from 2001 onwards led to an even more severe deterioration of the CIS oil-dependant trade balance, although higher oil prices boosted oil export revenues.

Total OPEC and CIS imports registered an annual average increase of 18% and 22% respectively between 2001 and 2004 in nominal dollar terms. During this period, OPEC and CIS imports increased more than their long-run income and price elasticities of imports would suggest. The euro area seems to have benefited from the strong demand originating from oil-exporting countries. The annual growth of OPEC and CIS imports from the euro area was, on average, 22% and 34% respectively between 2001 and 2004, resulting in an increase in euro area market shares in both oil-exporting regions (see table). China also succeeded in increasing its relative share in total OPEC and CIS imports. These figures contrast sharply with those of the United States, which experienced a significant loss in market share in OPEC and CIS imports.

Import market shares of selected economies in the OPEC and the CIS

(as a percentage of total imports)

	OPEC			CIS		
	1998	2001	2004	1998	2001	2004
Euro area	26.0	24.8	27.1	32.0	31.6	39.6
United States	15.4	12.5	7.9	7.0	6.5	3.3
United Kingdom	5.9	5.0	4.5	2.5	2.3	2.6
Asia excl. Japan and China	9.8	10.7	12.5	2.8	2.5	2.8
Japan	9.2	8.3	8.0	1.4	1.8	3.0
China	3.7	4.8	7.8	1.9	2.9	6.3

Sources: IMF and ECB calculations.

Overall, from 1999 to 2004, different patterns emerged as to how oil-exporting economies, in particular the OPEC economies, allocated their additional oil export revenues. First, in the aftermath of the substantial rise in oil prices in 1999, OPEC countries deposited large shares of their oil revenues with international banks, keeping their investment in financial assets and import spending low. However, between 2001 and 2004, OPEC economies increased their imports substantially. A similar increase in import activity since 2001 can also be observed in the case of the CIS economies. It appears that the euro area benefited from this recent rise in imports. Thus, while the elevated price of oil certainly dampens economic activity in oil-importing countries such as the euro area, it appears that the mitigating feedback effects associated with oil-bill recycling have been somewhat more favourable for the euro area in the current oil price cycle than in previous episodes of price increases.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The May 2005 data point to a continuation of the strong monetary growth observed since mid-2004. While the normalisation of portfolio allocation behaviour by euro area residents is ongoing, albeit at a slowing pace in recent months, the stimulative impact of the low level of interest rates on M3 continued to prevail and fuelled monetary dynamics. The low level of interest rates also supported a further strengthening of the already robust demand for MFI loans by the private sector. Given this combination of factors, the ample liquidity in the euro area poses risks to price stability over the medium to longer term. Moreover, accumulated liquidity and strong credit growth could become a source of strong asset price increases.

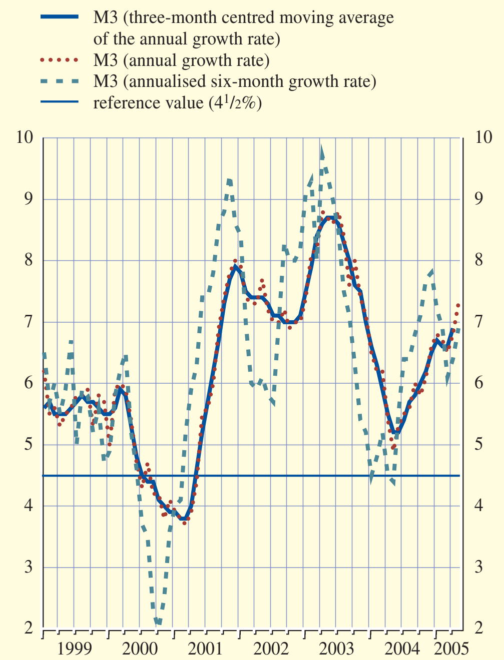
THE BROAD MONETARY AGGREGATE M3

The annual rate of growth in the broad monetary aggregate M3 increased to 7.3% in May 2005, from 6.8% in April. The three-month average of the annual M3 growth rates rose to 6.9% in the period between March and May 2005, from 6.6% in the period between February and April 2005. The shorter-term dynamics of M3 remained strong in May, reflected in the further increase of the annualised six-month growth rate of M3 from 6.4% in the previous month to 6.9% (see Chart 3). Although recent monthly developments have been volatile, it appears that the stronger monetary growth observed since mid-2004 is continuing.

With regard to the factors driving monetary dynamics, the May data are in line with the assessment in previous months. Monetary developments continued to be influenced by two opposing forces. On the one hand, on the components side, M1 continued to grow at a fast pace, fuelled by the prevailing low level of interest rates. On the counterparts side, the low level of interest rates, together with improvements in credit supply conditions, contributed to maintaining the annual growth of loans to the private sector at a robust pace. On the other hand, the ongoing normalisation of portfolio allocation behaviour following the exceptional preference for liquidity between 2001 and 2003 continued to dampen M3 growth. However, the recent decline in month-on-month growth rates for longer-term financial liabilities (excluding capital and reserves) suggests that the process of normalisation has been slowing.

Chart 3 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Given the continued robust annual growth in M3 over the most recent quarters, there is significantly more liquidity available in the euro area than is needed to finance non-inflationary economic growth. The stabilisation or reduction of this ample liquidity will depend crucially on a further normalisation of the portfolio allocation behaviour of the euro area money-holding sector. Viewed from a medium-term perspective, risks to price stability would arise, should a significant part of this liquidity be transformed into transaction balances at a time when confidence and real economic activity are strengthening. In addition, the combination of accumulated liquidity and strong credit growth could become a source of strong asset price increases.

MAIN COMPONENTS OF M3

In May, M1 continued to be the main contributor to annual M3 growth. Among the components of M1, the annual growth rate of currency in circulation moderated somewhat, while that of overnight deposits showed a further increase. At the same time, the annual rate of growth of other short-term deposits also moderated (see Table 1).

The annual growth rate of short-term deposits and repurchase agreements held by the private sector with MFIs excluding the Eurosystem increased further in May. Since the middle of 2004, the accumulation of this type of liquidity has been broad-based across sectors, with particularly strong contributions to the increase in the annual growth rate from non-monetary financial intermediaries and, to a lesser extent, from households.

The annual growth rate of marketable instruments included in M3 increased to 6.0% in May, from 3.2% in April. This development reflects an increase in the annual growth rate of money market fund shares/units. The increase was, however, not evenly spread across countries. Money market funds are often used in times of uncertainty to "park" money, and the relatively subdued growth in past quarters, following the strong (double-digit) annual growth rates between mid-2001 and late 2003, points to an ongoing normalisation in the portfolio allocation behaviour of euro area

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					
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Apr.	2005 May
M1	**45.3**	**10.2**	**9.6**	**9.3**	**9.7**	**9.3**	**10.1**
Currency in circulation	7.2	21.6	20.3	19.1	18.0	17.5	17.0
Overnight deposits	38.1	8.5	7.9	7.7	8.2	7.9	8.8
M2 - M1 (= other short-term deposits)	40.2	1.7	2.0	3.5	4.4	5.3	4.9
Deposits with an agreed maturity of up to and including two years	15.2	-6.9	-5.8	-2.4	0.5	3.2	1.9
Deposits redeemable at notice of up to and including three months	25.0	8.1	7.6	7.4	7.0	6.6	6.8
M2	**85.5**	**6.0**	**5.8**	**6.4**	**7.1**	**7.4**	**7.6**
M3 - M2 (= marketable instruments)	14.5	2.0	4.1	3.9	4.0	3.2	6.0
M3	**100.0**	**5.4**	**5.6**	**6.1**	**6.7**	**6.8**	**7.3**
Credit to euro area residents		**6.0**	**6.2**	**6.0**	**6.5**	**6.7**	**6.5**
Credit to general government		6.2	6.3	3.7	3.4	2.9	1.5
Loans to general government		2.0	2.2	0.6	-0.5	-0.7	-0.3
Credit to the private sector		5.9	6.2	6.7	7.3	7.7	7.8
Loans to the private sector		5.7	6.2	6.9	7.3	7.4	7.6
Longer-term financial liabilities (excluding capital and reserves)		**8.3**	**8.5**	**8.9**	**9.5**	**9.5**	**9.5**

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

residents. However, in more recent months there has been no further moderation in the growth of holdings of this type of asset, suggesting that the normalisation process has been slowing down.

MAIN COUNTERPARTS OF M3

On the counterparts side, the further increase in annual growth of loans to the private sector from 7.4% in April to 7.6% in May reflected the stimulative impact of the low level of interest rates and improvements in credit supply conditions. The increase was broad-based across the main non-financial sectors (see Table 2). Growth in loans for house purchase remained the main driver of growth in overall MFI loans to households. In an environment of low mortgage lending rates, the annual rate of growth of loans for house purchase remained unchanged at 10.1% in April, thus confirming the view that growth in these loans has stabilised since last year, albeit at a high level. The demand for MFI loans by non-financial corporations increased further in May. The broad upward trend in the rate of growth in MFI loans to non-financial corporations since early 2004 continued to be mainly driven by developments in shorter-term loans. At the same time, growth in longer-term loans remained robust. The annual rate of growth in MFI credit granted to general government slowed, mainly related to lower holdings of securities by the MFI sector (see Table 1).

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) remained at the high level of 9.5%, unchanged from the previous month (see Table 1), and only slightly below its peak of 9.8% reached in February 2005. These developments provide evidence of an ongoing normalisation of the portfolio allocation behaviour of euro area residents, but the shorter-term dynamics also suggest that the normalisation process has been slowing.

At the same time, the annual flow of net external assets of the euro area MFI sector moderated further (although it continued to positively contribute to M3 growth), thus signalling a certain reluctance of the euro area money-holding sector to invest in foreign assets. In May 2005, the

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Apr.	2005 May
Non-financial corporations	**41.6**	**3.6**	**4.3**	**5.1**	**5.7**	**6.0**	**6.3**
Up to one year	30.8	-2.4	-1.4	1.6	3.3	4.5	5.2
Over one and up to five years	17.4	5.2	6.0	5.8	6.7	6.8	6.5
Over five years	51.8	7.1	7.3	7.0	6.9	6.7	6.9
Households [2]	**50.3**	**6.9**	**7.4**	**7.8**	**8.1**	**8.0**	**8.2**
Consumer credit [3]	13.4	4.9	6.0	6.2	6.4	6.5	7.3
Lending for house purchase [3]	68.6	8.7	9.3	9.9	10.1	10.1	10.1
Other lending	18.0	2.1	2.2	1.9	2.1	1.9	2.2
Insurance corporations and pension funds	**0.8**	**14.8**	**18.3**	**14.4**	**23.0**	**14.3**	**8.9**
Other non-monetary financial intermediaries	**7.3**	**8.8**	**8.7**	**10.0**	**10.2**	**9.9**	**10.4**

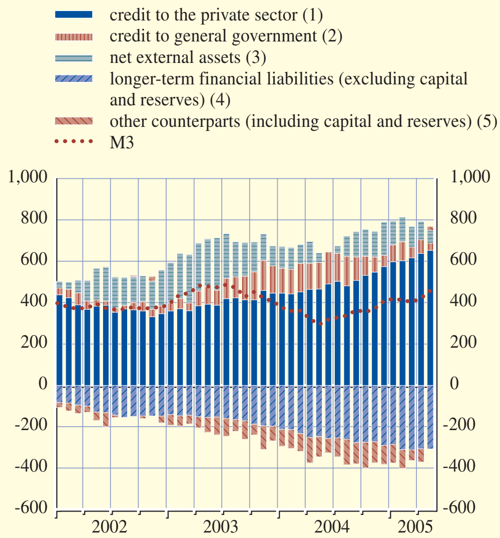
Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95. For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown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

annual flow of net external assets was €61 billion, down from €161 billion in December 2004, thus having a dampening impact on annual M3 growth (see the box entitled "Recent developments in MFI net external assets").

Summing up, on the one hand, the further strengthening of the annual growth of MFI loans to non-financial corporations and the ongoing strong growth of loans for house purchase continued to have a positive impact on M3 growth. On the other hand, the continued robust expansion in MFI longer-term financial liabilities and the moderation in the annual flow of net external assets support the view of an ongoing, albeit slow, normalisation of portfolio allocation behaviour by euro area residents. This notwithstanding, a certain reluctance of the euro area money-holding sector to invest in foreign assets seems to be preventing a more rapid normalisation of portfolio allocation behaviour.

Chart 4 Counterparts of M3

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



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

Box 2

RECENT DEVELOPMENTS IN MFI NET EXTERNAL ASSETS

Since early 2005, there has been some divergence between the developments in M3 and those in MFI net external assets – one of the counterparts of M3. This divergence follows a protracted period of close co-movement that emphasised the international dimension of monetary developments. However, even within this period of co-movement, the magnitude of the contribution from net external assets to monetary dynamics and the broad forces and players behind international capital flows have been changing over time. Against this background, this box identifies four different periods between 2001 and 2005 that allow the recent developments in net external assets to be put into perspective.

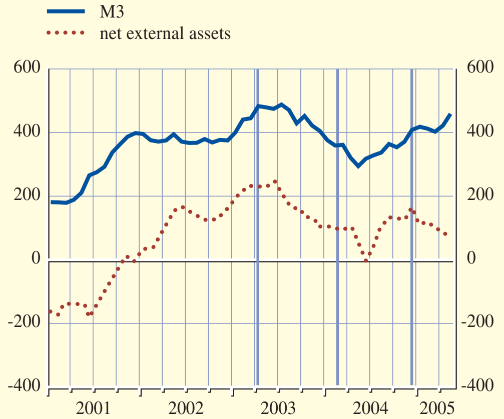
Net external assets and their link to money

When the euro area money-holding sector (mainly households and non-financial corporations) purchases an asset from the rest of the world and the transaction is settled through a euro area MFI, the transaction is simultaneously recorded as a decline in the net external assets of the MFI sector and a decrease in the money holdings of the households and/or non-financial corporations making the purchase. By recording such transactions, the MFI balance sheet accounting framework relates developments in the money stock to changes in the net external assets of the MFI sector.

It should be emphasised, however, that this accounting relationship does not imply any necessary causal link between money and net external assets. For instance, in the previous example, the same external transactions might be financed through loans or may reflect the desire of the euro area money-holding sector to trade euro area longer-term financial liabilities against foreign assets. Therefore, a priori, the final impact of movements in MFI net external assets on money holdings may vary and certainly does not have to be one-for-one.

Chart A M3 and net external assets of the MFI sector

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



Source: ECB.
Note: Vertical lines separate the four periods described in this box.

Four periods of capital flows since 2001

Over recent years, the international dimension of monetary developments (associated with transactions such as that described in the preceding paragraphs) has come to the fore in the analysis of euro area M3 (see Chart A). Between 2001 and early 2005, four separate periods can be identified, each characterised by a distinct impact on monetary dynamics and different patterns of investment by euro area residents and non-residents underlying the capital flows.

During the first period between 2001 and mid-2003 characterised by high geopolitical and financial market uncertainty, high monetary growth was mirrored by a strong increase in the net external assets of the MFI sector, in the context of large net capital inflows into the euro area. During the second episode between mid-2003 and early 2004 characterised by the normalisation of the money-holding sector's portfolio allocation behaviour, the gradual decline of annual net capital inflows and the associated decrease in net external assets helped dampen M3 growth. In the third period from early 2004 to the end of 2004, the resumption of the net inflow of funds into the euro area and the rebound in net external assets, along with the prevailing low level of interest rates, led to a renewed strengthening of M3 growth. Finally, during the fourth episode since early 2005, developments in M3 and net external assets have diverged. Annual flows into M3, after levelling off briefly, have continued to strengthen due to the stimulative impact of the low level of interest rates, while the annual flow of net external assets has moderated and therefore did not contribute in accounting terms to a strengthening of M3 growth.

To highlight the main driving forces behind these four periods, this box presents an analysis of the asset classes and the groups of investors involved. A natural tool to support this analysis is the monetary presentation of the balance of payments, which links MFI net external assets to the balance of payments statistics. The monetary presentation framework allows, first, developments in net external assets to be linked to specific asset classes (debt securities, equity, etc.) and, second, a distinction to be drawn between transactions made by euro area investors and non-resident investors.

Net external assets and international investment

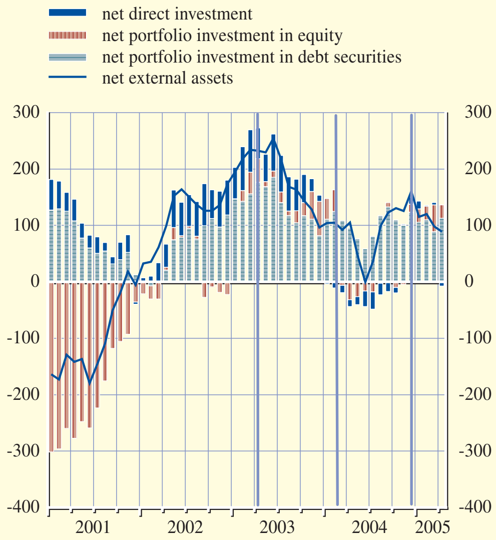
Chart B distinguishes the major forms of international investment that lead to changes in the net external assets of the MFI sector: flows into debt securities (bonds) and flows into equity and direct investment.

Other than for very short and exceptional periods, the euro area has experienced a net inflow into debt securities (portfolio investment) since 2001. Over this period, the average 12-month net inflow into debt securities has amounted to €95 billion.

The sum of net direct investment and the net portfolio investment in equity has been substantially lower. Moreover, it has displayed considerably stronger cyclicality than the net inflow into bonds. For instance, as the global economy strengthened between mid-2003 and mid-2004, net portfolio investment in equity and direct investment in the euro area diminished, even becoming negative in March 2004. Since mid-2004, net inflows into equity portfolio investment have resumed, as euro area equity securities were perceived to be attractively priced relative to foreign equities.

Chart B Net portfolio and direct investment (external counterpart of M3)

(annual flows; end of period; EUR billions)



Source: ECB.
Notes: Net external assets are shown for reference only. For a full list of balance of payments items reflected in net external assets, see Section 7.2 of the "Euro area statistics" section of the Monthly Bulletin. Vertical lines separate the four periods described in this box.

In general, international portfolio asset allocation is driven by the expected risk/return profile of the spectrum of available assets. In this context, exchange rate dynamics are likely to play a significant role in explaining the incentive to invest in domestic rather than foreign assets. For example, equity flows may be caused by expectations of an appreciation of the currency the investor purchases. At the same time, by influencing the relative demand for currencies, the relative performance of asset markets in different currency areas will affect the exchange rate. Thus, net equity flows may affect the exchange rate.

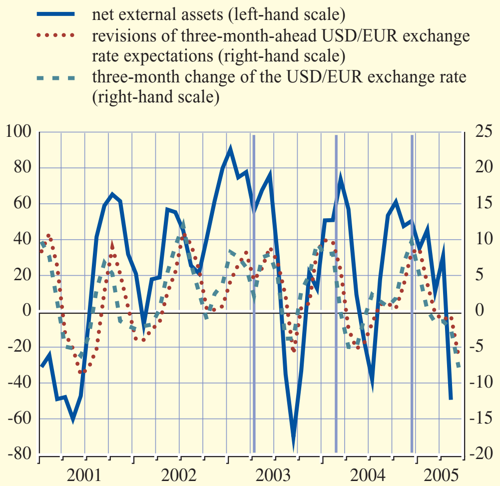
Whichever of these causal channels predominates – and in practice it is likely that both will play some role with time-varying weight – the implied correlation between exchange rates and cross-border capital flows as well as that between exchange rate expectations and cross-border capital flows are confirmed by the stylised facts. Chart C shows the link between the changes in the US dollar/euro exchange rate, revisions in three-month-ahead US dollar/euro exchange rate expectations (as measured by Consensus Economics forecasts) and the three-month flows in the net external assets of MFIs. The exchange rate and exchange rate expectations are chosen here as summary indicators that reflect a number of underlying fundamental factors, such as interest rate differentials or expected growth differentials between the United States and the euro area. The close link observed between developments in the exchange rate, exchange rate expectations and net external assets suggests that an appreciation and/or an expected appreciation of the euro against the US dollar goes in parallel with a rise in MFI net external assets.

Differing investment patterns of non-residents and the euro area money-holding sector

The overall correlation shown in Chart C conceals, however, the different investment patterns of non-residents and the euro area money-holding sector over the past few years. In order to highlight this, Chart D plots the annual flows of portfolio and direct investment of non-residents into the euro area (settled through euro area MFIs) against portfolio and direct investment of the euro area money-holding sector abroad (again settled through euro area MFIs). While the demand and supply effects influencing these statistics cannot be distinguished, Chart D nevertheless reveals a number of interesting points. In the first two periods (i.e. between 2001 and early 2004), the strong dynamics in the net external asset position of euro area MFIs reflect the behaviour of euro area residents: first, until mid-2003, the repatriation of funds to the euro area and, second, between mid-2003 and early 2004, the subsequent normalisation of portfolio allocation behaviour as the heightened geopolitical and financial uncertainty which prompted the initial repatriation receded. During these two periods, the pattern of non-resident investment in the euro area was relatively stable and thus had little role in explaining the sharply different evolution of net external assets. By contrast, in the subsequent two periods (i.e. since early 2004), the dynamics of net external assets have been driven to an important extent by the portfolio and direct investment in the euro area by non-residents. The investment pattern of non-residents changed in mid-2004, when international investors felt that euro area assets were probably rather undervalued and expectations of a significant euro appreciation prevailed. This led to inflows that, other things

Chart C Net external assets and exchange rate expectations

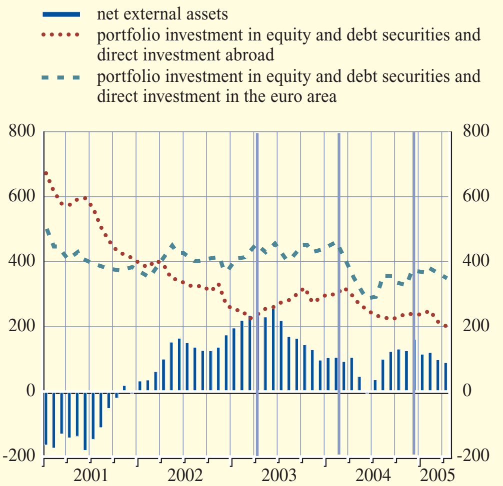
(right-hand scale: three-month flows; EUR billions; adjusted for seasonal and calendar effects; left-hand scale: percentages)



Sources: ECB, Consensus Economics.
Notes: Revisions are calculated as the three-month change in the exchange rate forecast. Vertical lines separate the four periods described in this box. A positive value of the three-month change in the USD/EUR exchange rate corresponds to an appreciation of the euro over this time span.

Chart D Capital flows into and out of the euro area

(annual flows; end of period; EUR billions)



Source: ECB.
Notes: Net external assets are shown for reference only. Vertical lines separate the four periods described in this box.

being equal, can partly explain the pick-up in monetary dynamics in the euro area observed in the second half of 2004. In the most recent period (i.e. since early 2005), market expectations of a further appreciation of the euro exchange rate have diminished and the inflow into net external assets has moderated.

In conclusion, the analysis presented in this box illustrates the important role played by international capital flows in the determination of monetary dynamics. As international financial markets become more integrated, such effects are likely to become even more important over time. In particular, it is likely that the impact on capital flows of exchange rate dynamics and expectations will play a larger role in the overall monetary analysis.

2.2 SECURITIES ISSUANCE

In April 2005 the annual growth of debt securities issued by euro area residents remained relatively strong. While the debt securities issuance activity of the financial sector continued to be high, that of the non-financial corporate sector recovered further. At the same time, the issuance of quoted shares by euro area residents was still subdued.

DEBT SECURITIES

The annual growth of debt securities issued by euro area residents increased to 7.5% in April 2005, from 7.1% in March (see Table 3). Since December 2004, the annual growth of debt securities issued by euro area residents has ranged between 7% and 7½%. This relatively strong growth was mainly driven by a high annual growth of long-term debt securities, whereas that of short-term debt securities issued by euro area residents remained low. In particular, the annual rate of change in long-term debt securities financed at variable rates continued to be high, at 18.9% in April. The share of variable rate financing in the total amount outstanding of long-term debt securities issued by euro area residents thus rose slightly further to 23% in April 2005.

Table 3 Securities issued by euro area residents

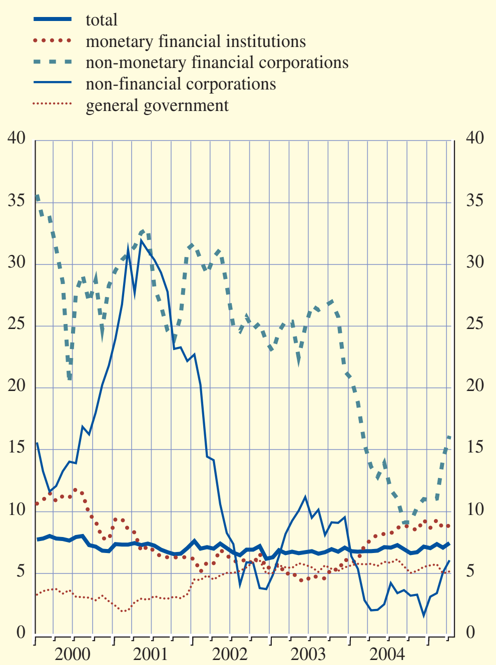
	Amount outstanding (EUR billions)	Annual growth rates [1]					
Issuing sector	2005 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Mar.	2005 Apr.
Debt securities:	**9,704**	**6.9**	**7.1**	**6.8**	**7.2**	**7.1**	**7.5**
MFIs	3,844	7.9	8.5	8.8	9.0	8.7	8.9
Non-monetary financial corporations	753	13.7	11.4	9.9	11.5	14.2	16.1
Non-financial corporations	612	2.2	3.6	3.0	3.3	5.1	6.1
General government	4,495	5.7	5.9	5.3	5.5	5.0	5.2
of which:							
Central government	4,235	5.1	5.4	4.8	5.1	4.6	4.7
Other general government	260	18.5	16.4	14.6	13.7	12.0	12.8
Quoted shares:	**4,242**	**1.1**	**0.9**	**1.1**	**1.1**	**0.5**	**0.6**
MFIs	678	2.3	1.7	2.0	2.6	2.3	2.1
Non-monetary financial corporations	422	1.6	1.7	1.5	0.3	-2.9	-3.0
Non-financial corporations	3,143	0.8	0.7	0.8	0.8	0.7	0.8

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

Turning to the sectoral breakdown, the annual growth of debt securities issued by MFIs remained relatively high at 8.9%, after 8.7% in March (see Chart 5). In particular, financing via long-term debt securities at variable rates remained strong, with an annual rate of increase of 18.8% in April. The relatively high issuance activity indicates that MFIs may have taken advantage of the low debt financing cost to finance the relatively strong growth of MFI loans to the private sector (see Table 1 above). In addition, forthcoming changes in one euro area country regarding public sector MFIs' legal liability seem to have resulted in additional issuance activity by these institutions.

Chart 5 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)



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

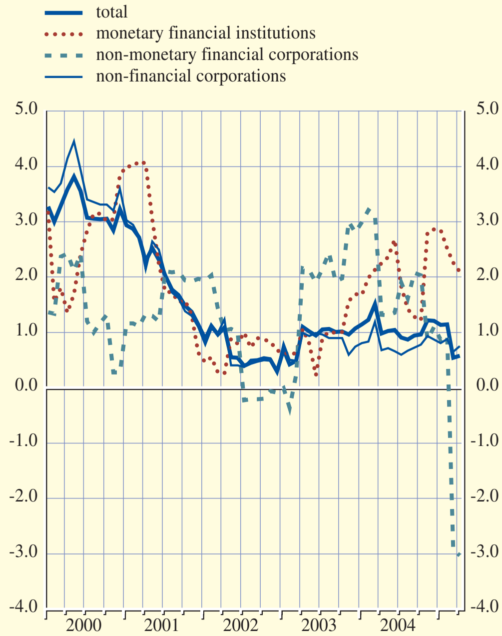
The annual growth of debt securities issued by non-financial corporations increased further to 6.1% in April, from 5.1% in March. The annual growth of long-term debt securities issued by this sector continued to recover strongly, rising to 7.0% in April, after 5.5% in March, although this increase partly reflects base effects. More than half of the net issuance of long-term debt securities by non-financial corporations in April was financed at variable rates. The annual growth of short-term debt securities issued by non-financial corporations, which is generally rather volatile, declined to 1.7% in April (from 2.8% in March), partly also as a result of base effects. The rebound in the overall annual growth of debt securities issued by non-financial corporations after the very low rate of increase in 2004 is likely to be related to the persistence of the very low cost of financing via debt securities (despite a slight rise in April, related to an increase in corporate bond spreads) and to a certain picking-up of merger and acquisition activity in 2005. In addition, the recovery of the annual growth rate indicates some normalisation after high redemptions in 2004. Overall, non-financial corporations seem to have accumulated liquidity over the recent past, as indicated by favourable profit developments, a relatively strong growth both of bank deposits held by non-financial corporations and of non-financial corporations' demand for external financing.

Non-financial corporations and MFIs in part also use non-monetary financial corporations to raise external funds indirectly. The annual growth of debt securities issued by non-monetary financial corporations increased further to 16.1% in April, from 14.2% in March. Following the protracted growth over recent years, the amount outstanding of debt securities issued by this sector amounted to nearly 8% of the total debt securities issued by euro area residents in April 2005, compared with a non-financial corporate sector share of 6.3%, indicating an increasing importance of the non-monetary financial corporate sector. Non-monetary financial corporations also seem to have taken advantage of the low level of short-term interest rates in their financing. The annual growth of long-term debt securities issued by this sector at variable rates rose further to 33.5% in April, from 27.8% in March.

The annual growth of debt securities issued by the general government remained broadly unchanged at 5.2% in April, after 5.0% in March. The annual growth of debt securities issued by the central government sector, which accounts for around 95% of the amount outstanding of the debt securities issued by general government, remained broadly unchanged at 4.7% in April. The annual growth of debt securities issued by the other general government sectors, mainly local governments, which has, all in all, been on the decline from more than 30% since early 2003, increased slightly to 12.8% in April.

Chart 6 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



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

QUOTED SHARES

The annual growth of quoted shares issued by euro area residents continued to be rather low at 0.6% in April, after 0.5% in March (see Chart 6). At the same time, gross issuance of quoted shares by euro area residents, although relatively volatile overall, seems to have picked up slightly in recent months. The annual growth rate of quoted shares issued by non-monetary financial corporations (including insurance companies) stood at -3.0% in April, after dropping to -2.9% in March, but is expected on the basis of newly available statistical data to be revised next month. The generally low recourse to quoted shares as an external source of financing is likely to have been related to the very favourable real cost of debt financing in comparison with the real cost of equity in the recent past, as evidenced by the robust recourse to debt financing in recent months.

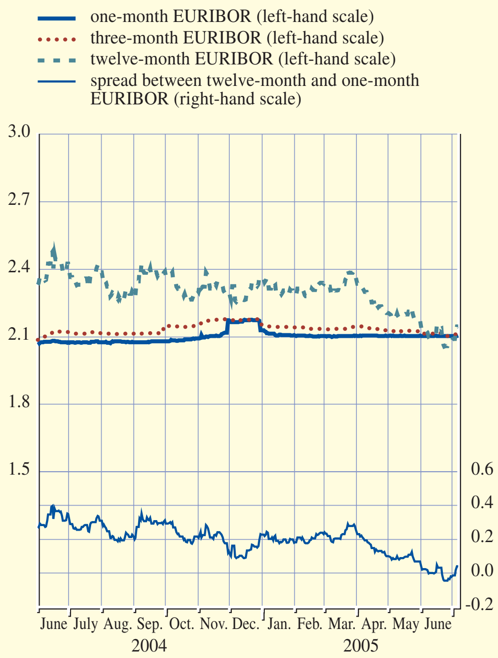
2.3 MONEY MARKET INTEREST RATES

In June 2005 money market interest rates at shorter maturities remained stable, while the rates at longer maturities declined considerably. As a result, the slope of the money market yield curve turned slightly negative over the course of the month. However, at the beginning of July longer-term interest rates increased, returning to the levels observed at the beginning of June.

In June money market rates at the short end of the yield curve remained broadly stable, while the twelve-month EURIBOR declined considerably to a level below that observed at the end of May. As a result, the slope of the yield curve turned slightly negative over the course of the month. However, in early July longer-term interest rates increased, returning to the levels observed at the beginning of June. Consequently, the slope of the yield curve steepened in early July, with the difference between the twelve-month and the one-month EURIBOR standing at 4 basis points on 6 July, unchanged from 1 June.

Chart 7 Short-term money market interest rates

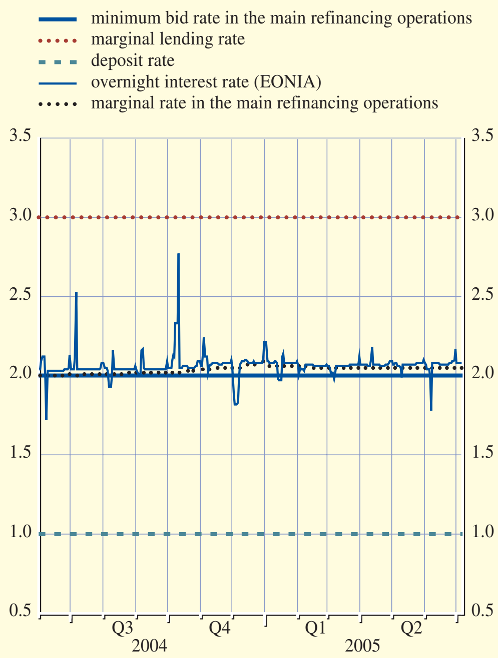
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

In a similar vein, in June the interest rates implied by the prices of three-month EURIBOR futures contracts maturing in September and December 2005 and March and June 2006 declined by up to 10 basis points. However, in early July EURIBOR futures increased to levels above those observed at the beginning of June, reaching 2.10%, 2.09%, 2.13% and 2.22% respectively on 6 July.

Money market rates at the shortest end of the yield curve remained stable in June. The marginal and weighted average interest rates in the Eurosystem's main refinancing operations were around 2.05% during the month. The EONIA remained stable at around 2.07/2.08% with two exceptions. On the last day of the reserve maintenance period ending on 7 June the EONIA fell to 1.78% on account of loose liquidity conditions. A liquidity-absorbing fine-tuning operation (FTO) at the end of the maintenance period did not absorb the accumulated excess liquidity completely, as banks offered only €3.7 billion in the FTO collection of fixed-term deposits compared with the announced liquidity imbalance of €7.5 billion on 7 June. After 24 June, the EONIA rose modestly in anticipation of the usual end-of-semester effect, increasing to 2.17% on 30 June (see Chart 8).

In the Eurosystem's longer-term refinancing operation settled on 30 June, the marginal and weighted average interest rates stood at 2.06% and 2.07% respectively, i.e. 2 basis points and 1 basis point lower than the corresponding rates in the previous tender. These tender rates were respectively 5 and 4 basis points lower than the three-month EURIBOR on that date.

2.4 BOND MARKETS

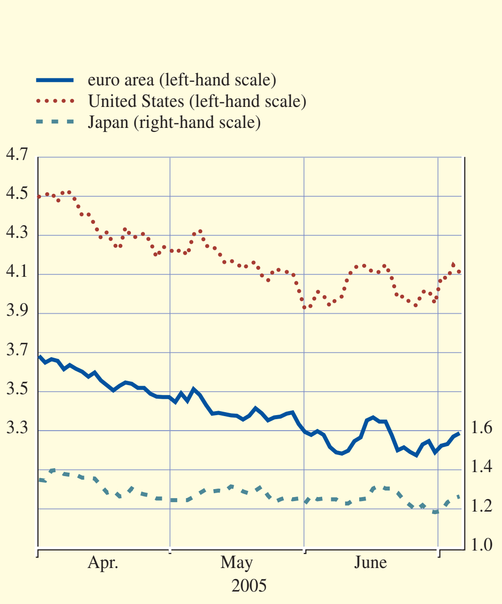
Bond yields have undergone significant swings in the major bond markets since the end of May. Overall, by July 6, nominal long-term government bond yields in the euro area had fallen to slightly below their end-May levels, while those in the United States had risen. Break-even inflation decreased in both economic areas. Real bond yields fell in the euro area but rose in the United States reflecting – to some extent – market participants' perceptions of a diverging short-term outlook in the two economic areas.

Ten-year government bond yields in the euro area declined marginally between end-May and 6 July 2005 to stand at around 3.3% on the latter date (see Chart 9). In the United States, by contrast, ten-year bond yields rose by about 10 basis points to reach a level of about 4.1% on the same day. As a result, the differential between US and euro area ten-year government bond yields widened and stood at around 80 basis points on 6 July. Ten-year government bond yields in Japan ended the review period broadly unchanged with respect to their end-May levels.

Despite the surge in oil prices, market participants' inflation expectations – as measured by break-even inflation rates – decreased across all horizons in the euro area and the United States, thereby contributing to keeping long-term bond yields at very low levels. Macroeconomic data releases have provided somewhat mixed signals about economic activity over the past few weeks,

Chart 9 Long-term government bond yields

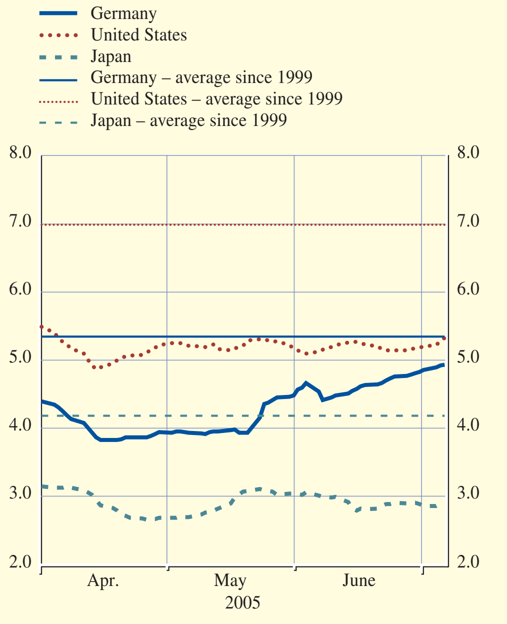
(percentages per annum; daily data)



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

Chart 10 Implied bond market volatility

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



Source: Bloomberg.
Note: The implied volatility series represents the nearby implied volatility on the near-contract generic future, rolled over 20 days prior to expiry, as defined by Bloomberg. This means that 20 days prior to the expiry of the contracts, a change in the choice of contracts used to obtain the implied volatility is made, from the contract closest to maturity to the next contract.

triggering significant swings in long-term government bond yields in the period under review. Nevertheless, market participants' uncertainty about near-term bond market developments, as indicated by implied bond market volatility, remained relatively low in the major economies (see Chart 10).

The fluctuations in long-term government bond yields in the United States mirrored changes in market sentiment that followed releases of different indicators for economic activity in the course of June. In early July, index-linked bond yields rose across all maturities in the United States, reflecting more favourable market views on the outlook for growth in the United States as a result of strong consumer confidence, a relatively positive performance of the labour market and the upward revision of the growth figures for the first quarter of 2005. At the same time, market participants' inflation expectations in the United States – as measured by break-even inflation rates – declined significantly across all maturities, particularly at short horizons.

In Japan ten-year government bond yields remained broadly unchanged, as it seems that the high level of oil prices and its effects on economic growth have counterbalanced investors' perceptions of the relatively positive recent news about economic activity.

In the euro area long-term government bond yields declined further in June, reaching the lowest levels recorded since the start of Stage Three of EMU in the course of the month. The downturn in long-term interest rates observed over the past few months appears to have been mainly related to market participants' perception of a weakening outlook for economic activity in the euro area, as evidenced by lower index-linked bond yields. Alternative measures of euro area real yields constructed from swap data suggest that investors may have revised their expectations regarding the short to medium-term growth outlook downwards, while their views on the long-term growth prospects appear to have remained somewhat more stable (see Box 3 for details).

Box 3

TOOLS FOR CALCULATING AND INTERPRETING REAL INTEREST RATE DEVELOPMENTS IN THE EURO AREA

The analysis of spot and forward real interest rates plays an important role in central banks' assessments of information extracted from financial markets.[1] The purpose of this box is to present several methods used to extract measures of real forward interest rates.

Survey-based ex-ante measures of real interest rates

Ex-ante real interest rates can be constructed by discounting nominal interest rates, as observed in the government bond market, by survey-based inflation expectations. The computation of such ex-ante measures of real interest rates for various maturities makes it possible to derive real forward interest rates. A drawback of survey-based real interest rates is that they might be distorted by inflation risk premia potentially embedded in nominal interest rates.

1 See the article entitled "Extracting information from financial asset prices" in the November 2004 issue of the Monthly Bulletin.

Yields on index-linked bonds

Yields on index-linked bonds provide a more direct measure of real interest rates in the sense that they do not rely on survey information and are not affected by inflation risk premia, although they may be affected by liquidity premia. On account of the limited number of index-linked bonds in issuance, however, it is not easy to estimate a real yield curve for the euro area. Instead, indicative real forward rates can be computed from individual index-linked bonds by combining real yields on bonds with different maturities on the basis of some simplifying assumptions.[2] Chart A presents real forward interest rates derived on the basis of yields on index-linked bonds of selected maturities.

Real interest rates based on swaps

The market for inflation-linked swap contracts in the euro area has expanded substantially in recent years. Market evidence suggests that, in notional terms, over €4 billion in euro area inflation-linked swaps have been traded in the past 12 months.[3] This market is now deemed useful for the purpose of estimating a real yield curve for the euro area because trading activity has improved markedly and because inflation-linked swaps are traded in a wide maturity spectrum (the maturity structure of quoted zero coupon inflation-linked swap contracts ranges from two years to 30 years).

Inflation rates implied by inflation-linked swap contracts in conjunction with the nominal yield curve provide information on real interest rates and can therefore be used to estimate a real yield curve. The reasoning is that conventional interest rate swaps and inflation-linked swap contracts can be combined to calculate real yields at various maturities.

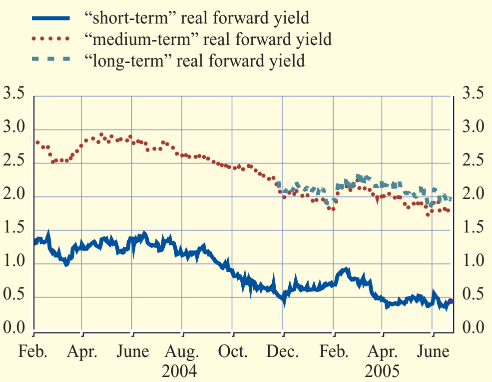
The real yield curve is estimated in three steps. First, a nominal yield curve based on EURIBOR swaps is estimated. Then, a profile of implied inflation rates based on inflation-linked swap rates is estimated. Finally, the real yield curve is computed as the difference between the nominal yield curve and the implied inflation rates. Forward real interest rates could therefore be derived from the real yield curve.

Despite the improvements in the liquidity of the inflation-linked swap market, the fact that the real curve is the result of the interpolation of the interest rate and inflation-linked swaps is reason for caution in interpreting the calculations for a particular date and for a particular maturity. In addition, the forward real curve is very sensitive to even modest changes in spot interest rates. It is therefore advisable to assess developments in forward rates over time periods spanning several years. For example, Chart B shows time series for real forward yields at short (two to five years ahead), medium (five to seven years ahead) and long-term horizons (seven to ten years ahead). It must be noted that these real forward yields are computed from constant maturity rates, while those in Chart A are calculated from bond yields with a fixed maturity date.[4]

2 In particular, the yields-to-maturity on individual index-linked bonds are assumed to represent zero-coupon yields, although – in practice – index-linked bonds are coupon-paying bonds.
3 See also the box on inflation-linked swaps in the September 2003 issue of the Monthly Bulletin.
4 In addition, since the duration of an index-linked bond is smaller than its maturity, real forward yields with identical maturities from Charts A and B are not directly comparable.

Chart A Euro area real forward yields based on index-linked bonds

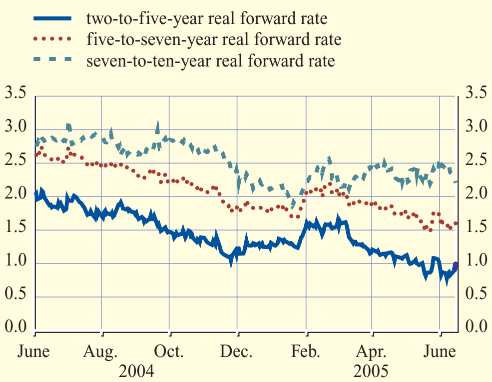
(percentages per annum)



Sources: Reuters and ECB calculations.
Note: Short-term real rates are measured by the 2008 index-linked bond yield. The implied forward index-linked bond yields 2008-14 and 2012-15 measure medium and long-term real interest rates respectively.

Chart B Euro area real forward rates based on interest rate and inflation-linked swap rates

(percentages per annum)



Sources: CDC-IXIS, Reuters and ECB calculations.

Recent movements in real forward rates

Recent developments in the various measures of real forward interest rates have been broadly similar. Short-term real forward rates have declined significantly over the past 12 months, whereas long-term real forward rates have remained somewhat more stable, at least over the past few months. This tends to support the idea that the recent decline in real yields, irrespective of how they have been measured, is related more to cyclical weakness than to lower long-term growth prospects for the euro area.[5]

However, when interpreting those results, it has to be taken into account that, in addition to the technical factors briefly mentioned earlier, namely liquidity and risk premia, but possibly also counterparty risk premia in the case of the swap data, the low level of real interest rates in the global markets seems to be affected by a number of factors that may not necessarily be related to growth expectations. To the extent that their effects cannot be conclusively quantified at this stage, this bond market-based outlook should be interpreted with caution.[6]

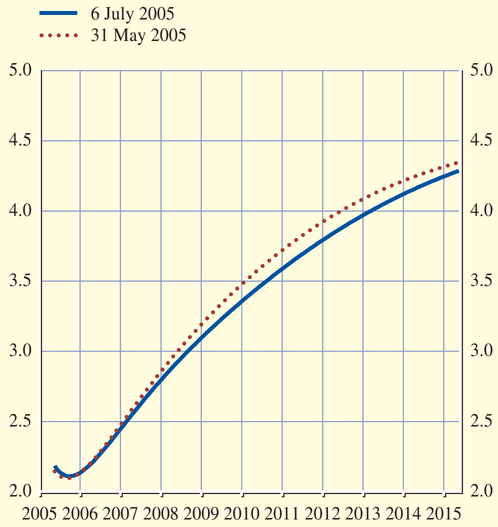
5 Ex-ante measures, not reported here, are also in line with these developments.
6 See the box entitled "Recent developments in long-term real interest rates" in the April 2005 issue of the Monthly Bulletin.

Market participants' concerns about inflationary pressures in the euro area seem to have eased further in June, contributing to a decline in nominal bond yields. Early in that month, the ten-year break-even inflation rate, as derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, fell to below 2% for the first time since mid-2003, and has mostly remained below that level since then. Moreover, break-even inflation rates at shorter-term horizons have also declined.

Overnight forward interest rates at the beginning of July suggest that markets participants expect euro area policy rates to remain on hold for a longer period than envisaged a month ago (see Chart 11).

Chart 11 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Source: ECB estimate.
Note: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined in the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In April 2005 short-term MFI interest rates on new deposits from households and non-financial corporations remained broadly unchanged compared with March, whereas the corresponding longer-term rates declined. Most MFI interest rates on new loans remained relatively stable in this month.

Short-term MFI interest rates on new deposits from households (with an agreed maturity of up to one year and redeemable at notice of up to three months), as well as those on deposits from non-financial corporations (overnight deposits, deposits with an agreed maturity of up to one year), remained broadly stable between March and April 2005 (see Table 4). By contrast, longer-term rates on deposits with an agreed maturity of over two years declined by around 10 to 15 basis points in that period, broadly in line with developments in medium-term government bond yields. The rate on household deposits redeemable at notice of over three months remained roughly unchanged between March and April, but has declined somewhat over the past three months, reflecting the generally lagged reaction of this rate to movements in market interest rates.

Taking a somewhat longer perspective, short-term rates on deposits have generally moved very little over the past three to twelve months, remaining in line with developments in market interest rates (see Chart 12). Long-term rates on deposits from households and non-financial corporations, by contrast, declined by around 10 to 15 basis points over the past twelve months (see Chart 13).

Most MFI interest rates on new loans to households and non-financial corporations remained relatively stable between March and April 2005, after decreasing to varying degrees over the past

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted[1), 2)])

	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Mar.	2005 Apr.	Change in basis points up to Apr. 2005: 2004 Apr.	2005 Jan.	2005 Mar.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.90	1.88	1.90	1.95	1.92	1.93	-1	-1	1
with an agreed maturity of over two years	2.41	2.45	2.48	2.31	2.38	2.29	-15	-13	-9
redeemable at notice of up to three months	1.94	1.97	2.00	2.01	1.97	1.95	0	-3	-2
redeemable at notice of over three months	2.60	2.54	2.52	2.52	2.47	2.45	-12	-4	-2
Overnight deposits from non-financial corporations	0.88	0.88	0.89	0.91	0.94	0.94	7	2	0
Deposits from non-financial corporations									
with an agreed maturity of up to one year	1.96	1.99	2.00	2.08	2.00	2.01	4	-3	1
with an agreed maturity of over two years	3.22	3.56	3.52	3.46	3.34	3.20	-8	-3	-14
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.69	6.51	6.89	6.74	6.62	6.54	-29	-43	-8
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.48	3.45	3.50	3.44	3.42	3.40	-2	-3	-2
with an initial rate fixation of over five and up to ten years	4.90	4.82	4.82	4.50	4.35	4.36	-46	-7	1
Bank overdrafts to non-financial corporations	5.47	5.39	5.38	5.27	5.26	5.24	-21	-12	-2
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.98	3.97	3.99	3.98	3.91	3.91	-3	-7	0
with an initial rate fixation of over five years	4.77	4.72	4.70	4.44	4.33	4.36	-38	-10	3
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.93	3.01	3.00	3.04	3.02	2.99	0	-3	-3
with an initial rate fixation of over five years	4.30	4.17	4.31	4.06	4.04	3.93	-25	-3	-11
Memo items									
Three-month money market interest rate	2.03	2.11	2.12	2.17	2.14	2.14	9	-1	0
Two-year government bond yield	2.16	2.74	2.60	2.36	2.49	2.34	-5	-5	-15
Five-year government bond yield	3.06	3.60	3.35	2.93	3.08	2.89	-42	-3	-19

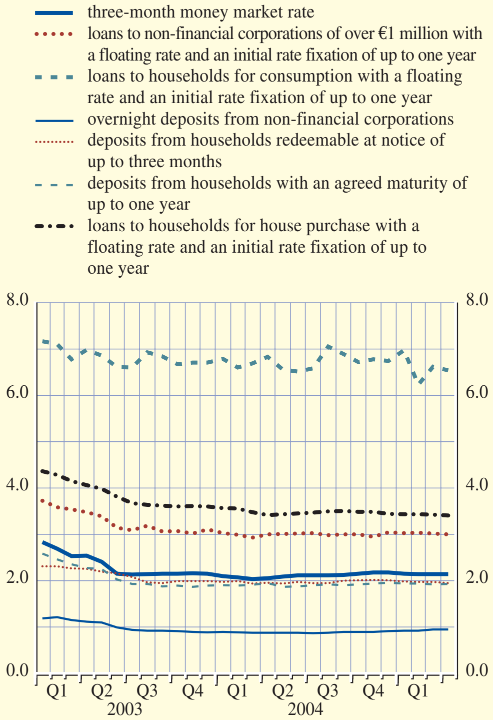
Source: ECB.
1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. For further information, see the box entitled "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin.
2) Quarterly data refer to the end of the quarter.

three months. The short-term rate on consumer loans has displayed some volatility in recent months while decreasing considerably since the beginning of the year, mainly as a result of developments in one euro area country (see Chart 12). The overall decline of this rate over past months was in line with an easing of credit standards for consumer loans in the first quarter of 2005, as reported in the April 2005 bank lending survey for the euro area. There was a similar pattern regarding the recent development of the rate on loans to non-financial corporations of over €1 million with an initial rate fixation of over five years (a decline of 11 basis points between March and April) shown in Chart 13.

Viewed from a longer time perspective, short-term MFI interest rates on loans for house purchase, as well as most short-term rates on loans to non-financial corporations, remained largely unchanged over the past 12 months, in line with developments in the money market rates. By contrast, MFI lending rates on loans for house purchase with an initial rate fixation of over five years and up to ten years declined considerably, by 46 basis points. In addition, the rates on loans

Chart 12 Short-term MFI interest rates and a short-term market rate

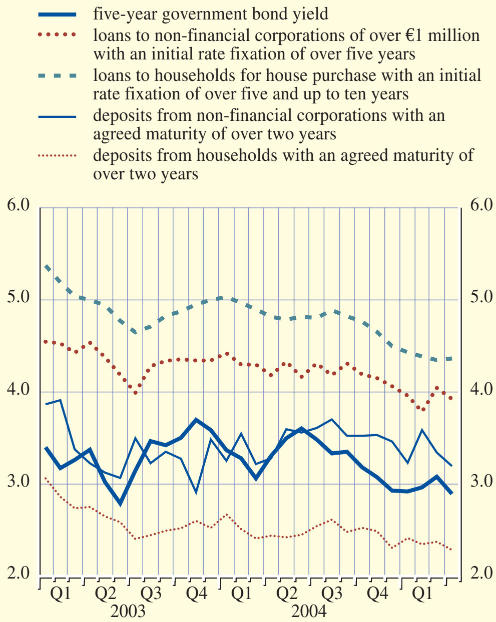
(percentages per annum; rates on new business; weight-adjusted[1])



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

Chart 13 Long-term MFI interest rates and a long-term market rate

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



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

to non-financial corporations with an initial rate fixation of over five years (up to and over €1 million) fell by around 25 to 40 basis points, broadly in line with the development of five-year government bond yields.

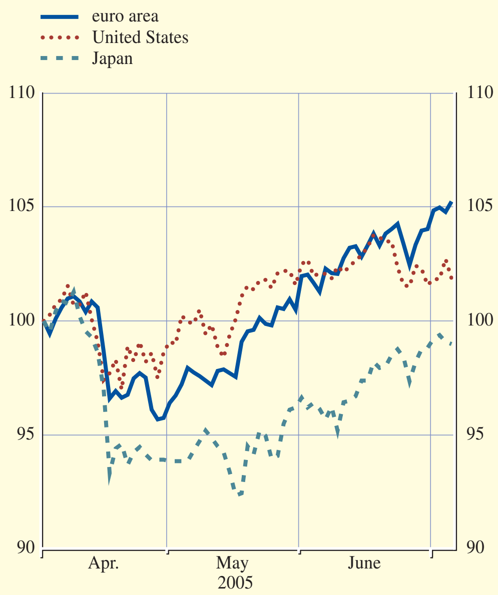
2.6 EQUITY MARKETS

Overall, prices on the global stock markets have increased over the past month. Strong earnings figures seem to have offset investors' concerns about the surge in oil prices and the economic growth prospects for the major economies.

Equity prices in the major economies rose in the course of June, thereby continuing the upward movement that started in late April (see Chart 14). In particular, stock prices in the euro area proved rather resilient to weakening growth prospects for the euro area. As measured by the Dow Jones EURO STOXX index, euro area stock prices rose by almost 5% between the end of May and

Chart 14 Stock price indices

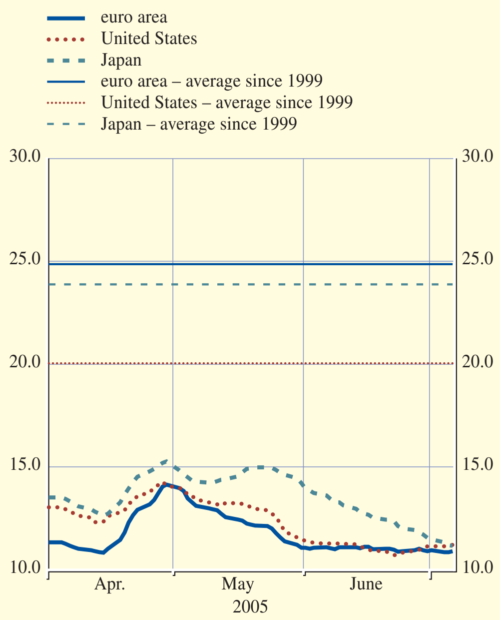
(index: 1 April 2005 = 100; daily data)



Sources: Reuters and Thomson Financial Datastream.
Note: 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 15 Implied stock market volatility

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



Source: Bloomberg.
Note: The implied volatility series reflects the expected standard deviation of percentage stock price changes 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.

6 July, thereby outperforming the US stock market which, as measured by the Standard and Poor's 500 index, remained roughly unchanged. The Japanese Nikkei 225 index increased by about 3% over the same period.

At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, decreased somewhat further in the major markets, particularly in Japan, and reached very low levels by historical standards (see Chart 15).

In June stock prices in the United States continued to be supported by the relatively strong growth of reported earnings, despite investor's concerns about the surge in oil prices.

The relatively strong performance of euro area stock prices in June and, in general, also in recent months appears somewhat in contradiction with investors' slightly less optimistic views on the short to medium-term prospects for economic activity in the euro area, which – instead – contribute to explaining the gradual decline in real bond yields. There are, however, some factors that should be borne in mind. First, those lower real interest rates lead to lower discount rates, thereby, *ceteris paribus*, supporting stock prices. Second, the relatively strong profitability of euro area corporations also continued to support stock prices. Moreover, corporate profit expectations appear to have benefited from the depreciation of the euro in recent months. In addition, broad-based stock price indices have been driven largely by sharp price increases in the energy sector, which has benefited from the high oil prices to become the best-performing sector. Finally, euro area broad indices probably reflect profit expectations for firms that also operate in other economic areas. Therefore, a strong stock market performance is not necessarily inconsistent with a less optimistic view among market participants of the economic outlook for the euro area.

3 PRICES AND COSTS

Annual HICP inflation in the euro area declined to 1.9% in May, having stood at 2.1% for three consecutive months. According to Eurostat's flash estimate, annual HICP inflation was 2.1% in June, mainly as a result of higher oil prices since mid-May. At the producer level, price pressures eased somewhat in May on account of lower price increases in both the energy sector (reflecting the decline in oil prices in April and the first half of May) and the intermediate goods sector. Finally, developments in labour cost indicators in the first quarter of 2005 confirmed that wage increases remained moderate. In the coming months, annual HICP inflation is expected to remain broadly around current levels and may not fall below 2% for the remainder of 2005. Looking ahead, underlying inflationary pressures in the euro area are expected to remain contained, but upside risks to price stability continue to exist.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JUNE 2005

According to Eurostat's flash estimate, euro area HICP inflation increased to 2.1% in June, from 1.9% in May (see Table 5). Given the preliminary nature of the data, this estimate remains surrounded by considerable uncertainty, but provisional information suggests that the rise in the headline index in all probability reflects developments in oil prices in US dollar terms and developments in the euro exchange rate.

HICP INFLATION UP TO MAY 2005

Euro area HICP inflation declined to 1.9% in May, having been 2.1% for three consecutive months (see Chart 16). The May HICP inflation figure was 0.1 percentage point below Eurostat's flash estimate, released in late May. The decline in the annual rate of change for the overall HICP reflects opposing forces. On the one hand, the annual rate of change in the HICP excluding energy and unprocessed food increased to 1.6%, as compared with 1.4% in the previous month. On the other hand, weaker oil price increases have more than offset this upward pressure.

In May, the annual growth rate of energy prices declined to 6.9%, as compared with 10.2% in April. This mainly reflects a base effect associated with the increase in oil prices one year previously, but also the decline in oil prices in euro terms in April and the first half of May. The annual growth rate of unprocessed food prices increased slightly in May, to 1.0%, up from 0.8% in April.

Table 5 Price developments

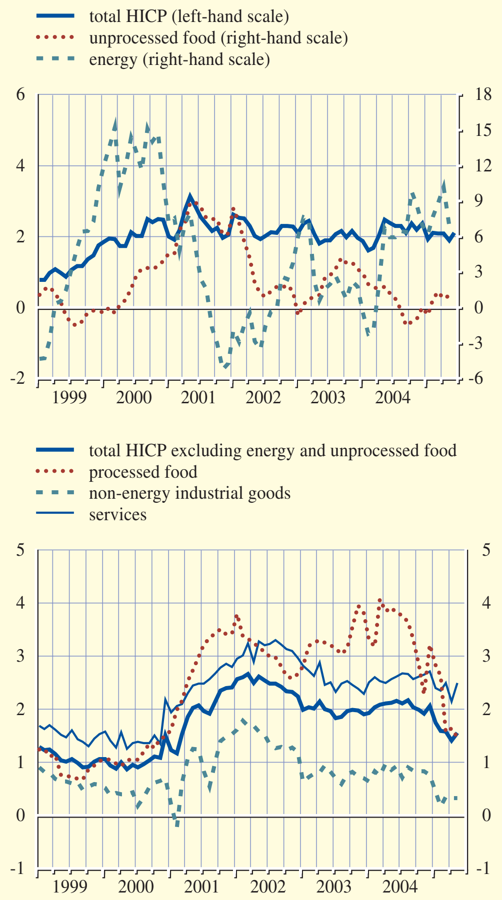
(annual percentage changes, unless otherwise indicated)

	2003	2004	2005 Jan.	2005 Feb.	2005 Mar.	2005 Apr.	2005 May	2005 June
HICP and its components								
Overall index [1]	2.1	2.1	1.9	2.1	2.1	2.1	1.9	*2.1*
Energy	3.0	4.5	6.2	7.7	8.8	10.2	6.9	.
Unprocessed food	2.1	0.6	-0.6	0.7	1.3	0.8	1.0	.
Processed food	3.3	3.4	2.8	2.6	1.6	1.6	1.5	.
Non-energy industrial goods	0.8	0.8	0.5	0.2	0.3	0.3	0.3	.
Services	2.5	2.6	2.4	2.4	2.5	2.1	2.5	.
Other price indicators								
Industrial producer prices	1.4	2.3	3.9	4.2	4.2	4.3	3.5	.
Oil prices (EUR per barrel)	25.1	30.5	33.6	35.2	40.4	41.4	39.4	45.7
Non-energy commodity prices	-4.5	10.8	3.1	3.1	-0.4	-1.9	1.2	7.6

Sources: Eurostat, Thomson Financial Datastream and HWWA.
1) HICP inflation in June 2005 refers to Eurostat's flash estimate.

Chart 16 Breakdown of HICP inflation: main sub-components

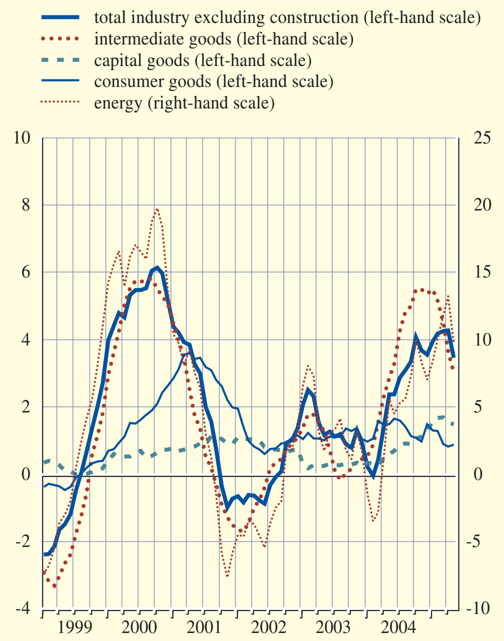
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 17 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

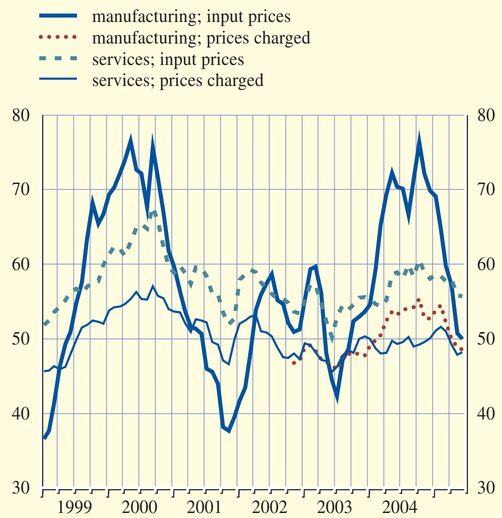
The annual rate of change in the HICP excluding energy and unprocessed food prices increased to 1.6% in May, as compared with 1.4% in April. This increase was mainly driven by services prices, while the annual growth rates of non-energy industrial goods prices and processed food prices were broadly unchanged as compared with the previous month. Services price inflation stood at 2.5% in May, up from 2.1% in April. The rebound in services price inflation was expected as a correction of the temporary decline in some volatile items – such as package holidays, air transport and, to a lesser extent, accommodation – in April, which was in part related to differences in the timing of the Easter holidays in 2004 and 2005. Abstracting from the temporary dip observed in April, the annual rate of change in the HICP excluding energy and unprocessed food prices has remained at 1.6% since February.

3.2 PRODUCER PRICES

The annual rate of change in producer prices declined to 3.5% in May 2005, from 4.3% in April. This development mainly reflects lower producer price increases in the energy and intermediate goods sectors (see Chart 17). The year-on-year growth rate of energy producer prices declined from 13.2% in April 2005 to 9.7% in May 2005 as a result of a base effect associated with the increase in energy

Chart 18 Producer input and output price surveys

(diffusion indices; monthly data)



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

producer prices one year previously and the decline in oil prices in April and the first half of May.

Looking at the other main components of producer prices, in May the annual rate of increase in producer prices for intermediate goods declined for the fourth month in a row, to 3.0%, from 3.6% in April. This is in line with evidence from surveys such as the Purchasing Managers' Survey, in which respondents have reported some easing of shortages in several raw materials markets and shorter delivery delays. The annual rate of growth of consumer goods producer prices inched up slightly in May, to 0.9%, from 0.8% in April, but remained at a relatively moderate level. The annual rate of growth of capital goods producer prices was unchanged in May at 1.5%. Overall, while there are signs of some pass-through of higher energy costs to producer prices of intermediate goods, evidence of any transmission to producer prices of consumer goods has thus far been very limited.

Survey data for June 2005 continue to point to a possible easing in the annual growth rate of producer prices. In the manufacturing sector, the Eurozone Input Price Index from the Purchasing Managers' Survey declined further in June and reached a level of 50, signalling no change in input prices (see Chart 18). The index for prices charged by manufacturers (or output prices) continued to decline in June, to levels below 50, indicating declining producer prices. As regards the services sector, the index of input prices, albeit still indicating price increases, eased further in June, and fell below its long-term average. By contrast, the index for prices charged increased slightly in June, but remained just below 50, still indicating some decline in prices charged. On the whole, recent indicators have pointed to more muted increases in prices charged than in input prices, which might suggest that firms have absorbed part of the rising costs by squeezing profits, especially in the services sector.

3.3 LABOUR COST INDICATORS

Labour cost indicators for the first quarter of 2005 continued to point to moderate wage developments (see Chart 19). The annual growth rate of negotiated wages increased only slightly, to 2.2%, in the first quarter of 2005, from 2.1% in the previous quarter (see Table 6). In addition, data available at the country level for compensation per employee for the first quarter of 2005 also point towards moderate wage growth. By contrast, the annual rate of growth of hourly labour costs in the non-agricultural business sector rose to 3.1% in the first quarter of 2005, from 2.5% in the last quarter of 2004. However, assessment of the data is made difficult by the fact that this is the first release following the new Labour Cost Index regulation, which introduced changes in the

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

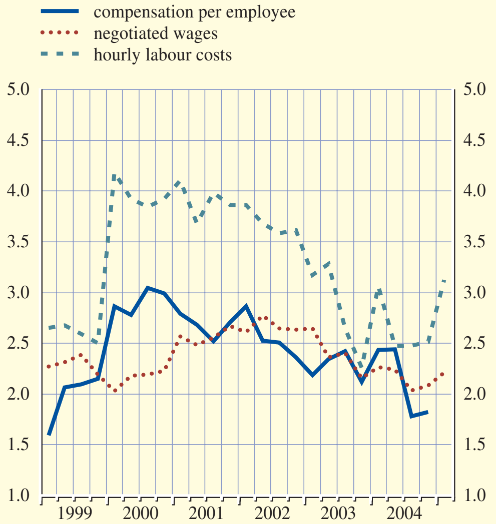
	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
Negotiated wages	2.4	2.2	2.3	2.2	2.0	2.1	2.2
Total hourly labour costs	2.8	2.6	3.1	2.5	2.5	2.5	3.1
Compensation per employee	2.3	2.1	2.4	2.4	1.8	1.8	.
Memo items:							
Labour productivity	0.4	1.2	1.2	1.6	1.2	0.6	0.4
Unit labour costs	1.8	0.9	1.2	0.8	0.6	1.2	.

Sources: Eurostat, national data and ECB calculations.

coverage and the concepts used so far (see Box 4). In addition, caution is warranted in interpreting this non-seasonally adjusted series, which is sometimes subject to short-term volatility. This is evident from the fact that the annual rate of growth increased to above 3% in the first quarter of 2004, from 2.3% in the preceding quarter, and then declined sharply, to 2.5%, in the second quarter. From a medium-term perspective, the annual rates of growth in negotiated wages and in hourly labour costs have increased since the middle of 2004, and in the first quarter of 2005 were at or above their average level for 2004 as a whole. This might indicate a levelling off of the downward trend in wage growth observed over the last three to four years.

Chart 19 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

With regard to compensation per employee at the euro area level, the annual growth rate in the fourth quarter of 2004, the last quarter for which data are available, was 1.8%, as in the previous quarter. Together with the slowdown in productivity in the second half of 2004, this implies a pick-up in unit labour cost growth towards the end of 2004, from 0.6% year on year in the third quarter to 1.2% in the fourth quarter. As productivity growth is expected to recover only slowly and, indeed, even declined slightly in the first quarter of 2005, unit labour cost growth is not expected to ease further in the short term. Nonetheless, the current rate is broadly in line with the assessment that inflationary pressures emanating from the labour market remain moderate.

3.4 THE OUTLOOK FOR INFLATION

Annual HICP inflation is expected to remain around current levels in the coming months and may not fall below 2% for the remainder of 2005. Looking further ahead, there is no significant evidence of underlying inflationary pressures building up in the euro area. In the context of moderate wage growth, inflationary pressures from the labour market should remain contained.

However, upside risks need to be taken into account. These risks relate particularly to future oil price developments. In addition, indirect taxes and administered prices could have stronger upward effects on future inflation than currently assumed. Furthermore, vigilance remains necessary as regards wage developments, in particular given the risk of second-round effects in the current environment of persistently high oil prices.

Box 4

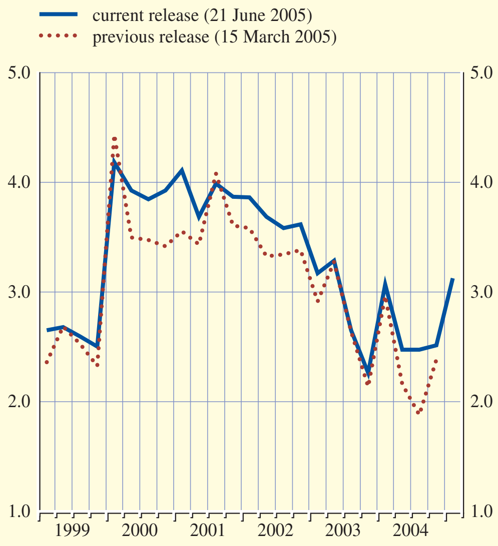
NEW SERIES OF HOURLY LABOUR COSTS IN THE EURO AREA

On 21 June 2005 Eurostat released new data for the euro area quarterly Labour Cost Index (LCI) based on improved methodology and coverage, as required by a recent European regulation.[1] This regulation establishes a common framework, which aims to further increase the cross-country comparability of these statistics. The harmonisation is an important step towards improving labour costs statistics at the euro area level. This box presents the methodological changes and the resulting data for the euro area LCI.

The LCI measures the changes in labour costs per hour worked in industry and services. As from 2005, all EU countries have to transmit national LCI results to Eurostat no later than 70 days after the reporting quarter, and Eurostat will release euro area and EU aggregates. The improvement in the LCI is one of the most recent results of the Action Plan on EMU statistical requirements, endorsed by the Council for Economic and Financial Affairs (ECOFIN) in September 2000. The new LCI is a useful complement to the data for compensation per employee that are already available from the National Accounts.

Chart A Hourly labour costs

(annual percentage changes; quarterly data)



Source: Eurostat.

With the June release, significant methodological changes have been implemented by a number of euro area countries including Germany, France and Italy. The changes are most pronounced for the hours worked component (the denominator) of the index, as some countries are now in a position to estimate actual hours worked (or hours paid) instead of the previously used number of persons employed. Further changes are related to the coverage (inclusion of small enterprises, more complete coverage of market services) and to the statistical sources used.[2]

1 Regulation (EC) No 450/2003 concerning the labour cost index, adopted under the EMU Action Plan in February 2003.

2 The technical specification of the index formula has also changed: country data from the current release are compiled as an annually chain-linked Laspeyres index, replacing the former fixed base index. The euro area index is still aggregated with country weights from a fixed base year (2000).

The methodological improvements have led to revisions in the series of hourly labour costs. On average over the period 2000-04, the annual growth rate of hourly labour costs for industry and market services in the euro area was revised upwards by 0.2 percentage point (see Chart A). The annual growth rate of wages and salaries, which account for around three-quarters of total labour costs, was revised upwards by 0.1 percentage point. The annual growth rate of the other cost components, mainly reflecting employers' social contributions, was revised upwards by 0.5 percentage point. Taking account of these upward revisions, the new pattern of growth in hourly labour costs confirms the significant slowdown in wage pressures that took place between 2001 and mid-2004. More recently, this downward movement appears to have levelled off, with the new data indicating an increase in labour cost growth since mid-2004. However, caution is warranted in interpreting short-term developments in this indicator, which has sometimes been subject to significant short-term volatility, in particular since the fourth quarter of 2003. Indeed, other indications of labour cost developments (see Section 3.3) still point to moderate wage growth at the beginning of 2005.

Chart B shows the annual growth rates of hourly labour costs in industry excluding construction, construction and market services[3]. The annual growth rate of hourly labour costs in the construction sector has declined continuously since 2002, and reached 1.3% in the first quarter of 2005, significantly below its average of 2.7% for 2004. Having declined between 2000 and 2004, the annual growth rate in market services increased in the first quarter of 2005, to 2.9%. Finally, in industry excluding construction, the annual growth rate reached 3.5% in the first quarter of 2005, above its average of 2.8% in 2003 and 2004.

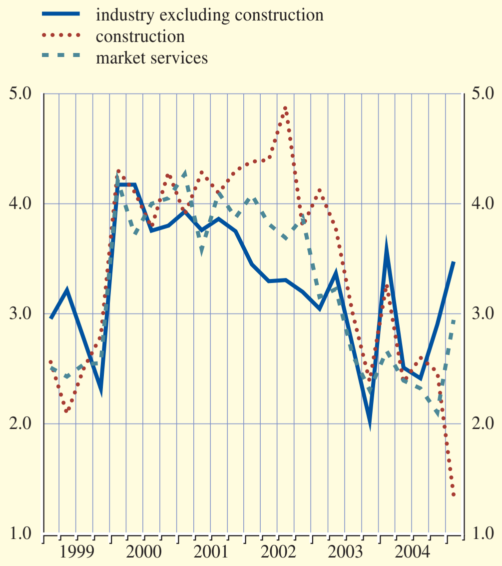
It is expected that countries will introduce further improvements in the coming quarters and, as a consequence, additional revisions of euro area LCI results cannot be excluded. Furthermore, depending on the successful completion of feasibility studies, the coverage (including non-market services) and the breakdown (excluding the effect of bonuses) will further improve in the future.

Overall, the new series of labour costs is an important source of information for wage cost developments. However, the information extracted from this indicator needs close monitoring and cross-checking with the other available indicators of wage developments (compensation per employee and negotiated wages).

3 Market services include trade, repairs, hotels and restaurants, transport, communication, financial intermediation, real estate, renting and business activities.

Chart B Hourly labour costs by economic activity

(annual percentage changes; quarterly data)



Source: Eurostat.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Euro area real GDP growth was stronger in early 2005 than in the second half of 2004. However, the composition of demand in the first quarter of this year was relatively unfavourable, as domestic demand, exports and imports lost momentum. Survey indicators, which posted significant declines prior to June, suggest that the underlying growth momentum is likely to have remained subdued in the second quarter. The improvement in survey data observed in June, however, provides some tentative positive signs at the end of the second quarter. As regards the labour market, conditions appear to have remained broadly stable in the first half of 2005. Looking ahead, economic growth is expected to gradually strengthen, benefiting more visibly from the favourable fundamentals.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

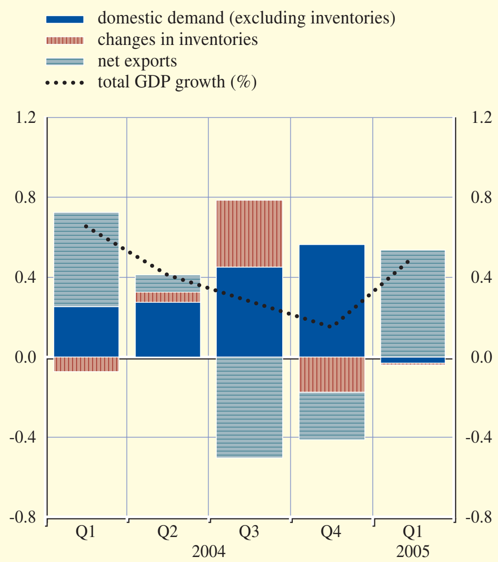
REAL GDP AND EXPENDITURE COMPONENTS

Following the weaker growth observed in the second half of 2004, real GDP growth picked up at the start of 2005. The first estimate of euro area national accounts for the first quarter of 2005 confirmed the flash estimate of 0.5% quarter-on-quarter real GDP growth (see Chart 20). The strengthening in real GDP growth as compared with the quarterly growth of 0.2% recorded in the last quarter of 2004 was, however, partly related to statistical effects. Working day adjustment effects dampened real GDP growth in the fourth quarter of 2004 and may have led to an overstatement of growth at the start of 2005.

The composition of real GDP growth in the first quarter of 2005 provides a less positive picture than the headline figure suggests. Real GDP growth in the first quarter was fully accounted for by growth in net exports, whereas the contribution of domestic demand declined to zero. Dampened by the increase in oil prices, private consumption growth slowed compared with the fourth quarter of 2004 and investment contracted. The breakdown of net exports was also less favourable than it might initially appear. The positive net export contribution was mainly a result of a significant decline in import growth, while export growth remained subdued, reflecting to a large extent the lagged effects of the past appreciation of the euro.

Chart 20 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The sectoral composition of economic growth in the first quarter of this year reveals that both the industrial and the services sectors gained some momentum compared with the previous quarter. However, while value added growth in the industrial sector remained limited, services sector value added grew more strongly. The relative weakness of the industrial sector was attributable to a significant contraction in the construction sector. Within the services sector, value added in non-market services – i.e. public administration – contracted, while the market services sector recovered strongly.

Euro area industrial production (excluding construction) and actual new orders strengthened in April. The former increased by 0.6% month on month in April, following quarterly growth of 0.1% in the first quarter of 2005. A longer-term perspective, however, reveals that industrial production has, for almost a year, basically fluctuated around a constant level.

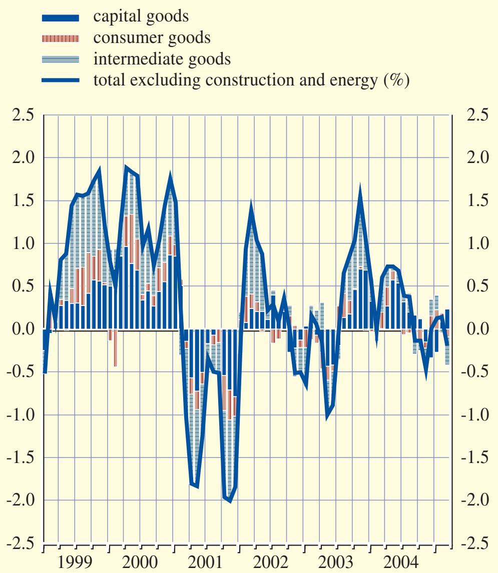
Developments in the industrial sector varied across the main industrial groupings in April. Industrial production increased month on month in April in the intermediate and consumer goods industries, remained unchanged in the capital goods industry and contracted sharply in the energy producing sector. Most of these developments represented reversals of changes observed in the previous month, reflecting the volatility of the series. On a three-month moving average basis, production grew in the energy and capital goods producing industries in the period from February to April but posted declines in the other sectors (see Chart 21).

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data are consistent with ongoing but moderate growth in the second quarter of 2005. In the industrial sector, conditions appear to have deteriorated in the second quarter as compared with the first (see Chart 22). Both the European Commission's confidence indicator and the Purchasing Managers' Index (PMI) declined in April and May for the manufacturing sector. However, both surveys rose in June, providing positive signs at the end of the second quarter.

Chart 21 Industrial production growth and contributions

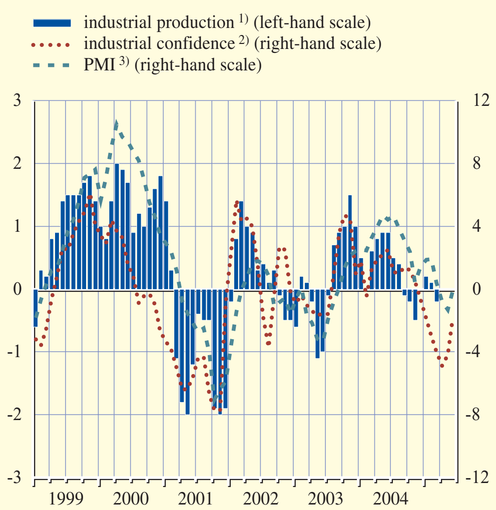
(growth rate and percentage point contributions; seasonally adjusted)



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

Chart 22 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

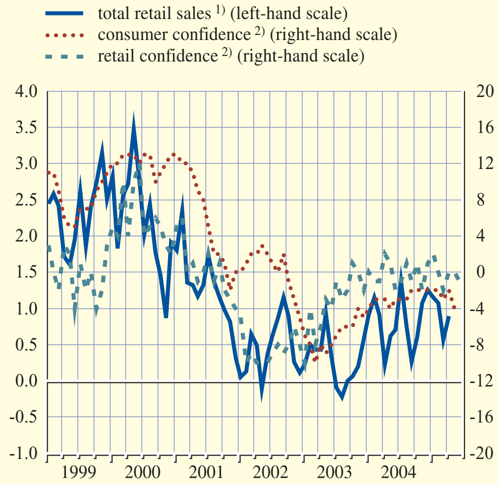


Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Research and ECB calculations.
1) Manufacturing; three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

The PMI for the services sector was unchanged in the second quarter as compared with the first quarter. In contrast to the manufacturing PMI, the level of the PMI for the services sector clearly suggests a further expansion of this sector. The European Commission surveys' confidence indicator for the services sector declined in the second quarter as compared with the first, but appears to have stabilised in the course of the second quarter.

Chart 23 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 centred moving averages; working day-adjusted.
2) Percentage balances; seasonally and mean-adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

INDICATORS OF HOUSEHOLD SPENDING

Following a pick-up in the last quarter of 2004, private consumption growth slowed again in the first quarter of 2005. Indicators of household spending do not signal a strengthening in consumption growth for the second quarter of 2005. Retail sales volumes decreased by 0.6% on average in the first two months of the second quarter as compared with the first (see Chart 23). In addition, new passenger car registrations declined significantly in May. This decline was strongly affected by a significant drop in new passenger car registrations in Italy on account of a strike in the Italian transportation sector in May. On average, new passenger car registrations were broadly unchanged over the first two months of the second quarter as compared with the first quarter.

The picture of moderate consumption growth in the short term is also confirmed by the European Commission's consumer confidence indicator. Consumer confidence declined slightly in the second quarter as compared with the first, while it had been broadly stable over the two previous quarters at a level somewhat below its long-term average. The low level of consumer confidence could reflect weak labour market conditions and uncertainties related to reforms in public health and pension systems.

4.2 LABOUR MARKET

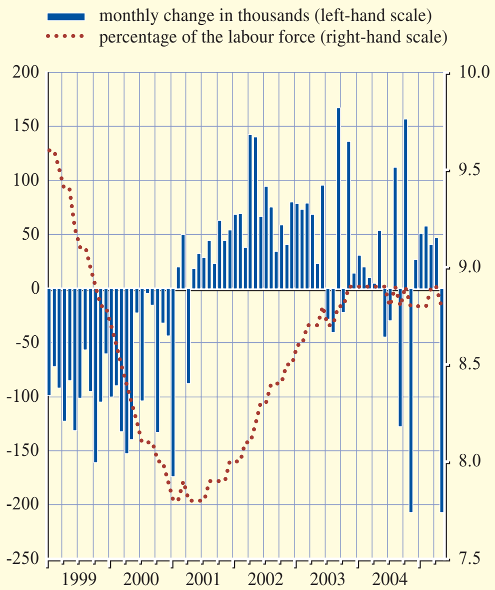
Labour market conditions appear to have remained broadly stable in the first half of 2005. In the first quarter of this year employment grew at a rate similar to that observed in the two previous quarters, and employment surveys indicate broadly stable conditions in the second quarter of this year.

UNEMPLOYMENT

The standardised unemployment rate in the euro area was 8.8% in May 2005, down from 8.9% in the two previous months (see Chart 24). Underlying this decline was a fall of around 200,000 unemployed persons, following an average monthly increase of around 40,000 over the five previous months. However, euro area unemployment data should currently be interpreted with caution. This is partly due to methodological changes in the source of the data that is used to estimate

Chart 24 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

harmonised unemployment data in Germany, which have led to a significant increase in the volatility of both German and euro area unemployment data. As the new German data cover only a relatively short period of time, considerable uncertainty regarding the computation of seasonally adjusted unemployment data is very likely to be part of the cause of the volatility.

EMPLOYMENT

Employment rose by 0.2% quarter on quarter in the first quarter of 2005, a rate comparable with that observed in the second half of 2004 (see Table 7). Developments over the past few quarters point to a stabilisation of labour market conditions after the gradual improvement recorded in the first half of 2004. In the first quarter of 2005 employment declined in the industrial sector but rose in the services sector. This sectoral divergence appears to be related to differences in the pace of economic activity in these sectors, but is also in line with more general structural changes observed over recent years.

Following stagnation in the fourth quarter of 2004, labour productivity for the economy as a whole rose slightly quarter on quarter in the first quarter of 2005 on account of the faster pace of economic activity and constant employment growth (see Chart 25). Productivity rose most strongly in industry excluding construction, while it increased only marginally in the services sector and fell substantially in the construction sector. However, when looking beyond the very short term, annual percentage changes indicate that labour productivity has slowed. Looking ahead, labour productivity is expected to increase modestly in the near future, which should support potential

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2003	2004	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1
Whole economy	0.3	0.6	0.1	0.3	0.2	0.2	0.2
of which:							
Agriculture and fishing	-1.8	-0.3	-0.2	0.0	0.4	0.1	-0.5
Industry	-1.0	-0.9	-0.5	0.3	-0.1	0.0	-0.6
Excluding construction	-1.5	-1.6	-0.7	0.1	-0.5	0.2	-0.8
Construction	0.1	0.9	-0.1	0.7	1.1	-0.4	0.1
Services	0.9	1.2	0.4	0.3	0.3	0.3	0.5
Trade and transport	0.3	0.8	0.1	0.3	0.4	0.2	0.2
Finance and business	1.3	2.5	1.1	0.4	0.6	0.5	0.9
Public administration	1.2	0.8	0.3	0.2	0.1	0.3	0.6

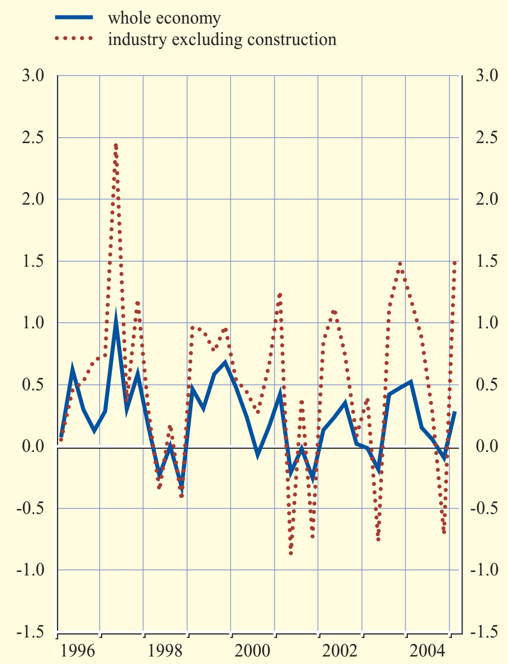
Sources: Eurostat and ECB calculations.

output growth in 2005 and 2006 (see the box entitled "Trends in euro area potential output growth").

Survey data available up to June suggest broadly stable employment expectations in the second quarter of 2005. As regards the industrial sector, both the European Commission surveys and the PMI point to a deterioration in the conditions for employment in the manufacturing sector in the second quarter as compared with the first. Employment expectations for the services sector in the second quarter of 2005 as indicated by the European Commission surveys and the PMI were broadly unchanged from the first quarter of this year. In the retail and construction sectors employment expectations displayed some improvement in the second quarter.

Chart 25 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Sources: Eurostat and ECB calculations.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Following moderate growth in the second half of 2004, euro area real GDP growth increased in the first quarter of 2005. However, the strengthening in growth was partly on account of statistical effects related to working day adjustments. Moreover, the composition of demand indicates that growth at the start of 2005 was mainly driven by a significant decline in imports, while both export growth and domestic demand lost momentum. For the second quarter, survey data suggest that the underlying growth momentum is likely to have remained subdued.

Available data are still mixed, with some of the most recent indicators showing a slight improvement, but there are no signs as yet that a more sustained recovery in economic activity has already started. At the same time, looking beyond the short term, there continues to be reason to expect a gradual improvement in economic activity in the euro area. Private consumption growth is expected to recover in line with gradually strengthening real disposable income growth. Investment should benefit from the very favourable financing conditions, strong corporate earnings and ongoing improvements in corporate efficiency. Export growth is also expected to increase on account of dynamic foreign demand and improvements in euro area price competitiveness. However, there are downside risks to economic growth relating to high oil prices, the low level of confidence in the euro area and global imbalances.

Box 5

TRENDS IN EURO AREA POTENTIAL OUTPUT GROWTH

Estimates of potential output, which can be defined as the level of output which does not generate inflationary or deflationary pressures, are important for a number of purposes, including the conduct of monetary and fiscal policy and structural policy analysis.[1]

The evolution of potential output depends on developments in a number of supply-side factors, including production inputs, such as capital and labour, and productivity. Potential output growth can change over time. Variations in potential output growth reflect first of all structural developments in supply-side factors, for example linked to demographic trends, institutional reforms or technological innovations. In addition, some supply-side changes can be of a cyclical nature, such as those which result from fluctuations in investment.

In order to assess the long-run rate of monetary growth which is compatible with price stability, the ECB published its estimate of trend potential output growth. This refers to the medium to long-term component of potential output growth, which does not take into account cyclical variations in potential output. The ECB estimated euro area trend potential growth to be in the order of 2-2.5% per annum.[2] Partly on account of the cyclicality of potential output growth, it should be expected that potential growth estimates for specific years will fluctuate within or around this range over time.

The level of potential output cannot be measured directly, and in practice its estimation is characterised by a significant degree of uncertainty, reflecting at least in part imperfections in the measurement of the variables underlying the estimation framework. Thus, it is important to take into account alternative estimates of potential growth, as well as to complement the analysis with an assessment of various sources of information, including indicators of developments in the main factors of growth. An additional practical problem when estimating trend potential output growth is that there is no universally accepted approach to identify the structural and cyclical components of potential growth. Estimates of potential output growth tend to vary depending on the techniques used for estimation. For example, methods based on the so-called production function approach, which derives explicit estimates of the structural components of the factors of growth, tend to produce estimates which are significantly different from those based on simple time series methods (also called trend extraction filters), which produce an estimate of the trend component of real output.

Finally, estimates are often revised over time.[3] For example, the expectations that prevailed until early 2001, which, in the context of the "new economy" debate, proved over-optimistic, implied estimates and projections for euro area potential growth which were subsequently revised downwards significantly.

1 For a more detailed discussion of the role of potential output measures in macroeconomic analysis, as well as the role they play within the framework of the ECB's monetary policy strategy, see the article entitled "Potential output and output gaps: concept, uses and estimates" in the October 2001 issue of the ECB's Monthly Bulletin.
2 For more details, see Box 3.7 on "The ECB's reference value for monetary growth" in the January 2004 publication "The Monetary Policy of the ECB".
3 For some evidence of revisions to recent output gap estimates, which largely reflect revisions to potential output, see the box on "The (un)reliability of output gap estimates in real time" in the February 2005 issue of the ECB's Monthly Bulletin.

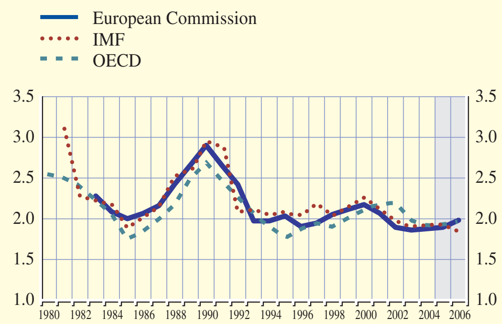
Against this background, this box provides some information on recent estimates of potential growth for the euro area and an assessment of its future evolution.

Estimates of potential output growth in the euro area since 1980

The chart below shows the latest estimates by the European Commission, the OECD and the IMF. All these estimates are based on a production function approach, which in part explains their pronounced cyclicality. On average, these estimates suggest that potential output growth in the euro area was in the range of 2-2.5% from 1981 to 2004 (see Table A). However, all of these estimates indicate that during the 1980s potential output growth was on average somewhat higher than in the 1990s and early 2000s, with a gradual shift from growth rates closer to 2.5% to rates closer to 2%.[4] Estimates from the ECB based on various approaches come to similar conclusions.[5]

Estimates of potential output growth in the euro area

(percentage points)



Sources: European Commission: Spring Economic Forecasts (April) 2005; IMF: World Economic Outlook Spring (April) 2005; OECD: Economic Outlook June 2005.
Note: OECD data prior to 1991 have been rescaled on account of a step break in the series. IMF data prior to 1991 have not been updated and are taken from previous publications. The shaded area delimits the projections period.

A growth accounting perspective can provide useful information on the main driving forces of potential output developments.[6] Typically, growth accounting exercises are based on actual data for real GDP and its supply-side determinants, and not on the structural or trend components of these data. However, averages of changes over prolonged periods for all these variables should provide broad indications which are very close to those that would be obtained from an assessment based on the structural component of each variable.

Table A Estimates of potential output growth in the euro area

(average growth rates; percentage points)

	Overall	By decade		Recent periods and projections			
	1981-2004	1981-1990	1991-2000	1990-1994	1995-1999	2000-2004	2005-2006
European Commission	2.2	2.3	2.1	2.4	2.0	2.0	1.9
IMF	2.2	2.4	2.2	2.4	2.1	2.0	1.9
OECD	2.1	2.2	2.0	2.3	1.9	2.1	1.9
Average	2.2	2.3	2.1	2.4	2.0	2.0	1.9

Source: ECB calculations based on data from the European Commission, the OECD and the IMF.
Note: For the period prior to 1991, OECD data have been rescaled on account of a step break in the series, whereas IMF data are taken from previous publications.

4 Note that very similar indications are obtained from averages over cycles rather than over decades.
5 The assessment of euro area potential output growth at the ECB is based on direct estimates as well as complementary sources of information on the factors of growth. As regards direct estimates of potential output, the production function approach plays a prominent role. For details of the methodological aspects of the alternative versions, see also T. Proietti, A. Musso and T. Westermann, "Estimating potential output and the output gap for the euro area: a model-based production function approach", EUI Working Paper ECO 2002/09.
6 For a more detailed growth accounting analysis for the euro area, see A. Musso and T. Westermann, "Assessing potential output growth in the euro area – a growth accounting perspective", ECB Occasional Paper No 22, January 2005.

Labour productivity growth[7] represents the main source of real GDP growth in the euro area and its gradual decline is the main factor explaining the lower level of real GDP growth during the 1990s as compared with the 1980s (see Table B). A slightly smaller fall in the contribution to economic growth from labour utilisation (defined here as persons employed per head of population) can be observed. Growth in labour utilisation reflects changes in various factors, including the unemployment rate, the participation rate and the dependency ratio (i.e. the ratio of people aged below 15 or above 64 to people of working age, i.e. those aged 15 to 64). While the contributions to output growth from changes in the unemployment rate and the participation rate rose during the 1990s as compared with the 1980s, the higher dependency ratio more than offset these changes. Since the early 1990s, while the overall contribution from labour utilisation growth has fluctuated significantly, the gradual decrease in labour productivity growth has continued. Finally, the contribution of total population growth has remained broadly unchanged over the entire period under review.

Table B Euro area real GDP growth and its determinants

(average growth rates; percentage points)

	Overall	By decade		Recent periods and projections			
	1981-2004	1981-1990	1991-2000	1990-1994	1995-1999	2000-2004	2005-2006
Real GDP growth	2.1	2.4	2.1	1.8	2.3	1.7	1.8
Labour productivity	1.4	1.6	1.4	1.7	1.1	0.7	1.0
Labour utilisation	0.4	0.4	0.3	-0.4	1.0	0.6	0.5
Total population	0.3	0.3	0.3	0.5	0.2	0.4	0.3

Sources: ECB calculations based on data from the European Commission (AMECO database) and Eurostat (ESA 95 database).
Note: Figures may not add up due to rounding. All data are from the European Commission's AMECO database, with the exception of employment data, which is from Eurostat's ESA 95 database. Labour productivity is defined as real GDP per employed person, while labour utilisation is measured here as employed persons per head of population.

The outlook

Estimates of potential output growth over the period 2005-06 are also shown in the chart above and Table A. Such estimates are conditional on the projections of the various institutions for the main macroeconomic variables for the years ahead. Current estimates and projections are based on expectations of a moderate recovery, reflecting a modest increase in labour productivity growth and broadly unchanged or lower contributions from labour utilisation growth and total population growth. As a result, potential growth in the euro area is expected by all three institutions mentioned above to be around 1.9% on average in 2005 and 2006. Only a recovery significantly stronger than expected would imply an upward revision of potential growth to rates significantly above 2% in the short term.

Beyond the short term, developments are more uncertain. In the medium to longer term, unfavourable demographic developments in terms of lower growth in the working age population (as is projected for the euro area) will become a major source of downward pressure on the trend potential output growth. However, some components of labour utilisation are

7 For the purposes of the analysis presented in this box, labour productivity is measured in terms of output per person employed. It would be helpful to measure labour productivity in terms of output per hour worked, but for the euro area there are no data for total hours worked covering the whole period under discussion (1981-2004).

likely to partially offset these downward pressures. In particular, participation rates, especially for women, may rise further and the structural unemployment rate could fall further, if recent trends were to continue. This notwithstanding, overall a downward trend in potential growth appears likely unless more progress is made in structural reforms in labour and product markets in future years in order to contribute to a sustained rise in productivity and labour utilisation growth.

To sum up, the analysis shows that the estimate of euro area trend potential growth of 2-2.5%, which was first published by the ECB in 1998, has become subject to downside risks, and it seems that the trend has, over recent years, moved closer to the lower bound of this range. Without a more determined implementation of structural reforms, it will be difficult to avoid demographic trends leading to even lower trend potential output growth for the euro area.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In June and early July the euro depreciated slightly in effective terms in an environment characterised by the focus of foreign exchange markets on expected yield differentials.

US DOLLAR/EURO

The euro depreciated against the US dollar in June and early July, reaching levels last observed in May 2004. This depreciation seems to have been associated at least partly with the rather negative sentiment towards the euro that emerged in the aftermath of the rejection of the EU Constitutional Treaty in the French and Dutch referenda. This added to the ongoing depreciation of the euro against the US dollar, which appears to be mainly related to foreign exchange markets shifting their attention from US imbalances to relative yields. Against this background, on 6 July 2005 the euro stood at USD 1.19, or 3.4% below its level at the end of May and 4.2% below its 2004 average.

JAPANESE YEN/EURO

After depreciating against the Japanese yen in early June, the euro has subsequently fluctuated – with some swings – in a range of JPY 131 to 134. The swings observed in late June appear to have been mostly related to temporarily renewed market expectations of an imminent change in the Chinese exchange rate regime, which also affected the yen. On 6 July 2005 the euro was quoted at JPY 133.2, slightly above its end-May level and less than 1% below its 2004 average.

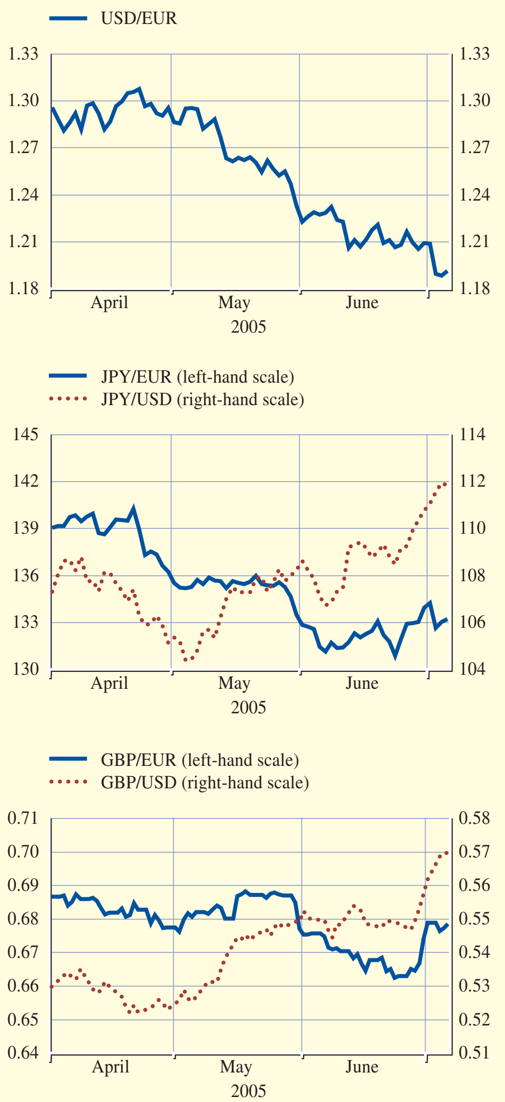
EU MEMBER STATES' CURRENCIES

In ERM II, in June and early July the Danish krone and the Slovenian tolar moved in very narrow ranges close to their respective central rates, while the Estonian kroon, the Maltese lira and the Lithuanian litas remained unchanged relative to their central rates. The Latvian lats was stable in the upper side of its fluctuation band, while the Cyprus pound appreciated to eventually stabilise at a level that was around 2% stronger than its central rate.

With regard to the currencies of other EU Member States, the euro first depreciated against the pound sterling in early June amid

Chart 26 Patterns in exchange rates

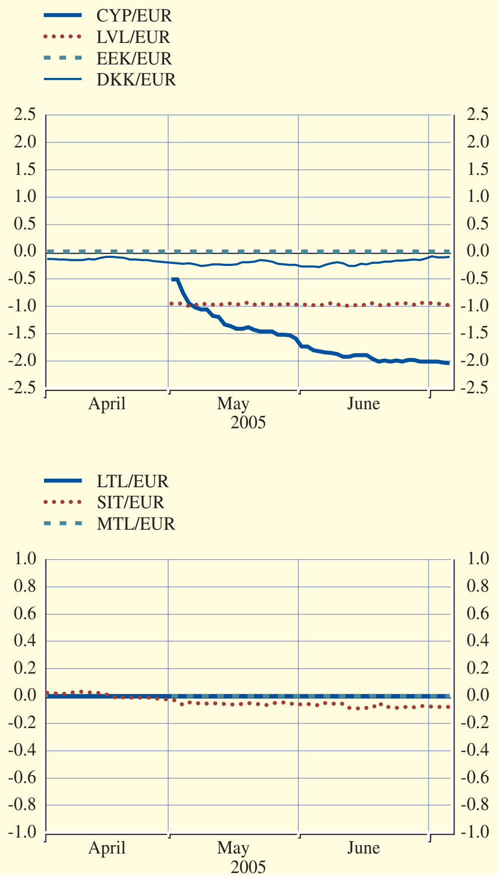
(daily data)



Source: ECB.

Chart 27 Patterns in exchange rates within ERM II

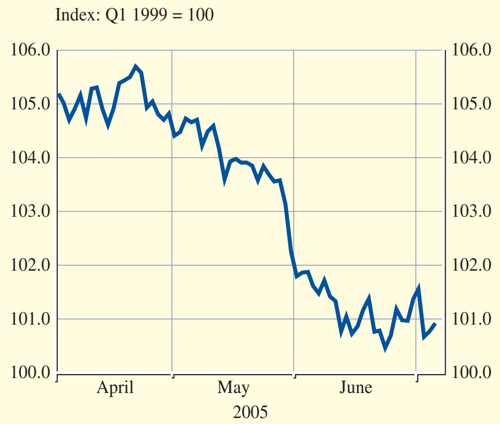
(daily data; deviation from central parity in percentage points)



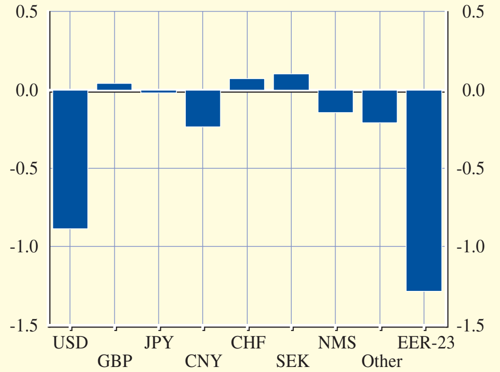
Source: ECB.
Note: A positive/negative deviation from the central parity against the euro implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is ±2.25%; for all other currencies the standard fluctuation band of ±15% applies.

Chart 28 Euro effective exchange rate and its decomposition [1]

(daily data)



Contributions to EER changes [2]
From 31 May to 6 July 2005
(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-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States which joined the EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

the political debate on the EU Constitutional Treaty, and then appreciated sharply in early July, possibly due to rising expectations of a reduction in policy interest rates in the United Kingdom. The euro traded on 6 July at GBP 0.68, or around its end-May level as well as its 2004 average. The euro depreciated against the Hungarian forint (by 2.5%), the Slovak koruna (by 1.7%), the Polish zloty (by 1.3%) and, to a lesser extent, the Czech koruna (by 1.1%). The euro appreciated vis-à-vis the Swedish krona (by 2.3%), mainly in response to the reduction in policy interest rates in Sweden on 20 June, which was larger than markets had expected.

OTHER CURRENCIES

The euro appreciated by 1.1% vis-à-vis the Swiss franc between end-May and 6 July. Over the same period it depreciated against the Canadian dollar and the Australian dollar (by 4.7% and 1.6% respectively).

EFFECTIVE EXCHANGE RATE OF THE EURO

On 6 July the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was 1.3% below its end-May level and 2.8% below its average level in 2004 (see Chart 28). The depreciation of the euro in effective terms was primarily driven by its weakening against the US dollar, some Asian currencies linked to the US currency, the Canadian dollar, the Australian dollar and some of the currencies of the new EU Member States.

5.2 BALANCE OF PAYMENTS

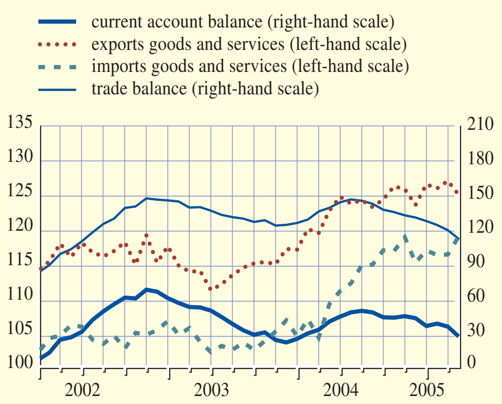
Balance of payments data up to April 2005 point to flat trends in euro area export and import values. The 12-month cumulated current account surplus continued to fall from the peak it reached in the summer of 2004. Since the beginning of the year, net flows of combined direct and portfolio investment have been close to balance on a 12-month cumulated basis, as net inflows in portfolio investment have been mostly counterbalanced by net outflows in direct investment.

CURRENT ACCOUNT

The seasonally adjusted current account of the euro area showed a deficit of €0.8 billion in April 2005. This reflected deficits in income (€3.9 billion) and current transfers (€2.9 billion) that were only partly offset by surpluses in goods (€5.0 billion) and services (€1.0 billion).

Chart 29 Current account and trade balance (goods and services)

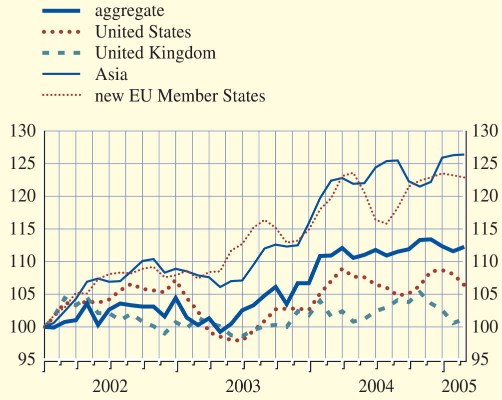
(EUR billions)



Source: ECB.
Note: The latest observations are for April 2005. Balances are cumulated over 12 months.

Chart 30 Extra-euro area export volumes by destination

(indices: January 2002 = 100; three-month moving averages; seasonally adjusted)

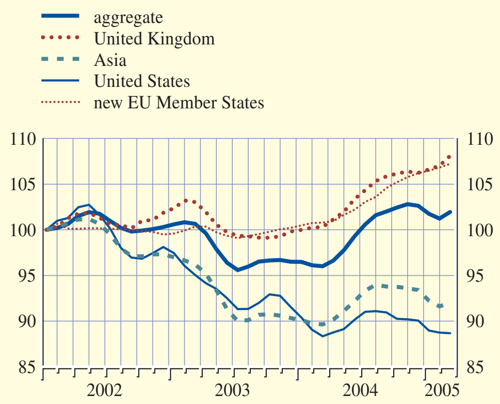


Source: Eurostat.
Note: The latest observations are for March 2005.

Export and import values of goods and services were broadly flat in recent months (see Chart 29). In the first quarter of 2005, exports rose by 1.1% quarter on quarter, while imports fell by 0.5% in value terms. Eurostat's breakdown of extra-euro area trade flows into volumes and prices provides insight into the reasons behind recent developments. On the export side, the slowdown that started in the second half of 2004 seems to be largely driven by export volumes and is evident in most export markets (Chart 30). Despite the fact that robust foreign demand during this period has helped to bolster export volumes, this effect has been partly offset by the lagged impact of the loss of competitiveness resulting from the past appreciation of the euro.

Chart 31 Extra-euro area import prices by partner countries

(index: January 2002 = 100; three-month moving average; seasonally adjusted)



Source: Eurostat.
Note: The latest observations are for March 2005.

On the import side, the decline in values that began in the last quarter of 2004 appears to stem from both volumes and prices. After rising substantially in the second and third quarters of 2004 (mostly as a result of higher oil prices), import prices abated somewhat in the last quarter of 2004 and fell in the first quarter of 2005. Meanwhile, the decrease in the prices of imported goods from Asia and the United States, reflecting the strong bilateral appreciation of the euro against the US dollar, has helped to lower total extra-euro area import prices (Chart 31). This has been partly offset, however, by the rising prices of imported goods from the United Kingdom and from the new EU Member States since mid-2004.

In terms of volume, imports have been falling since mid-2004. The decline can be largely explained by weak domestic demand in the euro area, particularly in some of the import-intensive categories of expenditure, such as stocks and investment. The geographical breakdown shows that imports from the new EU Member States have remained weak since the second quarter of 2004. This can be partly linked to the above-mentioned increase in the prices of imports from the new EU Member States. In contrast, imports from Asia, especially China, have been very robust since the euro began to appreciate, reflecting, to a large extent, developments in price competitiveness in this region.

In spite of the continued slowdown in imports, the 12-month cumulated trade surplus continues to fall from the peak it reached in June 2004. The 12-month cumulated surplus of the euro area current account amounted to €26.2 billion up to April 2005, i.e. around 0.3% of GDP, compared with €39.3 billion a year earlier. This reduction resulted mainly from a €33.7 billion decline in the goods surplus, which was partly compensated by a €14.2 billion fall in the income deficit and, to a lesser extent, by a rising surplus in services.

FINANCIAL ACCOUNT

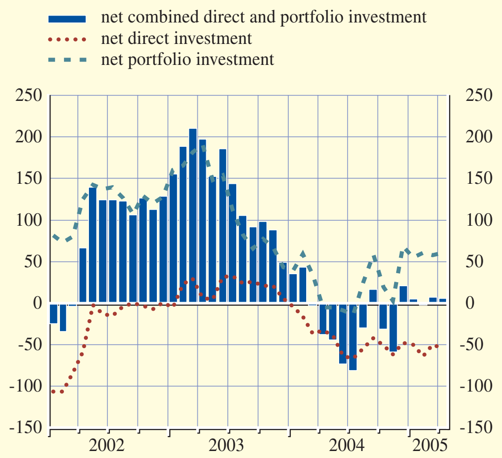
In April 2005 combined direct and portfolio investment recorded net outflows of €9.1 billion. This was accounted for by net outflows in direct investment of €6.4 billion and in equity portfolio investment of €30.5 billion. Debt instruments on the other hand recorded net inflows, mainly owing to large net purchases of euro area bonds and notes by non-residents (€58 billion).

Looking at developments over the 12-month period to April 2005, the euro area combined direct and portfolio investment account recorded net inflows of €6 billion, having continuously recorded net outflows throughout 2004 (see Chart 32). In the second half of 2004, net outflows gradually declined. Combined direct and portfolio investment flows have returned to and fluctuated around levels close to balance since the beginning of 2005. The latter development reflects counterbalancing movements in the underlying accounts, as net inflows in portfolio investment were mostly offset by net outflows in direct investment.

12-month cumulated net outflows in direct investment have remained around €50 billion since the second quarter of 2004. This development has stemmed from the steady level of investment abroad by euro area residents (around €120 billion since the beginning of 2004) and the stabilisation of foreign investment in the euro area at around €70 billion since April 2004. Expectations that the global economy will experience stronger economic growth than the euro area in 2004 and 2005 might have been behind these developments.

Chart 32 Net direct and portfolio investment flows

(EUR billions; 12-month cumulated data)



Source: ECB.
Note: A positive (negative) number indicates a net inflow (outflow) into (out of) the euro area.

Net inflows in cumulated portfolio investment have risen since the end of 2004, primarily reflecting an increase in net purchases of euro area equity securities by non-residents as well as a decline in the net purchases of foreign equity securities by euro area residents. As reported in previous issues of the Monthly Bulletin, global investors appear to have favoured euro area securities as market surveys considered them to be more attractively priced in relative terms. More recently, however, non-resident investors appear to be turning more bearish on the economic and profit outlook of euro area companies.

Investment in debt instruments has proved more volatile in recent months compared with developments in equity securities as well as with past investment in fixed income securities, as investment in debt instruments has been switching rather frequently between net inflows and net outflows. Much of the volatility can be attributed to the low bond yield environment and the possibility of incurring capital losses, which, in turn, appear to have hindered portfolio managers from formulating stable long-term investment strategies on debt securities.

ARTICLES

THE HARMONISED INDEX OF CONSUMER PRICES: CONCEPT, PROPERTIES AND EXPERIENCE TO DATE

The reliability of consumer price indices in general, and of the Harmonised Index of Consumer Prices (HICP) in particular, is crucial for economic decisions. Consumer price indices are widely used as economic indicators, not only by the ECB but also by the European Commission, governments, businesses and households. Initially created for the assessment of price convergence during the early stages of Economic and Monetary Union, the HICP is an accurate, comprehensive and timely indicator of consumer price inflation that is comparable across all EU countries. Within the ECB's monetary policy strategy, the euro area HICP is the price index used to assess price stability. Despite the recent discrepancy between opinion survey results on consumers' inflation perceptions and actual HICP inflation, there is no evidence that the HICP understates (or overstates) consumer price inflation. Nevertheless, the process of harmonisation of the HICP across EU countries is not yet complete. The main priorities for further improvement concern the issues of quality adjustment and the inclusion of expenditure on owner-occupied housing.

1 A HARMONISED MEASURE OF CONSUMER PRICE INFLATION

There is a widespread consensus that inflation entails substantial costs for the general public. High and volatile inflation generates significant uncertainty about the future. It increases the complexity of evaluating the price of financial assets and their associated risks. Furthermore, it distorts consumption and investment decisions, and generates higher transaction costs. It may also lead to an unanticipated redistribution of income and wealth from creditors to debtors and amongst recipients of different kinds of income. It is generally agreed that inflation has a significant negative impact on economic growth and welfare. This common belief, anchored in the general public's opinion, is supported by a substantial body of literature that demonstrates the harmful effects of inflation on economic growth.[1]

Widespread concerns about inflation call for a tool to accurately measure it. A consumer price index (CPI) can fulfil this role. By measuring over time the change in prices of goods and services purchased by households for consumption purposes, it indicates the change in purchasing power from the point of view of the consumer. As such, it is a standard benchmark used by economic agents in financial decisions or in contracts where developments in the price level have to be taken into account. Pensions, government benefit payments, bonds, wages, leases and rental agreements, for example, are often directly or indirectly linked to consumer price developments. In the EU Member States, Harmonised Indices of Consumer Prices (HICPs) have been developed, allowing the compilation of euro area and EU aggregates. They provide a complete set of comparable and high-quality consumer price indices.

THE ROLE OF THE HICP IN THE ECB'S MONETARY POLICY STRATEGY

Within its monetary policy strategy, the ECB has given the HICP a prominent role by defining its mandate to maintain price stability in terms of this particular index. The ECB aims to ensure price stability since it is essential to avoid the harmful effects of inflation and thereby to foster the most efficient allocation of resources. This is the best contribution monetary policy can make to keep the economy on the smoothest possible track to long-lasting sustainable economic growth and job creation.[2] The ECB defines price stability as a year-on-year increase in the HICP for the euro area of

1 See also G. Camba-Méndez, J. Garcia and D. Rodriguez-Palenzuela, "Relevant economic issues concerning the optimal rate of inflation" in O. Issing (ed.), *Background studies for the ECB's evaluation of its monetary policy strategy,* European Central Bank, Frankfurt, 2003.

2 See the conference proceedings, entitled "Why price stability?", of the First ECB Central Banking Conference, November 2000.

"below 2%". The Governing Council of the ECB has also stated that it aims to keep inflation below, but close to 2%. This aim provides an adequate positive margin to avoid the risks of deflation. It also ensures a margin sufficient to address the implications of inflation differentials across the euro area, so that individual countries may not have to structurally live with too low rates of inflation, or even deflation. Furthermore, it takes into account the possibility that the HICP may slightly overstate the true rate of inflation as a result of a positive bias in the measurement of price changes, although – as discussed below – this bias is likely to be very small.

THE HICP AS AN INDICATOR OF CONVERGENCE

The HICP also plays a role in the monitoring of convergence of price developments. According to the Maastricht Treaty, one of the criteria to guide decisions on which countries qualify for the adoption of the euro is that average annual inflation must not exceed the HICP inflation rate of, at most, the three best-performing Member States by more than 1.5 percentage points. This criterion calls for a comparable price index for all EU countries. For non-euro area EU countries, the HICP is therefore a key indicator in assessing their suitability for adoption of the single currency.

For all these purposes, the HICP should embody a number of essential properties, such as a broad coverage of consumer expenditure, credibility, accuracy, reliability, timeliness and high frequency. The remainder of this article presents and assesses the quality of the HICP as a measure of aggregate price developments. Section 2 reviews the conceptual framework and properties of the HICP. Section 3 describes the analysis of the individual HICP components in assessing inflation developments. Section 4 outlines priorities for further improvement and Section 5 concludes.

2 THE CONCEPTUAL FRAMEWORK OF THE HICP AND ITS PROPERTIES

2.1 HISTORY OF THE HICP'S DEVELOPMENT

Work on the HICP started in 1993 in order to provide comparable measures for the assessment of convergence in the run-up to the start of Stage Three of EMU, since the national CPIs of EU countries were not comparable. The first achievement was the adoption of the framework Council Regulation (EC) No 2494/95 concerning harmonized indices of consumer prices in 1995. According to this regulation, the European Commission (Eurostat) is responsible for "the creation of common statistical standards for consumer price indices". The harmonisation was supported by three further EU Council regulations and eight European Commission regulations adopted between 1996 and 2001.[3] These were aimed at ensuring comparability across countries and promoting high and up-to-date standards for price statistics that follow international recommendations,[4] but leave all responsibility for collecting price data with the national statistical institutes.

In 1996 the first (interim) HICPs with a common initial coverage of goods and services were released. Moreover, rules for the sampling of products and outlets, and for the timely inclusion of new products, were agreed. In 1997 further work was conducted to ensure that HICPs reflect up-to-date consumption patterns. As a minimum standard, it was agreed that HICP expenditure weights must refer to a period that is no more than seven years before the reporting year. In addition, Member States have to review these weights annually and update them if there are important changes in the consumption pattern. In 1999 HICP

3 All regulations, guidelines, a short user guide and additional information on the HICP can be found on the European Commission's website (http://forum.europa.eu.int/Public/irc/dsis/hiocp/library).

4 For further information on international standards, see also ILO, IMF, OECD, UNECE, Eurostat and the World Bank, "Consumer price index manual: theory and practice", 2004.

standards for tariff prices and insurance services were set.

Major progress in harmonisation was made in 2000 and 2001. The coverage of the HICP was extended to include the areas of health, education and social protection. At the same time, the population and geographical coverage of the HICP was harmonised to cover all household consumption expenditure in the territory of a country. Moreover, specific requirements for a harmonised measurement of sales prices and financial services prices were put into practice. Since then, harmonisation work has continued, in particular in the field of the quality adjustment of price indices (see Section 4).

2.2 THE HICP CONCEPT AND DEFINITION

The HICP aims to quantify developments in "the prices of goods and services available for purchase in the economic territory of the Member State for the purposes of directly satisfying the consumer needs",[5] thereby covering "household final monetary consumption expenditure". This concept has important implications, some of which can help to explain the differences between the HICP and national CPIs.

The HICP covers goods and services bought by households in a country, notwithstanding their nationality, residence, income or other socio-economic features. By contrast, many CPIs cover only expenditure by resident households. Moreover, prices fully enter the HICP at the time when goods and services are actually acquired. This acquisition concept differs from the concept for some national CPIs that aim to measure the price of goods and services as they are used. This can make a significant difference, in particular for items that are consumed over long time periods (especially owner-occupied dwellings; see also Box 2).

The borderline chosen between government consumption expenditure and private household expenditure is in line with the European System of Accounts 1995 (ESA 95). Goods and services provided by government to individual households as social transfers in kind (e.g. healthcare and education) are not included in the HICP, although they might eventually be financed indirectly by households, e.g. in the form of compulsory contributions to a public healthcare system. However, so-called "out-of-pocket" expenditure by households, including flat rates or price shares paid directly by a benefiting household for goods and services provided as transfers in kind, are included in the HICP. The treatment of these items varies considerably in national CPIs. It was also decided that the introduction of direct consumer payments for items which were previously provided as transfers in kind, and therefore free of charge for the consumer, should be measured as price increases in the HICP. Conversely, the elimination of a consumer payment and its replacement with a transfer in kind would result in a price decline.[6] This underlines the need to analyse HICP developments in connection with other price indicators, such as government consumption and the GDP deflator, since a consumer price index – despite its broad coverage – only sheds light on a certain part of final demand in the economy.

Notwithstanding these issues, the HICP has many conceptual similarities to the national CPIs. They include non-durable and durable goods as well as services and cover daily expenditure (e.g. the purchase of bread), regular expenditure (e.g. monthly rent payments) and infrequent expenditure (e.g. the purchase of a car). The prices are those purchase prices observed in outlets and include VAT and other indirect taxes.

The HICP measures the average price changes for goods and services by comparing the reporting

5 Council Regulation (EC) No 2494/95, Article 3.

6 An example is the German healthcare reform of January 2004, which increased the German HICP inflation rate from 0.6% to 1.2% in that month. The opposite example is the abolishment of the TV licence fees in Belgium (2002-03) and in the Netherlands (2000), which lowered the national HICP inflation rates by 0.3 percentage point and 0.6 percentage point respectively.

period's and a reference period's expenditures for a representative basket. This basket and its expenditure shares are kept fixed over (at least) one year. This means that, during this period, the HICP's development reflects price changes which are not affected by varying consumption patterns. To be representative of the recent expenditure patterns of consumers, the expenditure shares have to be updated at sufficiently frequent intervals. A Laspeyres-type index is used for almost all existing consumer price indices.

2.3 THE COMPILATION OF THE HICP

SAMPLING AND PRICE COLLECTION

National statistical institutes collect the prices of a sample of goods and services on a monthly basis, selected to represent all products bought by households for consumption purposes. Prices for several hundred predefined consumer goods and services are surveyed. The samples include several prices for each item, namely different variants of each item in different outlets and in different regions. For instance, price statisticians collect prices for computers not only in computer shops, but also in supermarkets, from mail order offers, or from internet suppliers. Moreover, different product variants such as desktop computers and laptops are considered. In total, HICPs are derived from around 1.4 million individual prices collected each month in the euro area.

CALCULATING PRICE CHANGES

The HICP is aimed at measuring "pure" price changes over time. This requires the comparison of the current price of a product with the price of the same product in the reference period. Whenever a product's characteristics (e.g. package size, technical performance) change over time, observed prices are adjusted for these differences in the product's specifications or quality in order to derive the pure price movement. For quality adjustment, national statistical institutes use several methods, for example, methods based on expert judgments, regression techniques ("hedonic methods") or methods that derive estimates of the pure price change from those of similar products that are available in unchanged quality. While the effect of quality changes is usually small for many items in the HICP (e.g. butter), it can be large for some items (e.g. cars and computers). A harmonised approach to quality adjustment is therefore crucial.

COMPILING THE INDEX

The HICP for each euro area country is calculated as a weighted average of price indices for numerous product groups, using the respective shares of each group in the household expenditure on goods and services covered by the HICP as weights. The information used to calculate product group weights in the HICP is mainly collected via household budget surveys and cross-checked with information from other sources (e.g. tax revenue statistics, national accounts). It is representative of average household expenditure at the national level, thereby capturing for each country national consumption habits which may depend on lifestyles, cultural traditions or other factors (e.g. product availability). In the final step, the HICP for the euro area as a whole is calculated as an average of the national HICPs for the 12 euro area countries, weighted by their relative household consumption expenditure shares in the euro area total. Table 1 gives an overview of the expenditure shares, broken down by euro area country and by main product group, that are currently used to compile 2005 HICP figures.

At the euro area level, the most important groups are food, housing and transport, each covering around one-sixth of total consumption. National weights for main expenditure groups often differ significantly from euro area average expenditure shares. This reflects both differences in consumer preferences and price level differences across countries. Some of the larger differences in the weights are explained by the HICP concept. For example, the high expenditure share for services provided by restaurants and hotels in

Table 1 Euro area country and main product weights in the HICP (2005)

(as a percentage of total HICP)

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI	Euro area
Euro area share	**3.3**	**29.0**	**2.7**	**11.4**	**20.7**	**1.3**	**19.2**	**0.3**	**5.2**	**3.1**	**2.1**	**1.6**	**100**
HICP weights													
Food and non-alcoholic beverages	16.8	11.5	18.0	22.1	16.9	14.5	16.6	10.6	12.1	13.0	18.5	15.8	**15.5**
Alcoholic beverages and tobacco	3.4	5.0	5.1	3.8	4.0	8.8	3.0	14.9	4.0	3.1	3.0	5.7	**4.2**
Clothing and footwear	6.5	5.9	12.2	9.7	5.9	4.5	10.6	5.4	6.1	6.3	6.8	5.4	**7.4**
Housing, water, electricity, gas and other fuels	16.1	21.8	9.5	10.2	14.5	8.5	9.7	8.7	16.1	14.6	9.4	15.2	**15.0**
Furnishing, household equipment and routine maintenance of the house	7.5	7.4	7.0	5.8	6.4	4.2	10.6	9.6	8.2	7.4	7.6	5.6	**7.6**
Health	3.9	4.7	5.6	2.4	4.2	3.1	3.9	1.4	5.1	4.1	5.1	5.2	**4.1**
Transport	13.5	15.2	13.4	13.8	17.8	14.0	14.1	22.0	14.2	15.1	18.9	16.3	**15.3**
Communication	2.9	2.5	2.3	2.1	3.2	2.0	3.2	1.8	3.6	2.7	3.0	3.1	**2.8**
Recreation and culture	13.2	11.5	4.5	6.8	9.6	11.7	7.3	8.5	11.3	11.2	4.8	11.5	**9.5**
Education	0.5	0.8	2.0	1.8	0.5	1.9	1.1	0.4	0.7	1.0	1.6	0.7	**1.0**
Restaurants and hotels	8.9	5.5	14.9	16.4	7.3	20.7	11.3	8.7	7.0	14.7	15.4	8.7	**9.5**
Miscellaneous goods and services	6.9	8.1	5.5	5.1	9.8	6.1	8.7	8.1	11.7	6.8	6.1	6.9	**8.2**

Source: Eurostat.

the HICPs of Greece, Spain, Ireland, Austria and Portugal mirrors expenditure of foreign tourists which is covered by those HICPs. The differences in weights for housing reflect the fact that the HICP only covers rental payments, which vary depending on the importance of national rental markets, but not the expenditure by owner-occupiers (see Box 2). The differences for health and education reflect the varying degree to which these services are provided as transfers in kind from the government rather than being directly paid for by consumers.

The HICP's consumption patterns reflect average household expenditure. However, depending on different consumption patterns, the inflation faced by individuals or groups of households can differ from this average. The possible impact of such differences is illustrated in Box 1.

Box 1

SPECIFIC BASKETS OF CONSUMER GOODS AND SERVICES AND MEASURED INFLATION

In discussions on inflation measurement and perceptions, differences between the baskets used for official consumer price statistics and those of individual consumers and specific groups of consumers have been highlighted. This box simulates the different impact on inflation of alternative baskets and expenditure patterns, and compares these with euro area HICP inflation.

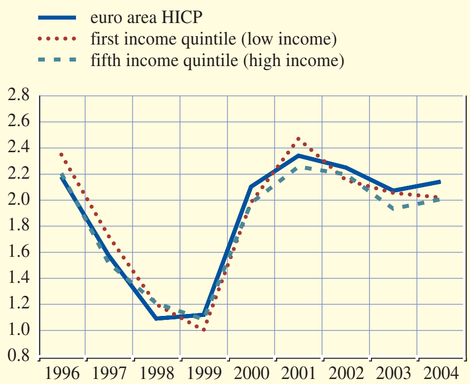
Consumer inflation is calculated for four distinct hypothetical household types. For reasons of data availability, these calculations were made at a higher level of aggregation than usually applied for HICP calculations, and expenditure weights were kept fixed over the comparison period. It must be kept in mind that these assumptions to some extent limit the quality of the simulations.

The expenditure shares for the first two household types reflect consumption habits of different income groups. They were compiled from the 1999 Household Budget Survey data available from

Eurostat at the euro area level. The published data on the structure of consumption expenditure is grouped into income quintiles.[1] The first (lowest income) and the fifth (highest income) quintiles were considered for the calculation of the two specific households' inflation rates, assuming that consumption habits differ most between these two income groups. Differences in expenditure shares are important for some items, e.g. the consumption of food and non-alcoholic beverages by low-income households represents 21.1% of their expenditure basket, compared with only 13.2% for high-income households. The results of the simulation show that, between 1996 and 2004, the differences in the consumption shares led to slight differences of between 0.0 and 0.2 percentage point per year in the households' inflation rates. However, on average over the whole period, these differences broadly cancelled each other out (see Chart A).

Chart A Lower and higher income household inflation

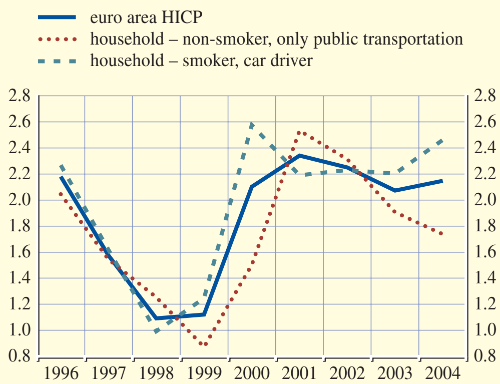
(annual percentage change)



Sources: Eurostat and ECB calculations.

Chart B Specific household's inflation

(annual percentage change)



Sources: Eurostat and ECB calculations.

A further example shows the potential effect on household inflation of selected products for which individual consumption preferences typically differ significantly. The effects of different preferences as regards tobacco and transportation were simulated. One household was assumed to be non-smoker and to use only public transport (i.e. no expenditure on private cars, repairs or petrol, but double the average expenditure on public transport). A second household type was assumed to be smoker and to always drive a car (i.e. no public transport used, but double the average expenditure on tobacco and private transportation items). For the year 2004, in which official annual euro area HICP inflation was 2.1%, the first household type would have experienced annual average inflation of 1.7%, while that for the second household type would have been 2.5% (see Chart B).

Different consumption patterns yield different developments in purchasing power for specific types of household only if the price changes of the products concerned differ from the average price change recorded for the all-item index. This has been the case for the items selected here due, in particular, to tobacco tax and petrol price increases in recent years. Such large differences are, however, not typical for many other items of consumer expenditure, and other variations in the composition of specific baskets may be expected to lead to smaller differences between the inflation experience of individual households and average inflation as measured by the HICP.

1 Ordered income ranges, each covered by one-fifth of the total population of households.

DATA PUBLICATION AND AVAILABILITY

Monthly HICPs are available for 29 European countries (the EU Member States plus Bulgaria, Romania, Iceland and Norway). Since May 1998, the euro area HICP has been published by Eurostat in addition to the result for the EU. Furthermore, Eurostat publishes a flash estimate of the euro area HICP. This is based on the HICP estimates for Germany, Spain and Italy, on national CPI data for Belgium, as well as on early information on energy price developments. It is generally published on the last day of the reference month, while the full results for the euro area HICP are released about 18 days after the end of the reference month. These releases have proved to be reliable; revisions have been rare and small.

The HICPs are published according to the Classification of Individual Consumption by Purpose (COICOP/HICP) and also for additional sub-aggregates of goods and services (e.g. processed and unprocessed food, energy). In total, about 160 sub-indices are available for EU and euro area aggregates, and for each of the 29 countries. HICP data and rates of change are available on Eurostat's website.[7] From these data, the ECB compiles seasonally adjusted euro area HICPs (see Table 5.1 of the "Euro area statistics" section and the ECB's website).

2.4 ACCURACY AND MEASUREMENT ISSUES

Research on accuracy and the potential biases of consumer price indices typically distinguishes four main measurement issues:

- Baskets and expenditure weights are kept constant over a certain period (usually between one and five years). However, the longer the weights and baskets are kept fixed, the less representative they are of current consumer expenditure.

- New products' prices – in particular for electronic household equipment – tend to decrease after these products enter the market. When new products are not covered in a timely manner, part of this price decrease is not taken into account. By contrast, "old" products whose market share has become insignificant may be offered at reduced sales prices. If such outdated products are kept in the sample unduly long, the index could become biased downwards.

- Identifying the effect of quality changes on price changes is difficult. If the methods for quality adjustment are inaccurate, this may lead to an under- or over-adjustment for quality changes. The direction and size of both the quality change and any possible quality change bias in the index may differ across items and countries.

- New outlets may offer goods and services at lower prices. If shifts in the outlet composition are not appropriately reflected in the sample, this may lead to an overstatement of price movements.

It should be noted that the impact of these factors may vary over time and may depend, for example, on technical innovation and changes in the outlet structure. Theory and research suggest that, on balance, these factors may lead to a very limited upward bias in existing consumer price indices. Bearing in mind these measurement issues, several of the previously described HICP methods take explicit account of potential sources of bias, in particular the rules for updating weights, for including new products and for quality adjustment. Nevertheless, further work on improving the quality adjustment methods used for HICPs needs to be carried out (see Section 4).

7 http://epp.eurostat.cec.eu.int

3 HICP DEVELOPMENTS IN THE EURO AREA: EXPERIENCE TO DATE

The ECB regularly monitors and analyses HICP developments. After a sustained decline driven by the convergence process in the run-up to Stage Three of EMU throughout the 1990s, euro area inflation started to rise, from an annual average of 1.1% in 1999 to peak around 2.3% on average per year in 2001 and 2002. It has since fluctuated around 2.0% (see Chart 1).

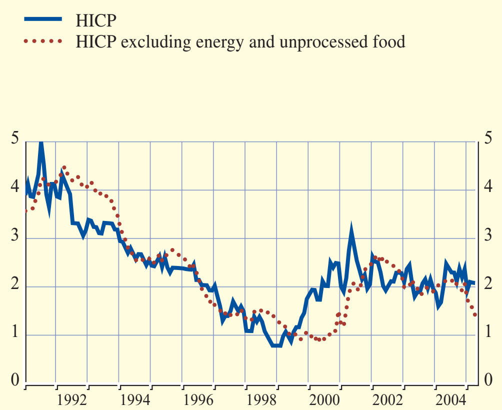
DEVELOPMENTS IN THE MAIN HICP COMPONENTS

For the purposes of economic analysis, the HICP can usefully be broken down into five main components: energy (i.e. electricity, gas, liquid and solid fuels and lubricants, heating), unprocessed food (i.e. meat, fish, fresh fruit and vegetables), processed food (including bread, milk, beverages and tobacco), non-energy industrial goods (including clothing and shoes, furniture, household appliances, medical products, cars, PCs and TVs) and services (including rents and repairs, as well as cultural, recreational and medical services). Energy and unprocessed food prices are known for being significantly more volatile than other categories of prices, as they are determined in markets where supply shocks can play a major role. The volatility of the unprocessed food component, for example, is often linked to the impact of weather conditions on harvests.

The detailed examination of contributions from the five components of the HICP highlights an unusual clustering of significant shocks between 2000 and 2004 that mainly affected the most volatile components (see Chart 2). In 2000, for example, the contribution of the energy component to headline HICP reached 1.1 percentage points, well above its average historical contribution (see Table 2). This reflected a 200% increase in US dollar oil prices over the year, amplified by a 30% depreciation of the euro against the US dollar. As a result of these large fluctuations in oil prices, the volatility of the energy component has increased significantly since 1999. Also, Chart 2 illustrates the exceptional pick-up in food prices in 2001 that was mainly driven by health concerns related to the cases of Bovine Spongiform Encephalopathy (BSE) and the outbreak of foot-and-mouth disease in a number of euro area countries. Finally, in 2002, the contribution of services prices increased temporarily (in particular, that of recreational

Chart 1 Euro area HICP

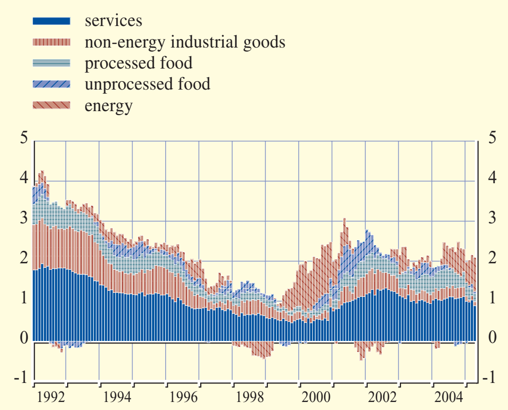
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: Data prior to 1996 are estimated on the basis of national CPIs.

Chart 2 Contributions to HICP inflation

(in percentage points of HICP)



Sources: Eurostat and ECB calculations.

Table 2 Basic statistical data on the main euro area HICP components

Description	HICP weights (%)	Average (annual percentage changes)		Standard deviation (percentage points)		Average contribution to changes in the HICP (percentage points)	
	2005	1992-1998	1999-2004	1992-1998	1999-2004	1992-1998	1999-2004
Energy	8.6	1.5	4.2	2.2	5.5	0.2	0.3
Unprocessed food	7.6	1.4	2.4	1.6	2.8	0.2	0.2
Processed food	12.0	2.6	2.5	1.0	1.1	0.3	0.3
Non-energy industrial goods	30.8	1.8	0.8	0.9	0.4	0.5	0.3
Services	41.0	3.6	2.3	1.3	0.6	1.1	0.9
HICP excluding energy and unprocessed food	83.8	2.8	1.8	1.1	0.6	1.9	1.5
Total HICP	100.0	2.4	2.0	0.9	0.5	-	-

Sources: Eurostat and ECB calculations.
Notes: Results prior to 1996 are estimated on the basis of national CPIs. The standard deviation results in 1992-1998 are partly driven by the high volatility of the first year of the sample.

and personal services prices). This may partly be explained by the introduction of euro banknotes and coins, the impact of which has been estimated by Eurostat to have contributed between 0.1 and 0.3 percentage point to the HICP inflation rate in 2002.

Several of the recent shocks to inflation had a direct impact on the HICP inflation rate, generally of a temporary nature, although they may have given rise in some cases to indirect effects on other prices. Some of these shocks were also particularly exceptional in size or unusual (e.g. the oil price increases in 2000 and the BSE crisis in 2001). A more detailed analysis of HICP developments helps to distinguish the impact of volatile and possibly temporary factors from other more general increases in prices which are more relevant for the assessment of the risks to price stability.

CONTRIBUTIONS TO THE HICP EXCLUDING UNPROCESSED FOOD AND ENERGY

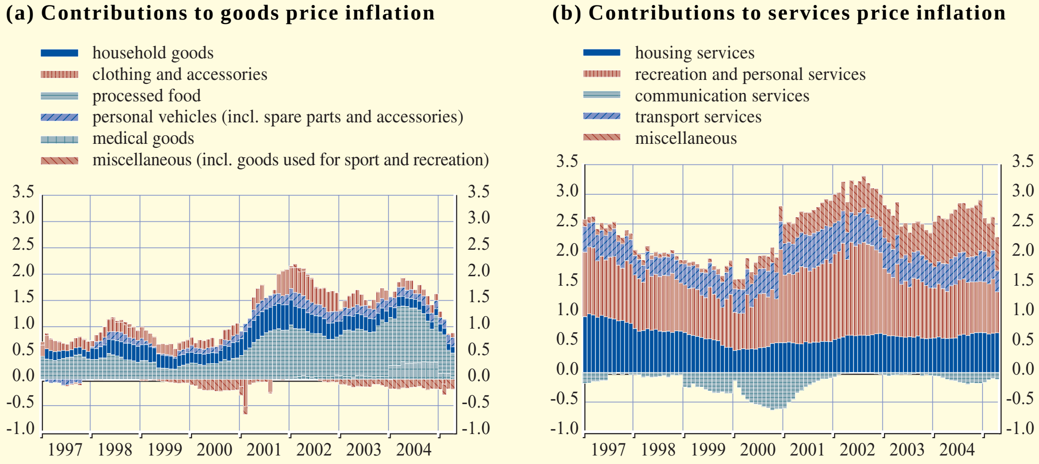
The annual rate of increase in the HICP excluding the most volatile components (i.e. unprocessed food and energy) can be broken down further into two main contributors: goods prices and services prices.

Chart 3a shows the composition of non-energy goods price inflation since 1997. The breakdown reveals some interesting developments. Processed food prices were a major component of inflation. The increase in the contribution of processed food prices in 2001 and 2002 is related to the spillover effect of meat price increases on processed food prices in the aftermath of the BSE and foot-and-mouth disease crises. The negative contribution of the miscellaneous component is due to the trend decline in prices of various electronic products (e.g. photographic, information processing and recording equipment). Finally, it is worth noting the increase in the contribution of medical goods prices in 2004, mainly reflecting the implementation of the reforms in the German healthcare system.

Chart 3b, in turn, details the contribution of various categories of services to overall services price inflation. The most important component of services inflation has been recreational and personal services, which include, among others, the prices of sport and cultural services, package holidays, hotels and restaurants, and hairdressers. The contribution of this category rose slightly in 2001 and 2002 and some of this increase was related to the introduction of euro banknotes and coins. In 2003 and 2004, the contribution of recreational and personal services, however, moved gradually back into line with its average

Chart 3 Contributions to annual HICP inflation excluding energy and unprocessed food

(in percentage points)



Sources: Eurostat and ECB calculations.

historical contribution. The contribution of housing-related services (e.g. rent, water supply, sewage and refuse collection, repair and maintenance services, and house insurance) has tended to rise very gradually since 2000. Communication services (e.g. telephone services) have made a negative contribution to services inflation, since prices have been on a downward trend, especially in 1999 and 2000. This relates to technological improvements and deregulation which started in 1998. Finally, a noteworthy development in recent years has been the increasing contribution of miscellaneous services prices. This HICP category, which includes financial services, was broadened in 2000 and 2001 to include healthcare, education and social protection services, implying a break in the series. The more disaggregated and complete breakdown of this category, available since 2001, shows an increase in the healthcare component, which is the major contributor to this category.

In sum, an in-depth examination of the HICP provides a detailed picture of inflation, highlighting its composition and underlying trends. In particular, it illustrates the rather unusual clustering of upward exogenous shocks to headline inflation since 2000, while a closer examination also highlights the negative contribution of some goods (e.g. electronic equipment) and services (e.g. communication). The available product breakdown of the HICP, however, has proved not to be fully sufficient for the analysis in some cases. For example, during the BSE crisis, it would have been useful to be able to distinguish between the price of beef and the prices of other types of meat. Additional euro area HICP data at the product level could thus help to better identify specific reasons for price changes in HICP sub-indices.

THE HICP AND INFLATION PERCEPTIONS

Overall, the statistical properties of the HICP, its degree of comparability across euro area countries and the level of possible disaggregation clearly help to provide a coherent picture of inflation. Yet, in 2002, while no drastic change in HICP inflation was observed, the close link that previously existed between consumers' inflation perceptions and actual HICP inflation broke down (see Chart 4). The indicator of inflation perceptions shown in Chart 4 corresponds to the difference between the weighted proportion of respondents stating that consumer prices have risen "very much", "quite a bit" and "a little" over the last twelve months and the weighted proportion of respondents stating that consumer prices have fallen or have stayed broadly the same over the same period. Hence, it takes the form of balance statistics and gives qualitative information on perceptions of the directional change in inflation over the past twelve months.

The break in the link between consumers' inflation perceptions and actual HICP inflation coincided with the introduction of euro banknotes and coins in January 2002 and a number of arguments related to the euro cash changeover have been put forward to explain the sudden rift and its persistence.[8] Consumers can be expected to be well informed about actual price changes from their own personal experience, but the rather sudden loss of traditional points of reference in national currency, together with the difficulties in adapting to the new currency, seem to have played an important role.

In particular, consumers tend to form their inflation perceptions by assigning higher "subjective" weights to small, out-of-pocket and frequent expenditures. A sub-index grouping a selection of some frequently purchased items (e.g. food, transport, consumption in cafés and restaurants) indeed reveals a somewhat closer relationship with the survey indicators of consumers' inflation perceptions and, in particular, relatively higher price increases around the time of the cash changeover in January 2002.

Chart 4 Consumers' inflation perceptions and actual HICP inflation

Sources: European Commission and ECB calculations.

Over time, the public has gradually become more accustomed to the euro. This may explain the subsequent gradual reduction of the gap between inflation perceptions and actual inflation. It is also worth noting that the perception consumers have that inflation is higher than suggested by official statistics is in contrast to experts' discussions on measurement issues in consumer price statistics, which typically focus on potential upward biases in consumer price indices.

4 PRIORITIES FOR IMPROVING THE HICP FURTHER

There are two main areas on which Eurostat and national statistical institutes are working to improve the HICP further. These are the application of fully harmonised quality adjustment methods and the incorporation of owner-occupied housing expenditure in the consumption basket underlying the HICP.

For the time being, common rules for quality adjustment exist only at a broad level in the form of minimum standards. In many cases, relatively simple methods provide reliable results at reasonable cost. For some goods and services, however, more sophisticated approaches are needed and these usually require larger datasets, including detailed and up-to-date information on changes in product characteristics and market shares. Developing and applying such techniques is resource-intensive, and implementing them in a comparable manner across all euro area countries is a further challenge. Therefore, over recent years, Eurostat and the national

8 For more details, see the boxes on euro area inflation perceptions in the July 2002, October 2003 and April 2005 issues of the Monthly Bulletin.

statistical institutes have developed more detailed recommendations for the quality adjustment of specific product groups. These cover several high-tech consumer electronic products (e.g. PCs) and other consumer durables and semi-durables (e.g. cars, clothing and books). It is essential that these recommendations are adopted at the EU level and implemented in all euro area countries. This requires a greater degree of harmonisation and coordination of the basic data used for HICPs. New forms of cooperation amongst national statistical institutes, which are currently under discussion, appear to be a promising option for the future. For example, it is proposed that so-called "Centres of Excellence" would bring together some experienced national statistical institutes to develop comparable methods and take the lead in their implementation in all countries.

A second priority is the inclusion of owner-occupied housing. This component is not easily measured and experts often have different views on whether and, if so, how it should be covered in a consumer price index. More details on this developmental work are given in Box 2.

Box 2

TREATMENT OF OWNER-OCCUPIED HOUSING IN THE HICP

The treatment of expenditure on housing by homeowners is one of the most difficult issues in consumer price index compilation. Given the share of this component in consumer expenditure, different methods may lead to significantly different results. Whereas the expenditure of tenants (of which rent is the most important form) is covered by the HICP, most of the expenditure of owner-occupiers on housing, i.e. expenditure by the homeowner for the purchase of the dwelling, is not covered at present.[1] Therefore, the ECB welcomes the ongoing work of Eurostat to include a component for owner-occupied housing in the HICP.

The share of owner occupation differs quite substantially across euro area countries. This is illustrated in the following table, which reports the share of households living in own dwellings, together with the share of rent in HICP expenditure.

Shares of owner-occupiers and rent in euro area countries

Country	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
Share of owner-occupiers (percentage of all households)	69.8	42.6	74.0	84.3	56.1	77.4	72.8	71.8	54.2	57.3	75.7	58.0
Share of rent in HICP expenditure (percentage)	6.4	10.9	3.3	2.6	6.6	2.5	2.7	3.5	7.5	3.9	2.0	7.9

Sources: ECB and Eurostat.
Note: The shares of owner-occupiers refer to 2002 or the most recent year for which data are available. The shares of rent reflect the HICP weights in 2005.

Generally, for euro area countries with high owner-occupier shares, the weight of rent in the national HICP is low (e.g. in Spain and Ireland), while the HICP rent weights are relatively high for countries with a relatively low share of owner-occupiers (e.g. in Germany and the

1 For both owner-occupiers and tenants, a number of additional housing-related expenditures are included (e.g. refuse collection, heating, regular maintenance).

Netherlands). In the light of these differences, the HICPs for countries with a high rental share tend to capture a larger share of the total housing-related costs that are actually borne by households in those countries. By contrast, the HICPs for countries with a low rental share will tend to miss a large fraction of the actual housing costs borne by households. Therefore, the extension of the HICP's coverage would enhance the index's overall international comparability.

There are several options for dealing with owner-occupied housing, all of which are used in some of the non-harmonised national CPIs. The *use approach* attempts to measure the change in the value of the flow of shelter services consumed by owner-occupiers. One of the variants often used for this is the rent paid by tenants for similar dwellings. In another variant, the cost of the capital tied up in the owned dwelling is measured. The *payment approach* estimates the actual outlays made by owner-occupiers, including mortgage interest payments and redemptions of mortgage loans. Furthermore, several countries have decided to exclude owner-occupied housing from CPI statistics, since the purchase of assets such as dwellings is considered as falling outside the scope of their consumer price index.

Since HICPs aim to measure the change in the prices of goods and services that are acquired by households for consumption purposes, an alternative concept is currently being tested, the *net acquisition approach*. It includes prices on dwellings purchased by households and all related transaction costs, and excludes the land price component, as land is not considered to be a consumption good. Eurostat, in cooperation with national statistical institutes, is currently carrying out a feasibility study for this approach. According to current plans, EU countries will develop appropriate estimates for owner-occupied housing, including suitable dwelling price indices. By 2008, a decision is expected on whether or not to include this component in the official HICP.

In addition to these two main priorities, there are, from the ECB's point of view, a number of further desirable improvements. These include enhanced standards for harmonising the frequency of updating consumption baskets and expenditure shares. A current project is the development of an HICP excluding the impact of changes in indirect taxes. This work is expected to provide a useful supplementary indicator as from 2006, which may be used to further improve the analysis of the impact of changes in taxes on the inflation rate.

Furthermore, a more coordinated release policy for HICPs would be desirable. At the moment, the publication of national HICPs is spread over about two weeks. The ECB welcomes further efforts towards a more timely release of national and European indicators.

5 CONCLUSION

Since the HICP plays a key role for all economic agents in the euro area, its quality is of the utmost importance. This article has reviewed the progress made towards providing a sufficiently harmonised consumer price index for all EU countries. The HICP is undoubtedly the best available measure of changes in the prices of goods and services purchased by euro area households. Its coverage of consumption expenditure is comprehensive and its compilation relies on more than a million individual price observations collected every month across all 12 euro area countries. Based on the European standards and in line with international recommendations, national HICPs, are available for all EU countries. No other price indicator in the euro area reaches the degree of comparability and accuracy that has been achieved for the HICPs.

The HICP's statistical features and comparability have made it a key indicator used by the ECB in its ongoing analysis of inflation developments. Experience has shown that headline HICP was influenced significantly by some transitory changes in relative prices that were not necessarily related to the medium-term inflationary pressures in the economy as a whole. In particular, an unusual number of shocks had an upward impact on overall HICP inflation between 2000 and 2004. The available HICP disaggregation provides a detailed picture, which helps to distinguish contributions of volatile and transitory influences on the HICP from the general trends in overall prices. Despite the recent discrepancy between consumers' inflation perceptions and actual HICP inflation, there is no evidence of a measurement bias in the HICP.

There are two main priorities for the improvement of HICPs: quality adjustment and the extension of coverage to include consumer expenditure on owner-occupied housing. Work on these issues has been under way for several years and implementation of improvements in these areas is a priority for the coming years. Further harmonisation will require close coordination between national statistical institutes and Eurostat.

Finally, it may also be the right time to review the relationship between the HICP and the national CPIs in order to develop a strategic framework for the future. Such a framework could further enhance the transparency, comparability and credibility of consumer price statistics in Europe.

THE LISBON STRATEGY – FIVE YEARS ON

At its meeting in Brussels on 22 and 23 March 2005, the European Council concluded its mid-term review of the Lisbon strategy. Launched in 2000 by the Lisbon European Council, the Lisbon strategy established a comprehensive agenda of structural reforms aimed at transforming the EU into "the most competitive and dynamic knowledge-based economy in the world". Five years on, the results are at best mixed. In the mid-term review, the Heads of State or Government therefore called for the Lisbon strategy to be relaunched without delay and for its priorities to be refocused on growth and employment. To facilitate this process, the European Council also endorsed a new governance framework which aims to improve the delivery of reforms, inter alia by increasing national ownership of the strategy. With a streamlined governance framework and a newly refocused Lisbon agenda, the European Union has a good blueprint for unlocking the EU's growth and employment potential. Attention should now shift towards implementing it.

1 INTRODUCTION

At its meeting in Lisbon in March 2000, the European Council agreed on an ambitious strategy – the Lisbon strategy – with the overall goal of turning the European Union by 2010 into "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". The Lisbon strategy can be described as a wide-ranging programme of economic, social and environmental reforms. Under these three headings, it covers policy actions to be taken at both the national and the EU level to enhance the standard of living of European citizens.

After briefly describing the rationale for the strategy as well as its content and governance framework, this article considers the implementation record and reviews the relaunch of the strategy following the mid-term review. Given the breadth of the Lisbon strategy, the article concentrates only on selected areas of economic reform. For example, it does not cover the efforts to create a truly single market for financial services, which constitutes an important part of the Lisbon strategy.[1] Moreover, the article does not analyse the social and environmental aspects of the strategy.

2 MOTIVATION AND RATIONALE

The Lisbon strategy was adopted in 2000 against the backdrop of high economic growth rates in Europe. Nonetheless, the Heads of State or Government also acknowledged at their Lisbon summit that the European economy suffered from a number of weaknesses. Unemployment was too high and employment rates were too low. The EU lagged behind in its transition to a knowledge-based society. The gap between the EU and the United States in terms of economic growth and productivity levels was widening, suggesting that the economic performance of EU Member States was below its potential level. It was thought that the implementation of the Lisbon strategy within a sound macroeconomic environment would lead the EU to achieve an average economic growth rate of around 3%. However, in order to achieve this potential and thus maintain its high living standards and social achievements, the EU and its Member States would have to act with determination, especially in the light of mounting internal and external challenges.

The Lisbon strategy has to be seen against the background of three increasingly pressing challenges, each of which require a radical transformation of the European economy. First, through the increasing integration of emerging economies in the global economy, the EU is exposed to growing international competition. Second, the emergence of the

1 For an overview of progress made in the area of financial markets, see the article entitled "The integration of Europe's financial markets" in the October 2003 issue of the ECB Monthly Bulletin.

knowledge economy calls for a concerted effort to increase the creation and diffusion of scientific, technological and intellectual capital. And third, major demographic challenges associated with an ageing population will substantially lower the potential for growth and place significant pressures on the fiscal sustainability of pension and health care systems in EU countries if no reforms are undertaken.

In view of these challenges, structural reforms are needed to increase non-inflationary growth and employment and to enhance the economy's ability to adjust to changing circumstances. By improving the functioning of markets, structural reforms can remove impediments to the full and efficient use of production factors. In addition, they facilitate the adoption of innovations in the production process, thereby enhancing productivity growth. The channels through which structural reforms affect macroeconomic variables, such as output, employment and productivity, are highly complex. Nevertheless, there is substantial theoretical and empirical evidence that structural reforms have a significant positive effect on macroeconomic variables.[2] For example, product market reforms have the potential to reduce monopoly rents in previously sheltered sectors and enhance competition, leading to greater efficiency and productivity growth. Labour market reforms can provide, inter alia, stronger incentives for participation in the labour market. Moreover, more flexible labour markets enable firms to adjust more quickly to a changing market environment and help labour demand to pick up more rapidly following an adverse shock, thereby improving employment prospects. In financial markets too, structural reforms have beneficial macroeconomic effects. More competition among providers of financial services should reduce transaction costs, thus increasing incentives to save (through higher returns on savings) and to invest (through lower financing costs). Finally, financial market integration creates opportunities for greater risk-sharing across borders, which dampens the impact of any asymmetric shocks that may hit one individual country or sector.

In addition, there is evidence that structural reforms in one market can have an impact on other markets.[3] For example, structural reforms in product markets that are aimed at enhancing competition and supporting the entry of new firms into the market can potentially affect wages and employment levels and thereby facilitate labour market reform. These interactions between structural reform policies suggest that it may be beneficial to follow a broad-based reform strategy, exploiting the synergies made possible by a comprehensive approach to structural reform as envisaged in the Lisbon strategy.

3 CONTENT AND GOVERNANCE

The Lisbon strategy initially consisted of an economic pillar and a social pillar, with the economic pillar focusing on reforms to promote productivity, innovation and competitiveness, and the social pillar aiming at modernising the European social model, boosting employment and combating social exclusion. The Göteborg European Council of 2001 added an environmental pillar to the strategy, which tackles aspects of sustainable development.

With a view to achieving the overall goal of making the EU economy more competitive and dynamic, the Lisbon European Council defined specific objectives and policy actions to be undertaken by the Member States and the EU. Subsequent European Council meetings added further objectives to the strategy and, in a number of cases, these objectives were accompanied by quantitative targets. For example, several quantitative targets were

2 See the "OECD Report on Regulatory Reform" (1997) and the European Commission's "Structural reforms in labour and product markets and macroeconomic performance in the EU", The EU economy: 2002 review, No 6, 2002.

3 See, for example, G. Nicoletti et al. "Product and labour market interactions in OECD countries", OECD Economics Department Working Papers, No 312, 2001.

set by the Lisbon and Stockholm European Councils with respect to EU employment rates, most notably raising the overall EU employment rate to 70%, the EU employment rate for female workers to 60%, and the employment rate for older workers (aged 55-64) to 50% by 2010. In addition, the Barcelona European Council of March 2002 set the target of raising research and development (R&D) spending to 3% of GDP (see Table 1 for an overview of selected objectives and targets). At the same time, successive European Councils invited the European Commission, the EU Council and the European Parliament to meet qualitative targets, such as the adoption of important EU legislation by specific dates (e.g. the Single European Sky Regulations), or to conclude major projects like the Financial Services Action Plan.

GOVERNANCE IN THE FIRST FIVE YEARS

In order to implement the Lisbon strategy, the Lisbon European Council of 2000 agreed that no new policy coordination processes were needed. Instead, it called for the most efficient use of the existing governance framework as developed in the period since the adoption of the Maastricht Treaty in 1992 and further refined under the guidance of the European Council in the late 1990s. The foundations of this framework are the Treaty-based economic and employment coordination processes, i.e. the Broad Economic Policy Guidelines (BEPGs), and the Employment Guidelines (EGs) adopted under the Luxembourg process which was introduced in 1997. The BEPGs have also received input since 1998 from the Cardiff process, which deals specifically with reforms in product and capital markets.[4] Finally, the BEPGs and EGs were complemented in 2003 by the Internal Market Strategy the aim of which is to fully exploit the potential of the single European market in terms of growth and competitiveness.

While calling for the Lisbon strategy to be implemented through the more efficient use of the existing governance framework, the Lisbon European Council nevertheless introduced two institutional innovations in 2000. First, it decided to hold an annual meeting to review progress made with the Lisbon strategy. Through these "spring meetings" (or summits), which are held in March each year, the European Council has assumed a guiding role with regard to the strategy by providing political impetus and direction. Second, it introduced a new coordination method – the open method of coordination (OMC) – as a means of helping Member States to progressively develop and improve their policies in areas not covered by the existing governance processes. The OMC, being a method of "light" coordination, aims to achieve greater convergence towards the main EU goals by benchmarking and spreading best practice. It has been applied in policy areas such as pension and health care systems, R&D and social inclusion.

Most of the reforms to be undertaken under the Lisbon strategy pertain to areas that are largely the preserve of the Member States. In such areas, the Union plays a role in the coordination of Member States' policies through multilateral surveillance, peer pressure and mutual learning. In order to underpin this coordination, the Lisbon European Council invited the Commission to present an annual synthesis report, which became known as the Spring Report, measuring progress and benchmarking the performance of the Member States in implementing the strategy on the basis of a number of structural indicators. This benchmarking exercise is intended to support peer pressure by providing indications about best practices in the EU and by raising public awareness about the necessity and benefits of structural reforms.

There are also some areas where the EU is competent to promote reform in a more direct way. For instance, in the area of the Internal Market, the EU has binding policy tools at its disposal, such as legislation adopted through

4 For more information about these processes, see the article entitled "The economic policy framework in EMU" in the November 2001 issue of the ECB Monthly Bulletin.

Table 1 Selected objectives, quantitative targets and structural indicators of the Lisbon strategy

Objectives	Targets			Achievements			
Selected objectives set at European Council meetings (in chronological order)	Field/specific target	Target value	Target year	EU15 average[1]	Number of EU15 MS that have met the target	EU25 average	Number of EU25 MS that have met the target
Lisbon (March 2000)	**Economic reform**						
– Develop an active employment policy – create more and better jobs for Europe	Overall employment rate [SI-3][2]	70%	2010	64.8%	4	63.3%	4
	Female employment rate	60%	2010	57.0%	7	55.8%	9
– Promote competitiveness by eliminating obstacles to the Internal Market	Transposition rate of Internal Market directives	98.5%	2002	97.0%	1	96.3%	2
– Complete the Internal Market for services	Open electricity markets for customers	100%	2007	90.0%	9	87.0%	9
	Open gas markets for customers	100%	2007	94.0%	7	88.0%	7
	Social cohesion						
– Invest in people and combat social exclusion	Early school leavers	10%	2010	18.0%	4	15.9%	9
– Promote life-long learning	Participation in life-long learning, percentage of adults aged 25-64	12.5%	2010	10.1%	5	9.4%	6
Stockholm (March 2001)	**Employment**						
– Attract more people in employment	Overall employment rate (intermediate)	67%	2005	64.8%	7	63.3%	8
	Female employment rate (intermediate)	57%	2005	57.0%	9	55.8%	14
– Invest in human capital and make life-long learning a reality	Employment rate for workers aged 55-64 [SI-4]	50%	2010	41.9%	5	40.5%	7
– Improve the implementation of reforms through better governance	Increase average effective retirement age	65 years	2010	61.4 (2003)	0	61.0	0
– Increase the adaptability of workers and enterprises	Available childcare for pre-school children over three	90%	2010	n.a.	4	n.a.	n.a.
	Available childcare for children under three	33%	2010	n.a.	2	n.a.	n.a.
Gothenburg (June 2001)	**Environment**						
– Combat climate change (namely deliver on Kyoto targets)	Visible progress at reducing greenhouse gas emissions [SI-12]	92% of EU average level in 1990	2008-2012	97.1% (2002)	3	91.0%	10
– Promote wider use of new environmentally-friendly technologies (decoupling economic growth from resource use)	Contribution of electricity produced from renewable energy sources (percentage of gross electricity consumption)	22% of EU15 and 21% of EU25 average	2010	13.7% (2003)	5	12.8%	7

Table 1 Selected objectives, quantitative targets and structural indicators of the Lisbon strategy (cont'd)

Objectives	Targets			Achievements			
Selected objectives set at European Council meetings (in chronological order)	Field/specific target	Target value	Target year	EU15 average[1]	Number of EU15 MS that have met the target	EU25 average	Number of EU25 MS that have met the target
Barcelona (March 2002)	**R&D, ICT and Education**						
– Increase the mobility of researchers and attract and retain high quality research talent	R&D spending as a percentage of GDP [SI-6]	3%	2010	2% (2003)	1	1.95%	1
– Improve private research investment, R&D partnerships and high technology start-ups	Business participation in R&D spending	66.6%	2010	56% (2001)	4	55.4%	4
– Promote school twinning via the internet	All schools with internet connection	100%	2002	93% (2002)	1	n.a.	n.a.
– Adapt the skills base to the needs of the knowledge society	All teachers to have training in IT skills	100%	2003	56.8% (2002)	0	n.a.	n.a.
– Create conditions for e-commerce to flourish	Internet penetration in households	30%	2002	45.0%	13	42%	15
– Stimulate e-government	Government basic services online	100%	2002	49.0%	0	42%	0
– Achieve a substantial increase in per capita spending on human resources; raise the quality of and access to education	Educational attainment level (20-24 years old) [SI-5]	85%	2010	73.5%	3	76.4%	8
	Maths, science and technology graduates (per 1,000 persons)	15/1,000	2010	13.1/ 1,000 (2003)	3	12.2/1,000	4
Structural indicators belonging to the shortlist and not referred to above	[SI-1] GDP per capita in Purchasing Power Standards; [SI-2] Labour productivity; [SI-7] Relative price level; [SI-8] Business investment; [SI-9] At risk-of-poverty rate; [SI-10] Long-term unemployment rate; [SI-11] Dispersion of regional employment rates; [SI-13] Energy intensity of the economy; [SI-14] Volume of freight transport.						

Source: Eurostat (http://epp.eurostat.cec.eu.int/) and Commission SEC (2005) 385, "The Economic Costs of non-Lisbon" of 15 March 2005.
Legend: EU15 = The 15 Member States of the EU until 1 May 2004; EU25 = The 25 Member States of the EU since 1 May 2004; MS = Member State(s) of the EU; n.a.= not available.
1) Unless otherwise stated, data refer to 2004. If data are not available for 2004, the most recent data available have been used.
2) On 8 December 2003, the EU Council adopted a shortlist of 14 structural indicators. These structural indicators are numbered in square brackets, e.g. [SI-1].

the standard EU procedures, i.e. through the so-called Community Method. In the field of R&D, the EU also plays a direct role by means of budgetary financing.

SHORTCOMINGS

A number of shortcomings came to light during the first five years of operation of this governance framework. The expansion of the scope of the Lisbon strategy and the proliferation in the number of objectives and targets have been widely perceived as a dilution of the essence of the strategy. The report by the High Level Group headed by Wim Kok talked in this respect about the risk of the strategy becoming "about everything and thus about nothing".[5]

The lack of focus, as well as the inconsistency of some objectives, were in part linked to the blurring of the competences and responsibilities of the various national and European actors involved in the strategy. The

5 "Facing the challenge – The Lisbon strategy for growth and employment", report of the High Level Group chaired by Wim Kok, November 2004, p. 16.

coexistence of different coordination processes at the EU level sometimes also proved difficult to manage and complicated priority-setting. It led to a heavy reporting burden at the national level, as Member States were asked to produce, on an annual basis, national "Cardiff reports" on structural reform in product and capital markets, National Action Plans for Employment and reports on the various policy areas covered by the OMC. As a corollary, the governance framework also engendered multiple assessment reports, which complicated the monitoring of progress (e.g. the Commission's Spring Report to the European Council, the Commission's BEPGs Implementation Report, the Joint Employment Report of the Commission and the EU Council). The large number of processes and reports rendered the strategy difficult for the public at large to understand which, in turn, hampered public awareness.

Moreover, the effectiveness of the soft coordination procedures and, to a certain extent, the Community Method, was shown to depend very much on the political will of the Member States to live up to their commitments. However, the incentive structure to enforce and maintain this political will proved to be a problem. In particular, national ownership of the strategy was limited in the first five years of its implementation. Stakeholders, such as national parliaments and social partners, were hardly involved, which, in turn, may have reduced the pressure on governments to implement reforms. Furthermore, national governments were not always very consistent in the programming of and reporting on their implementation efforts, and tended to shift coordination problems to the EU level instead of dealing with them locally.

All in all, the governance framework during the first five years of the Lisbon strategy proved inadequate for delivering the ambitious goals that the Heads of State or Government had announced in March 2000.

4 ECONOMIC REFORM UNDER THE LISBON STRATEGY

This section discusses the progress made on structural reform under the Lisbon strategy in the EU, and the euro area in particular, concentrating on the policy areas which are most directly relevant from a macroeconomic point of view. The analysis is largely based on a shortlist of structural indicators which was adopted by the EU Council on 8 December 2003. This shortlist was aimed at measuring progress made in achieving the Lisbon goals (see Table 1 which puts the structural indicators into the broader context of the strategy).

The analysis does not cover the new EU Member States as they have not taken part in the Lisbon strategy for most of the period since 2000. It should be noted that it is difficult to assess the impact EU enlargement will have on the successful implementation of the strategy. On the one hand, the achievement of the strategy's objectives may become more challenging as many new Member States are still further away from the targets than the other EU Member States.[6] On the other hand, the accession of the new Member States could help to achieve the Lisbon targets, as it may increase competition and raise the pressure on governments to introduce structural reforms.

GENERAL ECONOMIC BACKGROUND

Around the time of the adoption of the Lisbon strategy in March 2000, an economic slowdown began which was caused by a number of shocks, including increases in oil prices and the bursting of the information and communication technology (ICT) bubble. In combination with various rigidities hampering the capacity of Europe's economies to adjust to these shocks, economic growth in Europe has been rather subdued since the launch

6 See the article entitled "The EU economy following the accession of the new Member States" in the May 2004 issue of the ECB Monthly Bulletin.

of the Lisbon strategy. This has made the achievement of the Lisbon targets substantially more difficult.

A summary indicator of the general economic background is GDP per capita. Developments in real GDP per capita can be broken down into the contribution of labour productivity (real GDP per hour worked) and that of labour utilisation (see Table 2). In turn, developments in labour utilisation can be further broken down into developments in the number of hours worked (per person employed) and in the number of persons employed. Since the launch of the Lisbon strategy, the increase in real GDP per capita in the EU15 has been accounted for by gains in labour productivity, whereas the contribution of labour utilisation has been limited. In almost all the countries shown in Table 2, the progress made over the last few years in increasing the number of persons employed has been partly offset by a decline in average hours worked per person employed. In many countries, this development reflects the increasing number of women in the labour force, as women are more likely to work part time.

It is, however, difficult to draw policy conclusions on the basis of this simple accounting framework, given the interconnections between the components. For example, in countries with increasing employment, labour productivity growth may, at least temporarily, be relatively low if newly employed people have below-average labour productivity. A short-run trade-off between employment and labour productivity growth may also exist if the capital stock is slow to respond to the increase in employment, reducing the available stock of capital per worker when employment expands. As a result, labour productivity growth slows as production becomes less capital intensive.

Table 2 Real GDP per capita growth since the launch of the Lisbon strategy

(average annual percentage change 2000-03)

	Real GDP per capita (a=b+c)	Real GDP per hour worked (b)	Labour utilisation (c=d+e)	Hours worked per person employed (d)	Persons employed in total population (e)
Belgium	1.3	1.0	0.4	-0.1	0.4
Germany	1.0	1.5	-0.5	-0.6	0.1
Greece	4.0	4.2	-0.2	-0.1	-0.1
Spain	2.2	0.9	1.3	-0.2	1.5
France	1.6	2.4	-0.8	-1.6	0.8
Ireland	4.8	4.7	0.1	-1.2	1.3
Italy	1.1	0.2	0.9	-0.4	1.3
Netherlands	0.5	0.0	0.5	0.1	0.4
Austria	1.2	1.4	-0.3	-0.3	0.1
Portugal	0.5	1.1	-0.6	-0.8	0.2
Finland	2.5	2.9	-0.5	-1.4	0.9
Euro area	1.2	1.2	0.1	-0.6	0.6
Denmark	1.1	1.9	-0.9	-0.3	-0.5
Sweden	1.9	2.4	-0.5	-1.3	0.8
United Kingdom	2.0	2.3	-0.3	-0.7	0.3
EU15	1.4	1.4	0.0	-0.6	0.6
Japan	0.8	1.7	-0.9	-0.1	-0.8
United States	1.3	2.9	-1.6	-0.9	-0.7

Source: ECB calculations on the basis of Eurostat data. Data for hours worked are compiled from the Groningen Growth and Development Centre and The Conference Board, Total Economy Database, January 2005 (http://www.ggdc.net). Data for Luxembourg are not available.

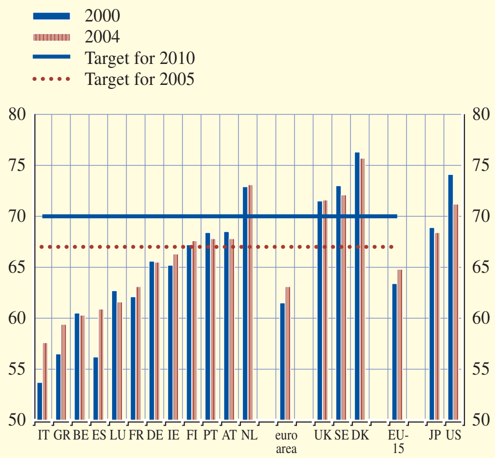
EMPLOYMENT

A key objective of the Lisbon strategy in the field of labour markets is to raise the employment rate. To achieve this, the strategy sets out a number of policies that focus on removing disincentives to labour participation by improving the adaptability of companies and workers and promoting investment in human capital.

From 2000 to 2004, the total employment rate in the euro area increased by around 1.5 percentage points to 63.1%. In the EU15, the employment rate rose by a similar amount to 64.8% in 2004. In most euro area countries, the employment rate increased, although the size of the increase differed between countries. Euro area countries with relatively low employment rates saw stronger increases, suggesting some convergence across them. In 2000 four euro area countries and the three non-euro area EU15 countries (Denmark, Sweden and the United Kingdom) had already met the intermediate Lisbon employment target (see Chart 1).

Chart 1 Total employment rate

(employed persons aged 15-64 as a percentage of the total population of the same age group)



Source: Eurostat. Data for US and JP refer to 2003 instead of 2004.

Employment rates, however, need to increase much more rapidly if the 2010 Lisbon target is to be met. Chart 2a shows that the increase in the employment rate for the EU15 has fallen behind the trend required to achieve an overall employment rate of 70% by 2010. At the same time, developments in the total employment rate mask more favourable developments for some groups (see Charts 2b and 2c).

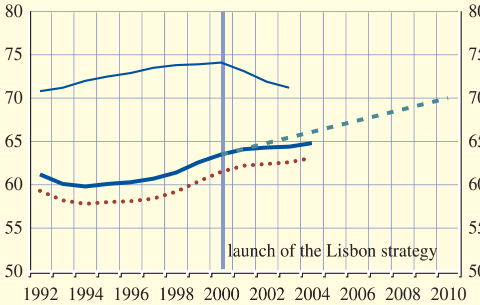
The employment rate for women, in particular, has increased significantly and is moving towards the 2010 target of 60%. The employment rate for workers aged between 55 and 64 also picked up between 2000 and 2003, although it seems to have stabilised in 2004 and is still a long way off the 50% target for 2010. In addition, it must be borne in mind that the ability to attain these targets by 2010 will be influenced by the demographic changes associated with the ageing of the population. Notably, the number of people in the 55 to 64 age group will continue to increase substantially over the coming years, making it more of a challenge to meet the target for this group.

Several factors have shaped the evolution of employment in recent years, including developments related to the economic cycle, demographic change and economic policies. As regards labour market policies, many euro area countries have made considerable efforts to improve incentives for labour participation, although the intensity of the reforms has differed markedly between countries. Most progress seems to have been made with regard to lowering labour tax burdens, particularly on low incomes. In addition, a number of countries are restricting eligibility for early retirement schemes, or phasing them out, leading to an improvement in financial incentives for postponing retirement. Some countries have also restricted eligibility for, or the duration of, benefits. On the other hand, the approach to reforms of employment protection legislation has been rather selective, concentrating mainly on relaxing legislation on temporary jobs, whereas legislation on permanent positions has

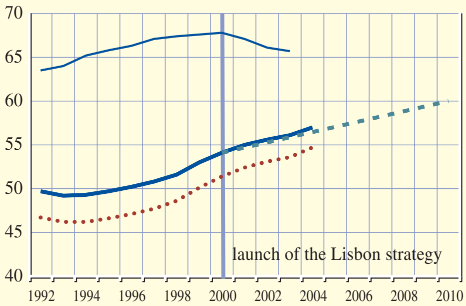
Chart 2 Lisbon employment targets for 2010 and progress made

EU15
euro area
trend required to meet the 2010 Lisbon target
United States

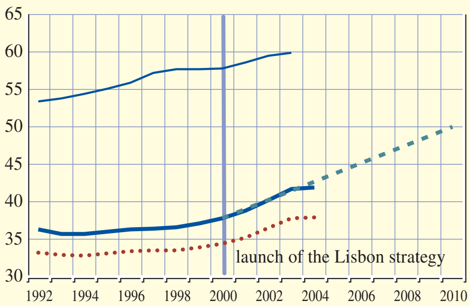
a) Total employment rate
(employed persons aged 15-64 as a percentage of the total population of the same age group)



b) Employment rate for women
(employed women aged 15-64 as a percentage of the female population of the same age group)



c) Employment rate for older workers
(employed persons aged 55-64 as a percentage of the total population of the same age group)



Source: Eurostat.
Note: The trendlines in Charts 2a, 2b and 2c are straight lines connecting the starting points in 2000 with the targets for 2010.

been maintained or strengthened. Moreover, reforms of wage bargaining structures have been very modest. Overall, while labour market reforms have been moving in the right direction, they have thus far not been sufficient to create the conditions necessary to remain on track for the Lisbon employment targets.

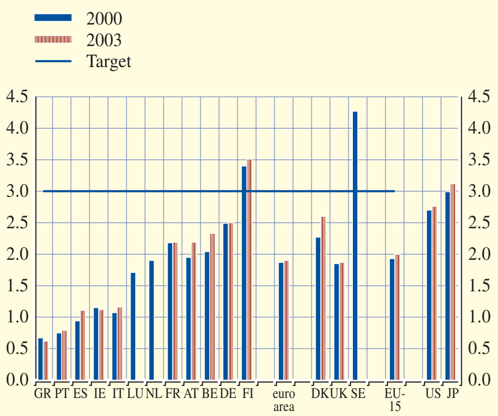
INNOVATION AND RESEARCH

The Lisbon strategy calls for measures to promote ICT accessibility and sets out goals for increasing inputs to research, which are seen as key determinants of technological progress. Regarding the spread of ICT, there has been clear progress in some areas, with a substantially higher proportion of households and schools now connected to the internet. At the same time, Europe has not been able to fully exploit the benefits of ICT for productivity purposes and is clearly lagging behind the United States in this respect. In the field of research, developments have also been less positive. A key structural indicator included in the shortlist is expenditure on research and development as a percentage of GDP. Since 2000 the ratio of R&D expenditure has increased only marginally and, in 2003, it stood at 1.9% of GDP in the euro area, slightly below the share in the EU15 and substantially below the 3% target (see Chart 3).

Productivity growth can also be boosted by more and better education and training. The right skills and competences are required to reduce mismatches in the labour market and allow for a smoother reallocation of workers between companies or sectors. In addition to R&D expenditure, another structural indicator that was included in the shortlist in the field of innovation and research is the percentage of the population aged from 20 to 24 who have completed at least an upper secondary education. In the euro area, this share stood at 72.5% in 2004, slightly below the average for the EU15 and broadly similar to the share in 2000, though well below the 85% target (see Chart 4). Some euro area countries have made significant progress whereas, in others,

Chart 3 Research and development expenditure

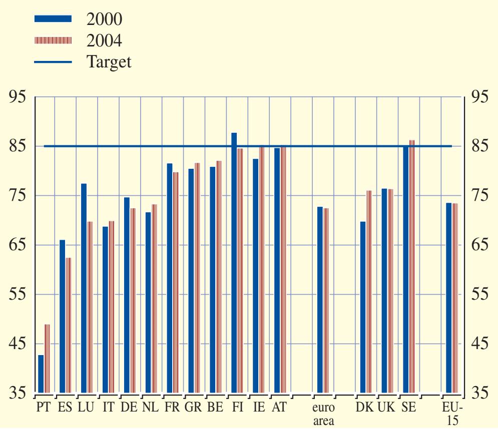
(percentage of GDP)



Source: Eurostat.
Note: Figures for GR and PT refer to 1999 instead of 2000. Figures for IT, UK and JP refer to 2002 instead of 2003. Figures for SE refer to 2001.

Chart 4 Educational attainment

(percentage of the population aged 20-24 having completed at least upper secondary education)



Source: Eurostat.
Note: Figures for LU and NL refer to 2003 instead of 2004. No comparable data are available for JP and US.

educational attainment has worsened somewhat since 2000.

ECONOMIC REFORM

Economic reform, another key area of the Lisbon strategy, is aimed at creating well-functioning, competitive and efficient markets and favourable framework conditions for economic growth. In a number of fields clear progress has been made. For example, most network industries (industries that are characterised by the presence of a bottleneck infrastructure with natural monopoly characteristics) are now fully or largely open to competition, in particular those in telecommunications and air transport and, to a lesser extent, in energy markets. It is, however, difficult to enforce effective competition, and so the market share of former monopoly-holders remains high in many cases. Another area where some progress has been made is in the reduction of excessive business regulation, for example, by reducing the time and costs required to set up a business.

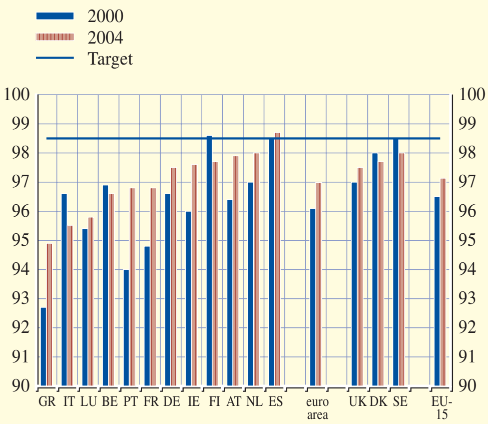
An important area of economic reform relates to the completion of the Internal Market. While considerable progress has been achieved, significant parts of the EU economy are still not integrated. This is partly because Member States have been slow to fully implement all Internal Market legislation and have not yet managed to increase the "transposition rate" (directives that have been transposed into national legislation) to more than 98.5% of all directives, as called for under the Lisbon strategy (see Chart 5).

The field where further progress in the completion of the Internal Market is most needed is the services sector, which accounts for almost 70% of the euro area economy and comprises a relatively large proportion of small and medium-sized enterprises. The services sector represents a significant unexploited potential for growth and employment due, in many cases, to national regulations that hamper the cross-border provision of services. This lack of integration is one of the factors that has prevented further convergence of price levels across countries (see Chart 6).[7]

7 See also the article entitled "Price level convergence and competition in the euro area" in the August 2002 issue of the ECB Monthly Bulletin.

Chart 5 Transposition rate

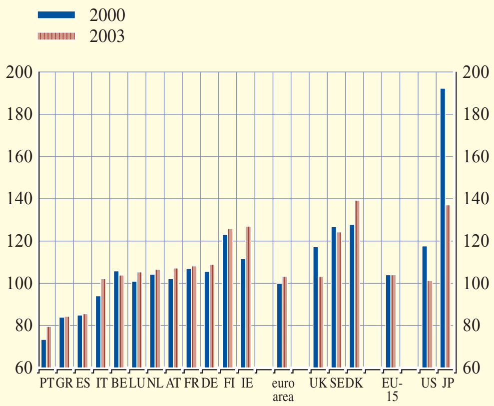
(percentage of Internal Market directives transposed into national legislation)



Source: European Commission.
Note: The data refer to May 2000 and November 2004.

Chart 6 Comparative price levels

(price levels of final consumption by private households including indirect taxes, EU25=100, based on purchasing power parities)



Source: Eurostat.

To sum up, progress has been made on structural reforms in the period since 2000, but its extent has differed widely between countries and policy fields. Some progress has been made regarding the removal of obstacles to employment, the spread of ICT and the liberalisation of network industries. Nevertheless, employment rates remain far too low, productivity growth has been insufficient and significant parts of the EU economy are still not fully integrated. Although structural reforms have been moving in the right direction, they have thus far not been far-reaching enough, and much greater efforts are needed if Europe is to achieve the Lisbon goals.

Box

THE ACADEMIC DEBATE ON THE LISBON STRATEGY

The Lisbon strategy has been at the centre of a lively academic debate. Academic views on the strategy can be broadly divided into two groups. One concentrates on the economic diagnosis underpinning the Lisbon strategy, while the other focuses on the institutional set-up of the strategy and, more generally, the political economy of structural reform.

As regards the first group, some academic observers argue that Europe's economic performance has not been as weak as often described.[1] In particular, they suggest that the higher economic growth rates seen in the United States are associated with a higher level of immigration and that the higher GDP per capita level in the United States is due to the fact that people work on average longer hours in the United States than in Europe. They argue that Europeans choose to work less

1 See, for example, O. Blanchard (2004), "The Economic Future of Europe", Journal of Economic Perspectives, Autumn, vol. 18, No 4, pp. 3-26.

than their US counterparts, which naturally reduces economic growth in Europe. Others, however, have argued that Europeans work less as a result of higher marginal tax rates and tax wedges (the difference between total labour costs for employers and take home pay of employees), generous unemployment benefits, legislation on working time and labour market policies aimed at reducing working time.[2] Although the debate is still ongoing, most academics share the view that Europe is facing a number of major economic challenges that require far-reaching structural reforms.

The second group has focused on the way the Lisbon strategy is organised as an explanation for the disappointing progress on structural reforms in the past five years.[3] Some academics suggest, for example, that its large number of objectives makes it difficult to identify priorities, allowing governments to focus on objectives that are easier to achieve and reducing the incentive to implement more critical reforms. Moreover, it has been argued that some of the objectives may conflict. For example, it may be difficult to simultaneously raise both employment and labour productivity, as there may be a short-term trade-off between an increase in these two variables. In addition, some academics question the fact that the Lisbon targets are identical for all countries, arguing that different countries have different policy needs.

Another aspect of the academic discussion is the question of the extent to which the EU should have a coordinating role in the structural reform process.[4] The principle of subsidiarity suggests that competences should remain with the Member States unless there are good reasons for coordination. It has been argued that a valid reason for coordination by the EU is the cross-border impact of structural reform measures. Some have suggested that the size of the impact may depend on the policy area, with labour market measures having less of a cross-border impact than changes in product markets. In addition, it has been argued that the large number of actors and processes involved make it difficult to ensure that the various pillars of the strategy are properly coordinated.

Finally, the political economy literature investigates the reasons why governments insufficiently introduce structural reforms, despite the macroeconomic benefits they will bring.[5] An important strand of this literature stresses the role of interest groups, which may lobby against a reform measure that will harm their interests. Such a lobby may be able to affect policy decisions, particularly if the interest group is well organised and able to voice its concerns effectively. Resistance to structural reforms may also arise if their economic effects and their distribution are initially uncertain. This resistance may be particularly strong if the costs of the reform measure arise in the short term and the benefits only in the longer term. Some have therefore stressed the importance of public awareness of the benefits of structural reforms, suggesting that it is crucial to convince the public that structural reforms are needed.

2 On the role of institutions for labour markets outcomes, see, for example, S. Nickell, L. Nunziata and W. Ochel (2005), "Unemployment in the OECD since the 1960s. What do we know?", Economic Journal, January, vol. 115, No 500, pp. 1-27.

3 See, for example, A. Alesina and R. Perotti (2004), "The European Union: A politically incorrect view", Journal of Economic Perspectives, Autumn, vol. 18, No 4, pp. 27-48.

4 See, for example, G. Tabellini and C. Wyplosz (2004), "Supply-Side Policy Coordination in the European Union", Report prepared for the Conseil de l'Activité Economique.

5 See, for example, D. Rodrik (1996), "Understanding Economic Policy Reform", Journal of Economic Literature, March, vol. 34, No 1.

5 THE MID-TERM REVIEW

At its spring meeting in March 2004, the European Council decided to initiate a mid-term review of the Lisbon strategy in view of the mixed results obtained in the first five years. It felt that, while the goals of the strategy remained valid, the pace of reform needed to be stepped up significantly, especially since the challenges facing the EU had become even greater. As a first step in the mid-term review, the Heads of State or Government invited the Commission to establish a High Level Group headed by Wim Kok to carry out an independent assessment in order to identify the weaknesses of the strategy and its governance framework. The establishment and composition of the "Kok Group" reflected the intention to draw on the views of the different stakeholders. The Group submitted its report to the Commission in November 2004 and, on that basis, in February 2005 the Commission produced its proposals for making the Lisbon strategy sharper in focus and its governance framework more coherent. Following preparations by the EU Council, the Brussels European Council brought the mid-term review to a close on 22 and 23 March 2005. In its conclusions, the European Council welcomed the proposals of the Commission and relaunched the Lisbon strategy by refocusing its priorities on economic growth and employment, while acknowledging the continuing relevance of the social and environmental pillars. A number of changes were also introduced to the governance framework of the strategy.

IMPLICATIONS FOR ECONOMIC REFORM

As regards economic reform, the spring 2005 European Council took the view that, given the mixed results of the strategy, urgent action is required. Four main policy areas were identified in order to refocus the strategy: promoting knowledge and innovation, making the EU an attractive area to invest and work in, fostering growth and employment based on social cohesion, and promoting sustainable development.

While not recalling all targets of the Lisbon agenda, the European Council reiterated, in particular, the target of investing 3% of GDP in R&D. In addition, the Council called for specific intermediate R&D targets to be set at the national level. The conclusions also put forward a number of additional detailed policy options (including tax incentives for private investment in R&D) to promote knowledge, innovation and investment in human capital. Moreover, they recalled the importance of the completion of the Internal Market and of making the regulatory environment more business-friendly. In this respect, the conclusions called for the draft Directive on Services in the Internal Market to be modified in the legislative process so as to ensure a fully operational Internal Market for services, while at the same time preserving the European social model. Although many specific policy measures mentioned in the conclusions have existed for some time but have not yet been fully implemented, the conclusions also contain some new policy initiatives. These include the adoption of a European Youth Pact to "improve the education, training, mobility, vocational integration and social inclusion of young Europeans" and the call for an "active industrial policy" to strengthen the competitive advantages of Europe's industrial base.

IMPLICATIONS FOR THE GOVERNANCE FRAMEWORK

In addition to refocusing the content of the strategy, the spring 2005 European Council recognised that changes in the governance framework were necessary in order to improve the delivery of structural reform. It was considered necessary to facilitate the identification of policy priorities, improve the implementation of these priorities by increasing Member States' involvement and streamline the monitoring procedure so as to provide a clearer picture of the implementation of the strategy. The mid-term review thus resulted in a modified governance framework aimed at streamlining policy coordination processes over time, across policy areas and between the EU and the national level. This new governance framework is also aimed at increasing the consistency of national programming, reporting and assessment.

At the core of the new framework are the Integrated Guidelines, which bring together the BEPGs and EGs. The incorporation of the two sets of guidelines into a single package aims at improving consistency between economic and employment policies. Moreover, as the Integrated Guidelines are adopted for a period of three years, consistency over time is also enhanced. The three-year policy cycle will begin with the EU Council's adoption in summer 2005 of the package of Integrated Guidelines for the period from 2005 to 2008. The Integrated Guidelines will be adjusted each year, if necessary, in line with the provisions of the Treaty establishing the European Community (Articles 99 and 128). Within the Integrated Guidelines, the BEPGs continue to cover the whole range of macroeconomic and microeconomic policies, as well as employment policy, insofar as this interacts with those policies. In addition, the BEPGs seek to ensure the general consistency of the economic, social and environmental strands of the Lisbon strategy.

In line with the priorities of the Integrated Guidelines, Member States are now required to submit national reform programmes which consist of policy commitments under the Lisbon strategy. These programmes will be drawn up for the first time in autumn 2005. As a counterpart to the national programmes, the Commission will present a Community Lisbon Programme covering all action to be undertaken at the Community level, which is to be endorsed by the European Parliament and the EU Council. Both the national reform programmes and the Community Lisbon Programme will remain valid until 2008, although they may be adjusted as appropriate in the intervening years.

This novel approach of integrated policy-setting will be accompanied by unified national reporting on the progress made in implementing the national reform programmes. Each Member State is to provide a report every autumn in the form of a single document covering the whole range of policy actions undertaken in the preceding year. This will bring together the former national reports on employment, reports on structural reforms in product and capital markets (Cardiff reports) and the reporting with respect to the OMC in certain policy areas (e.g. research and development).

At the EU level, the assessment of overall progress will also be carried out in a more integrated manner. Progress will be monitored and assessed annually in line with the multilateral surveillance processes envisaged in the Treaty for the BEPGs and the EGs. The Commission fulfils its role in the assessment of progress by reporting to the European Council by way of an annual EU progress report. In order to streamline assessment, this progress report is to incorporate the BEPG Implementation Report and the Joint Employment Report provided for under Articles 99 and 128, respectively, of the Treaty. On the basis of this progress report, the spring European Council will decide on any necessary adjustments to the Integrated Guidelines for the following year.

The strategic direction of the Lisbon strategy will be reassessed in its entirety every three years. Therefore, in 2008 a new three-year cycle will begin by way of a strategic report by the Commission which will be examined by the relevant Council configurations and discussed at the spring European Council meeting. The spring meetings of the Heads of State or Government will continue to provide direction and impetus to the Lisbon strategy by establishing political orientations for its three strands.

One of the main features of this new governance framework is its emphasis on increasing national ownership of the Lisbon strategy. This is seen as key to the implementation of the strategy, as the design of structural reforms and, even more so, their implementation, are the prerogative of the Member States. Therefore, Member States need to be fully committed to the policies they endorse at the EU level and must consult the stakeholders, such as national parliaments and social partners, that are involved in drawing up and implementing these policies at the national level. This should, in turn, improve the implementation records of the Member States.

The main modification to the governance framework aimed at increasing national ownership is the adoption of national reform programmes. These provide Member States with the opportunity to reaffirm their policy commitments on the basis of the Integrated Guidelines for 2005-08, gearing their policies to their particular needs and situation. The possibility is left open to Member States to include in the national reform programmes timetables and roadmaps for implementing the concrete measures that they announce. Having a single national programme for structural reforms requires Member States to be consistent in their pronouncements for the various policy areas. In this context, Member States have also been invited to appoint a Lisbon national coordinator to further enhance the internal coordination of actions related to the strategy.

The streamlining of policy-setting and reporting under the new governance framework should help to improve consistency between policy-makers' views and goals and make the assessment of progress on structural reform more effective at the EU level. An important aspect of this assessment is benchmarking. In this regard, the recommendation of the Kok High Level Group was to continue using benchmarking, but in a more effective way, concentrating on a limited number of indicators in the form of EU league tables in order to challenge Member States to improve their implementation record. Against this background, and while emphasising national ownership, the Commission announced its intention to continue assessing the progress of Member States through the use of benchmarking, among other things.[8] Such practice does indeed appear useful in focusing attention on the challenges at the national level. It should also help to ensure that there is appropriate follow-up at the EU level to the commitments made by Member States in their national reform programmes.

6 THE ECB AND THE LISBON STRATEGY

The ECB welcomes and supports the impetus given by the Lisbon European Council to the economic reform process. Well designed structural reforms in product, labour and financial markets, as envisaged by the Lisbon strategy, will increase the flexibility of the euro area economy, enhance its resilience to economic shocks and ultimately result in a higher, sustainable long-term growth rate and a higher level of employment.

There is a two-way interaction between monetary policy and structural reforms. On the one hand, by ensuring price stability, monetary policy contributes to a stable macroeconomic environment, thereby supporting the implementation of structural reform. On the other hand, structural reform improves the flexibility of the economy and the prospects for non-inflationary economic growth, thus facilitating the conduct of the single monetary policy and enhancing its effectiveness.

Through monetary policy, the ECB provides an important contribution to the achievement of the Lisbon goals. By maintaining price stability over the medium term, monetary policy makes the best contribution it can to achieving sustainable non-inflationary growth and a high level of employment. Price stability has a direct bearing on growth and employment in that it reduces risk premia on interest rates, thereby supporting investment. In addition, a stable macroeconomic environment may facilitate the implementation of structural

8 "Working together for growth and jobs – A new start for the Lisbon strategy", European Commission communication, COM (2005) 24, p. 15.

reforms from the political decision-making point of view. Indeed, macroeconomic stability should help economic agents to focus more on the long-term benefits associated with the implementation of structural reforms, rather than on possible short-term costs.

Conversely, structural reforms facilitate the conduct of the single monetary policy. An enhanced adjustment capacity of markets is likely to result in a more rapid adjustment of the economy to shocks, which should dampen their effects on the business cycle. Indeed, structural reforms go hand in hand with enhanced price and wage flexibility and greater mobility of production factors, which are prerequisites for the smooth functioning of the single monetary policy for the euro area. As a consequence, structural reforms lower the risk that price shocks may have long-lasting effects on inflation. This, in turn, facilitates the task of the single monetary policy.

7 CONCLUSION

Five years on, the overall picture of the Lisbon strategy is mixed. Progress has been made in some areas but, all in all, the reforms undertaken have not been far-reaching enough. Greater efforts are needed to achieve the Lisbon goals and face up to the challenges of globalisation, technological change and an ageing population.

The mid-term review has set the scene for a welcome revitalisation of the strategy. With a streamlined governance framework and a newly refocused Lisbon agenda on growth and employment, the European Union has a good blueprint for unlocking the EU's growth and employment potential. Attention should now shift towards implementing it.

Ultimately, the success of the mid-term review largely depends on the determination with which the Member States implement the necessary reforms. By implementing the Lisbon agenda with a high degree of commitment, the Member States can set in motion a virtuous cycle of reforms. Convincing the public about the need for structural reforms is a major challenge. Appropriate communication is therefore of the essence. It is crucial for both consumer and business confidence that the public at large has a clear understanding of the long-term benefits structural reforms will bring to the economy as a whole.

The streamlined governance framework should allow the European Union to set priorities and facilitate delivery through peer pressure and benchmarking. Moreover, the EU should do its utmost in areas where it can contribute directly to the success of the Lisbon strategy, such as the completion of the Internal Market.

The ECB fully subscribes to the ambitions of the renewed Lisbon strategy and supports the efforts undertaken in that context by governments, parliaments and social partners. It will continue to contribute to the success of the Lisbon strategy by pursuing a stability-oriented monetary policy and by informing citizens of the benefits of structural reforms. A forceful implementation of the Lisbon agenda is a prerequisite for fully exploiting the advantages of the single monetary policy for the euro area.

THE USE OF HARMONISED MFI INTEREST RATE STATISTICS

Harmonised statistics on interest rates applied by monetary financial institutions (MFIs) to euro-denominated loans and deposits have been compiled by the ECB since the beginning of 2003. This set of data not only makes it possible to better monitor the interest rate transmission mechanism, including the sensitivity of households and non-financial corporations to changes in interest rates, the remuneration of monetary aggregates and structural developments in the banking system, but also allows a better comparison of interest rates across countries.

1 INTRODUCTION

The availability of reliable and timely information on the interest rates MFIs offer their customers is essential for monetary policy decision-making and analysis in four key areas.[1] First, MFI interest rates are an important element in the transmission of monetary policy to the real economy. It is therefore important to monitor how changes in policy rates of the central bank are passed on, directly and through the money and capital markets, to the interest rates on MFI loans and deposits, thereby influencing consumption, investment and saving decisions by households and non-financial corporations (NFCs) and – ultimately – prices and output. Second, the interest rates on the various deposits help to explain the development of monetary aggregates. Third, MFI interest rates, together with the corresponding business volumes of loans and deposits, provide information with which to monitor structural developments in the banking system and analyse financial stability issues. Fourth, the harmonised statistics provide information on the degree of convergence of interest rates across countries and shed light on the degree of integration of the retail banking markets in the euro area.

At the beginning of 2003, the MFI interest rate statistics replaced the earlier statistics on "retail interest rates". The new reporting framework provides a harmonised set of 45 euro area interest rates, thereby presenting a more comparable picture across countries and more detailed information on specific categories of deposits and loans. The harmonised statistical reporting requirements are contained in Regulation ECB/2001/18 concerning statistics on interest rates applied by MFIs to deposits and loans vis-à-vis households and non-financial corporations (hereafter the "Regulation").[2] It is addressed to a reporting population predominantly comprising credit institutions and defines the statistical standards according to which the MFI interest rate statistics are to be collected and compiled.

The additional breakdowns in the new harmonised statistical reporting framework enhance the available information in a number of ways. One main enhancement is that the MFI interest rates are made available separately for new business (contracts agreed in the reference month) and for outstanding amounts (all open contracts agreed in the past). MFI interest rates on new business reflect the demand and supply conditions in the deposit and loan markets at the time of the agreement and are therefore particularly useful for analysing, for example, the transmission of monetary policy to the interest rates applied by MFIs. By contrast, as MFI interest rates on outstanding amounts cover all open contracts (new and old), they relate to the historical level of interest rates and thereby also reflect decisions taken by MFIs in the past. These data provide information on the interest paid or received by households and non-financial corporations, which facilitates the analysis of developments in disposable income and the interest burden. From the point of view of MFIs, the statistics also refer to the interest paid or received, which permits an analysis of changes in the average interest margins applied by banks.

1 For more details, see the article entitled "Enhancements to MFI balance sheet and interest rate statistics" in the April 2002 issue of the Monthly Bulletin.
2 Official Journal of the European Communities (OJ), L 10, 12 January 2002, p. 24.

A second enhancement applying to both loans and deposits is that the MFI interest rates are broken down systematically into the interest rates offered to households and those offered to non-financial corporations. This is important in order to assess, for example, whether monetary policy is affecting these sectors in different ways.

A third enhancement is that MFI interest rates on new loans are broken down by different periods of initial rate fixation, which provides information on the length of the period for which the interest rates are first fixed. The period of initial rate fixation, and more generally, the variability of interest rates, is also important for an accurate assessment of the effect of monetary policy, as interest rates on loans at floating rates or with short periods of initial rate fixation can be compared with money market rates, while interest rates on loans with longer periods of initial rate fixation can be compared with capital market rates. More detailed information on the period of initial rate fixation therefore enables a more precise calculation of the spread between MFI interest rates on deposits and loans and interest rates in the financial markets. Moreover, the new data on the volume of new business broken down by different periods of initial rate fixation, together with the data on the amounts outstanding, also make it possible to analyse the sensitivity of households and non-financial corporations to changes in interest rates.

A fourth enhancement is that interest rates on new loans to non-financial corporations distinguish between loans of up to €1 million and loans of over €1 million. The size of the loan is one of many criteria that are taken into account when negotiating an interest rate. Finally, a fifth enhancement is that MFI interest rates on bank overdrafts are identified separately from other categories of new lending.

Following more than two years of regular reporting of harmonised MFI interest rates, this article reviews the importance of these statistics for economic analysis from the perspective of monetary policy. It focuses first on the improvements in the statistical framework and shows the ensuing benefits for regular economic analysis. It then assesses the cross-country diversity and provides a number of possible explanations for these differences. The conclusions summarise the main findings.

2 ANALYSIS OF MFI INTEREST RATE STATISTICS FOR THE EURO AREA

REPORTING FRAMEWORK

The reporting agents for MFI interest rate statistics are selected at the national level by the respective national central bank (NCB). The Regulation allows NCBs either to collect data from a census of the entire reporting population or to use a sample approach. In the case of sampling, minimum standards are defined for the selection of the reporting agents in order to ensure that the resulting statistics give reliable and comparable information on the level and development of interest rates at both the euro area level and the national level. In the light of the diverging institutional structures of the national retail banking systems, and of differences in the deposit and lending products offered, minimum standards were defined for the procedures to be used for sampling reporting agents, rather than imposing a uniform selection procedure for all Member States. In total, about 1,700 reporting agents provide interest rate statistics, which represents a sampling rate of over 25%.

The reporting scheme defines common instrument categories and relies to a great extent on the concepts developed for the ECB's MFI balance sheet statistics.[3] This flexible approach makes it possible to cope both with diverging retail products and with financial

3 Set out in Regulation (EC) No 2423/2001 of the European Central Bank concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13), as amended, OJ L 333, 17 December 2001, p. 1.

innovation. Data are collected on interest rates excluding charges for 29 instrument categories in the case of new business and for 14 instrument categories in the case of outstanding amounts (the table provides an overview of the instrument categories). New business covers all new contracts concluded between the respective MFI and its customers during the reporting month and comprises all contracts whose terms and conditions were either agreed for the first time or renegotiated during the reporting period. Outstanding amounts are the stock of all deposits placed by customers with MFIs and the stock of all loans granted by MFIs to customers at the reference point in time, which can be either an end-of-month observation or the average for the month.

The interest rates are constructed as weighted arithmetic averages using the volume of new business or outstanding amounts as weights. The new business volumes are derived from the same survey, whereas the outstanding amounts are available from the ECB's MFI balance sheet statistics. Three instrument categories (namely overnight deposits, deposits redeemable at notice and bank overdrafts) form a separate group: they are listed as new business, but the amount follows the concept of outstanding amounts. In order to assess and monitor charges related to new lending business the annual percentage rate of charge, which covers the total costs of the credit for the borrowers, i.e. the interest payments plus all other charges related to the loan, is collected in addition to the interest rates excluding charges for two instrument categories, namely loans to households for consumption and loans to households for house purchase.

ANALYSIS OF VOLUMES

According to the average data for the period from January 2003 to April 2005, the weights of households and non-financial corporations with respect to the new business volume for loans, excluding bank overdrafts, were 30% and 70% respectively. In terms of outstanding amounts, however, the weights were 55% and 45% respectively as an average for the same period. The structural difference between new business and outstanding amounts is caused by the higher average maturity of loans to households as compared with those to non-financial corporations. Loans to households for house purchase are the key to explaining the structural differences between new and outstanding loans in respect of business allocation, given that they are usually granted with long maturity periods.

Focusing on new lending to households, more than half of all new loans (excluding bank overdrafts) were extended for house purchase, while the remaining new lending business was distributed more or less equally between consumer credit and other lending. Around half of the volume of new loans for house purchase was agreed at floating rates or with a short initial period of rate fixation. At the same time, the long-term investment character of house purchase is particularly visible from the outstanding amounts, as the vast majority of such loans has an original maturity of more than five years.

Regarding new loans to non-financial corporations, the importance of floating rates or an initial rate fixation period of up to one year was higher than in the case of loans to households, accounting for more than 85% of all new loans to non-financial corporations (excluding bank overdrafts). At the same time, less than one-third of the outstanding loans to non-financial corporations have an original maturity of up to one year. This indicates a preference for loans with an original maturity of over one year and a short rate fixation period, although it cannot be ruled out that part of the high new business volume for loans with short rate fixation periods reflects the fact that loans with an original maturity of up to one year are likely to be renewed more frequently than others.

New lending volumes also provide some indication of the evolution of the potential sensitivity of households and non-financial corporations to changes in interest rates. For loans to households for house purchase, the share of new loans at floating rates and with an initial rate fixation of up to one year in new lending for house purchase increased from 45% in January 2003 to 58% in April 2005. Assuming that the rates on such loans remain fixed for a short period also after the first period of rate fixation, and considering that these loans typically have an original maturity of over five years, this development indicates that the importance of variable rate loans for house purchase has increased over the past few years. This may, to some extent, also be the case for loans to non-financial corporations. While non-financial corporations have tended in recent years to lengthen the maturity of their bank loans (as indicated by a decreasing share of loans outstanding with an original maturity of up to one year), the relative share of borrowing at short rate fixation periods has increased in parallel.

For deposits, the average data for the period from January 2003 to April 2005 show a very different maturity structure when comparing new business with outstanding amounts. As regards new deposits with an agreed maturity, the category covering deposits of up to one year predominates, accounting for 95% of the total volume of deposits with agreed maturity, while only 4% fall in the category for new deposits with over two years' maturity. This may reflect the fact that short-term deposits are renewed more frequently than longer-term deposits. Within deposits, repos are the only category for which new business is higher than the outstanding amounts, reflecting an average maturity of less than one month.

ANALYSIS OF DEVELOPMENTS IN MFI INTEREST RATES

There are a number of areas in which the additional breakdowns for MFI interest rates on new loans and deposits provide further insight. One of the main advantages is the additional breakdown of new loans into different initial rate fixation categories. The table illustrates that, on average, the new lending rates charged increase with the length of the initial period of rate fixation. This reflects the positive slope, on average, of the risk-free yield curve (as measured, for instance, by the difference between the yield on ten-year government bonds and the three-month EURIBOR) over the period under review. As a consequence, the new breakdown enables a more precise calculation of the spread of MFI interest rates against financial interest rates with comparable maturities.

As regards changes in interest rates, even if only the short period since January 2003 is considered, rates for loans with short rate fixation periods have generally shown a tendency to fall gradually, whereas the evolution of rates for loans with long rate fixation periods has been more volatile. These developments are also reflected in the changes observed in short-term and long-term market interest rates, which suggests that an accurate analysis of the interest rate pass-through requires information on the duration of the interest rates concerned.[4] For the period up to December 2002, i.e. prior to the collection of these new statistics, such an analysis could only be tentative, since retail interest rates on loans did not make a distinction between short and long periods of rate fixation.

The table also demonstrates the importance of distinguishing between bank overdrafts and other loans with short rate fixation periods. For households, the rate on bank overdrafts is more than 310 basis points higher than that on consumer credit with a floating rate and an initial rate fixation of up to one year. For non-financial corporations, the difference between the rate on bank overdrafts and that on other loans (of up to €1 million) with a floating rate and an initial rate fixation of up to one year was considerably lower, but still amounted to

4 For more detailed information, see, for example, the box entitled "The pass-through of market interest rates to MFI lending rates since the start of Stage Three of EMU" in the March 2005 issue of the Monthly Bulletin.

Table MFI interest rate statistics

(averages between January 2003 and April 2005)

			MFI interest rates		Business volume
			Average (percentages per annum)	Cross-country coefficient of variation 1)	(EUR billions)
NEW BUSINESS					
Deposits					
Households	Overnight 2)		0.74	0.48	1,304.4
	With agreed maturity	up to 1 year	2.01	0.08	103.2
		over 1 and up to 2 years	2.29	0.14	2.9
		over 2 years	2.53	0.28	7.9
	Redeemable at notice	up to 3 months' notice 2)	2.03	0.36	1,424.3
		over 3 months' notice 2)	2.74	0.08	90.7
NFCs	Overnight 2)		0.94	0.46	588.2
	With agreed maturity	up to 1 year	2.09	0.03	167.3
		over 1 and up to 2 years	2.38	0.13	0.6
		over 2 years	3.46	0.19	2.5
	Repos		2.13	0.04	135.8
Loans					
Households	Bank overdraft 2)		9.91	0.16	174.3
	For consumption	floating rate and an initial rate fixation of up to 1 year	6.79	0.27	5.5
		initial rate fixation of over 1 and up to 5 years	6.91	0.13	10.9
		initial rate fixation of over 5 years	8.27	0.11	5.7
	For house purchase	floating rate and an initial rate fixation of up to 1 year	3.59	0.11	24.7
		initial rate fixation of over 1 and up to 5 years	4.14	0.09	7.5
		initial rate fixation of over 5 and up to 10 years	4.80	0.07	8.8
		initial rate fixation of over 10 years	4.70	0.06	8.4
	For other purposes	floating rate and an initial rate fixation of up to 1 year	4.12	0.15	19.6
		initial rate fixation of over 1 and up to 5 years	5.01	0.07	3.2
		initial rate fixation of over 5 years	5.02	0.11	3.4
NFCs	Bank overdraft 2)		5.54	0.20	469.3
	Other loans up to EUR 1 million	floating rate and an initial rate fixation of up to 1 year	4.12	0.12	61.6
		initial rate fixation of over 1 and up to 5 years	4.80	0.08	5.7
		initial rate fixation of over 5 years	4.73	0.06	4.0
	Other loans over EUR 1 million	floating rate and an initial rate fixation of up to 1 year	3.11	0.08	132.9
		initial rate fixation of over 1 and up to 5 years	3.44	0.13	12.4
		initial rate fixation of over 5 years	4.26	0.10	10.3
OUTSTANDING AMOUNTS					
Deposits					
Households	With agreed maturity	up to 2 years	2.05	0.11	512.6
		over 2 years	3.36	0.14	604.4
NFCs	With agreed maturity	up to 2 years	2.22	0.08	247.0
		over 2 years	4.14	0.21	60.6
	Repos		2.13	0.07	85.4
Loans					
Households	For house purchases	up to 1 year	4.97	0.12	14.7
		over 1 and up to 5 years	4.84	0.07	65.6
		over 5 years	5.10	0.14	2,302.1
	Consumer credit and other loans	up to 1 year	8.31	0.16	246.9
		over 1 and up to 5 years	7.28	0.13	276.6
		over 5 years	5.97	0.09	623.4
NFCs		up to 1 year	4.54	0.14	917.2
		over 1 and up to 5 years	4.16	0.10	505.9
		over 5 years	4.70	0.13	1,495.1

1) The cross-country coefficient of variation is calculated as the weighted standard deviation of interest rates across the countries divided by the euro area average interest rate.
2) The business volumes of these new business instrument categories refer to the amounts outstanding and not to the volume of new agreements within the reference months as is the case for the other new business instrument categories.

around 140 basis points on average. The higher rates on bank overdrafts reflect a premium for the availability of funds and may also include penalties when the overdraft exceeds a limit agreed between the bank and the customer.

The table further illustrates that, on average, larger loans are granted at lower interest rates than smaller loans. The level of MFI interest rates on new loans of up to €1 million exceeded the rate on new loans of over €1 million by around 50 to 135 basis points in the period under observation. In many cases, larger loans are taken up by large non-financial corporations that have more favourable negotiation powers vis-à-vis banks, as they are less dependent on bank financing.

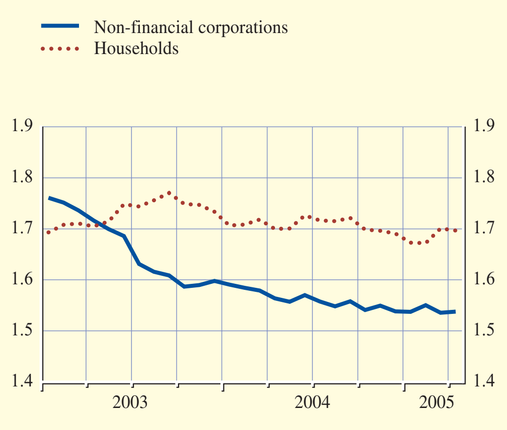
MFI interest rates on new deposits likewise illustrate some differences between non-financial corporations and households, although to a lesser extent than in the case of loans. On average, MFIs remunerate deposits from non-financial corporations more generously than those from households. In the case of overnight deposits, this difference amounts to 20 basis points on average. The difference between the interest rates applied to non-financial corporations and households for deposits with an agreed maturity of up to one year, which amounts to 8 basis points, is considerably smaller.

MFI interest rates on amounts outstanding, which have been available since January 2003, indicate that overall bank margins, as measured by the difference between the average interest rate on outstanding loans and that on outstanding deposits, have fallen somewhat over recent years. This may reflect the fact that a large proportion of the loans are granted at a floating rate, or with a short rate fixation period, and that margins may narrow in a phase of declining interest rates as a result of the typical sluggishness with which many deposit rates follow such declines.

MFIs have, on average, charged households higher interest rates on outstanding loans and paid them lower interest rates on outstanding deposits. It is also worth mentioning that it is not possible to draw strong conclusions on bank profitability from MFI interest rates alone, because a significant part of the funding of MFIs is derived from securities (the share of which has increased since January 2003) and

Chart 1 Net interest payments[1)]

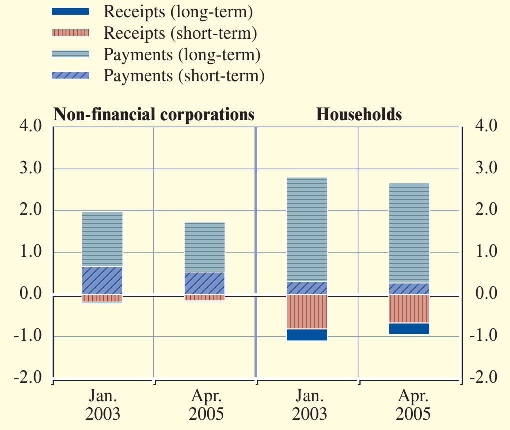
(as a percentage of GDP)



Source: ECB.
1) Interest paid on euro-denominated MFI loans outstanding minus interest received on euro-denominated MFI deposits outstanding.

Chart 2 Interest paid and received[1)]

(as a percentage of GDP)



Source: ECB.
1) The interest received has been multiplied by -1 for illustrative purposes.

because fees and other sources of income are not captured in MFI interest rates.

Chart 1 illustrates the net interest payments of non-financial corporations and households, calculated as the difference between the interest paid on euro-denominated MFI loans outstanding and the interest received on euro-denominated MFI deposits outstanding. As non-financial corporations are net debtors vis-à-vis MFIs (in the sense that their outstanding loans by far exceed their outstanding deposits),[5] the environment of low interest rates has led to a reduction in the net interest burden, despite the accumulation of corporate debt over the past few years, thereby contributing to an improvement of the cash flow of the corporate sector. Households, by contrast, are net creditors vis-à-vis MFIs (in the sense that their outstanding loans are exceeded by their outstanding deposits). As a consequence, the reduction in interest payments brought about by lower interest rates was partly offset by lower interest receipts, leading – all in all – to a more or less unchanged level of the net interest burden (see also Chart 2).

3 REASONS FOR EXISTING CROSS-COUNTRY DIFFERENCES

The harmonised statistics on MFI interest rates allow for a better comparison of interest rates across countries. The table shows that the dispersion of MFI interest rates across countries, as measured by the coefficient of variation, varies considerably from one instrument to another, despite the remarkable convergence of interest rates in the euro area that has taken place in recent years. This section reviews the factors behind the dispersion of MFI interest rates across countries, focusing on new business categories, as these refer to interest rates that are contracted at the same time in the various countries.

First of all, product differences can give rise to differences across countries. For example, housing finance schemes may require a certain period of prior saving (at interest rates below the retail market rates), after which the saver has a right to a housing loan (in a predetermined amount and at interest rates below the expected retail market rates). These types of scheme may not exist in all euro area countries, or may differ in their main characteristics, meaning that the respective MFI interest rates on deposits from households with an agreed maturity of over two years and on loans to households for house purchase may be affected to varying degrees.

Differing national conventions and practices may likewise lead to differences across countries. Overnight deposits, for instance, may not be remunerated because of prevailing national business practices. In the case of bank overdrafts, large differences can arise from the fact that this loan category reflects high penalty rates in some countries. Moreover, prevailing practices in respect of the early redemption of loans may differ across countries.

MFI interest rates may be affected by national government regulations that predefine a certain level of interest by law. With respect to the MFI interest rate categories, this may affect overnight deposits, deposits with agreed maturity and deposits redeemable at notice. In the case of overnight deposits, for example, a major reason for the high cross-country dispersion was to be found in the existence – until recently – of regulated national rates, as well as to the relatively large differences in the product features of these instruments. Regulations may also require that interest rates on certain loans be capped. To the extent that these caps are binding, they may explain differences across countries, and possibly also asymmetries in the interest rate pass-through.

5 Information on the financial assets and liabilities of households and non-financial corporations is also available from financial accounts statistics. However, the data on MFI interest rates, together with the statistics on the MFI balance sheets, are more detailed and more timely.

MFI interest rates are collected on a pre-tax basis and do not include direct subsidies granted by the government on loans to, and deposits from, households and non-financial corporations. Nevertheless, by influencing the relative prices of various banking products and, thereby, demand and supply, taxes and subsidies may indirectly affect the weight of subsidised or taxed products within the national MFI interest rates reported. In view of the fact that taxes and subsidies depend on the different policies of national governments, they may contribute to the observed differences in MFI interest rates across countries. Moreover, subsidies could also be granted indirectly by the government – for example, in the form of a government guarantee on loans to certain households for house purchase, resulting in borrowers being charged lower interest rates.

A breakdown of loans by collateral is not required in the current reporting framework. The presence of security in one form or another may affect the level of MFI interest rates. Therefore, the extent to which the use of collateral (including different levels of loan-to-value ratios) differs from one country to another may give rise to differences in the level of MFI lending rates across countries.

An additional factor that may explain interest rate differences across countries is the breadth of the current instrument categories with respect to maturities and initial periods of rate fixation, together with differences in the maturity distribution across countries. Given a normally upward slope of the yield curve, this may lead to different levels of MFI interest rates across countries.

More generally, standard economic theory suggests that the interest rate-setting behaviour of banks can be influenced by a large number of other factors, such as the degree of competition between banks, market contestability, competition from market-based financing and investment possibilities, perceived credit and interest rate risk, funding costs, the cost of switching banks, the existence of asymmetric information on customers and the strength of the bank-customer relationship. Any significant difference in these factors across countries may give rise to differences in national MFI interest rates, just as they may, indeed, also explain differences within a country.

4 CONCLUSION

Harmonised statistics on interest rates on MFI loans and deposits have been compiled by the ECB since the beginning of 2003. This set of data makes it possible to better monitor the interest rate transmission mechanism, developments in monetary aggregates and structural developments in the banking system, and it also allows a better comparison of interest rates across countries. While the analysis of the business volumes can provide an indication of the relative importance of the respective instrument category at the euro area level, it can also be used to assess the relevance of different products across countries.

After more than two years of reporting, the data collected reveal divergences in the level of interest rates across countries for some instrument categories. The reasons for this dispersion can often be found in the existence of different regulatory arrangements, in differences in national practices and in product characteristics that may also result in different levels of collateralisation and average maturities/rate fixation periods. Consequently, although major improvements were achieved with the MFI interest rate statistics for various types of analysis, it is important to take into account these factors when making cross-country comparisons.

EURO AREA STATISTICS

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1) For further information, please contact us at: statistics@ecb.int. See the ECB's website (www.ecb.int) for longer runs and more detailed data.

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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-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2003	10.9	8.0	8.1	-	4.9	19.2	2.33	4.16
2004	10.0	6.3	5.8	-	6.1	9.9	2.11	4.14
2004 Q3	9.6	5.8	5.6	-	6.2	8.8	2.12	4.21
Q4	9.3	6.4	6.1	-	6.9	7.7	2.16	3.84
2005 Q1	9.7	7.1	6.7	-	7.3	9.0	2.14	3.67
Q2	.	.	.	-	.	.	2.12	3.41
2005 Jan.	9.6	7.1	6.8	6.7	7.3	8.6	2.15	3.63
Feb.	10.2	7.3	6.7	6.6	7.3	8.9	2.14	3.62
Mar.	9.3	7.1	6.5	6.6	7.6	11.7	2.14	3.76
Apr.	9.3	7.4	6.8	6.9	7.4	13.2	2.14	3.57
May	10.1	7.6	7.3	.	7.6	.	2.13	3.41
June	.	.	.	.	.	.	2.11	3.25

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2003	2.1	1.4	2.8	0.7	0.3	81.1	0.3	8.7
2004	2.1	2.3	2.6	2.0	1.9	81.7	0.6	8.9
2004 Q3	2.2	3.1	2.5	1.8	2.8	82.1	0.6	8.9
Q4	2.3	3.8	2.5	1.5	1.1	82.0	0.9	8.8
2005 Q1	2.0	4.1	3.1	1.3	1.0	81.4	1.0	8.8
Q2	.	.	.	.	.	.	.	.
2005 Jan.	1.9	3.9	-	-	2.4	81.9	-	8.8
Feb.	2.1	4.2	-	-	0.5	-	-	8.8
Mar.	2.1	4.2	-	-	0.1	-	-	8.9
Apr.	2.1	4.3	-	-	1.0	80.9	-	8.9
May	1.9	3.5	-	-	.	-	-	8.8
June	2.1	.	-	-	.	-	-	.

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-23 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2003	33.5	102.7	5.4	43.4	306.5	99.9	101.7	1.1312
2004	62.5	103.4	-47.9	68.6	280.6	103.8	105.9	1.2439
2004 Q3	15.5	23.5	1.1	7.2	298.5	102.8	104.9	1.2220
Q4	20.0	20.8	-14.0	23.1	280.6	105.7	107.8	1.2977
2005 Q1	6.0	14.7	-25.2	0.2	284.9	105.7	107.8	1.3113
Q2	.	.	.	.	.	103.4	105.6	1.2594
2005 Jan.	-8.0	0.2	-11.4	-17.1	289.0	105.8	108.0	1.3119
Feb.	9.9	6.1	-4.9	21.7	283.2	105.1	107.2	1.3014
Mar.	4.1	8.4	-9.0	-4.5	284.9	106.0	108.2	1.3201
Apr.	-11.3	3.4	-6.4	-2.8	288.9	105.1	107.2	1.2938
May	.	.	.	.	291.6	104.0	106.2	1.2694
June	.	.	.	.	.	101.2	103.4	1.2165

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.

1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the technical notes for details.
2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
3) For the definition of the trading partner groups and other information, please refer to the General notes.

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2005 10 June	2005 17 June	2005 24 June	2005 1 July
Gold and gold receivables	126,955	126,825	126,717	138,451
Claims on non-euro area residents in foreign currency	155,216	152,351	152,950	162,561
Claims on euro area residents in foreign currency	20,362	20,913	20,302	21,043
Claims on non-euro area residents in euro	8,995	9,320	9,028	9,177
Lending to euro area credit institutions in euro	369,048	373,581	400,069	398,187
Main refinancing operations	279,001	283,501	309,999	308,001
Longer-term refinancing operations	90,002	90,002	90,002	90,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	14	77	7	184
Credits related to margin calls	31	1	61	2
Other claims on euro area credit institutions in euro	2,541	2,907	3,124	3,229
Securities of euro area residents in euro	83,966	83,448	84,230	85,746
General government debt in euro	41,182	41,198	41,198	40,731
Other assets	129,700	130,296	130,250	129,316
Total assets	937,965	940,839	967,868	988,441

2. Liabilities

	2005 10 June	2005 17 June	2005 24 June	2005 1 July
Banknotes in circulation	519,084	519,662	520,389	525,982
Liabilities to euro area credit institutions in euro	144,940	147,508	146,626	153,971
Current accounts (covering the minimum reserve system)	144,926	147,467	146,608	153,958
Deposit facility	13	13	18	12
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	28	0	1
Other liabilities to euro area credit institutions in euro	141	141	142	153
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	62,738	62,931	90,781	75,720
Liabilities to non-euro area residents in euro	9,834	10,050	9,880	9,741
Liabilities to euro area residents in foreign currency	238	332	416	339
Liabilities to non-euro area residents in foreign currency	10,367	8,761	8,534	9,129
Counterpart of special drawing rights allocated by the IMF	5,701	5,701	5,701	5,896
Other liabilities	54,672	55,503	55,149	56,929
Revaluation accounts	71,961	71,961	71,961	92,292
Capital and reserves	58,289	58,289	58,289	58,289
Total liabilities	937,965	940,839	967,868	988,441

Source: ECB.

1.2 Key ECB interest rates

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

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

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: Minimum bid rate	Variable rate tenders: Marginal rate [4)]	Variable rate tenders: Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7
			Main refinancing operations				
2005 16 Mar.	317,574	350	276,500	2.00	2.05	2.05	7
23	346,871	370	291,000	2.00	2.05	2.05	7
30	312,429	337	276,000	2.00	2.05	2.06	7
6 Apr.	292,103	350	275,000	2.00	2.05	2.05	7
13	313,575	348	270,500	2.00	2.05	2.05	7
20	328,593	370	282,000	2.00	2.05	2.05	7
27	329,984	351	280,500	2.00	2.05	2.05	7
4 May	339,182	301	273,000	2.00	2.05	2.05	7
11	349,569	325	267,500	2.00	2.05	2.05	7
18	358,949	342	272,500	2.00	2.05	2.05	7
25	376,920	351	271,000	2.00	2.05	2.05	7
1 June	369,397	337	281,500	2.00	2.05	2.06	7
8	365,346	316	279,000	2.00	2.05	2.05	7
15	372,104	340	283,500	2.00	2.05	2.05	7
22	378,472	364	310,000	2.00	2.05	2.05	7
29	353,941	343	308,000	2.00	2.05	2.06	7
6 July	389,743	336	307,500	2.00	2.05	2.05	7
			Longer-term refinancing operations				
2004 1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91
26 May	48,282	140	30,000	-	2.08	2.08	98
30 June	47,181	141	30,000	-	2.06	2.07	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders: Fixed rate	Variable rate tenders: Minimum bid rate	Variable rate tenders: Marginal rate [4)]	Variable rate tenders: Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7	8	9
2000 5 Jan. [5)]	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	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.

5) This operation was conducted with a maximum rate of 3.00%.

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
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Jan.	12,596.6	6,697.7	460.1	1,577.8	943.1	2,918.0
Feb.	12,720.4	6,709.0	471.2	1,583.5	999.2	2,957.5
Mar.	12,866.9	6,783.2	472.3	1,599.3	1,010.8	3,001.1
Apr.	13,081.7	6,888.4	496.7	1,607.3	1,067.3	3,022.1

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
2003	131.8	132.6	0.8	0.0	2.00
2004	137.9	138.5	0.6	0.0	2.05
2005 Q1	140.5	141.3	0.8	0.0	2.05
2005 12 Apr.	142.6	143.3	0.6	0.0	2.05
10 May	143.1	144.0	0.9	0.0	2.05
7 June	144.6	145.5	0.9	0.0	2.05
12 July	147.2	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 18 Jan.	290.3	272.9	75.0	0.2	0.2	0.1	0.0	496.0	45.3	-41.9	139.1	635.2
7 Feb.	280.6	276.6	78.0	0.1	0.1	0.1	0.0	487.1	63.8	-55.5	140.0	627.2
8 Mar.	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
12 Apr.	282.1	278.2	86.9	0.2	0.0	0.1	0.0	498.6	67.4	-62.1	143.3	642.0
10 May	287.0	276.5	90.0	0.1	0.0	0.1	0.0	505.5	62.9	-58.9	144.0	649.7
7 June	286.8	273.1	90.0	0.1	0.0	0.2	0.1	512.8	53.5	-62.0	145.5	658.5

Source: ECB.
1) End of period.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(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 [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	291.6	14.0	176.2
2005 Jan.	1,240.6	581.9	21.5	0.6	559.8	159.3	143.6	1.7	14.0	-	13.8	298.2	14.7	172.8
Feb.	1,275.4	614.5	21.5	0.6	592.4	162.5	146.6	1.6	14.4	-	13.9	294.2	12.5	177.7
Mar.	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	296.6	12.5	183.7
Apr.	1,286.3	602.9	21.5	0.6	580.8	169.3	153.1	1.6	14.7	-	13.7	300.7	13.1	186.7
May (p)	1,275.5	581.0	21.5	0.6	558.9	173.6	156.3	1.8	15.4	-	13.9	304.1	13.1	189.8
	MFIs excluding the Eurosystem													
2003	19,795.4	12,113.1	817.5	7,101.8	4,193.9	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,567.8	161.8	1,046.4
2004	21,351.8	12,826.3	812.4	7,557.4	4,456.5	3,187.8	1,299.9	465.3	1,422.6	72.5	943.1	2,942.8	159.6	1,219.7
2005 Jan.	21,658.5	12,909.4	817.2	7,596.9	4,495.3	3,236.6	1,339.8	469.5	1,427.2	75.7	961.5	3,070.3	157.4	1,247.8
Feb.	21,824.0	12,967.4	807.9	7,622.8	4,536.7	3,287.6	1,367.7	479.7	1,440.2	75.4	965.3	3,122.4	157.6	1,248.3
Mar.	22,045.3	13,054.7	805.7	7,674.4	4,574.6	3,294.1	1,357.3	480.7	1,456.1	72.5	974.8	3,189.1	156.7	1,303.4
Apr.	22,474.6	13,229.2	811.3	7,720.7	4,697.2	3,339.1	1,371.8	489.7	1,477.6	76.2	1,043.9	3,300.3	156.5	1,329.5
May (p)	22,694.2	13,330.9	809.2	7,786.7	4,735.0	3,342.5	1,369.2	496.3	1,477.0	75.5	1,047.4	3,347.3	157.2	1,393.5

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Jan.	1,240.6	502.4	402.0	57.6	16.0	328.4	-	0.5	145.7	25.8	164.1
Feb.	1,275.4	504.9	435.7	71.4	18.4	345.9	-	0.5	145.8	21.8	166.6
Mar.	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
Apr.	1,286.3	523.2	410.6	59.3	15.8	335.5	-	0.5	152.5	25.9	173.5
May (p)	1,275.5	529.0	386.0	46.3	17.2	322.5	-	0.5	160.0	24.7	175.2
	MFIs excluding the Eurosystem										
2003	19,795.4	0.0	10,774.8	134.4	6,275.5	4,364.9	648.8	3,161.4	1,145.0	2,606.4	1,458.9
2004	21,351.8	0.0	11,487.4	137.7	6,641.7	4,708.0	677.4	3,496.9	1,199.5	2,815.0	1,675.6
2005 Jan.	21,658.5	0.0	11,534.4	122.9	6,656.2	4,755.2	692.1	3,527.3	1,201.3	2,968.7	1,734.8
Feb.	21,824.0	0.0	11,602.6	138.7	6,659.8	4,804.1	691.0	3,579.7	1,205.8	3,008.3	1,736.7
Mar.	22,045.3	0.0	11,659.2	125.0	6,707.6	4,826.7	687.7	3,614.7	1,212.6	3,084.6	1,786.6
Apr.	22,474.6	0.0	11,838.2	120.2	6,759.8	4,958.2	704.1	3,667.3	1,225.7	3,198.0	1,841.3
May (p)	22,694.2	0.0	11,895.8	125.9	6,810.2	4,959.8	710.2	3,696.7	1,234.6	3,285.2	1,871.6

Source: ECB.

1) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.
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.

2.2 Consolidated balance sheet of euro area MFIs

(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										
2003	14,551.8	7,942.6	840.1	7,102.5	1,793.1	1,364.1	429.0	623.6	2,885.7	174.2	1,132.6
2004	15,720.3	8,391.9	833.9	7,558.0	1,906.8	1,439.9	466.9	666.4	3,234.5	173.6	1,347.1
2005 Jan.	15,987.6	8,436.2	838.7	7,597.5	1,954.6	1,483.4	471.2	678.1	3,368.4	172.1	1,378.0
Feb.	16,101.3	8,452.8	829.4	7,623.5	1,995.6	1,514.3	481.3	681.5	3,416.7	170.1	1,384.6
Mar.	16,278.0	8,502.3	827.2	7,675.0	1,991.4	1,509.1	482.3	686.9	3,485.8	169.2	1,442.4
Apr.	16,555.8	8,554.1	832.7	7,721.3	2,016.1	1,524.9	491.3	741.1	3,601.0	169.6	1,474.0
May (p)	16,744.7	8,618.0	830.7	7,787.3	2,023.6	1,525.5	498.1	741.4	3,651.4	170.3	1,540.1
	Transactions										
2003	766.9	384.3	12.1	372.2	170.4	116.3	54.1	19.3	225.2	-3.6	-28.6
2004	1,267.0	500.0	-5.9	505.9	92.0	58.1	33.9	34.5	435.2	2.7	202.7
2005 Jan.	201.4	42.3	3.8	38.5	42.5	38.2	4.3	10.9	82.1	-1.3	24.9
Feb.	133.4	17.4	-9.2	26.6	43.0	32.5	10.6	1.5	66.2	-2.1	7.4
Mar.	135.2	49.8	-1.9	51.7	-4.8	-5.8	1.0	6.1	43.7	-0.9	41.2
Apr.	263.9	52.5	5.5	47.0	20.7	12.6	8.1	56.0	105.6	-0.1	29.2
May (p)	108.8	60.5	-2.3	62.8	2.8	-3.1	5.9	-3.0	-15.9	0.7	63.7

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [1]	Debt securities issued [2]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2003	14,551.8	397.9	155.7	6,292.3	581.5	1,878.5	1,004.7	2,634.0	1,598.3	8.9
2004	15,720.3	468.4	162.4	6,656.8	604.9	2,061.7	1,047.0	2,842.2	1,843.0	34.0
2005 Jan.	15,987.6	459.9	180.6	6,672.2	616.4	2,086.6	1,049.8	2,994.5	1,899.0	28.6
Feb.	16,101.3	463.6	210.1	6,678.3	615.5	2,125.7	1,053.9	3,030.1	1,903.3	21.0
Mar.	16,278.0	471.7	186.1	6,725.2	615.2	2,144.7	1,060.6	3,109.5	1,957.9	7.1
Apr.	16,555.8	481.0	179.5	6,775.6	627.9	2,175.6	1,061.7	3,224.0	2,014.8	15.7
May (p)	16,744.7	485.8	172.1	6,827.4	634.6	2,204.8	1,074.7	3,309.9	2,046.9	-11.6
	Transactions									
2003	766.9	79.0	15.1	313.7	56.7	133.5	39.0	130.8	-60.5	59.8
2004	1,267.0	70.5	6.1	377.1	22.3	197.1	50.4	276.8	229.3	37.3
2005 Jan.	201.4	-8.5	18.2	9.0	12.4	6.8	-0.4	104.7	73.5	-14.3
Feb.	133.4	3.7	29.5	4.7	-1.7	43.5	5.6	52.4	-1.0	-3.1
Mar.	135.2	8.2	-24.0	44.2	-0.3	14.2	5.3	57.6	49.5	-19.5
Apr.	263.9	9.3	-6.6	49.5	13.2	28.7	-2.4	107.9	56.7	7.6
May (p)	108.8	4.8	-7.4	45.0	7.5	16.9	6.3	32.5	44.5	-41.3

Source: ECB.

1) Amounts held by euro area residents.

2) Amounts issued with maturity up to two years held by non-euro area residents are included in external liabilities.

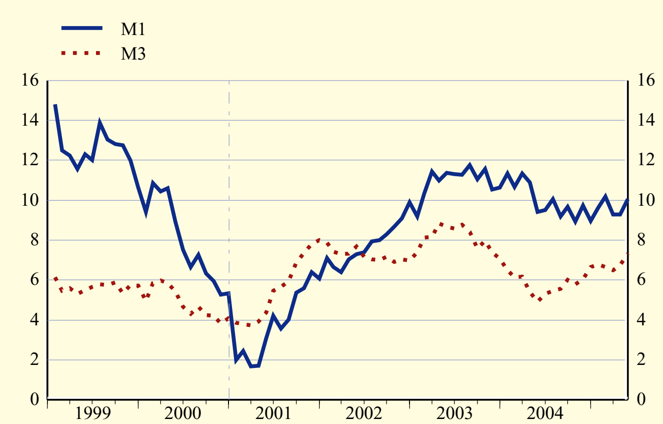
2.3 Monetary statistics

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

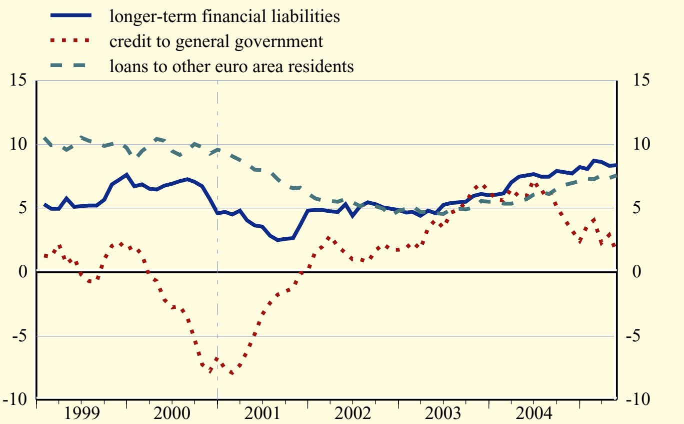
1. Monetary aggregates [1] and counterparts

	M1	M2-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	Credit to other euro area residents: Loans	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2003	2,680.6	2,553.3	5,233.9	908.5	6,142.4	-	4,133.3	2,226.1	8,156.0	7,097.8	230.6
2004	2,912.6	2,662.8	5,575.3	963.2	6,538.5	-	4,452.7	2,298.1	8,692.3	7,552.8	373.3
2005 Jan.	2,961.1	2,665.2	5,626.3	949.4	6,575.7	-	4,494.0	2,328.2	8,752.6	7,600.8	373.8
Feb.	2,993.0	2,666.6	5,659.6	949.1	6,608.7	-	4,530.9	2,342.3	8,794.2	7,633.6	392.2
Mar.	3,007.3	2,675.7	5,683.0	942.6	6,625.6	-	4,574.8	2,326.4	8,835.0	7,675.3	391.0
Apr.	3,025.6	2,694.7	5,720.3	954.8	6,675.1	-	4,608.7	2,352.1	8,910.2	7,705.0	409.9
May (p)	3,049.2	2,704.4	5,753.7	975.3	6,728.9	-	4,654.7	2,338.7	8,979.7	7,770.9	362.2
Transactions											
2003	259.4	113.4	372.9	32.6	405.5	-	236.5	131.9	445.9	372.3	96.3
2004	240.4	111.9	352.2	56.1	408.3	-	340.6	54.5	574.3	505.4	160.6
2005 Jan.	46.1	-0.4	45.6	-13.5	32.1	-	19.5	23.8	58.5	46.9	-3.8
Feb.	32.2	-0.6	31.6	-6.9	24.7	-	49.0	15.7	40.9	33.6	19.5
Mar.	13.8	7.7	21.4	-6.3	15.2	-	36.8	-16.3	41.7	41.8	-4.7
Apr.	17.9	18.6	36.5	13.7	50.2	-	27.1	22.5	76.8	30.5	15.9
May (p)	20.8	6.7	27.5	21.0	48.5	-	26.2	-17.3	62.3	62.6	-60.5
Growth rates											
2003 Dec.	10.6	4.6	7.6	3.8	7.1	7.0	6.0	6.3	5.8	5.5	96.3
2004 Dec.	9.0	4.4	6.7	6.2	6.6	6.5	8.2	2.4	7.1	7.1	160.6
2005 Jan.	9.6	4.5	7.1	4.8	6.8	6.7	8.0	3.6	7.3	7.3	115.1
Feb.	10.2	4.3	7.3	2.8	6.7	6.6	8.7	4.1	7.3	7.3	120.1
Mar.	9.3	4.8	7.1	2.8	6.5	6.6	8.6	2.3	7.5	7.6	98.0
Apr.	9.3	5.3	7.4	3.2	6.8	6.9	8.3	2.9	7.7	7.4	88.9
May (p)	10.1	4.9	7.6	6.0	7.3	.	8.4	1.5	7.8	7.6	61.3

C1 Monetary aggregates
(annual growth rates; seasonally adjusted)



C2 Counterparts
(annual growth rates; seasonally adjusted)



Source: ECB.

1) 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).

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

2.3 Monetary statistics

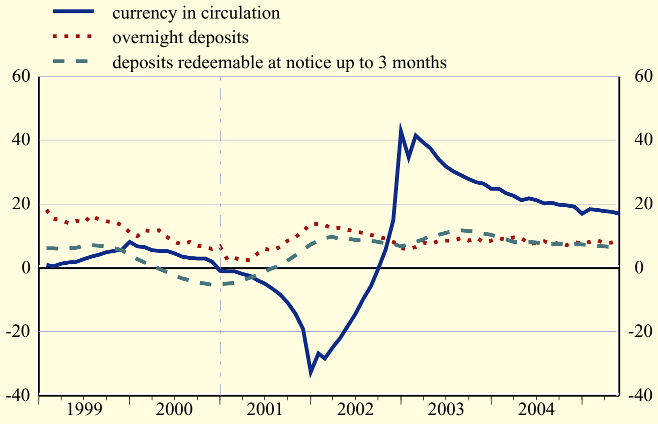
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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										
2003	386.9	2,293.7	1,031.0	1,522.3	218.6	597.3	92.7	1,789.6	90.7	1,250.0	1,003.1
2004	452.7	2,459.9	1,028.1	1,634.7	240.6	620.3	102.3	1,962.6	89.6	1,355.5	1,044.9
2005 Jan.	466.7	2,494.4	1,025.6	1,639.5	230.5	619.7	99.2	1,993.4	90.0	1,364.4	1,046.2
Feb.	471.6	2,521.4	1,021.0	1,645.6	220.8	612.3	116.1	2,013.8	90.4	1,370.4	1,056.2
Mar.	477.5	2,529.8	1,019.7	1,656.0	224.5	610.3	107.8	2,036.2	90.9	1,387.2	1,060.5
Apr.	481.5	2,544.2	1,030.6	1,664.1	216.7	617.9	120.2	2,056.2	91.3	1,395.1	1,066.1
May (p)	486.9	2,562.3	1,025.3	1,679.1	234.1	626.7	114.5	2,086.0	91.4	1,396.1	1,081.2
	Transactions										
2003	77.5	181.9	-29.7	143.1	-10.3	58.0	-15.1	149.2	-13.2	61.9	38.5
2004	65.7	174.6	-0.7	112.6	22.9	21.9	11.2	185.2	-1.1	106.5	50.0
2005 Jan.	14.0	32.1	-5.1	4.7	-10.2	0.3	-3.5	13.1	0.4	8.0	-2.0
Feb.	4.9	27.3	-7.5	6.9	-9.6	-8.2	11.0	30.7	0.4	6.3	11.6
Mar.	5.9	7.8	-1.8	9.5	3.6	-1.9	-8.0	17.3	0.0	16.6	2.9
Apr.	3.9	14.0	10.6	8.0	-7.8	8.0	13.4	16.8	0.5	7.8	2.0
May (p)	5.5	15.4	-8.1	14.8	17.3	9.6	-5.9	17.6	0.0	0.1	8.5
	Growth rates										
2003 Dec.	24.9	8.6	-2.8	10.4	-4.6	11.1	-14.9	8.9	-12.7	5.2	3.9
2004 Dec.	17.0	7.6	-0.1	7.4	10.6	3.7	12.3	10.3	-1.2	8.5	5.0
2005 Jan.	18.5	8.1	0.5	7.1	6.8	4.3	3.2	9.9	-0.4	8.6	4.8
Feb.	18.3	8.8	0.3	6.9	-0.9	2.6	11.9	11.1	0.4	8.5	5.4
Mar.	17.8	7.8	1.6	6.8	4.0	1.8	7.0	10.5	0.5	9.3	5.2
Apr.	17.5	7.9	3.2	6.6	0.1	2.6	13.8	10.3	1.2	8.8	4.7
May (p)	17.0	8.8	1.9	6.8	8.5	4.2	10.9	10.6	1.7	8.4	5.0

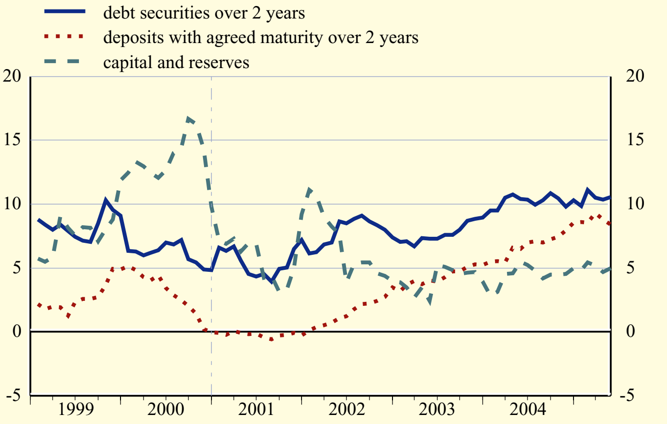
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

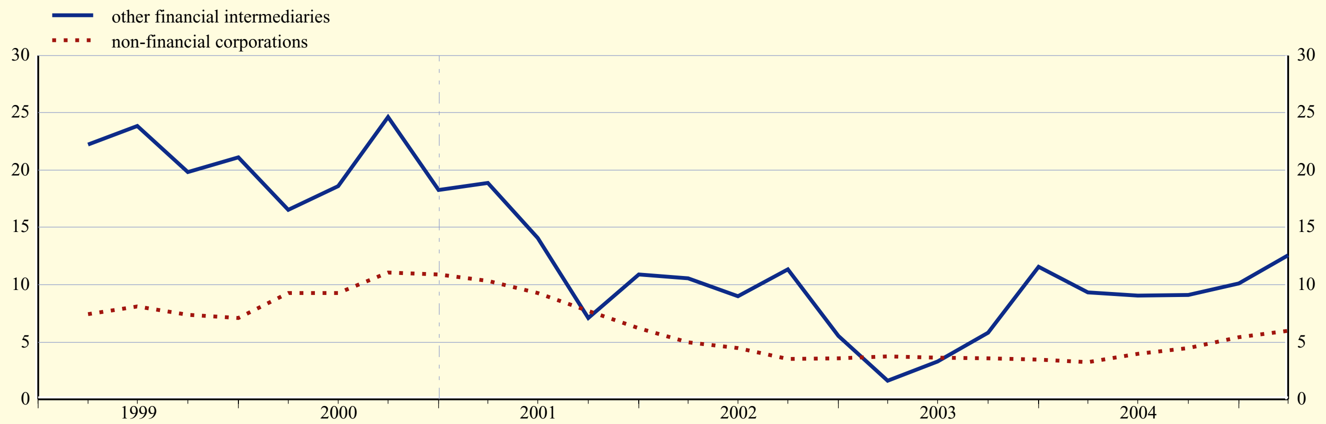
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004	48.6	31.4	546.7	334.8	3,153.8	974.4	546.8	1,632.7
2005 Jan.	55.5	38.6	547.5	339.2	3,171.1	980.6	555.3	1,635.2
Feb.	59.1	41.3	551.2	345.0	3,174.5	982.2	551.0	1,641.4
Mar.	58.2	40.1	561.4	351.3	3,193.5	987.4	555.5	1,650.6
Apr.	59.3	41.1	557.8	344.5	3,216.0	994.3	559.8	1,662.0
May (p)	62.1	43.5	569.0	352.8	3,235.9	996.2	564.6	1,675.1
	Transactions							
2003	4.2	2.2	53.4	26.2	102.9	-7.9	15.9	94.9
2004	13.1	9.1	50.5	26.2	164.0	24.2	31.1	108.7
2005 Jan.	6.6	7.0	-1.3	3.1	17.1	6.3	8.4	2.4
Feb.	3.0	2.0	4.4	6.2	2.3	-1.3	-4.0	7.6
Mar.	-1.0	-1.1	8.4	5.7	19.9	5.6	4.9	9.5
Apr.	1.1	1.0	-3.3	-6.3	24.1	7.1	5.6	11.4
May (p)	2.7	2.3	8.9	6.9	19.2	1.3	4.4	13.5
	Growth rates							
2003 Dec.	11.8	11.6	11.6	8.8	3.5	-0.8	3.1	6.5
2004 Dec.	36.9	41.5	10.1	8.5	5.4	2.5	6.0	7.1
2005 Jan.	16.3	11.9	10.1	10.8	5.7	3.0	7.3	7.0
Feb.	24.2	21.5	9.2	10.7	5.7	3.6	6.3	6.9
Mar.	23.6	21.8	12.5	17.4	6.0	4.2	6.9	6.8
Apr.	14.3	7.8	9.9	11.1	6.0	4.5	6.8	6.7
May (p)	8.9	0.6	10.4	11.7	6.3	5.2	6.5	6.9

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) This category includes investment funds.

2.4 MFI loans, breakdown [1]

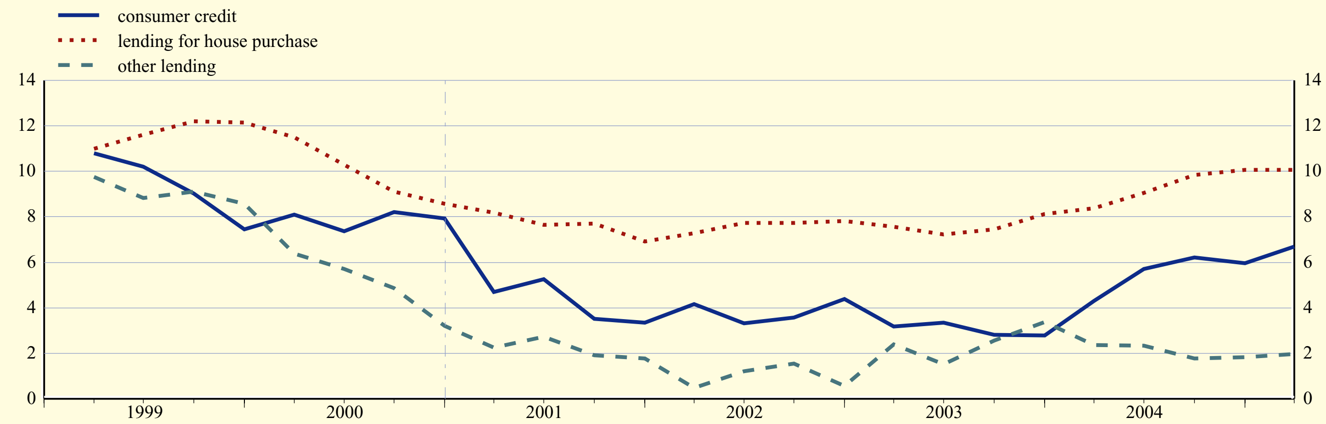
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	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												
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
2004	3,808.2	514.5	118.3	190.5	205.7	2,592.3	15.5	65.8	2,511.1	701.4	144.4	99.6	457.4
2005 Jan.	3,822.9	514.1	119.2	189.3	205.6	2,607.9	15.0	65.6	2,527.3	700.8	143.8	98.4	458.6
Feb.	3,837.9	513.8	119.0	188.9	206.0	2,622.8	14.9	65.7	2,542.2	701.3	143.6	98.4	459.4
Mar.	3,861.4	519.7	120.2	191.5	208.0	2,641.0	15.0	67.1	2,559.0	700.7	144.1	98.9	457.7
Apr.	3,887.6	522.7	120.2	192.3	210.1	2,662.1	14.2	65.0	2,583.0	702.8	142.6	100.4	459.8
May (p)	3,919.7	527.2	121.7	194.2	211.3	2,687.2	14.1	65.0	2,608.1	705.3	140.7	102.8	461.8
	Transactions												
2003	211.7	13.0	8.4	6.1	-1.4	177.3	-5.9	1.7	181.4	21.4	-6.2	-4.7	32.3
2004	278.3	28.8	6.8	8.6	13.3	237.0	0.9	2.9	233.1	12.5	-0.9	2.0	11.5
2005 Jan.	16.1	-0.2	0.4	-0.9	0.3	15.7	-0.4	-0.2	16.2	0.7	-0.2	-1.1	1.9
Feb.	16.8	0.1	0.1	-0.7	0.7	15.4	-0.1	0.1	15.3	1.3	0.1	-0.1	1.2
Mar.	24.4	5.9	1.3	2.6	2.0	18.4	0.1	1.4	16.9	0.1	0.8	0.6	-1.2
Apr.	25.1	3.5	0.2	0.9	2.4	20.7	-0.8	-0.8	22.3	0.9	-1.4	0.1	2.1
May (p)	31.9	4.9	1.6	2.0	1.3	24.3	0.0	0.2	24.2	2.7	-1.8	2.5	2.0
	Growth rates												
2003 Dec.	6.4	2.8	8.0	3.4	-0.2	8.1	-26.3	2.6	8.6	3.4	-4.1	-4.8	8.5
2004 Dec.	7.9	6.0	6.1	4.8	7.0	10.0	6.4	4.7	10.2	1.8	-0.6	2.1	2.6
2005 Jan.	8.1	6.5	7.8	5.2	7.0	10.1	6.0	6.0	10.3	2.3	0.6	1.8	3.0
Feb.	8.1	6.4	8.7	4.3	7.0	10.2	6.1	6.3	10.3	2.2	1.9	1.4	2.5
Mar.	8.0	6.7	9.3	4.3	7.4	10.1	4.3	8.1	10.1	2.0	1.5	1.0	2.3
Apr.	8.0	6.5	8.6	4.0	7.8	10.1	-1.0	6.2	10.2	1.9	1.0	0.3	2.6
May (p)	8.2	7.3	10.6	5.0	7.7	10.1	-1.4	5.9	10.3	2.3	0.6	2.8	2.6

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1]

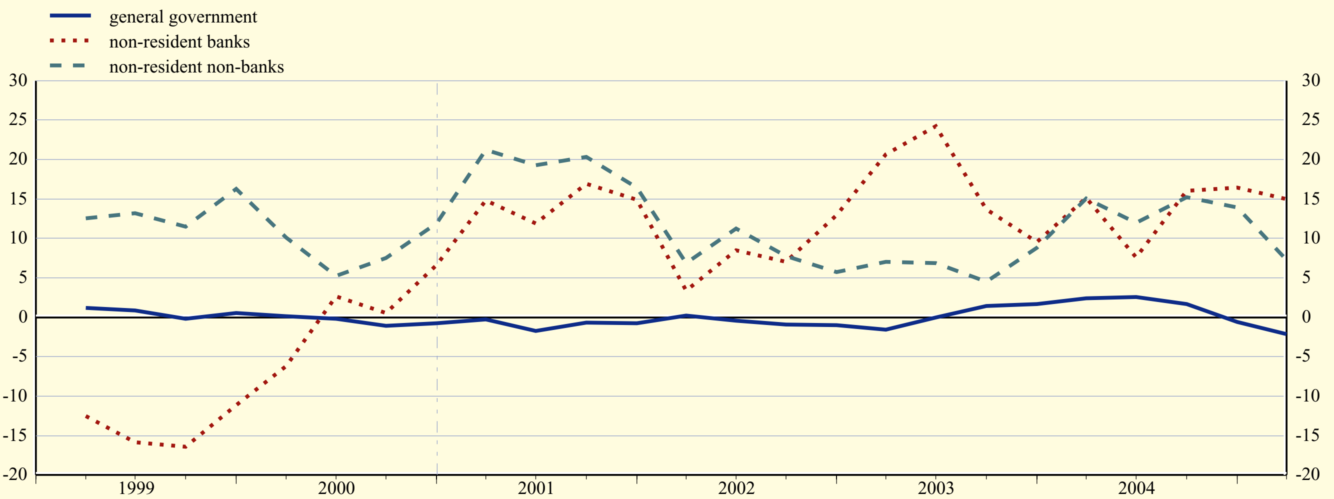
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	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									
2002	813.0	132.7	277.7	382.8	19.7	1,724.6	1,146.2	578.4	64.6	513.8
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004 Q1	821.2	132.5	261.4	388.5	38.9	1,950.4	1,308.6	641.8	61.1	580.8
Q2	815.8	127.2	253.5	391.4	43.7	1,959.2	1,321.7	637.5	60.8	576.7
Q3	810.0	124.5	252.4	394.4	38.8	1,960.9	1,317.3	643.5	60.9	582.6
Q4	812.4	130.6	252.3	405.6	23.8	1,974.6	1,342.2	632.4	61.3	571.1
2005 Q1 (p)	805.7	131.9	248.1	404.1	21.6	2,136.6	1,468.7	667.9	62.9	605.1
	Transactions									
2002	-7.9	-11.3	-21.1	19.9	4.6	168.8	135.3	34.3	-1.2	35.5
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004 Q1	5.2	5.1	-3.8	0.0	3.9	164.0	107.4	56.5	1.8	54.7
Q2	-7.0	-6.2	-8.5	2.8	4.8	6.2	11.5	-5.3	-0.5	-4.8
Q3	-5.5	-2.5	-1.0	3.0	-5.0	23.4	8.8	14.7	0.1	14.6
Q4	2.4	6.7	-0.6	11.3	-14.9	81.8	67.3	14.5	0.4	14.1
2005 Q1 (p)	-7.5	1.1	-4.2	-2.0	-2.2	124.8	103.3	21.5	1.5	20.0
	Growth rates									
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.4	12.9	5.8	-1.9	6.7
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Mar.	2.4	-0.8	-2.2	3.0	63.2	15.1	15.1	15.1	4.0	16.4
June	2.6	0.1	-4.0	4.2	54.4	9.0	7.6	12.0	2.9	13.0
Sep.	1.7	-1.8	-4.1	4.8	26.9	15.8	16.1	15.2	1.9	16.8
Dec.	-0.6	2.4	-5.2	4.4	-32.0	15.6	16.4	13.9	3.0	15.2
2005 Mar. (p)	-2.1	-0.8	-5.5	3.9	-44.5	12.4	14.9	7.3	2.6	7.8

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

2) 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]

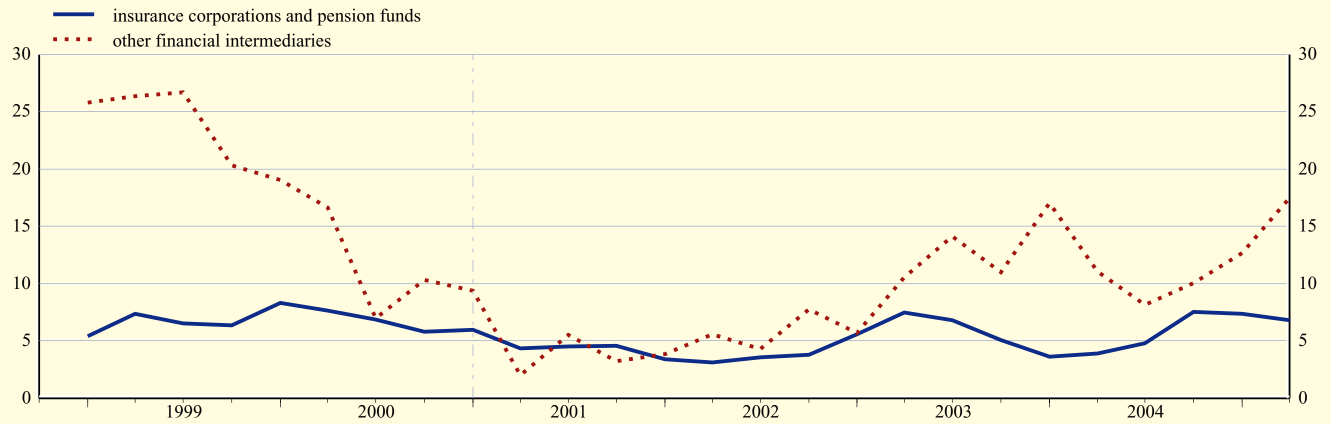
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	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													
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	565.6	180.9	130.8	143.3	6.1	0.1	104.4
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	637.5	180.3	139.0	187.3	10.1	0.1	120.7
2005 Jan.	595.7	67.3	50.9	451.2	1.4	1.3	23.6	666.3	210.8	130.6	188.5	11.6	0.1	124.8
Feb.	590.4	60.6	48.9	456.0	1.3	1.3	22.3	677.4	213.7	133.5	191.1	11.5	0.1	127.4
Mar.	597.0	65.7	48.6	460.2	1.3	1.3	19.8	693.2	212.9	134.0	205.2	11.5	0.1	129.6
Apr.	602.6	65.6	50.7	462.5	1.3	1.3	21.1	703.7	208.1	143.7	210.7	13.1	0.1	128.0
May (p)	602.2	65.1	50.6	461.8	1.6	1.3	21.8	729.6	216.2	144.8	215.3	12.7	0.1	140.6
	Transactions													
2003	19.0	1.6	3.8	11.8	0.3	0.4	1.1	82.8	25.3	-0.2	38.6	3.2	0.1	16.0
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	71.9	0.9	5.8	43.7	4.1	0.0	17.4
2005 Jan.	12.2	8.0	-0.7	1.8	0.2	0.0	2.8	25.6	29.6	-9.0	-0.4	1.4	0.0	4.0
Feb.	-5.2	-6.7	-1.9	4.8	-0.1	0.0	-1.3	8.0	3.3	-0.8	2.8	-0.1	0.0	2.6
Mar.	5.6	5.1	-0.4	3.3	0.1	0.0	-2.5	14.5	-1.2	0.2	13.5	-0.1	0.0	2.1
Apr.	5.5	-0.1	2.1	2.3	0.0	0.0	1.3	10.2	-4.9	9.6	5.4	1.6	0.0	-1.5
May (p)	-0.7	-0.7	-0.3	-0.6	0.3	0.0	0.7	23.6	7.2	0.5	4.1	-0.6	0.0	12.4
	Growth rates													
2003 Dec.	3.6	2.8	9.8	2.9	41.3	58.8	6.0	17.0	16.3	-0.3	36.4	70.4	-	17.1
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.4	67.6	-	16.7
2005 Jan.	7.3	3.5	18.9	6.6	5.1	36.2	8.2	16.5	16.3	-0.6	33.4	69.0	-	12.6
Feb.	5.8	-2.9	16.9	7.2	-2.8	-51.5	-11.6	16.5	16.4	5.9	33.3	38.2	-	6.1
Mar.	6.8	2.2	16.7	7.5	1.9	-51.5	-10.4	17.5	8.3	9.2	40.1	50.0	-	11.5
Apr.	6.7	6.0	23.1	6.7	-9.2	-52.2	-16.2	16.7	6.9	8.6	41.2	60.1	-	8.1
May (p)	6.5	14.4	11.5	5.5	11.5	-53.8	-3.9	21.2	12.2	9.1	44.3	60.3	-	17.9

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown [1]

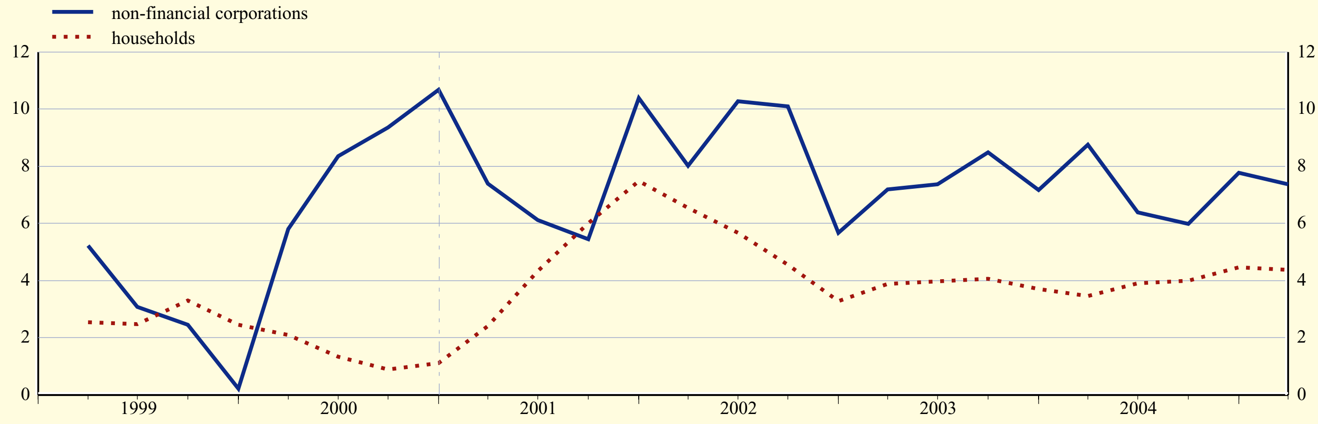
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	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													
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.6	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004	1,116.6	674.6	293.6	73.4	44.2	1.1	29.7	4,159.9	1,403.1	514.2	632.8	1,466.2	88.0	55.6
2005 Jan.	1,077.2	658.1	278.5	71.6	43.0	1.1	24.9	4,166.3	1,400.5	514.5	634.6	1,476.8	87.7	52.2
Feb.	1,069.1	655.5	274.6	71.5	43.7	1.1	22.8	4,175.1	1,406.5	515.4	634.6	1,478.7	88.3	51.6
Mar.	1,098.4	675.0	282.8	72.2	44.0	1.1	23.4	4,175.4	1,409.7	511.0	633.0	1,481.8	88.7	51.2
Apr.	1,101.8	678.4	285.3	69.1	44.7	1.1	23.2	4,206.2	1,434.2	514.5	633.5	1,485.0	88.2	50.8
May (p)	1,113.1	691.5	284.5	69.0	45.6	1.1	21.4	4,215.9	1,440.6	514.1	630.9	1,490.4	87.8	52.1
	Transactions													
2003	70.4	40.9	19.8	3.8	10.2	0.0	-4.2	141.9	95.3	-44.9	9.5	117.4	-13.7	-21.8
2004	80.8	48.5	17.2	6.7	8.0	0.7	-0.2	178.0	90.5	-29.6	31.0	85.2	-1.9	2.8
2005 Jan.	-41.0	-17.6	-16.2	-1.2	-1.2	0.0	-4.8	5.0	-2.9	-0.5	1.7	10.4	-0.3	-3.5
Feb.	-7.1	-2.1	-3.5	-0.1	0.7	0.0	-2.1	9.3	5.4	1.3	0.0	2.7	0.6	-0.6
Mar.	28.3	19.0	7.8	0.6	0.3	0.0	0.6	0.9	3.6	-4.2	-0.3	2.3	-0.1	-0.4
Apr.	3.1	3.3	2.3	-3.1	0.7	0.0	-0.1	30.6	24.4	3.4	0.5	3.1	-0.4	-0.4
May (p)	8.5	11.7	-1.9	-0.4	0.8	0.0	-1.8	8.3	6.0	-1.3	-2.6	5.4	-0.5	1.3
	Growth rates													
2003 Dec.	7.2	6.7	7.5	6.1	41.5	-3.9	-12.4	3.7	7.9	-7.6	1.6	9.3	-13.2	-29.2
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Jan.	7.9	8.9	5.8	7.2	15.2	14.4	-2.0	4.2	6.4	-4.6	4.8	5.9	-1.2	-3.5
Feb.	6.7	9.8	0.4	5.8	16.1	71.1	-12.2	4.4	6.6	-3.0	4.4	5.8	-0.1	-4.7
Mar.	7.4	9.3	3.9	4.9	15.1	68.0	-9.2	4.4	6.7	-3.0	4.1	5.6	0.1	-1.3
Apr.	7.5	9.2	6.3	-1.1	15.3	66.5	-12.1	4.7	7.3	-1.5	3.9	5.4	0.9	-2.9
May (p)	6.9	10.1	2.6	-2.7	16.2	69.5	-17.6	4.6	6.6	-1.0	3.3	5.5	1.3	3.2

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1)]

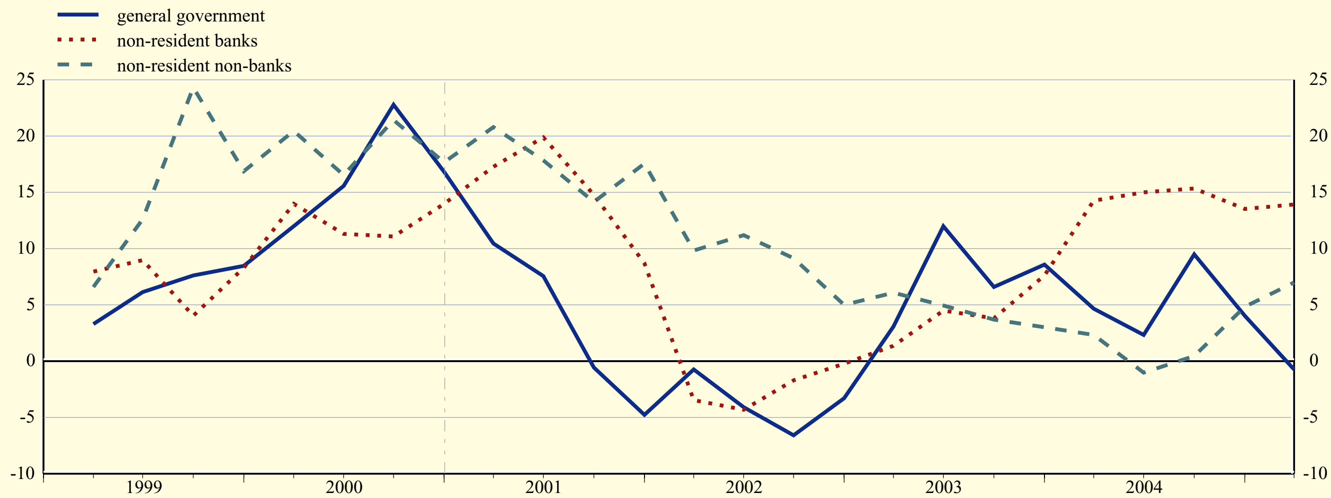
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2)]	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									
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,470.4	1,787.8	682.6	102.0	580.6
Q3	288.2	146.3	33.0	66.2	42.6	2,452.1	1,764.8	687.4	105.1	582.3
Q4	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1 (p)	268.6	125.0	33.4	67.3	42.9	2,667.8	1,934.6	733.3	105.1	628.1
	Transactions									
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	21.5	23.3	-0.5	-2.3	1.0	138.6	117.5	21.1	-1.3	22.4
2004 Q1	-0.6	6.2	-1.1	-4.5	-1.3	155.4	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.4	41.4	-20.1	1.2	-21.3
Q3	-4.9	-10.3	2.3	1.8	1.3	8.0	-3.5	11.5	3.1	8.4
Q4	-4.6	-8.7	-1.0	3.4	1.7	62.4	47.2	14.9	-2.1	17.0
2005 Q1 (p)	-13.5	-12.7	2.8	-2.2	-1.4	190.5	149.5	41.0	1.7	39.3
	Growth rates									
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.2	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep.	9.5	13.2	5.1	3.2	11.5	10.8	15.4	0.4	12.5	-1.5
Dec.	4.0	2.1	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar. (p)	-0.8	-11.5	19.5	8.0	9.1	11.9	13.9	7.0	3.9	7.6

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) The term “banks” is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

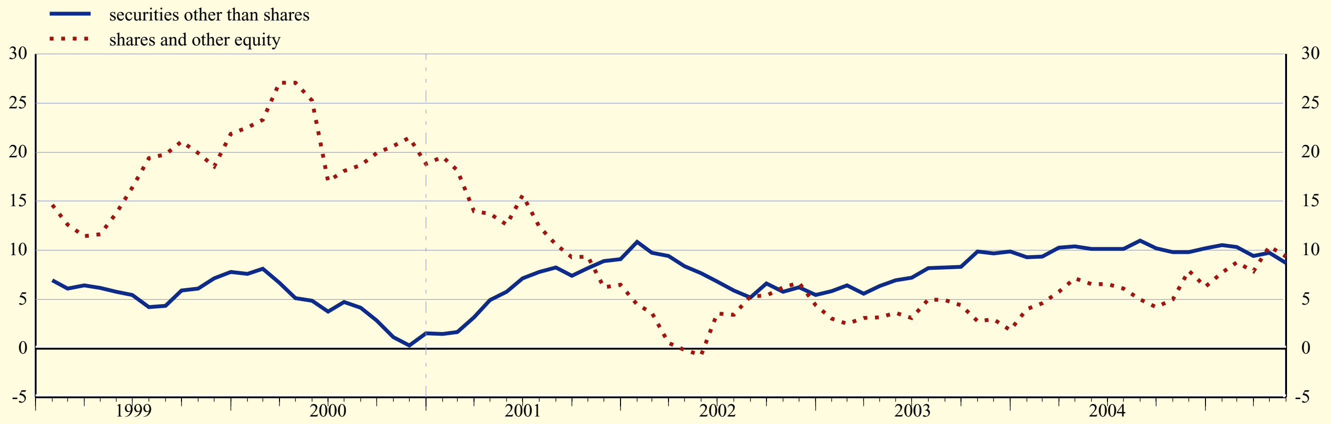
2.6 MFI holdings of securities, breakdown [1]

(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											
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004	3,939.5	1,362.7	59.9	1,284.1	15.8	449.0	16.3	751.7	1,158.3	286.5	656.6	215.2
2005 Jan.	4,031.9	1,361.6	65.6	1,321.0	18.9	453.1	16.4	795.3	1,189.9	292.7	668.8	228.4
Feb.	4,069.5	1,375.5	64.7	1,349.8	17.9	463.8	15.9	781.8	1,211.4	293.3	672.0	246.1
Mar.	4,096.6	1,389.7	66.4	1,341.5	15.8	464.6	16.1	802.5	1,223.5	297.5	677.4	248.7
Apr.	4,161.4	1,412.5	65.1	1,353.9	17.9	472.1	17.6	822.3	1,282.0	312.0	731.9	238.1
May (p)	4,192.1	1,409.8	67.3	1,350.9	18.3	477.1	19.2	849.6	1,284.2	315.5	731.9	236.8
	Transactions											
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004	368.5	148.1	4.9	40.3	1.3	34.9	-1.3	140.4	67.4	2.2	34.4	30.8
2005 Jan.	78.9	2.7	3.9	33.4	2.5	4.7	-0.4	32.3	31.0	6.1	11.5	13.4
Feb.	44.6	13.7	-0.4	29.5	-0.7	11.0	-0.3	-8.3	18.7	0.0	1.4	17.3
Mar.	17.6	13.5	1.1	-8.8	-2.3	1.0	0.0	13.2	13.7	4.6	6.1	3.0
Apr.	58.5	23.0	-1.8	10.2	1.9	6.8	1.3	17.1	61.2	14.9	56.0	-9.7
May (p)	9.1	-2.4	0.5	-5.7	-0.3	4.7	1.0	11.2	-5.6	2.7	-3.0	-5.3
	Growth rates											
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Jan.	10.5	11.1	10.6	4.7	23.7	9.7	-3.2	20.9	7.7	1.6	6.2	22.4
Feb.	10.3	10.4	16.2	5.5	18.7	11.2	-7.2	18.8	8.8	1.6	6.1	28.6
Mar.	9.4	9.1	13.8	3.8	-3.9	11.1	-5.4	19.8	7.9	2.4	4.4	27.5
Apr.	9.8	10.1	8.8	4.0	10.5	11.5	-0.8	19.2	10.4	5.4	9.4	21.4
May (p)	8.7	9.0	10.8	1.3	8.1	11.3	10.2	20.6	9.4	5.0	9.0	17.2

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items [1]

(EUR billions)

1. Write-offs/write-downs of loans to households [2]

	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
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.6	-2.3	-0.3	-4.0
2005 Jan.	-0.6	-0.3	-0.1	-0.2	-0.6	-0.1	0.0	-0.5	-1.2	-0.5	-0.1	-0.6
Feb.	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.4	0.0	-0.4
Mar.	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.8	-0.2	0.0	-0.5
Apr.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
May (p)	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.4	-0.2	0.0	-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
2003	-17.7	-8.8	-1.3	-7.6	-1.1	-0.3	-0.7
2004	-16.1	-8.8	-0.8	-6.4	-1.6	-0.5	-1.1
2005 Jan.	-2.6	-1.3	-0.3	-1.0	-0.2	0.0	-0.1
Feb.	-1.2	-0.6	-0.2	-0.5	-0.1	0.0	-0.1
Mar.	-1.3	-0.7	-0.2	-0.4	-0.1	0.0	0.0
Apr.	-0.8	-0.5	0.0	-0.3	0.0	0.0	0.0
May (p)	-2.4	-0.5	0.0	-1.9	-0.2	0.0	-0.2

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004	13.4	1.5	-0.1	10.8	-0.2	0.8	-0.1	0.6	8.4	1.3	3.6	3.5
2005 Jan.	5.5	0.0	0.1	4.2	0.1	-0.2	0.1	1.3	2.9	0.4	1.1	1.4
Feb.	-2.0	0.3	0.0	-1.4	0.0	-0.3	0.0	-0.4	2.8	0.5	1.8	0.5
Mar.	2.4	0.7	0.0	1.0	0.0	-0.2	0.0	0.8	-1.1	-0.4	-0.2	-0.5
Apr.	3.8	0.4	0.0	2.2	0.0	0.8	0.0	0.4	-3.1	-0.8	-1.5	-0.8
May (p)	5.8	0.4	0.1	2.7	0.1	0.3	0.1	2.1	7.8	0.8	3.0	4.1

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

1. Deposits

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.9	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,521.8	90.3	9.7	5.7	0.5	1.5	1.3	6,565.2	97.1	2.9	1.8	0.3	0.1	0.4
Q3	4,586.6	90.5	9.5	5.7	0.5	1.5	1.3	6,587.6	97.1	2.9	1.8	0.3	0.1	0.4
Q4	4,708.0	91.4	8.6	5.0	0.5	1.5	1.1	6,779.4	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1 (p)	4,826.7	91.0	9.0	5.5	0.4	1.4	1.1	6,832.5	97.0	3.0	1.8	0.3	0.1	0.4
	By non-euro area residents													
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003	1,580.8	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,787.8	45.1	54.9	36.7	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3	1,764.8	46.7	53.3	35.5	1.8	3.1	9.7	687.4	53.1	46.9	29.8	1.8	2.0	9.8
Q4	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1 (p)	1,934.6	46.9	53.1	36.1	2.1	2.9	9.0	733.3	54.9	45.1	29.1	1.5	2.1	9.2

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3	3,597.2	84.2	15.8	8.0	1.8	2.0	2.6
Q4	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1 (p)	3,795.1	83.4	16.6	8.2	1.7	1.9	2.9

Source: ECB.

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

2) For non-euro area residents, the term “MFIs” refers to institutions of a similar type to euro area MFIs.

3) Including items expressed in the national denominations of the euro.

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

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

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	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													
2002	4,017.8	-	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3
2003	4,193.9	-	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3
2004 Q1	4,224.9	-	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4
Q2	4,295.0	-	-	-	-	-	-	8,138.0	96.4	3.6	1.6	0.2	1.3	0.4
Q3	4,356.4	-	-	-	-	-	-	8,213.5	96.5	3.5	1.5	0.2	1.3	0.4
Q4	4,456.5	-	-	-	-	-	-	8,369.8	96.6	3.4	1.4	0.2	1.3	0.4
2005 Q1 (p)	4,574.6	-	-	-	-	-	-	8,480.1	96.5	3.5	1.5	0.2	1.3	0.4
	To non-euro area residents													
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.0	578.4	36.4	63.6	47.3	2.3	4.7	5.7
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	575.7	38.8	61.2	43.6	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.4	4.7	2.7	9.4	641.8	40.2	59.8	41.6	2.5	4.4	8.1
Q2	1,321.7	49.3	50.7	30.8	4.7	2.4	9.2	637.5	38.7	61.3	42.3	2.5	4.5	8.9
Q3	1,317.3	51.2	48.8	30.0	3.7	2.2	9.0	643.5	40.3	59.7	41.9	2.5	4.4	7.4
Q4	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.4	42.2	57.8	40.1	2.6	4.5	7.2
2005 Q1 (p)	1,468.7	51.9	48.1	29.5	3.5	2.0	8.9	667.9	41.6	58.4	42.4	1.4	4.3	7.1

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	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													
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004 Q1	1,341.8	95.5	4.5	1.6	0.3	0.9	1.4	1,735.8	97.9	2.1	1.0	0.5	0.2	0.2
Q2	1,359.4	95.4	4.6	2.2	0.4	0.4	1.4	1,794.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3	1,385.9	95.5	4.5	2.1	0.3	0.5	1.3	1,793.3	98.1	1.9	1.0	0.5	0.1	0.2
Q4	1,422.6	95.8	4.2	1.8	0.3	0.5	1.3	1,765.1	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1 (p)	1,456.1	95.4	4.6	2.0	0.4	0.4	1.5	1,838.0	98.3	1.7	0.9	0.4	0.1	0.3
	Issued by non-euro area residents													
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004 Q1	309.2	44.7	55.3	29.6	1.2	5.0	16.6	380.8	44.4	55.6	31.1	6.1	5.4	7.1
Q2	312.7	46.3	53.7	32.8	1.1	0.6	16.8	388.4	45.2	54.8	33.6	6.7	1.0	7.4
Q3	322.3	47.7	52.3	32.2	1.0	0.5	16.2	411.1	44.2	55.8	32.3	7.6	0.8	8.4
Q4	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1 (p)	361.8	49.1	50.9	30.2	1.0	0.5	16.4	440.7	44.1	55.9	32.1	7.3	0.7	9.0

Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2003 Q3	3,085.0	248.2	1,404.9	65.3	1,339.6	932.2	234.6	126.3	138.8
Q4	3,174.3	235.1	1,389.0	67.4	1,321.6	1,033.6	243.9	133.7	139.1
2004 Q1	3,356.2	266.5	1,434.5	70.4	1,364.1	1,103.9	263.2	136.9	151.2
Q2	3,373.2	244.9	1,430.8	69.4	1,361.5	1,121.1	278.5	140.3	157.6
Q3	3,392.8	246.7	1,472.9	72.1	1,400.8	1,095.2	281.0	144.4	152.6
Q4 (p)	3,510.7	240.3	1,497.8	72.0	1,425.9	1,157.4	293.7	147.0	174.5

2. Liabilities

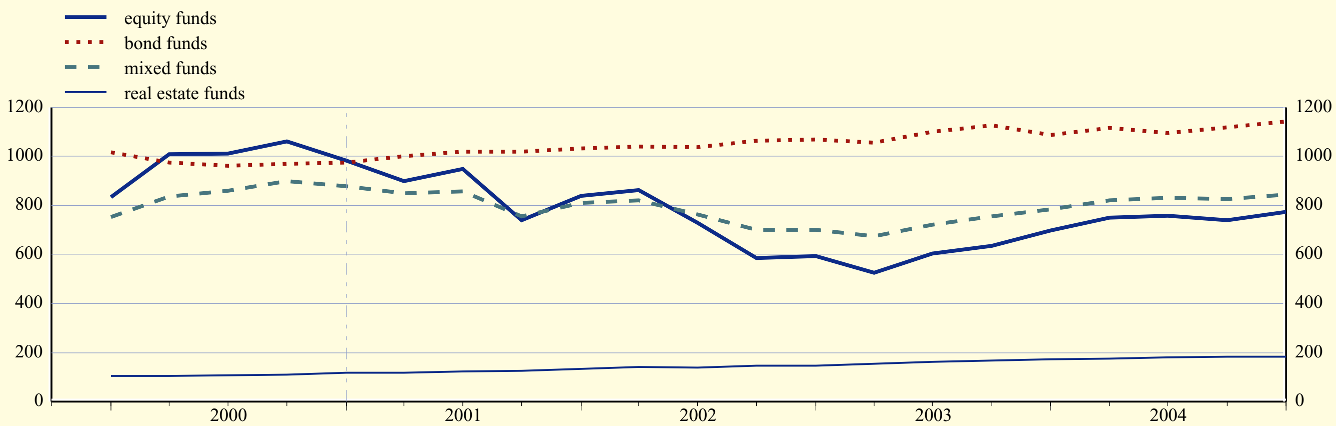
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2003 Q3	3,085.0	43.2	2,917.0	124.8
Q4	3,174.3	44.2	3,011.0	119.1
2004 Q1	3,356.2	49.6	3,173.8	132.9
Q2	3,373.2	50.4	3,196.2	126.6
Q3	3,392.8	49.5	3,216.6	126.7
Q4 (p)	3,510.7	48.6	3,322.5	139.6

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2003 Q3	3,085.0	635.4	1,126.7	753.8	167.7	401.4	2,248.5	836.5
Q4	3,174.3	697.8	1,086.3	783.0	171.7	435.5	2,317.7	856.6
2004 Q1	3,356.2	750.4	1,116.3	820.6	176.2	492.8	2,469.8	886.4
Q2	3,373.2	756.5	1,094.2	830.0	179.7	512.7	2,479.5	893.7
Q3	3,392.8	740.1	1,119.0	825.8	182.4	525.5	2,495.4	897.4
Q4 (p)	3,510.7	772.0	1,142.4	844.6	182.7	569.0	2,594.1	916.6

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

1) Other than money market funds. Data refer to euro area countries excluding Ireland. For further details, see the General notes.

2.10 Assets of euro area investment funds broken down by investment policy and type of investor

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares: Total	Holdings of securities other than shares: Up to 1 year	Holdings of securities other than shares: Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
				Equity funds					
2003 Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.4	32.8	32.2	3.0	29.2	635.6	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3	740.1	31.5	33.1	3.7	29.4	625.2	25.1	-	25.1
Q4 (p)	772.0	28.5	34.1	3.7	30.4	652.8	28.0	-	28.6
				Bond funds					
2003 Q3	1,126.7	93.6	934.5	30.7	903.8	29.1	21.7	-	47.9
Q4	1,086.3	82.5	905.7	31.6	874.1	31.0	21.6	-	45.5
2004 Q1	1,116.3	97.3	918.4	35.3	883.1	32.6	21.4	-	46.6
Q2	1,094.2	79.1	910.0	36.3	873.7	33.0	21.8	-	50.3
Q3	1,119.0	80.8	932.4	38.8	893.6	31.9	23.4	-	50.5
Q4 (p)	1,142.4	77.5	943.7	39.9	903.8	36.9	23.4	-	60.9
				Mixed funds					
2003 Q3	753.8	50.4	323.8	22.2	301.6	248.3	95.4	0.3	35.6
Q4	783.0	49.4	323.8	22.1	301.7	272.3	100.5	0.3	36.7
2004 Q1	820.6	52.9	333.7	21.2	312.5	286.6	107.2	0.3	39.9
Q2	830.0	52.3	340.1	22.3	317.7	278.9	114.9	0.3	43.5
Q3	825.8	52.3	347.8	22.0	325.9	270.5	115.6	0.3	39.4
Q4 (p)	844.6	50.4	346.9	20.1	326.8	281.9	121.3	0.2	43.9
				Real estate funds					
2003 Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1	176.2	14.7	9.1	0.6	8.5	0.7	7.7	135.9	8.0
Q2	179.7	15.0	8.6	0.6	7.9	0.7	7.7	139.2	8.7
Q3	182.4	14.4	8.5	0.6	7.9	0.7	7.5	143.1	8.0
Q4 (p)	182.7	14.7	7.1	0.7	6.4	0.9	6.9	144.9	8.1

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
				General public funds			
2003 Q3	2,248.5	198.9	927.3	736.4	176.6	108.9	100.4
Q4	2,317.7	191.6	913.2	815.7	183.8	115.5	98.0
2004 Q1	2,469.8	219.2	948.7	877.3	198.8	117.8	107.9
Q2	2,479.5	202.1	945.8	890.2	211.0	120.5	109.8
Q3	2,495.4	205.7	974.5	872.5	213.2	124.0	105.5
Q4 (p)	2,594.1	201.5	997.2	927.2	222.8	127.5	117.9
				Special investors' funds			
2003 Q3	836.5	49.3	477.6	195.8	58.0	17.4	38.4
Q4	856.6	43.4	475.8	217.9	60.0	18.3	41.2
2004 Q1	886.4	47.3	485.8	226.5	64.4	19.1	43.3
Q2	893.7	42.8	485.0	230.8	67.5	19.8	47.8
Q3	897.4	41.0	498.4	222.7	67.7	20.4	47.2
Q4 (p)	916.6	38.7	500.6	230.2	70.9	19.5	56.7

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total	Currency and deposits: Total	Currency and deposits: Currency	Deposits of non-financial sectors other than central government with euro area MFIs: Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	Memo: deposits of non-banks with banks outside the euro area
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2003 Q3	15,183.4	5,762.1	322.7	5,070.8	1,956.6	1,555.8	1,469.0	89.3	183.9	184.7	345.3
Q4	15,598.8	5,885.2	353.5	5,183.2	2,027.5	1,559.1	1,511.4	85.2	155.7	192.8	348.0
2004 Q1	15,810.8	5,915.0	350.8	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	199.8	397.6
Q2	16,078.1	6,052.4	372.1	5,263.9	2,101.2	1,529.5	1,553.9	79.4	223.7	192.7	398.0
Q3	16,158.8	6,077.0	383.5	5,284.3	2,104.2	1,532.2	1,565.1	82.8	204.1	205.1	395.3
Q4	16,513.4	6,236.7	414.5	5,434.9	2,165.1	1,577.7	1,603.8	88.2	162.4	224.9	385.3
					Transactions						
2003 Q3	128.3	12.5	11.4	12.0	6.8	-3.8	12.9	-3.9	-13.7	2.8	17.1
Q4	168.8	128.6	30.8	118.0	79.0	7.9	36.3	-5.2	-28.1	8.0	10.9
2004 Q1	146.6	27.4	-2.7	-5.0	-7.6	-15.8	22.4	-3.9	28.1	7.0	44.1
Q2	286.5	139.7	21.2	86.1	82.0	-14.7	20.7	-1.9	39.4	-7.1	-0.1
Q3	122.9	29.0	11.5	24.8	4.6	5.5	11.3	3.4	-19.7	12.4	1.4
Q4	176.5	168.4	31.0	159.4	65.2	49.9	38.9	5.4	-41.7	19.8	1.5
					Growth rates						
2003 Q3	5.0	6.9	30.1	4.7	8.2	-0.7	9.1	-23.5	22.8	12.9	24.9
Q4	4.8	6.0	30.9	4.3	7.6	-1.0	8.1	-23.4	11.0	9.0	24.9
2004 Q1	4.5	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	7.6	25.9
Q2	4.8	5.4	19.5	4.2	8.3	-1.7	6.3	-15.7	12.8	5.0	21.9
Q3	4.8	5.6	18.8	4.4	8.1	-1.1	6.2	-8.5	10.7	11.0	16.3
Q4	4.7	6.2	17.3	5.1	7.1	1.6	6.2	3.6	3.9	16.7	13.5

	Securities other than shares: Total	Short-term	Long-term	Shares [2]: Total	Quoted shares	Mutual fund shares	Money market fund shares	Insurance technical reserves: Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
	12	13	14	15	16	17	18	19	20	21
					Outstanding amounts					
2003 Q3	1,951.1	186.5	1,764.6	3,638.0	1,769.9	1,868.1	408.7	3,832.2	3,460.8	371.5
Q4	1,913.1	191.2	1,721.8	3,924.6	2,028.9	1,895.7	406.6	3,875.9	3,504.3	371.6
2004 Q1	1,927.8	198.3	1,729.5	4,028.0	2,077.5	1,950.5	420.9	3,939.9	3,559.4	380.5
Q2	1,958.0	214.6	1,743.4	4,076.1	2,133.7	1,942.4	424.3	3,991.6	3,607.6	384.0
Q3	1,980.5	216.0	1,764.5	4,044.8	2,107.2	1,937.6	424.6	4,056.5	3,669.6	386.9
Q4	1,979.9	207.0	1,772.9	4,180.0	2,228.5	1,951.5	406.7	4,116.7	3,727.1	389.7
					Transactions					
2003 Q3	11.9	2.4	9.5	45.6	23.6	22.1	2.7	58.3	54.9	3.4
Q4	2.0	9.9	-8.0	-18.6	-18.5	-0.1	-10.2	56.8	57.3	-0.5
2004 Q1	9.4	6.5	2.9	37.9	7.9	30.0	15.1	71.9	62.0	9.9
Q2	33.6	15.0	18.6	58.6	58.2	0.4	-0.6	54.6	50.1	4.5
Q3	17.2	1.6	15.5	14.5	11.5	3.0	-2.3	62.1	58.2	3.9
Q4	-9.8	-10.7	0.9	-49.0	-38.0	-11.0	-16.5	66.9	63.1	3.8
					Growth rates					
2003 Q3	-1.7	-9.1	-0.7	4.4	1.6	7.2	9.3	6.3	6.7	3.5
Q4	-1.1	-4.7	-0.7	4.1	1.2	7.1	8.5	6.8	7.1	3.9
2004 Q1	-0.8	-0.6	-0.8	3.7	2.2	5.1	2.8	6.7	6.9	4.8
Q2	2.9	18.2	1.3	3.4	4.1	2.9	1.7	6.4	6.6	4.7
Q3	3.2	17.7	1.7	2.5	3.3	1.8	0.5	6.4	6.6	4.8
Q4	2.6	6.5	2.2	1.6	2.0	1.2	-1.1	6.6	6.7	6.0

Source: ECB.
1) Covering deposits with euro area central government (S.1311 in ESA 95), other financial intermediaries (S.123 in ESA 95) and insurance corporations and pension funds (S.125 in ESA 95).
2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from banks outside the euro area by non-banks
		Total		General government			Non-financial corporations			Households [1)]			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2003 Q3	16,293.4	8,332.7	7,292.1	885.4	71.1	814.3	3,659.1	1,185.0	2,474.1	3,788.2	283.8	3,504.4	275.5
Q4	16,639.4	8,479.4	7,395.7	957.0	81.0	876.0	3,663.0	1,167.8	2,495.2	3,859.4	284.6	3,574.8	266.4
2004 Q1	16,988.0	8,528.6	7,464.5	962.3	85.0	877.3	3,654.7	1,163.2	2,491.5	3,911.7	278.6	3,633.1	308.2
Q2	17,187.5	8,675.7	7,595.2	954.6	90.4	864.2	3,698.7	1,171.5	2,527.1	4,022.5	290.5	3,732.0	308.0
Q3	17,292.1	8,753.5	7,672.9	950.2	89.0	861.2	3,701.0	1,153.2	2,547.8	4,102.3	287.7	3,814.6	285.3
Q4	17,662.5	8,887.4	7,796.6	952.3	79.7	872.6	3,749.2	1,174.2	2,575.0	4,185.9	292.1	3,893.9	290.3
	Transactions												
2003 Q3	143.5	86.1	57.3	7.3	1.1	6.3	8.1	-25.8	33.9	70.7	-5.7	76.4	22.8
Q4	133.2	117.2	118.4	23.3	9.9	13.4	16.1	-16.3	32.4	77.8	3.8	74.1	-1.4
2004 Q1	203.6	54.2	75.9	6.8	4.0	2.7	-10.2	-4.9	-5.3	57.6	-4.6	62.2	36.0
Q2	270.1	155.1	134.4	-9.3	5.4	-14.7	70.2	15.5	54.7	94.3	8.6	85.7	-0.5
Q3	148.7	79.7	86.1	-4.0	-1.4	-2.6	1.4	-15.9	17.3	82.3	-2.3	84.6	-19.5
Q4	123.3	147.6	140.0	2.0	-9.4	11.3	61.8	21.0	40.8	83.8	5.9	77.9	14.2
	Growth rates												
2003 Q3	5.2	5.5	4.3	2.7	33.1	0.7	4.6	1.1	6.4	7.1	-2.3	7.9	16.1
Q4	4.9	5.1	4.6	3.6	36.5	1.1	3.4	0.2	5.0	7.2	-1.9	8.0	12.9
2004 Q1	4.6	4.6	4.7	3.7	26.6	1.8	1.9	-1.8	3.7	7.5	-0.7	8.2	23.3
Q2	4.6	5.0	5.3	3.2	29.1	1.0	2.3	-2.6	4.7	8.1	0.7	8.7	22.4
Q3	4.6	4.9	5.7	1.9	25.1	-0.1	2.1	-1.8	4.0	8.2	1.9	8.7	5.3
Q4	4.5	5.1	5.9	-0.5	-1.7	-0.4	3.4	1.3	4.3	8.2	2.7	8.7	11.4

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2003 Q3	5,021.5	4,410.4	561.0	3,849.3	611.1	192.0	419.2	2,473.0	174.3	291.9
Q4	4,959.5	4,336.5	548.4	3,788.1	623.0	196.7	426.4	2,726.3	181.7	292.5
2004 Q1	5,139.7	4,520.7	590.8	3,929.9	619.0	208.9	410.1	2,834.1	189.0	296.5
Q2	5,186.3	4,555.1	616.3	3,938.7	631.2	218.7	412.5	2,843.0	181.9	300.7
Q3	5,276.1	4,638.5	614.2	4,024.3	637.6	216.7	421.0	2,763.5	194.0	305.0
Q4	5,281.2	4,645.4	581.9	4,063.5	635.8	213.9	421.8	2,980.9	213.5	299.5
	Transactions									
2003 Q3	48.0	39.0	-8.8	47.8	9.0	5.5	3.5	3.9	2.4	3.1
Q4	4.0	-5.6	-15.6	10.0	9.6	0.8	8.8	0.2	7.4	4.4
2004 Q1	137.1	143.7	42.1	101.6	-6.7	12.2	-18.8	2.1	7.3	2.9
Q2	114.6	100.3	25.4	74.9	14.3	10.5	3.8	4.4	-7.1	3.1
Q3	47.8	39.4	-0.8	40.1	8.4	-1.0	9.5	5.9	12.1	3.2
Q4	-50.7	-48.0	-32.6	-15.4	-2.7	-3.9	1.2	3.2	19.4	3.8
	Growth rates									
2003 Q3	6.7	6.0	13.8	5.0	12.1	27.7	6.1	0.7	13.2	4.4
Q4	6.5	5.7	12.3	4.8	13.0	22.2	9.1	0.8	8.9	4.9
2004 Q1	6.1	6.1	9.9	5.6	6.0	13.8	2.5	1.0	7.5	4.8
Q2	6.0	6.3	7.6	6.1	4.3	15.6	-0.7	0.4	4.8	4.7
Q3	6.0	6.3	9.1	5.9	4.2	11.7	0.8	0.5	11.3	4.7
Q4	5.0	5.4	6.2	5.3	2.1	9.1	-1.0	0.6	17.5	4.5

Source: ECB.

1) Including non-profit institutions serving households.

3.3 Main financial assets and liabilities of insurance corporations and pension funds

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2003 Q3	3,504.5	533.3	57.5	455.3	1.8	18.7	341.5	61.3	280.2	1,422.4	59.7	1,362.7
Q4	3,598.1	542.4	58.9	462.3	2.1	19.1	336.6	61.6	275.0	1,459.4	59.1	1,400.3
2004 Q1	3,736.0	557.3	64.7	468.3	2.3	22.0	346.4	64.0	282.4	1,522.8	61.5	1,461.3
Q2	3,757.4	565.4	59.9	482.0	2.3	21.2	343.6	65.5	278.1	1,529.2	63.0	1,466.2
Q3	3,814.5	573.6	61.5	489.8	2.3	20.0	345.4	66.1	279.3	1,574.0	62.8	1,511.2
Q4	3,901.5	583.2	59.2	500.8	2.5	20.8	340.1	68.4	271.6	1,622.5	61.2	1,561.3
	Transactions											
2003 Q3	33.1	-6.2	-6.4	3.8	0.3	-3.8	0.9	-0.6	1.5	27.4	2.9	24.5
Q4	67.8	10.2	1.5	7.9	0.3	0.5	-5.3	0.0	-5.4	48.9	-1.4	50.3
2004 Q1	90.5	14.6	5.7	5.9	0.2	2.8	9.8	2.6	7.2	45.9	2.1	43.8
Q2	30.2	7.2	-4.9	13.7	-0.6	-0.9	-2.7	1.6	-4.3	24.5	1.0	23.5
Q3	46.2	8.2	1.6	7.8	-0.1	-1.1	1.8	0.7	1.2	25.1	-0.6	25.7
Q4	54.5	9.9	-1.7	10.6	0.2	0.7	-5.6	2.2	-7.8	41.0	-0.8	41.8
	Growth rates											
2003 Q3	6.2	5.0	11.7	3.6	-1.6	28.2	0.2	-17.4	5.2	10.2	25.8	9.6
Q4	6.2	3.6	2.9	3.5	17.9	6.1	-3.2	-11.3	-1.2	11.1	14.1	11.0
2004 Q1	7.1	3.9	5.0	3.0	38.5	18.7	2.6	3.4	2.4	10.4	10.8	10.4
Q2	6.4	4.8	-6.4	6.9	6.5	-6.3	0.8	5.8	-0.3	10.5	8.1	10.6
Q3	6.7	7.5	6.8	7.7	-12.8	6.7	1.1	8.0	-0.4	10.1	1.8	10.5
Q4	6.2	7.4	1.2	8.2	-12.0	7.8	1.0	11.5	-1.3	9.4	2.9	9.6

	Main financial assets					Main liabilities							
	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Mutual fund shares				Total				Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
				Money market fund shares				Taken from euro area MFIs					
	13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2003 Q3	1,092.1	483.9	608.2	60.6	115.2	3,794.9	62.7	44.3	19.0	164.8	3,548.4	3,022.8	525.7
Q4	1,151.9	520.6	631.3	64.1	107.8	3,851.0	51.9	35.4	21.0	189.9	3,588.1	3,061.6	526.5
2004 Q1	1,198.2	537.0	661.2	63.4	111.3	3,936.5	61.6	46.3	21.5	190.9	3,662.5	3,123.6	538.9
Q2	1,207.0	535.8	671.2	63.6	112.2	3,993.4	69.6	53.7	22.0	193.3	3,708.6	3,165.5	543.1
Q3	1,207.6	528.3	679.2	63.1	114.0	4,038.1	69.5	52.5	20.4	185.7	3,762.5	3,214.7	547.7
Q4	1,240.7	550.8	689.9	68.3	115.0	4,106.7	64.1	48.6	21.3	207.1	3,814.2	3,264.0	550.2
	Transactions												
2003 Q3	9.6	4.6	5.0	-4.3	1.4	57.2	2.0	-0.5	0.5	0.0	54.7	49.9	4.8
Q4	21.3	5.9	15.4	4.1	-7.2	45.9	-10.8	-8.9	1.9	5.0	49.8	49.5	0.2
2004 Q1	16.6	-0.4	17.0	-0.8	3.6	80.6	9.6	10.8	0.4	0.8	69.8	56.4	13.4
Q2	0.0	-7.4	7.4	-0.1	1.1	58.7	7.6	7.0	0.5	0.1	50.5	45.3	5.2
Q3	9.0	3.4	5.6	-0.5	2.0	59.3	-0.1	-1.1	-1.3	2.1	58.6	52.9	5.7
Q4	7.6	2.1	5.5	5.3	1.5	49.9	-5.1	-3.6	0.6	0.1	54.3	50.8	3.5
	Growth rates												
2003 Q3	4.0	-0.6	7.6	17.7	4.6	6.2	6.7	9.4	2.8	2.8	6.4	6.9	3.6
Q4	5.1	1.9	7.6	11.3	-1.0	6.9	12.9	12.7	13.4	6.2	6.8	7.3	4.2
2004 Q1	6.5	3.2	8.8	5.9	-0.1	6.7	0.9	8.5	16.3	8.3	6.7	7.1	4.9
Q2	4.5	0.6	7.5	-1.7	-0.9	6.5	14.0	18.8	18.4	3.5	6.4	6.8	4.5
Q3	4.3	0.3	7.5	4.6	-0.4	6.4	10.2	17.5	8.4	4.8	6.4	6.8	4.7
Q4	2.9	-0.4	5.6	6.2	7.6	6.5	23.3	36.9	1.5	1.6	6.5	6.7	5.3

Source: ECB.
1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	351.8	1,136.1	-797.1	12.8	0.0	1,937.6	-0.2	390.9	330.7	464.6	491.4	224.1	36.0
1998	417.0	1,201.3	-823.6	39.2	0.2	2,407.0	11.0	419.6	360.1	515.3	845.0	213.7	42.3
1999	451.2	1,290.9	-863.7	23.8	0.2	3,111.1	1.3	559.2	429.1	878.8	942.2	259.2	41.3
2000	500.0	1,394.2	-913.1	35.6	-16.7	2,897.2	1.3	350.9	264.6	829.9	1,189.1	251.3	10.0
2001	482.1	1,449.3	-973.6	4.4	2.0	2,574.7	-0.5	579.0	449.1	731.2	602.3	248.8	-35.3
2002	395.8	1,439.7	-1,035.0	-10.0	1.1	2,295.6	0.9	656.6	279.7	632.8	468.4	220.8	36.4
2003	409.6	1,464.9	-1,064.6	8.9	0.5	2,394.9	1.7	678.6	426.8	578.8	456.6	240.7	11.7

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	457.7	1,482.8	-1,035.0	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	411.8	1,471.4	-1,064.6	5.1	2,392.7	676.2	514.0	539.3	420.3	242.8

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	638.2	101.6	44.6	169.2	232.1	91.3	590.5	762.6	99.7	355.5	295.9
2002	171.9	757.6	-581.0	515.7	31.8	-55.7	174.2	253.1	108.6	633.2	579.0	21.0	352.0	190.8
2003	156.9	746.4	-597.8	360.6	69.3	-57.9	107.6	191.3	80.3	647.2	437.1	55.0	174.1	194.9

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	167.8	374.7	-210.3	427.7	69.3	-20.8	192.5	217.6	425.7	615.5	169.7	168.3	3,852.4	16.0
1998	183.6	387.8	-215.1	440.7	92.9	-119.0	287.4	209.3	409.7	593.4	214.6	213.3	3,954.9	15.0
1999	192.2	418.2	-230.2	472.2	122.6	-28.5	195.8	245.2	395.9	580.1	268.4	266.9	4,105.3	14.1
2000	213.0	442.2	-240.3	420.3	66.2	35.3	122.6	245.9	406.9	607.5	226.4	224.7	4,329.8	14.0
2001	206.9	452.3	-257.6	398.2	180.7	82.7	45.4	229.1	429.0	650.1	176.2	174.3	4,619.4	14.1
2002	167.9	464.2	-291.3	472.6	220.6	83.1	-1.0	211.3	427.3	675.8	213.2	211.1	4,762.5	14.2
2003	184.6	485.0	-299.9	508.1	224.2	16.6	83.6	229.8	432.4	696.2	260.2	257.9	4,902.6	14.2

Source: ECB.

1) Including net acquisition of valuables.
2) Excluding financial derivatives.
3) Financial derivatives, other accounts receivable/payable and statistical discrepancies.
4) Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
5) Including non-profit institutions serving households.
6) Gross saving as a percentage of disposable income.

4

FINANCIAL MARKETS

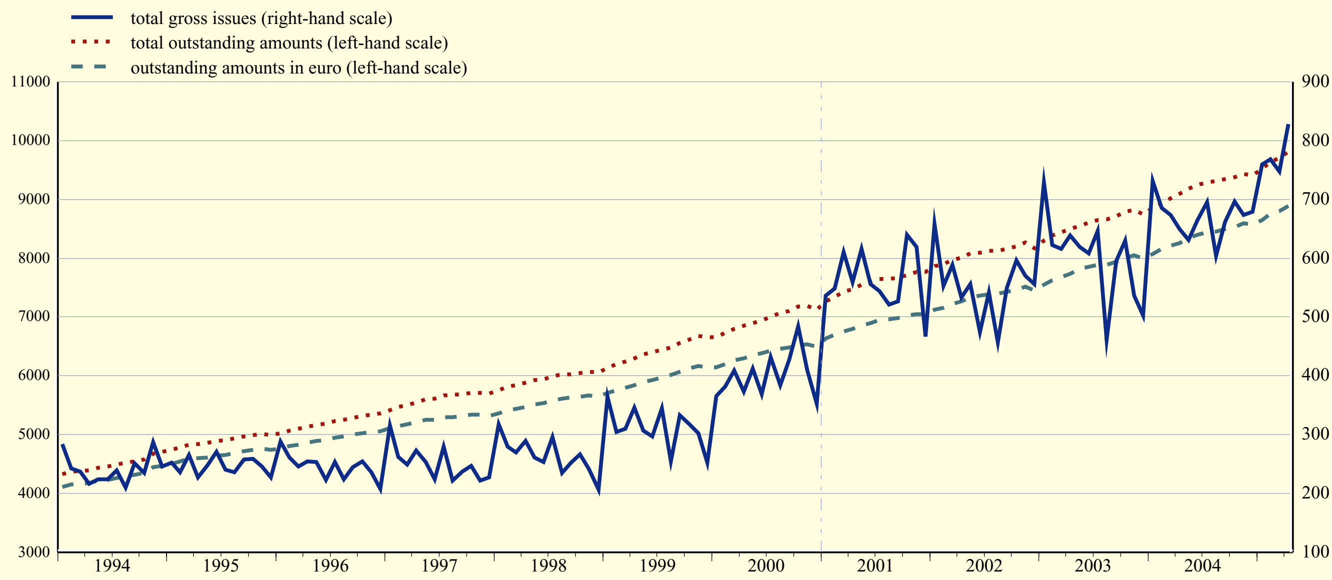
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(EUR billions, unless otherwise indicated; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro [1]				By euro area residents							
					Total				Of which in euro			
	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004 Apr.	9,523.3	649.5	624.5	25.0	9,095.0	649.4	587.0	62.5	90.8	93.2	95.0	47.7
May	9,625.5	649.2	549.6	99.6	9,179.2	630.8	543.6	87.3	90.9	93.9	94.9	76.4
June	9,736.3	711.3	602.1	109.2	9,249.3	664.7	598.0	66.8	90.8	94.3	94.7	60.3
July	9,759.0	707.8	686.3	21.5	9,294.3	695.2	653.9	41.3	90.8	94.1	94.6	35.5
Aug.	9,791.8	619.8	590.5	29.3	9,309.8	603.7	590.2	13.5	90.8	94.7	94.8	12.8
Sep.	9,904.7	725.1	616.4	108.7	9,342.6	661.2	621.5	39.6	91.0	94.9	94.5	40.2
Oct.	9,930.4	712.2	690.2	22.0	9,379.6	696.7	656.0	40.7	91.0	93.7	94.9	30.4
Nov.	10,021.0	703.7	618.7	85.0	9,435.6	673.9	615.1	58.8	91.1	94.3	94.3	55.9
Dec.	10,024.5	705.8	701.2	4.6	9,407.8	679.6	702.3	-22.7	91.1	95.2	95.2	-21.5
2005 Jan.	10,090.5	763.2	709.4	53.8	9,522.0	759.5	675.9	83.6	90.8	93.8	95.6	66.1
Feb.	10,210.6	792.4	675.4	117.0	9,635.4	768.4	654.2	114.2	90.9	94.5	95.1	103.8
Mar.	10,318.9	795.6	687.9	107.7	9,704.0	747.5	692.4	55.1	90.7	93.9	94.9	44.7
Apr.	.	.	.	.	9,817.4	828.6	727.5	101.2	90.6	94.4	95.9	84.9
	Long-term											
2004 Apr.	8,613.2	163.8	123.9	39.9	8,144.8	155.6	110.1	45.5	91.2	88.5	94.7	33.4
May	8,718.7	174.7	72.0	102.8	8,234.7	156.5	67.6	88.9	91.1	89.3	90.8	78.3
June	8,806.3	204.2	120.3	83.9	8,309.0	181.2	112.6	68.6	91.2	92.9	92.2	64.4
July	8,845.6	190.3	153.1	37.1	8,348.5	173.4	139.1	34.4	91.1	91.8	93.7	28.8
Aug.	8,873.0	87.2	61.9	25.3	8,364.1	75.3	59.8	15.5	91.1	86.9	91.6	10.6
Sep.	8,967.5	191.4	101.9	89.5	8,413.7	156.7	104.6	52.1	91.2	91.6	89.0	50.4
Oct.	9,004.4	174.0	140.0	34.1	8,435.0	158.1	131.9	26.2	91.2	88.0	93.7	15.6
Nov.	9,079.6	168.7	98.3	70.3	8,488.6	155.1	95.3	59.7	91.2	89.1	92.2	50.3
Dec.	9,104.1	147.6	123.0	24.6	8,495.6	135.2	119.2	16.0	91.4	91.6	90.4	16.1
2005 Jan.	9,174.5	198.5	137.7	60.8	8,584.9	195.0	130.7	64.3	91.1	89.7	93.8	52.2
Feb.	9,290.3	220.3	106.9	113.3	8,687.6	198.7	95.5	103.1	91.2	90.4	89.5	94.2
Mar.	9,366.9	201.7	125.7	76.0	8,756.5	182.4	123.2	59.1	91.0	88.9	90.0	51.2
Apr.	.	.	.	.	8,838.7	176.8	104.5	72.4	90.9	90.0	94.0	61.0

C13 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.

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

(EUR billions unless otherwise indicated; nominal values)

1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2003	8,748	3,353	665	589	3,923	219	91.4	85.0	87.5	88.3	97.7	95.4
2004	9,408	3,710	734	593	4,120	250	91.1	84.1	90.4	87.6	97.8	95.6
2004 Q2	9,249	3,574	688	604	4,144	239	90.8	84.0	88.2	87.4	97.4	95.5
Q3	9,343	3,641	690	600	4,169	242	91.0	84.0	89.0	87.3	97.6	95.7
Q4	9,408	3,710	734	593	4,120	250	91.1	84.1	90.4	87.6	97.8	95.6
2005 Q1	9,704	3,844	753	612	4,235	260	90.7	83.2	90.7	87.8	97.6	95.7
2005 Jan.	9,522	3,742	738	601	4,184	256	90.8	83.6	90.3	87.6	97.6	95.6
Feb.	9,635	3,800	742	606	4,229	259	90.9	83.6	90.6	87.7	97.6	95.7
Mar.	9,704	3,844	753	612	4,235	260	90.7	83.2	90.7	87.8	97.6	95.7
Apr.	9,817	3,902	773	620	4,260	263	90.6	83.0	90.7	87.7	97.6	95.7
	Short-term											
2003	861	390	6	94	367	3	89.3	78.4	100.0	94.1	99.6	88.0
2004	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2004 Q2	940	420	5	108	402	5	88.0	76.3	100.0	95.2	98.2	83.7
Q3	929	412	6	100	405	6	88.9	77.8	96.2	95.5	98.5	85.8
Q4	912	447	7	90	362	5	88.7	78.5	94.1	95.5	99.5	87.3
2005 Q1	948	455	8	105	374	5	87.5	76.2	96.7	96.7	98.6	86.4
2005 Jan.	937	453	7	99	373	5	88.1	77.2	95.2	96.2	99.1	86.2
Feb.	948	456	8	106	372	6	88.2	77.5	96.8	96.4	98.8	87.4
Mar.	948	455	8	105	374	5	87.5	76.2	96.7	96.7	98.6	86.4
Apr.	979	481	8	111	374	5	87.4	76.5	97.4	96.7	98.5	81.1
	Total long-term [1]											
2003	7,887	2,963	659	495	3,556	216	91.6	85.9	87.4	87.2	97.5	95.5
2004	8,496	3,263	727	503	3,758	245	91.4	84.9	90.4	86.2	97.6	95.8
2004 Q2	8,309	3,154	683	495	3,742	234	91.2	85.0	88.1	85.7	97.3	95.8
Q3	8,414	3,229	683	500	3,764	236	91.2	84.8	89.0	85.7	97.5	95.9
Q4	8,496	3,263	727	503	3,758	245	91.4	84.9	90.4	86.2	97.6	95.8
2005 Q1	8,757	3,389	745	507	3,861	254	91.0	84.2	90.6	86.0	97.5	95.9
2005 Jan.	8,585	3,290	731	502	3,811	251	91.1	84.5	90.2	85.9	97.4	95.8
Feb.	8,688	3,344	734	500	3,858	253	91.2	84.4	90.5	85.8	97.5	95.9
Mar.	8,757	3,389	745	507	3,861	254	91.0	84.2	90.6	86.0	97.5	95.9
Apr.	8,839	3,421	765	509	3,887	257	90.9	83.9	90.6	85.8	97.5	96.0
	Of which long-term fixed rate											
2003	6,115	1,885	406	419	3,240	165	91.8	85.4	80.4	86.7	97.4	95.4
2004	6,376	1,927	416	411	3,435	186	91.7	84.0	83.9	85.5	97.5	95.6
2004 Q2	6,362	1,942	414	416	3,413	177	91.5	84.5	81.1	84.9	97.3	95.6
Q3	6,388	1,950	408	414	3,436	180	91.6	84.1	82.2	85.2	97.5	95.8
Q4	6,376	1,927	416	411	3,435	186	91.7	84.0	83.9	85.5	97.5	95.6
2005 Q1	6,516	1,966	426	413	3,515	196	91.5	83.3	84.4	85.2	97.4	95.8
2005 Jan.	6,439	1,942	418	410	3,478	191	91.5	83.6	83.7	85.1	97.4	95.6
Feb.	6,493	1,956	418	407	3,518	193	91.6	83.6	84.1	85.0	97.4	95.8
Mar.	6,516	1,966	426	413	3,515	196	91.5	83.3	84.4	85.2	97.4	95.8
Apr.	6,554	1,971	430	413	3,541	199	91.4	83.0	84.1	85.0	97.4	95.9
	Of which long-term variable rate											
2003	1,579	959	249	59	262	51	91.3	87.5	98.7	89.5	97.5	95.8
2004	1,867	1,147	308	78	275	59	90.9	86.9	99.0	89.0	97.7	96.6
2004 Q2	1,715	1,049	266	65	278	57	90.8	86.7	98.8	89.7	97.5	96.2
Q3	1,771	1,101	273	73	269	56	90.6	86.7	98.9	87.6	97.5	96.3
Q4	1,867	1,147	308	78	275	59	90.9	86.9	99.0	89.0	97.7	96.6
2005 Q1	1,955	1,210	316	80	291	58	90.5	86.3	99.0	89.2	98.0	96.3
2005 Jan.	1,879	1,149	309	79	283	59	90.7	86.6	99.0	89.1	97.7	96.5
Feb.	1,919	1,181	313	79	287	59	90.6	86.5	99.0	89.1	97.7	96.5
Mar.	1,955	1,210	316	80	291	58	90.5	86.3	99.0	89.2	98.0	96.3
Apr.	2,003	1,232	331	81	301	58	90.4	86.1	99.0	88.5	98.0	96.3

Source: ECB.

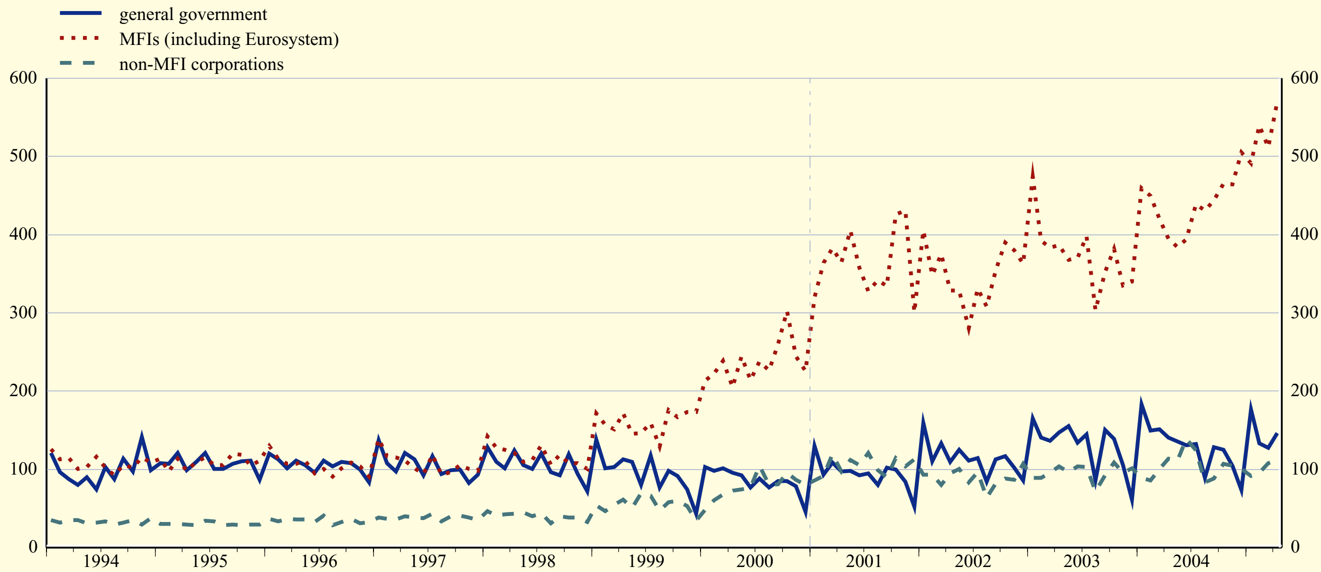
1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type
(EUR billions unless otherwise indicated; nominal values)

2. Gross issues
(transactions during the period)

	Total						Long-term [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total						Long-term fixed rate					
2003	7,206.3	4,485.6	244.7	909.7	1,478.8	87.4	1,284.7	414.2	113.7	89.0	626.4	41.4
2004	8,045.4	5,249.8	221.4	1,027.9	1,463.6	82.8	1,191.4	405.7	69.7	60.4	619.7	35.9
2004 Q2	1,945.0	1,173.3	64.0	300.5	387.5	19.6	306.8	90.3	21.8	19.7	166.8	8.1
Q3	1,960.1	1,313.3	40.7	255.5	334.2	16.3	248.1	86.6	9.2	14.3	131.9	6.1
Q4	2,050.2	1,434.1	83.5	228.4	283.9	20.4	259.2	92.7	26.1	14.7	117.1	8.5
2005 Q1	2,275.5	1,541.4	48.8	247.9	412.5	25.0	385.3	136.2	20.1	15.1	198.9	14.9
2005 Jan.	759.5	490.9	9.8	82.3	166.2	10.4	142.1	44.7	4.0	3.6	82.9	6.9
Feb.	768.4	539.0	15.0	81.1	125.8	7.6	127.3	50.9	5.1	3.3	63.6	4.6
Mar.	747.5	511.6	23.9	84.5	120.5	7.0	115.8	40.6	11.0	8.2	52.5	3.4
Apr.	828.6	569.6	28.2	84.3	138.5	8.0	104.7	30.0	7.1	3.2	60.8	3.8
	Of which short-term						Long-term variable rate					
2003	5,332.7	3,698.2	41.3	796.1	767.6	29.4	507.8	336.8	89.5	11.7	53.3	16.5
2004	6,147.2	4,383.4	43.9	930.9	755.6	33.4	616.9	403.5	107.6	31.8	60.5	13.5
2004 Q2	1,451.7	969.5	11.1	271.1	191.3	8.8	160.7	98.0	31.1	7.8	21.1	2.7
Q3	1,554.7	1,118.9	10.8	230.4	185.9	8.7	136.0	95.2	20.7	10.0	8.6	1.6
Q4	1,601.9	1,222.9	12.0	204.7	154.7	7.5	173.8	105.0	45.3	7.4	11.7	4.4
2005 Q1	1,699.4	1,261.3	12.4	228.7	188.4	8.6	166.9	129.0	16.1	3.4	16.9	1.5
2005 Jan.	564.5	408.3	4.2	77.3	72.1	2.5	44.8	33.4	1.6	1.3	7.5	1.0
Feb.	569.7	429.4	4.6	76.7	56.1	2.9	64.6	54.0	5.3	0.7	4.5	0.1
Mar.	565.2	423.6	3.5	74.7	60.2	3.2	57.5	41.7	9.2	1.4	4.9	0.3
Apr.	651.8	501.7	3.2	78.9	65.2	2.8	64.4	33.2	17.9	1.6	10.3	1.5

C14 Gross issues of securities, other than shares, by sector
(EUR billions; transactions during the month; nominal values)

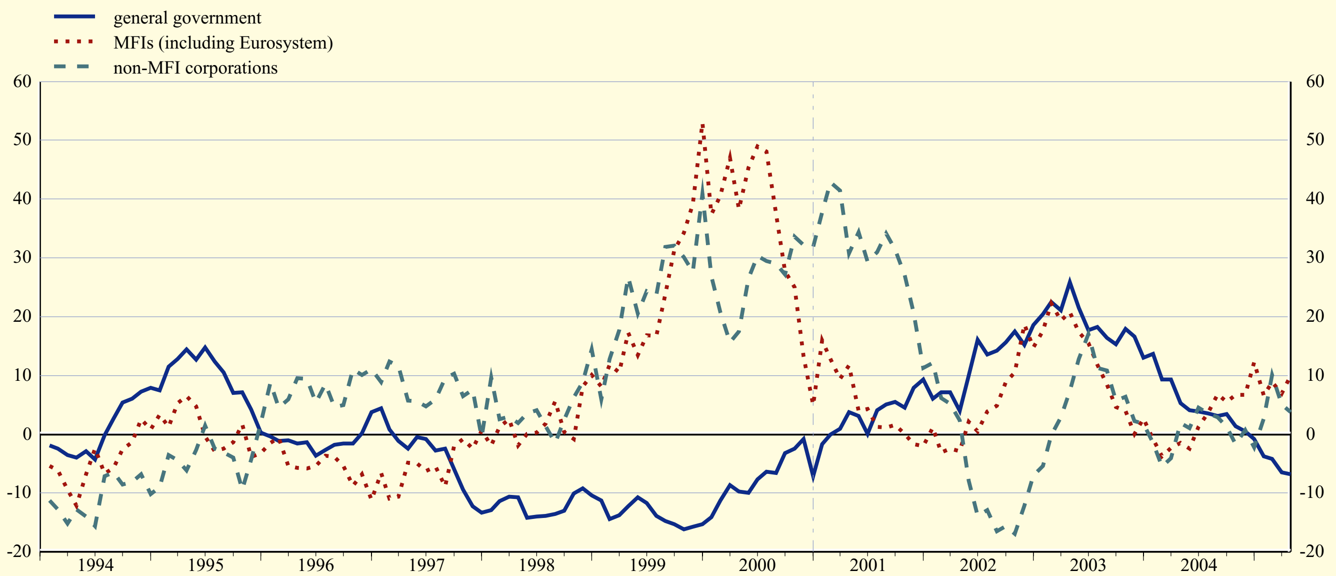


Source: ECB.
1) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

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

	Total						Short-term					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	In all currencies combined											
2003	6.7	5.1	25.1	8.6	4.5	26.0	14.0	12.2	1.1	5.7	19.2	-2.2
2004	6.9	7.8	13.4	3.7	5.0	17.6	3.2	2.2	-9.6	0.9	4.9	29.9
2004 Q2	6.9	7.9	13.7	2.2	5.1	18.5	1.7	-1.5	-16.6	2.1	5.2	16.9
Q3	7.1	8.5	11.4	3.6	5.4	16.4	3.9	4.6	-10.7	4.0	3.1	32.4
Q4	6.8	8.8	9.9	3.0	4.8	14.6	3.7	7.4	8.9	-1.0	0.5	66.9
2005 Q1	7.2	9.0	11.5	3.3	5.1	13.7	2.6	8.3	34.1	3.1	-4.3	35.4
2004 Nov.	6.7	8.5	10.4	3.3	4.7	14.5	3.2	6.7	7.7	0.3	-0.2	77.9
Dec.	7.1	9.3	11.0	1.6	5.0	14.4	5.0	12.3	22.3	-3.9	-1.3	51.2
2005 Jan.	7.0	8.7	10.9	3.1	5.1	15.1	1.7	6.6	23.3	1.4	-4.1	32.7
Feb.	7.4	9.3	11.1	3.4	5.3	13.0	3.3	8.9	45.7	8.2	-4.6	31.5
Mar.	7.1	8.7	14.2	5.1	4.6	12.0	0.8	6.9	47.6	2.8	-7.0	36.2
Apr.	7.5	8.9	16.1	6.1	4.7	12.8	2.0	10.0	44.0	1.7	-7.1	16.2
	In euro											
2003	6.4	3.8	30.6	9.4	4.4	25.0	15.6	15.8	0.9	4.8	19.3	-8.2
2004	6.6	6.6	16.8	2.9	5.1	17.3	3.1	1.7	-11.1	0.9	4.8	29.5
2004 Q2	6.5	6.6	17.0	1.4	5.1	18.1	1.5	-2.4	-15.5	1.7	5.0	14.6
Q3	6.7	7.0	15.0	2.4	5.5	16.3	3.0	2.5	-13.3	4.4	3.0	28.8
Q4	6.4	7.6	13.1	1.9	4.8	14.6	3.6	7.7	3.9	0.0	0.6	72.7
2005 Q1	6.7	7.6	14.8	2.6	5.0	13.8	2.8	9.7	28.5	5.1	-4.2	33.2
2004 Nov.	6.3	7.3	13.7	2.1	4.6	14.4	3.3	7.3	2.6	1.3	-0.1	91.5
Dec.	6.8	8.4	14.1	0.4	5.0	14.6	5.1	14.5	15.1	-2.5	-1.4	49.7
2005 Jan.	6.6	7.3	14.1	2.4	5.0	15.2	1.8	7.8	17.4	3.3	-4.0	28.6
Feb.	6.8	7.8	14.2	2.8	5.2	13.1	3.5	10.3	41.2	10.5	-4.5	28.6
Mar.	6.7	7.3	17.9	4.8	4.6	12.2	0.8	7.9	42.8	5.0	-6.8	39.2
Apr.	7.1	7.6	19.6	5.8	4.8	13.0	2.0	11.4	40.3	3.6	-6.9	10.1

C15 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined
(percentage changes)



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

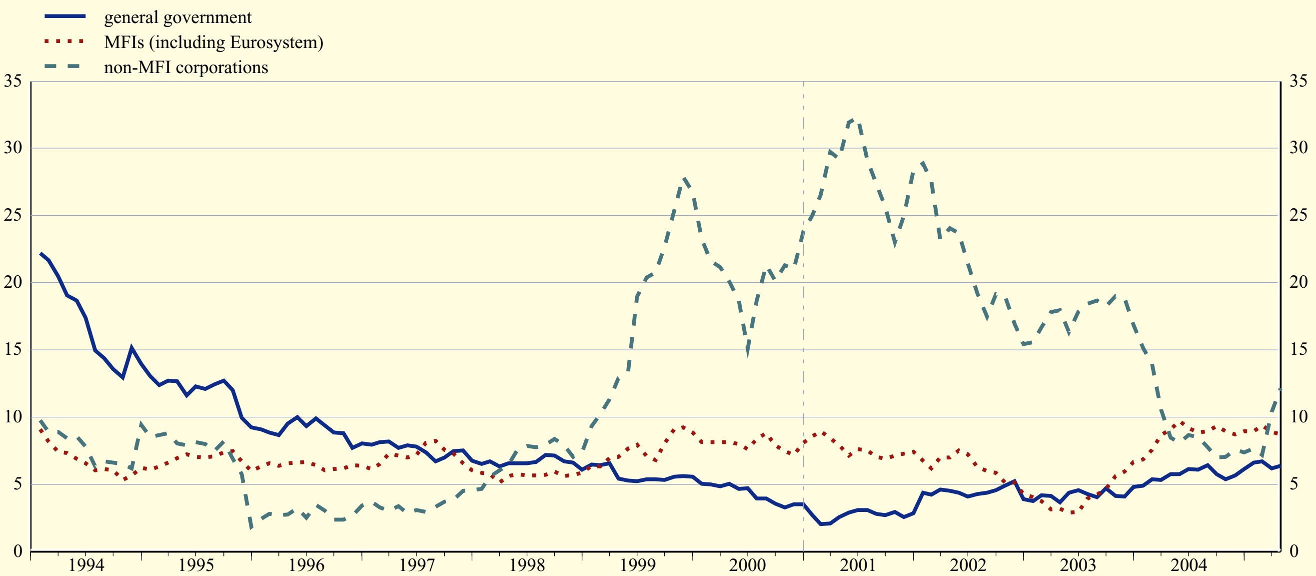
4.3 Annual growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(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	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2003	5.2	2.1	15.3	11.9	4.4	22.6	8.5	8.3	51.2	-13.4	-9.2	43.4
2004	5.0	3.0	6.5	3.1	5.8	14.7	16.2	18.4	27.1	8.3	0.6	26.5
2004 Q2	5.4	3.8	8.3	2.5	5.9	15.2	15.8	18.9	25.1	-2.3	1.1	30.2
Q3	4.9	3.0	3.5	1.1	6.2	13.5	17.5	19.1	27.0	18.4	3.3	25.2
Q4	4.3	2.3	2.7	0.7	5.7	12.3	17.7	20.2	22.4	29.5	2.3	18.8
2005 Q1	4.7	2.7	4.0	-0.8	6.3	13.7	18.3	19.4	23.3	29.9	7.7	12.4
2004 Nov.	4.1	1.8	3.4	0.4	5.6	11.9	18.3	20.5	22.4	32.6	3.8	19.1
Dec.	4.5	2.5	3.3	-1.1	6.0	12.8	18.0	19.2	23.5	33.1	5.1	17.2
2005 Jan.	4.8	2.9	3.8	-0.7	6.2	14.9	17.9	18.5	22.3	30.2	9.4	14.4
Feb.	4.9	2.8	3.8	-1.8	6.8	12.9	18.3	20.3	22.1	28.1	6.5	11.9
Mar.	4.5	2.3	5.7	1.4	5.6	13.7	19.0	19.5	27.8	29.6	9.3	5.1
Apr.	5.1	2.4	5.4	3.0	6.4	15.1	18.9	18.8	33.5	28.7	7.2	5.4
	In euro											
2003	4.6	0.1	20.5	12.2	4.2	21.3	8.6	7.7	51.2	-8.9	-9.3	43.8
2004	4.8	1.3	10.4	1.8	5.9	14.7	15.6	17.7	27.2	8.6	0.5	25.4
2004 Q2	5.1	2.0	12.4	1.0	6.0	15.0	15.4	18.2	25.1	-0.3	1.1	28.9
Q3	4.7	1.2	7.5	-0.5	6.4	13.8	16.9	18.2	27.3	16.0	3.3	24.1
Q4	4.0	0.3	6.4	-0.9	5.8	12.5	17.1	19.5	22.7	27.1	2.3	18.1
2005 Q1	4.3	0.5	8.0	-2.4	6.2	13.8	17.5	18.2	23.6	29.1	7.8	13.0
2004 Nov.	3.7	-0.3	7.5	-1.2	5.6	12.0	17.7	19.8	22.8	29.9	3.9	18.2
Dec.	4.2	0.7	7.0	-3.0	6.0	12.9	17.4	18.3	23.8	32.1	5.1	18.0
2005 Jan.	4.4	0.7	7.7	-2.3	6.1	14.9	17.4	17.5	22.6	29.4	9.5	15.1
Feb.	4.5	0.4	7.7	-3.5	6.7	13.0	17.4	18.9	22.4	27.4	6.6	12.4
Mar.	4.2	0.2	10.1	0.3	5.6	13.9	18.1	17.9	28.1	29.2	9.7	5.3
Apr.	4.8	0.2	9.1	2.2	6.4	15.4	18.3	17.6	33.8	27.0	7.6	5.6

C16 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(percentage changes)



Source: ECB.

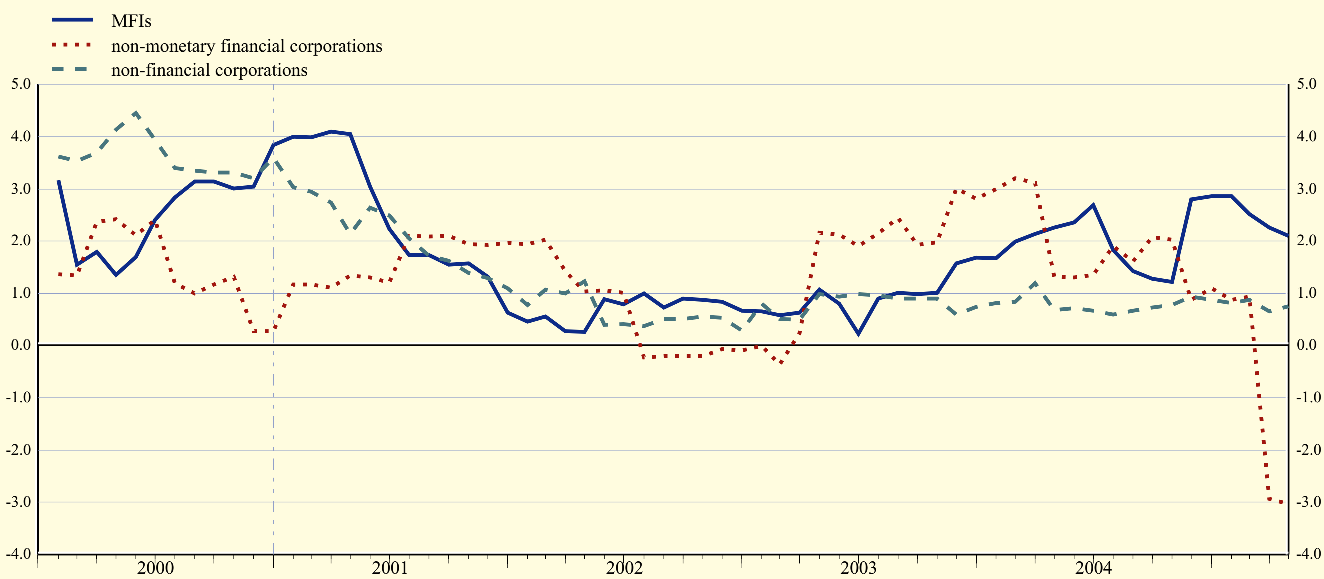
1) For the calculation of the growth rates, see the Technical notes.

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		Non-monetary financial corporations		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
2003 Apr.	3,113.0	100.9	1.1	471.4	1.1	291.8	2.2	2,349.8	1.0
May	3,145.7	100.9	1.0	476.7	0.8	291.3	2.1	2,377.7	0.9
June	3,256.2	100.9	0.9	504.2	0.2	300.6	1.9	2,451.4	1.0
July	3,366.5	101.1	1.1	528.0	0.9	330.9	2.1	2,507.6	1.0
Aug.	3,413.4	101.1	1.1	506.5	1.0	325.5	2.4	2,581.5	0.9
Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	2.0	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.7
2004 Jan.	3,788.6	101.4	1.1	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	374.3	3.2	2,889.9	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.0	568.1	2.4	350.6	1.3	2,769.2	0.7
June	3,790.1	102.0	1.0	582.5	2.7	362.0	1.4	2,845.7	0.7
July	3,679.8	102.0	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	0.9	579.6	1.3	362.3	2.1	2,766.1	0.7
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.0	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.9	2,896.2	0.9
Dec.	4,034.6	102.6	1.2	643.7	2.9	405.6	1.1	2,985.3	0.9
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	412.2	0.9	3,063.3	0.8
Feb.	4,254.5	102.7	1.1	681.1	2.5	431.8	0.9	3,141.5	0.9
Mar.	4,242.4	102.3	0.5	677.7	2.3	421.8	-2.9	3,142.9	0.7
Apr.	4,094.1	102.5	0.6	655.5	2.1	400.6	-3.0	3,038.1	0.8

C17 Annual growth rates for quoted shares issued by euro area residents
(annual percentage changes)



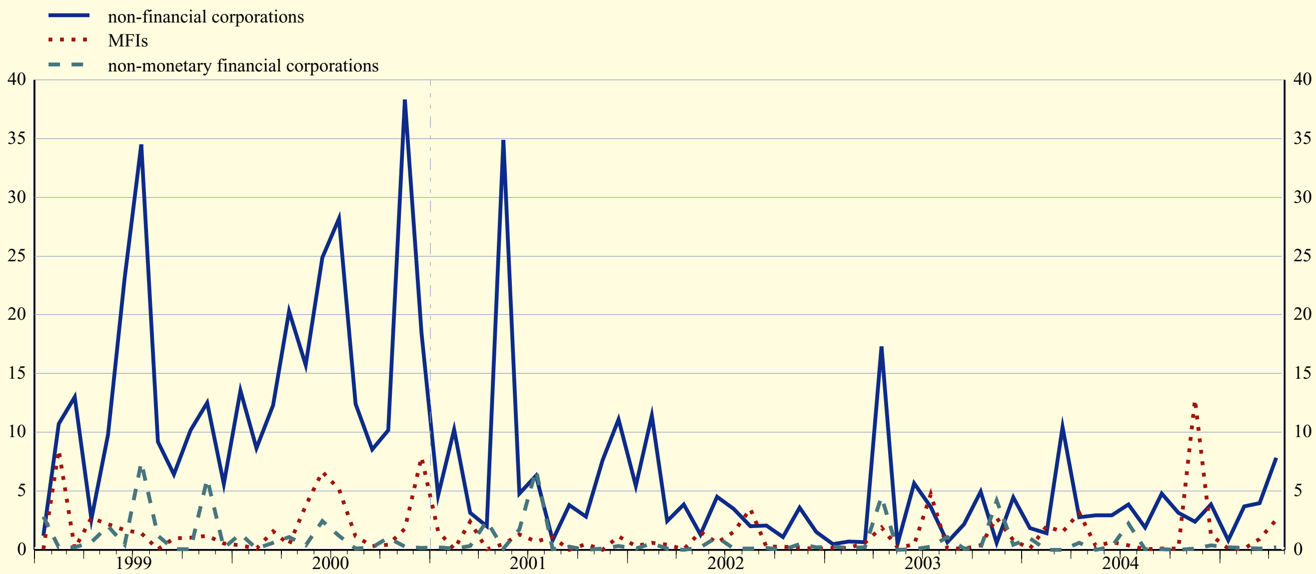
Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

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

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			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
2003 Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.8	12.5
May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.5	0.6	5.8	3.1	0.1	3.1	0.6	0.1	0.5	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.2	0.5	2.7	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.5	2.7
Nov.	15.2	3.3	11.9	12.8	0.3	12.4	0.1	0.0	0.1	2.4	3.0	-0.6
Dec.	5.5	1.6	3.9	1.2	0.0	1.2	0.4	0.1	0.3	3.9	1.4	2.4
2005 Jan.	1.1	1.8	-0.7	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.8	-1.0
Feb.	3.9	0.6	3.3	0.1	0.0	0.1	0.2	0.1	0.1	3.7	0.5	3.2
Mar.	5.0	18.5	-13.5	0.9	0.9	0.0	0.1	16.8	-16.7	3.9	0.8	3.1
Apr.	10.6	2.4	8.2	2.5	0.0	2.5	0.2	0.1	0.1	7.8	2.3	5.6

C18 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

(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 1)	With agreed maturity			Redeemable at notice 1),2)		Overnight 1)	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
2004 May	0.71	1.86	2.15	2.43	1.94	2.56	0.86	1.96	2.07	3.74	1.95
June	0.70	1.87	2.21	2.42	1.96	2.55	0.87	1.99	2.32	3.76	1.97
July	0.70	1.90	2.21	2.54	1.94	2.55	0.86	1.99	2.60	4.00	1.98
Aug.	0.72	1.91	2.18	2.67	1.95	2.53	0.87	1.98	2.37	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.32	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.34	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.23	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.70	3.51	2.02
2005 Jan.	0.73	1.95	2.29	2.54	1.98	2.49	0.92	2.04	2.25	3.26	2.05
Feb.	0.74	1.95	2.19	2.32	1.97	2.49	0.92	2.03	2.25	3.47	2.03
Mar.	0.74	1.93	2.16	2.40	1.97	2.47	0.94	1.99	2.35	3.15	1.99
Apr.	0.74	1.94	2.09	2.32	1.95	2.45	0.95	2.01	2.23	2.90	2.00

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

	Bank overdraft 1)	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge 3)	By initial rate fixation				Annual percentage rate of charge 3)			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 May	9.81	6.72	6.73	8.28	7.83	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94
June	9.79	6.59	6.74	8.42	7.87	3.42	4.12	4.82	4.69	4.17	3.93	4.97	5.01
July	9.79	6.64	6.86	8.52	7.97	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01
Aug.	9.86	7.08	6.89	8.58	8.15	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02
Sep.	9.60	6.92	6.96	8.45	8.07	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00
Oct.	9.53	6.80	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92
Nov.	9.48	6.89	6.84	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.96	4.89	4.82
Dec.	9.53	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65
2005 Jan.	9.61	6.97	6.81	8.32	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62
Feb.	9.66	6.20	6.83	8.18	7.77	3.40	3.94	4.39	4.33	3.98	3.99	4.73	4.49
Mar.	9.62	6.62	6.72	8.12	7.83	3.40	3.89	4.35	4.27	3.97	3.84	4.60	4.57
Apr.	9.63	6.60	6.65	8.19	7.81	3.40	3.89	4.36	4.29	3.95	3.97	4.71	4.62

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

	Bank overdraft 1)	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
2004 May	5.41	4.00	4.62	4.59	3.00	3.31	4.21
June	5.40	3.97	4.81	4.71	2.99	3.29	4.08
July	5.42	4.02	4.85	4.65	3.02	3.29	4.27
Aug.	5.44	4.06	4.89	4.73	2.98	3.12	4.30
Sep.	5.37	4.00	4.85	4.68	2.99	3.41	4.46
Oct.	5.39	4.02	4.87	4.64	2.99	3.30	4.27
Nov.	5.37	4.02	4.79	4.55	2.95	3.41	4.31
Dec.	5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.	5.40	3.97	4.69	4.47	3.02	3.30	4.08
Feb.	5.32	3.91	4.76	4.36	3.02	3.34	3.82
Mar.	5.28	3.88	4.51	4.32	3.03	3.48	4.11
Apr.	5.22	3.87	4.51	4.34	3.00	3.54	4.02

Source: ECB.
1) For this instrument category, new business and outstanding amounts coincide. End-of-period.
2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.
3) 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)

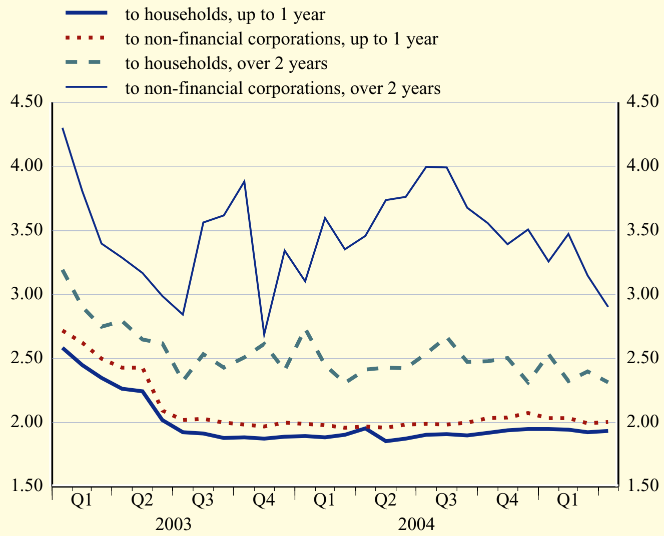
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 May	0.71	1.89	3.27	1.94	2.56	0.86	2.07	4.04	1.95
June	0.70	1.88	3.28	1.96	2.55	0.87	2.09	4.03	1.96
July	0.70	1.89	3.26	1.94	2.55	0.86	2.09	4.03	1.97
Aug.	0.72	1.90	3.24	1.95	2.53	0.87	2.10	3.99	1.98
Sep.	0.72	1.90	3.22	2.00	2.52	0.90	2.12	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.10	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.77	2.02
2005 Jan.	0.73	1.90	3.23	1.98	2.49	0.92	2.13	3.68	2.01
Feb.	0.74	1.91	3.25	1.97	2.49	0.92	2.13	3.65	2.00
Mar.	0.74	1.91	3.22	1.97	2.47	0.94	2.09	3.71	1.99
Apr.	0.74	1.92	3.22	1.95	2.45	0.95	2.10	3.57	1.99

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
2004 May	4.87	4.73	4.99	8.22	7.14	5.83	4.41	3.99	4.54
June	4.83	4.72	4.97	8.14	7.15	5.90	4.43	4.00	4.54
July	4.84	4.64	4.94	8.16	7.10	5.85	4.43	4.00	4.52
Aug.	4.81	4.61	4.91	8.17	7.06	5.86	4.42	3.97	4.51
Sep.	4.82	4.58	4.90	8.06	7.13	5.85	4.45	3.99	4.52
Oct.	4.69	4.54	4.88	8.05	7.07	5.80	4.41	3.97	4.48
Nov.	4.67	4.52	4.86	7.94	6.98	5.82	4.40	3.96	4.48
Dec.	4.72	4.50	4.83	7.95	7.01	5.80	4.34	3.97	4.44
2005 Jan.	4.69	4.45	4.79	8.07	6.96	5.77	4.42	3.90	4.41
Feb.	4.65	4.45	4.76	8.08	7.03	5.76	4.40	3.92	4.46
Mar.	4.74	4.41	4.78	8.09	6.97	5.77	4.38	3.91	4.40
Apr.	4.70	4.36	4.74	8.03	6.94	5.76	4.34	3.87	4.37

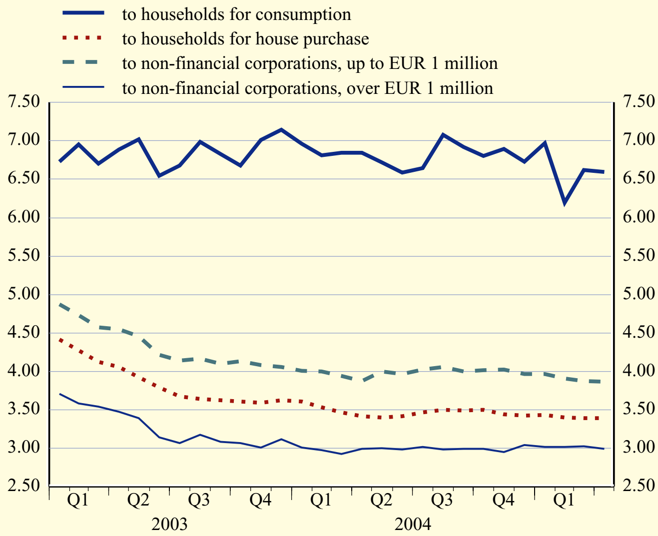
C19 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C20 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

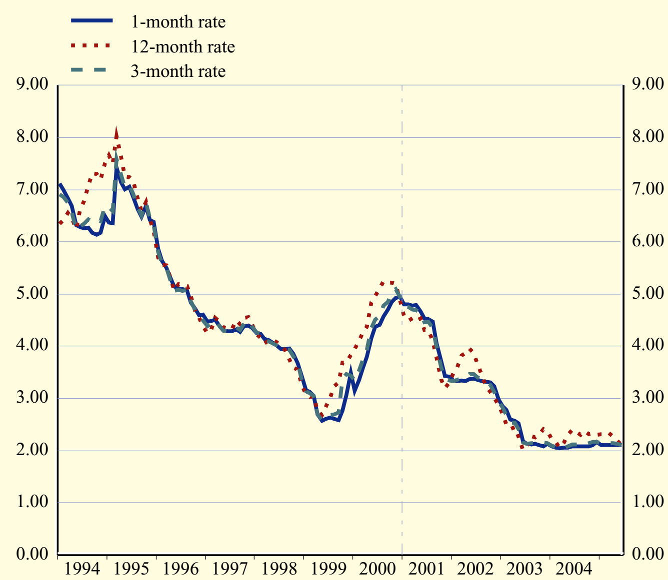
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1)]					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
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2004 Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
2004 June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05
May	2.07	2.10	2.13	2.14	2.19	3.27	0.05
June	2.06	2.10	2.11	2.11	2.10	3.43	0.05

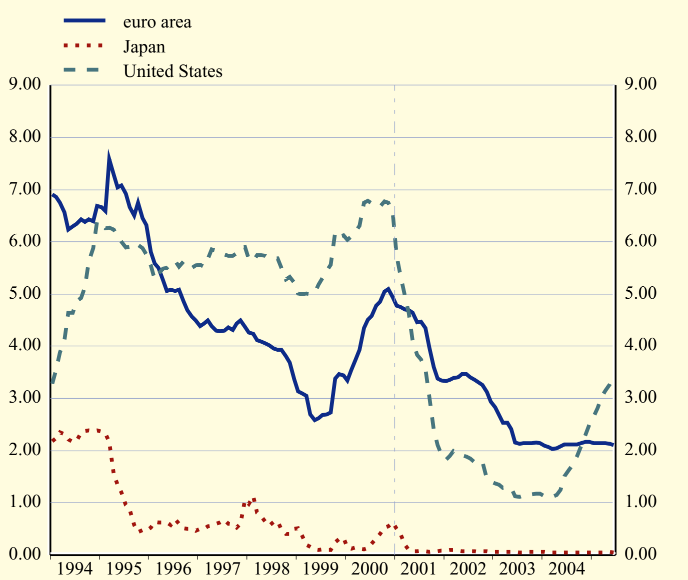
C21 Euro area money market rates

(monthly; percentages per annum)



C22 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.

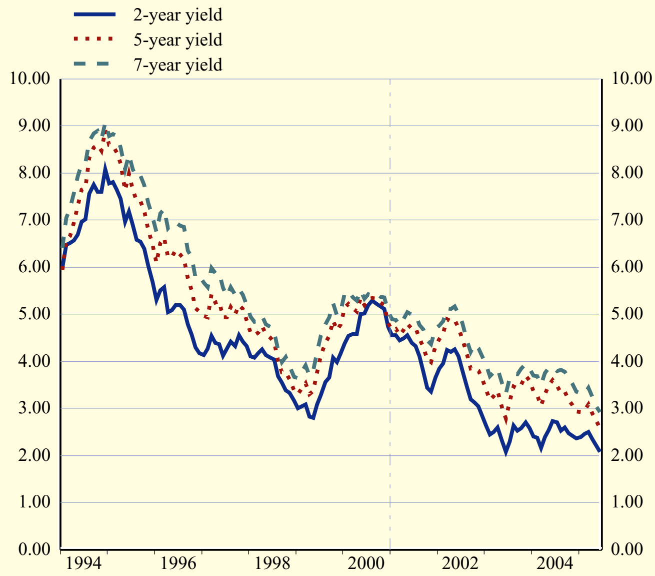
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2002	3.67	3.94	4.35	4.69	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2004 Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
2004 June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32
May	2.22	2.41	2.74	3.05	3.41	4.14	1.27
June	2.07	2.25	2.58	2.93	3.25	4.00	1.24

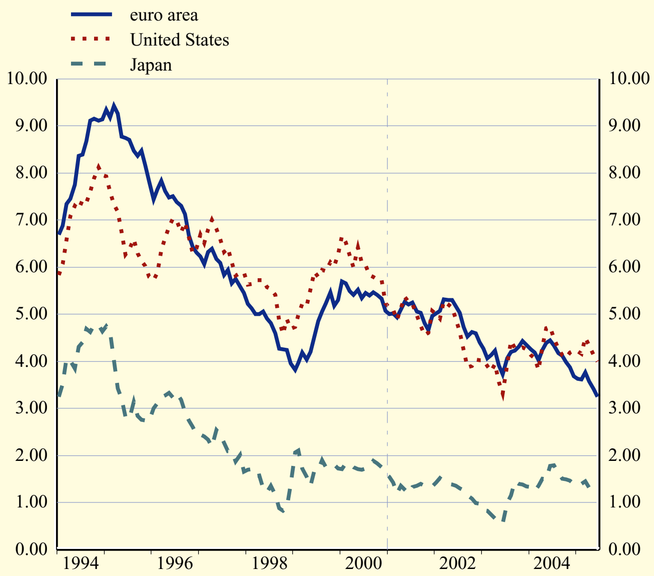
C23 Euro area government bond yields

(monthly; percentages per annum)



C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

1) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

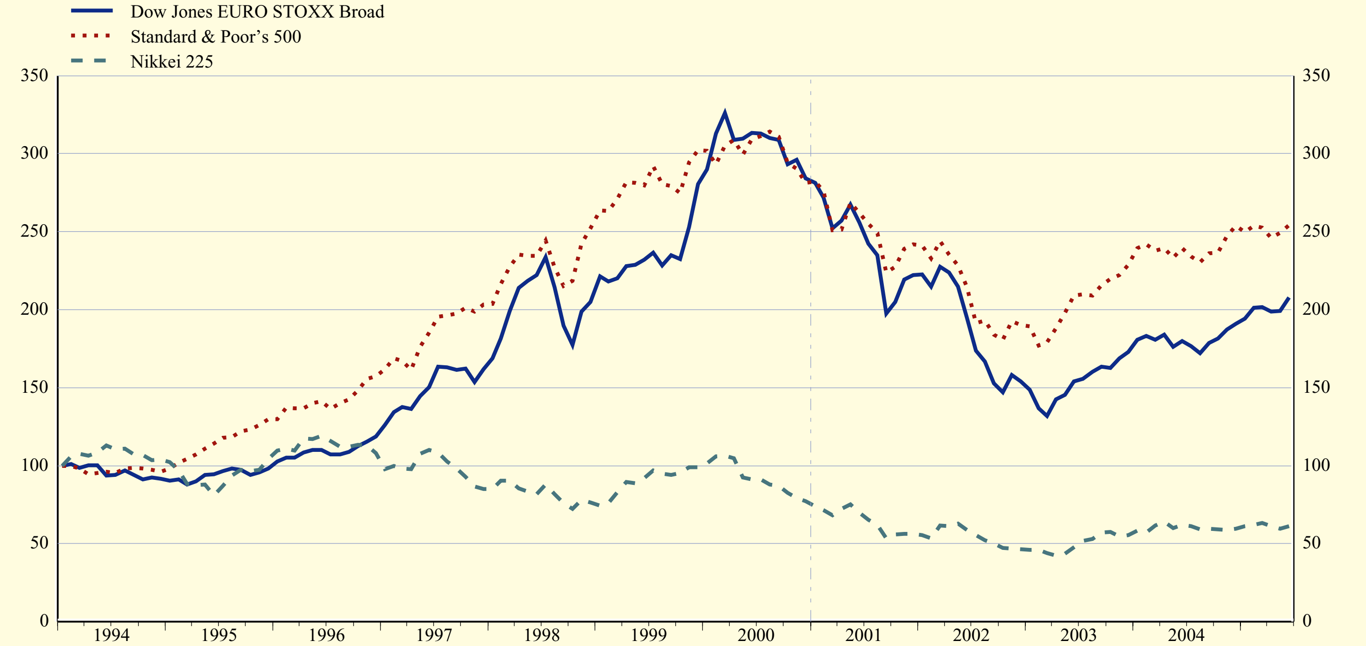
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2004 Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
2004 June	249.8	2,792.2	246.1	164.9	227.9	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.7
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.1
Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.4
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2
May	276.1	3,023.5	285.7	175.4	228.7	344.1	267.1	285.2	283.8	319.4	421.3	460.5	1,179.2	11,071.4
June	288.2	3,151.7	297.7	181.0	240.4	373.4	277.4	302.0	301.5	331.2	421.7	462.8	1,202.3	11,402.7

C25 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total [1]	100.0	100.0	83.8	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10	11
2001	108.5	2.3	1.9	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	2.5	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	115.7	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2004 Q1	114.4	1.7	2.0	1.1	2.6	0.6	1.0	-0.6	0.3	1.2	0.7
Q2	115.8	2.3	2.1	2.1	2.6	0.7	1.1	-0.1	0.2	3.3	0.6
Q3	115.9	2.2	2.1	2.0	2.6	0.5	0.3	-0.2	0.1	1.9	0.7
Q4	116.6	2.3	2.0	2.1	2.7	0.5	0.3	0.1	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.6	1.8	2.4	0.3	0.6	0.7	-0.1	0.3	0.5
2005 Jan.	116.2	1.9	1.7	1.6	2.4	0.0	-0.1	-0.5	-0.1	0.3	0.1
Feb.	116.6	2.1	1.6	1.8	2.4	0.2	-0.1	0.7	-0.1	1.4	0.2
Mar.	117.4	2.1	1.6	1.9	2.5	0.4	0.1	0.5	0.1	2.4	0.3
Apr.	117.9	2.1	1.4	2.0	2.1	0.2	0.2	-0.4	0.0	2.3	-0.1
May	118.1	1.9	1.6	1.6	2.5	0.2	0.1	0.3	0.1	-0.6	0.5
June [2]	.	2.1	.	.	.	.	.	.	.	.	.

	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 [1]	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
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
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2005 Q1	1.6	2.3	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.4
2005 Jan.	1.5	2.8	-0.6	1.7	0.5	6.2	2.6	2.1	3.2	-2.4	2.3	3.5
Feb.	1.9	2.6	0.7	1.8	0.2	7.7	2.5	2.0	2.9	-1.8	2.3	3.5
Mar.	1.5	1.6	1.3	2.1	0.3	8.8	2.6	2.1	3.1	-1.5	2.5	3.4
Apr.	1.3	1.6	0.8	2.4	0.3	10.2	2.6	2.1	2.3	-1.7	1.9	3.5
May	1.3	1.5	1.0	1.7	0.3	6.9	2.7	2.2	2.5	-2.1	2.8	3.5
June	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

2) Estimate based on first releases by Germany, Spain and Italy (and, when available, by other Member States), as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]	World market prices of raw materials [3]		Oil prices [4] (EUR per barrel)
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy			Total		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
							Total	Durable	Non-durable						
% of total [5]	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5			100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	102.0	2.0	1.2	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.4	6.0	-8.3	-8.1	27.8
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	6.8	-4.1	-0.9	26.5
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.2	7.0	-4.0	-4.5	25.1
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.7	7.2	18.4	10.8	30.5
2004 Q2	105.3	2.0	2.5	1.7	2.8	0.6	1.5	0.6	1.7	3.7	2.1	6.8 [6]	28.8	20.9	29.3
Q3	106.4	3.1	3.5	2.5	4.7	0.9	1.4	0.8	1.5	6.1	2.8	-	26.9	11.9	33.3
Q4	107.2	3.8	4.0	2.8	5.5	1.2	1.2	1.1	1.2	8.5	3.7	7.4 [6]	22.9	1.3	34.5
2005 Q1	108.2	4.1	3.8	2.8	5.0	1.6	1.2	1.4	1.1	10.1	.	-	22.9	1.9	36.6
Q2	.	.	.	.	.	.	.	.	.	.	.	.	22.4	2.2	42.2
2005 Jan.	107.7	3.9	3.7	3.0	5.5	1.6	1.3	1.3	1.3	8.4	-	-	20.7	3.1	33.6
Feb.	108.1	4.2	3.9	2.9	5.2	1.7	1.3	1.5	1.3	10.0	-	-	23.7	3.1	35.2
Mar.	108.9	4.2	3.9	2.5	4.5	1.7	0.9	1.4	0.8	11.8	-	-	24.1	-0.4	40.4
Apr.	109.4	4.3	3.5	2.1	3.6	1.5	0.8	1.4	0.7	13.2	-	-	22.2	-1.9	41.4
May	109.2	3.5	2.6	1.9	3.0	1.5	0.9	1.4	0.8	9.7	-	-	13.2	1.2	39.4
June	.	.	.	.	.	.	.	.	.	.	-	-	31.9	7.6	45.7

3. Hourly labour costs [7]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2001	103.9	3.9	4.1	3.3	3.8	4.2	4.0	2.6
2002	107.7	3.7	3.5	4.3	3.3	4.4	3.9	2.7
2003	110.8	2.8	2.7	3.4	2.8	3.3	2.8	2.4
2004	113.7	2.6	2.5	3.0	2.8	2.7	2.4	2.2
2004 Q1	112.6	3.1	3.1	3.0	3.6	3.3	2.7	2.3
Q2	113.3	2.5	2.4	2.6	2.5	2.4	2.4	2.2
Q3	114.0	2.5	2.3	3.0	2.4	2.6	2.3	2.0
Q4	114.9	2.5	2.2	3.4	2.9	2.5	2.1	2.1
2005 Q1	115.8	3.1	2.8	4.3	3.5	1.3	2.9	2.2

Sources: Eurostat, HWWA (columns 13 and 14), Thomson Financial Datastream (column 15), 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) Residential buildings, based on non-harmonised data.
2) Residential property price indicator for the euro area, based on non-harmonised sources.
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.

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

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2001	102.3	2.3	1.9	1.3	2.8	1.6	3.1	2.6
2002	104.7	2.3	1.2	1.2	3.4	1.9	3.3	2.6
2003	106.6	1.8	4.6	1.3	3.3	2.1	1.3	2.1
2004	107.6	0.9	-6.5	-0.9	2.7	0.9	1.2	2.7
2003 Q4	106.8	1.4	0.8	0.6	3.0	2.8	1.2	1.1
2004 Q1	107.2	1.2	-6.7	0.3	1.5	1.4	1.1	2.8
Q2	107.6	0.8	-9.2	-2.2	1.0	0.2	0.7	3.6
Q3	107.6	0.6	-5.3	-1.9	4.6	1.2	1.9	1.6
Q4	108.0	1.2	-4.7	0.2	3.5	0.6	1.1	2.6
	Compensation per employee							
2001	102.7	2.7	1.3	2.7	3.4	2.5	1.9	3.0
2002	105.3	2.6	2.7	2.7	3.2	2.5	2.2	2.8
2003	107.7	2.3	2.6	2.8	3.7	2.3	1.6	2.1
2004	110.0	2.1	-0.3	2.4	2.9	1.8	1.1	2.9
2003 Q4	108.4	2.1	1.2	2.8	3.7	2.0	1.5	2.0
2004 Q1	109.4	2.4	-2.6	3.4	3.3	1.8	0.9	3.2
Q2	110.0	2.4	-1.3	2.5	2.4	1.6	1.0	4.1
Q3	110.1	1.8	2.4	1.8	3.1	2.0	1.6	1.7
Q4	110.4	1.8	0.5	1.8	2.6	1.8	0.8	2.5
	Labour productivity [2]							
2001	100.3	0.3	-0.5	1.3	0.5	0.9	-1.2	0.4
2002	100.6	0.2	1.5	1.5	-0.3	0.6	-1.1	0.2
2003	101.0	0.4	-1.9	1.5	0.3	0.2	0.3	0.0
2004	102.2	1.2	6.6	3.3	0.2	0.9	-0.1	0.2
2004 Q1	102.1	1.2	4.4	3.0	1.8	0.4	-0.1	0.4
Q2	102.2	1.6	8.7	4.7	1.4	1.4	0.3	0.5
Q3	102.3	1.2	8.1	3.9	-1.4	0.7	-0.2	0.1
Q4	102.2	0.6	5.4	1.6	-0.9	1.1	-0.3	-0.2
2005 Q1	102.5	0.4	0.7	2.0	-3.6	1.4	-0.7	-0.4

5. Gross Domestic Product deflators

	Total (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
2001	102.4	2.4	2.3	2.4	2.6	1.8	1.1	0.6
2002	105.0	2.5	2.2	2.1	2.6	1.8	-0.6	-1.8
2003	107.1	2.0	1.7	1.8	2.6	1.3	-0.8	-1.6
2004	109.1	1.8	2.0	2.1	0.7	2.7	1.3	1.5
2004 Q1	108.3	1.9	1.4	1.7	1.1	1.9	-0.6	-2.5
Q2	109.0	2.1	2.1	2.3	1.1	2.6	1.4	1.4
Q3	109.3	1.6	2.0	2.2	-0.5	3.1	2.1	3.3
Q4	109.7	1.8	2.3	2.2	1.0	3.2	2.3	4.0
2005 Q1	110.4	1.9	2.4	1.9	1.5	3.2	2.0	3.3

Sources: ECB calculations based on Eurostat data.
1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.
2) Value added (at constant prices) per person employed.
3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2001	6,898.4	6,795.9	3,970.4	1,373.8	1,450.3	1.5	102.5	2,560.0	2,457.5
2002	7,139.2	6,965.6	4,088.3	1,445.8	1,442.3	-10.8	173.6	2,597.3	2,423.7
2003	7,334.0	7,187.9	4,207.5	1,501.8	1,466.6	12.0	146.2	2,591.5	2,445.3
2004	7,598.1	7,450.5	4,347.8	1,551.2	1,527.8	23.6	147.6	2,774.6	2,627.0
2004 Q1	1,876.3	1,830.0	1,073.3	382.8	372.9	1.0	46.3	667.5	621.2
Q2	1,897.1	1,853.6	1,081.6	388.6	380.2	3.2	43.5	693.0	649.5
Q3	1,907.7	1,875.7	1,090.9	389.2	385.0	10.6	32.0	704.9	673.0
Q4	1,916.9	1,891.1	1,102.0	390.6	389.7	8.8	25.8	709.1	683.2
2005 Q1	1,938.2	1,901.9	1,108.0	394.7	388.4	10.8	36.3	709.3	672.9
	percentage of GDP								
2004	100.0	98.1	57.2	20.4	20.1	0.3	1.9	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2004 Q1	0.7	0.2	0.5	0.3	-0.5	-	-	1.5	0.3
Q2	0.4	0.3	0.1	0.7	0.4	-	-	2.7	2.7
Q3	0.3	0.8	0.3	0.9	0.5	-	-	1.0	2.4
Q4	0.2	0.4	0.6	0.2	0.8	-	-	0.3	0.9
2005 Q1	0.5	0.0	0.3	-0.2	-0.7	-	-	0.2	-1.1
	annual percentage changes								
2001	1.7	1.0	1.9	2.2	0.1	-	-	3.6	1.9
2002	0.9	0.3	0.9	2.6	-2.4	-	-	2.1	0.5
2003	0.7	1.4	1.1	1.3	0.4	-	-	0.6	2.5
2004	2.0	2.0	1.3	1.4	1.9	-	-	6.1	6.3
2004 Q1	1.5	1.3	1.2	2.7	1.0	-	-	3.3	2.7
Q2	2.1	1.4	1.1	2.7	1.6	-	-	7.8	6.3
Q3	1.8	2.3	1.0	2.9	1.8	-	-	6.2	7.8
Q4	1.5	1.7	1.6	2.1	1.2	-	-	5.5	6.4
2005 Q1	1.3	1.5	1.3	1.6	1.0	-	-	4.2	4.8
	contributions to annual percentage changes of GDP in percentage points								
2001	1.7	1.0	1.1	0.4	0.0	-0.5	0.7	-	-
2002	0.9	0.3	0.5	0.5	-0.5	-0.2	0.6	-	-
2003	0.7	1.3	0.6	0.3	0.1	0.4	-0.7	-	-
2004	2.0	1.9	0.8	0.3	0.4	0.5	0.1	-	-
2004 Q1	1.5	1.2	0.7	0.5	0.2	-0.2	0.3	-	-
Q2	2.1	1.4	0.6	0.5	0.3	-0.2	0.7	-	-
Q3	1.8	2.2	0.6	0.6	0.4	0.7	-0.4	-	-
Q4	1.5	1.7	0.9	0.4	0.3	0.1	-0.2	-	-
2005 Q1	1.3	1.5	0.7	0.3	0.2	0.2	-0.1	-	-

Source: Eurostat.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.
2) Including acquisitions less disposals of valuables.

2. Value added by economic activity

	Gross value added (basic prices): 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	Intermediate consumption of FISIM [1]	Taxes less subsidies on products
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2001	6,366.1	159.7	1,383.4	360.5	1,341.7	1,718.9	1,401.8	184.8	717.1
2002	6,595.5	155.0	1,398.5	373.9	1,392.3	1,803.4	1,472.4	197.0	740.8
2003	6,776.8	155.1	1,411.0	389.2	1,423.8	1,867.9	1,529.7	208.6	765.8
2004	7,009.7	157.1	1,453.0	411.6	1,465.2	1,951.4	1,571.4	213.4	801.8
2004 Q1	1,731.1	39.2	358.7	100.4	361.6	480.4	390.7	53.6	198.8
Q2	1,754.1	39.5	364.6	102.5	366.3	486.9	394.3	54.8	197.8
Q3	1,758.3	38.8	365.2	103.2	368.5	490.8	391.7	52.1	201.6
Q4	1,766.2	39.5	364.4	105.5	368.8	493.3	394.7	52.9	203.6
2005 Q1	1,783.8	39.6	369.4	105.6	374.4	496.0	398.9	53.3	207.7
	percentage of value added								
2004	100.0	2.2	20.7	5.9	20.9	27.8	22.4	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2004 Q1	0.7	2.9	0.5	0.5	1.0	1.0	-0.2	2.8	1.4
Q2	0.8	2.4	1.0	0.6	0.9	0.9	0.3	2.3	-2.8
Q3	-0.1	-0.9	-0.2	-1.1	0.1	0.1	0.1	-6.2	1.2
Q4	0.1	1.2	-0.5	0.4	0.0	0.2	0.6	2.2	1.1
2005 Q1	0.4	-1.9	0.7	-2.2	1.4	0.5	-0.1	0.2	1.1
	annual percentage changes								
2001	2.0	-1.3	1.3	0.9	2.5	2.8	1.8	5.5	0.9
2002	1.0	-0.2	-0.2	-0.4	1.2	1.4	2.2	2.6	0.5
2003	0.7	-3.9	-0.1	0.5	0.5	1.7	1.3	3.3	1.0
2004	2.1	6.1	2.4	1.4	2.0	2.1	1.6	2.9	1.3
2004 Q1	1.4	3.0	0.8	1.7	1.2	2.1	1.2	4.6	3.7
Q2	2.5	7.6	3.0	1.7	2.2	2.9	1.2	7.4	0.1
Q3	1.8	7.8	2.1	0.4	1.6	2.2	0.9	-0.7	1.2
Q4	1.6	5.7	0.8	0.4	2.1	2.2	0.8	0.7	0.8
2005 Q1	1.3	0.7	1.0	-2.3	2.5	1.7	0.9	-1.8	0.5
	contributions to annual percentage changes of value added in percentage points								
2001	2.0	0.0	0.3	0.1	0.5	0.7	0.4	-	-
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.5	-	-
2003	0.7	-0.1	0.0	0.0	0.1	0.4	0.3	-	-
2004	2.1	0.1	0.5	0.1	0.4	0.6	0.3	-	-
2004 Q1	1.4	0.1	0.2	0.1	0.3	0.6	0.3	-	-
Q2	2.5	0.2	0.7	0.1	0.5	0.8	0.3	-	-
Q3	1.8	0.2	0.5	0.0	0.3	0.6	0.2	-	-
Q4	1.6	0.1	0.2	0.0	0.4	0.6	0.2	-	-
2005 Q1	1.3	0.0	0.2	-0.1	0.5	0.5	0.2	-	-

Source: Eurostat.

1) The use of financial intermediation services indirectly measured (FISIM) is treated as intermediate consumption which is not allocated among branches.

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	82.9	82.9	75.0	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.3	99.9	-0.5	-0.8	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	0.8
2003	0.2	100.2	0.3	0.0	0.0	0.4	-0.2	-0.5	-4.6	0.3	3.0	0.0
2004	2.2	102.2	1.9	2.0	1.9	1.8	2.9	0.5	-0.1	0.7	2.5	0.1
2004 Q2	3.2	102.3	3.0	3.2	3.1	2.6	4.7	1.5	2.9	1.3	2.7	-0.2
Q3	2.9	102.6	2.8	3.0	2.8	2.8	5.0	0.4	-0.6	0.5	2.5	-0.2
Q4	1.2	102.4	1.1	0.7	0.5	1.1	1.6	-0.2	-3.6	0.4	2.7	-0.3
2005 Q1	0.0	102.5	1.0	0.7	0.5	0.9	1.9	0.2	-3.6	0.8	1.4	-3.6
2004 Nov.	-0.1	102.2	0.8	0.2	0.0	0.8	0.7	-0.6	-4.2	0.0	3.9	0.2
Dec.	2.4	102.5	1.2	0.8	0.5	1.1	-0.5	1.0	-4.0	1.9	4.7	-0.5
2005 Jan.	3.2	103.0	2.4	3.0	2.9	3.2	2.9	2.4	-2.7	3.3	0.0	2.2
Feb.	-0.8	102.3	0.5	0.1	-0.2	0.2	1.3	-0.6	-3.8	0.0	2.1	-3.8
Mar.	-2.0	102.2	0.1	-0.6	-0.8	-0.5	1.6	-1.2	-4.0	-0.7	2.0	-8.7
Apr.	.	102.8	1.0	1.9	1.6	0.3	2.8	0.7	-1.0	1.0	-0.4	.
	month-on-month percentage changes (s.a.)											
2004 Nov.	-0.7	-	-0.3	-0.5	-0.5	0.0	-1.8	-0.2	-1.1	0.0	0.5	0.6
Dec.	1.2	-	0.4	0.6	0.4	0.4	-0.4	1.1	0.0	1.2	1.2	0.7
2005 Jan.	0.4	-	0.5	0.9	1.1	0.9	1.2	0.6	0.7	0.6	-2.5	1.2
Feb.	-1.7	-	-0.7	-1.3	-1.4	-1.5	-0.6	-1.4	-0.2	-1.6	3.8	-3.6
Mar.	-0.9	-	-0.1	-0.3	-0.3	-0.9	1.1	-0.1	-0.4	-0.1	1.0	-4.9
Apr.	.	-	0.6	1.8	1.7	1.1	0.0	1.1	1.9	1.0	-5.3	.

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a.) thousands [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	98.3	-0.4	101.4	-0.6	1.9	101.7	0.3	1.2	-0.4	-1.9	-1.9	925	-4.4
2003	98.2	0.1	101.0	-0.3	1.8	102.1	0.3	1.1	-0.4	-2.8	0.2	911	-1.5
2004	106.0	8.2	105.9	4.9	1.7	102.9	0.9	0.8	0.8	0.4	2.4	922	1.1
2004 Q2	107.4	11.7	105.9	6.3	1.6	103.0	0.6	0.2	0.9	0.4	2.9	930	3.1
Q3	105.2	7.2	106.5	5.7	1.5	102.9	0.7	0.4	0.9	1.3	2.1	904	-3.4
Q4	110.1	10.0	107.1	5.1	1.8	103.2	1.1	1.2	0.8	0.8	2.0	941	3.6
2005 Q1	106.4	3.0	106.9	2.6	1.9	103.9	1.1	1.1	1.0	0.6	0.7	918	0.4
2004 Dec.	116.5	17.1	108.5	5.7	2.1	103.2	1.4	1.4	1.2	1.1	2.6	924	1.9
2005 Jan.	108.2	6.7	106.4	5.4	1.7	104.1	1.0	1.1	0.8	-1.1	0.5	920	1.5
Feb.	105.7	3.3	106.9	3.3	2.2	103.8	1.4	1.7	1.0	-0.6	0.7	906	-2.3
Mar.	105.4	-0.4	107.4	-0.2	1.9	103.9	1.4	1.4	1.5	3.6	0.6	928	1.7
Apr.	107.2	1.6	111.0	4.2	0.8	102.7	-1.0	-2.0	-0.4	0.7	-0.2	935	1.0
May	.	.	.	.	2.7	103.9	2.1	2.4	1.6	.	.	900	-4.2
	month-on-month percentage changes (s.a.)												
2004 Dec.	-	8.1	-	0.2	-0.1	-	-0.2	-0.5	0.1	-0.6	0.6	-	-2.9
2005 Jan.	-	-7.1	-	-2.0	0.7	-	0.9	0.7	0.7	1.2	0.2	-	-0.5
Feb.	-	-2.3	-	0.5	-0.2	-	-0.4	-0.2	-0.3	-1.1	-0.4	-	-1.5
Mar.	-	-0.3	-	0.4	0.0	-	0.1	-0.1	0.4	1.6	0.3	-	2.4
Apr.	-	1.7	-	3.4	-0.2	-	-1.1	-1.8	-0.7	0.7	-0.1	-	0.8
May	-	.	-	.	0.7	-	1.1	2.2	0.5	.	.	-	-3.8

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.

(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 [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.1	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.7	-14	-4	-14	30	-8
2004 Q2	99.9	-5	-17	8	10	81.6	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	82.1	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.0	-13	-3	-13	29	-6
2005 Q1	99.0	-6	-15	11	6	81.4	-13	-3	-13	29	-8
Q2	96.3	-10	-20	13	4	.	-14	-3	-16	31	-7
2005 Jan.	100.8	-5	-11	9	7	81.9	-13	-3	-13	28	-7
Feb.	98.8	-6	-15	10	6	-	-13	-2	-13	30	-8
Mar.	97.5	-8	-17	12	6	-	-14	-3	-13	31	-9
Apr.	96.5	-9	-19	13	4	80.9	-13	-3	-14	29	-8
May	96.1	-11	-21	14	3	-	-15	-4	-17	31	-7
June	96.3	-10	-21	13	4	-	-15	-4	-17	33	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2004 Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2005 Q1	-13	-18	-9	-8	-12	12	1	11	6	7	18
Q2	-14	-20	-7	-8	-13	13	1	9	1	8	17
2005 Jan.	-13	-19	-7	-6	-8	11	1	13	12	9	18
Feb.	-14	-18	-10	-8	-14	13	2	10	6	5	18
Mar.	-13	-17	-9	-10	-15	13	-1	9	1	7	19
Apr.	-14	-21	-7	-8	-12	14	1	8	1	6	18
May	-13	-19	-8	-8	-13	11	1	10	1	11	16
June	-14	-20	-8	-9	-16	14	2	9	1	8	17

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 from January 1985.
3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
5) The confidence indicators are calculated as simple averages of the components shown; the assessment 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	84.4	15.6	4.5	18.2	7.3	25.0	15.1	29.9
	1	2	3	4	5	6	7	8	9	10
2001	134.496	1.5	1.7	0.3	-0.6	0.1	0.7	1.7	4.2	1.4
2002	135.455	0.7	0.8	0.1	-1.5	-1.6	0.1	0.5	2.6	2.0
2003	135.813	0.3	0.3	0.3	-1.8	-1.5	0.1	0.3	1.3	1.2
2004	136.571	0.6	0.4	1.3	-0.3	-1.6	0.9	0.8	2.5	0.8
2004 Q1	135.953	0.3	0.2	0.7	-1.3	-2.2	-0.2	0.8	2.5	0.8
Q2	136.305	0.5	0.4	1.2	-0.8	-1.7	0.6	0.9	2.7	0.7
Q3	136.609	0.6	0.3	1.7	0.2	-1.8	1.8	0.7	2.3	0.8
Q4	136.937	0.9	0.7	1.6	0.5	-0.8	1.5	1.0	2.4	1.0
2005 Q1	137.228	1.0	0.9	1.4	0.4	-0.9	2.2	0.9	2.5	1.3
	quarter-on-quarter changes (s.a.)									
2004 Q1	0.176	0.1	0.2	-0.4	-0.2	-0.7	-0.1	0.1	1.1	0.3
Q2	0.352	0.3	0.2	0.8	0.0	0.1	0.7	0.3	0.4	0.2
Q3	0.304	0.2	0.0	1.4	0.4	-0.5	1.1	0.4	0.6	0.1
Q4	0.328	0.2	0.2	0.2	0.1	0.2	-0.4	0.2	0.5	0.3
2005 Q1	0.291	0.2	0.4	-0.8	-0.5	-0.8	0.1	0.2	0.9	0.6

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		75.6		24.4		47.9		52.1	
	1	2	3	4	5	6	7	8	9	10
2001	11.018	7.9	8.092	6.6	2.925	16.1	5.037	6.3	5.981	9.9
2002	11.737	8.3	8.721	7.0	3.017	16.8	5.509	6.9	6.228	10.1
2003	12.515	8.7	9.397	7.5	3.117	17.6	5.963	7.4	6.552	10.5
2004	12.849	8.9	9.714	7.6	3.135	18.0	6.153	7.6	6.696	10.5
2004 Q1	12.829	8.9	9.644	7.6	3.186	18.1	6.131	7.5	6.698	10.6
Q2	12.869	8.9	9.683	7.6	3.186	18.2	6.140	7.5	6.728	10.6
Q3	12.860	8.9	9.745	7.6	3.114	17.9	6.123	7.5	6.736	10.6
Q4	12.840	8.8	9.749	7.6	3.091	17.9	6.245	7.6	6.595	10.3
2005 Q1	12.893	8.8	9.554	7.4	3.339	19.0	6.209	7.6	6.684	10.4
2004 Dec.	12.789	8.8	9.637	7.5	3.152	18.2	6.127	7.5	6.661	10.4
2005 Jan.	12.840	8.8	9.528	7.4	3.312	18.8	6.233	7.6	6.607	10.3
Feb.	12.898	8.8	9.600	7.5	3.298	18.8	6.145	7.5	6.753	10.5
Mar.	12.939	8.9	9.533	7.4	3.406	19.3	6.248	7.6	6.691	10.5
Apr.	12.986	8.9	9.633	7.5	3.353	19.0	6.267	7.6	6.719	10.5
May	12.779	8.8	9.686	7.5	3.093	17.8	6.221	7.6	6.558	10.3

Sources: ECB calculations based on Eurostat data (in Table 1 in Section 5.3) and Eurostat (Table 2 in Section 5.3).
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 2004.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	47.3	46.9	11.8	9.1	2.3	13.3	0.8	17.4	8.6	5.5	2.4	0.4	0.3	42.8
1997	47.6	47.1	12.0	9.1	2.6	13.5	0.7	17.4	8.6	5.5	2.4	0.5	0.4	43.2
1998	47.1	46.8	12.3	9.6	2.3	14.1	0.7	16.3	8.4	4.9	2.3	0.3	0.3	43.0
1999	47.6	47.3	12.7	9.8	2.6	14.3	0.6	16.3	8.4	4.9	2.3	0.3	0.3	43.6
2000	47.2	46.9	12.9	9.9	2.7	14.1	0.6	16.0	8.3	4.9	2.3	0.3	0.3	43.3
2001	46.4	46.2	12.5	9.7	2.5	13.7	0.6	15.9	8.3	4.7	2.2	0.3	0.3	42.4
2002	45.8	45.5	12.0	9.5	2.2	13.7	0.4	15.8	8.3	4.7	2.2	0.3	0.3	41.9
2003	45.9	45.2	11.7	9.3	2.1	13.7	0.4	16.0	8.4	4.7	2.3	0.7	0.6	41.9
2004	45.4	44.9	11.6	9.0	2.3	13.8	0.4	15.9	8.3	4.7	2.2	0.5	0.4	41.6

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	51.6	47.8	11.1	4.8	5.7	26.1	23.0	2.2	0.6	3.8	2.6	1.3	0.0	45.9
1997	50.2	46.6	11.0	4.8	5.1	25.8	22.9	2.1	0.6	3.6	2.4	1.2	0.1	45.1
1998	49.3	45.6	10.7	4.7	4.7	25.5	22.5	2.1	0.5	3.8	2.4	1.3	0.1	44.6
1999	48.9	45.0	10.6	4.8	4.1	25.4	22.4	2.0	0.5	3.9	2.5	1.4	0.1	44.7
2000	48.1	44.3	10.5	4.8	4.0	25.0	22.0	1.9	0.5	3.8	2.5	1.3	0.1	44.1
2001	48.2	44.2	10.4	4.8	3.9	25.1	22.1	1.9	0.5	4.0	2.6	1.4	0.0	44.3
2002	48.3	44.4	10.6	4.9	3.6	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.0	44.7
2003	48.8	44.8	10.6	4.9	3.4	25.8	22.9	1.8	0.5	4.0	2.6	1.4	0.1	45.3
2004	48.2	44.2	10.5	4.9	3.3	25.5	22.8	1.8	0.5	3.9	2.5	1.4	0.0	44.9

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.4	20.4	11.1	4.8	5.0	1.9	2.4	8.6	11.8
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.2	11.0	4.8	5.0	1.8	2.4	8.5	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.9	10.7	4.7	5.0	1.8	2.3	8.3	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.8	19.9	10.6	4.8	5.0	1.8	2.3	8.3	11.6
2000	-0.9	-1.4	-0.1	0.1	0.5	3.0	19.8	10.5	4.8	5.0	1.8	2.3	8.2	11.6
2001	-1.8	-1.6	-0.4	0.0	0.3	2.1	20.0	10.4	4.8	5.1	1.8	2.2	8.2	11.7
2002	-2.5	-2.0	-0.5	-0.2	0.2	1.1	20.3	10.6	4.9	5.2	1.8	2.2	8.3	12.0
2003	-2.8	-2.3	-0.4	-0.1	0.0	0.6	20.6	10.6	4.9	5.3	1.8	2.3	8.4	12.2
2004	-2.7	-2.4	-0.4	-0.2	0.2	0.5	20.4	10.5	4.9	5.3	1.8	2.2	8.3	12.2

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.6	-2.8	-3.6	-0.5	-1.5	0.9	-3.2	6.2	-0.1	0.3	-4.4	5.2
2002	0.1	-3.6	-4.1	-0.3	-3.1	-0.4	-2.7	2.3	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-5.2	0.3	-4.2	0.2	-3.2	0.5	-3.2	-1.1	-2.9	2.5
2004	0.1	-3.6	-6.1	-0.3	-3.6	1.3	-3.2	-1.1	-2.5	-1.3	-2.9	2.1

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

1) Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.1% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1]
(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Coins 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
1995	74.5	2.8	17.7	8.0	46.0	58.9	30.9	10.8	17.2	15.5
1996	75.8	2.8	17.2	8.0	47.8	59.4	30.6	12.6	16.2	16.4
1997	74.9	2.8	16.2	6.6	49.4	57.1	28.9	14.1	14.1	17.9
1998	73.4	2.7	15.0	5.7	49.9	53.5	26.9	15.0	11.5	19.9
1999	72.5	2.9	14.2	4.3	51.2	49.5	26.4	11.4	11.7	23.1
2000	70.0	2.7	13.1	3.7	50.5	44.8	23.3	10.3	11.2	25.2
2001	68.9	2.7	12.4	3.9	49.9	42.8	21.9	9.7	11.2	26.2
2002	68.8	2.7	11.8	4.6	49.8	40.2	20.4	8.6	11.2	28.6
2003	70.1	2.0	12.4	4.9	50.9	39.7	20.9	9.3	9.6	30.4
2004	70.6	2.1	11.9	4.8	51.7	39.2	20.1	9.6	9.5	31.4

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	74.5	62.2	5.6	5.9	0.8	13.0	61.5	6.2	18.7	26.8	28.9	72.2	2.2
1996	75.8	63.5	5.9	5.8	0.5	12.4	63.4	5.9	20.2	26.2	29.4	73.6	2.2
1997	74.9	62.8	6.1	5.4	0.6	11.1	63.9	5.5	19.5	26.0	29.4	72.7	2.2
1998	73.4	61.6	6.1	5.3	0.4	9.3	64.1	5.8	16.8	27.1	29.5	71.3	2.1
1999	72.5	61.0	6.1	5.2	0.3	9.1	63.4	4.0	15.2	28.0	29.4	70.6	2.0
2000	70.0	58.8	6.0	5.0	0.3	8.1	61.9	3.4	15.0	28.5	26.5	68.3	1.8
2001	68.9	57.6	6.2	4.8	0.3	8.6	60.3	2.1	15.6	26.6	26.7	67.4	1.5
2002	68.8	57.3	6.4	4.8	0.3	8.9	60.0	1.9	16.5	25.4	27.0	67.5	1.3
2003	70.1	57.7	6.7	5.2	0.6	8.9	61.2	1.8	15.3	26.5	28.3	69.1	1.0
2004	70.6	58.1	6.8	5.2	0.4	9.8	60.8	0.8	15.5	27.1	28.0	69.6	1.0

3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	108.0	58.3	114.8	55.6	56.2	35.8	110.9	7.2	52.9	67.1	55.9	43.8
2002	105.4	59.7	112.2	52.7	58.2	32.6	108.3	7.5	52.6	66.7	58.5	42.5
2003	100.0	63.1	109.3	49.0	62.8	32.0	106.8	7.1	54.3	65.4	60.1	45.3
2004	95.6	65.1	110.5	46.6	64.6	29.9	106.6	7.5	55.7	65.2	61.9	45.1

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

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	3.9	4.4	-0.2	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.4
1997	2.0	2.4	0.2	-0.4	-0.2	0.0	-0.3	-1.1	3.4	-0.1	-0.6	1.9	2.1
1998	1.7	2.0	-0.2	0.0	-0.1	0.1	-0.5	-0.6	2.7	-1.1	-0.7	1.6	2.8
1999	1.9	1.5	0.4	0.0	-0.1	0.2	-0.3	-1.2	3.2	-2.0	0.5	-3.1	3.9
2000	1.1	1.0	0.1	0.0	0.0	0.0	-0.3	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.7	0.0	0.1	0.0	0.1	-0.1	0.4	1.4	-0.2	-0.5	-0.2	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.1	-0.8	-0.7	3.3
2003	3.0	3.2	-0.1	0.0	0.0	-0.6	0.9	0.5	2.3	0.5	1.0	0.9	2.5
2004	3.1	3.3	0.0	-0.1	0.0	0.3	0.0	0.1	2.8	0.9	0.0	0.7	2.2

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Securities [11]	Loans	Shares and other equity				Exchange rate effects		
									Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.0	-0.2
1997	2.0	-2.6	-0.6	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.2	0.2	-0.4	0.0
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.3	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.1	0.5	0.0	0.1	-0.7	-0.8	0.1	0.4	0.3	0.0	0.3
2000	1.1	0.1	1.2	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.7	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.2	0.0	0.0	0.1	0.4
2002	2.2	-2.5	-0.3	0.0	0.0	0.0	0.0	0.0	-0.4	0.2	-0.4	0.0	0.1	0.0
2003	3.0	-2.8	0.2	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.2
2004	3.1	-2.7	0.4	0.2	0.2	0.1	0.0	-0.1	-0.2	0.1	0.0	0.0	-0.1	0.4

Source: ECB.
1) Data are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 1999.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q1	44.2	43.6	10.8	13.4	16.0	2.0	0.7	0.6	0.2	40.4
Q2	48.2	47.7	13.5	13.6	16.2	2.1	1.4	0.6	0.3	43.6
Q3	45.3	44.8	11.9	13.1	16.1	2.0	0.8	0.5	0.3	41.4
Q4	51.4	50.7	14.4	14.7	16.9	2.9	0.9	0.7	0.3	46.3
2000 Q1	44.1	43.4	11.2	13.3	15.6	1.9	0.7	0.6	0.3	40.3
Q2	48.2	47.6	14.0	13.5	15.9	2.1	1.2	0.6	0.3	43.7
Q3	44.9	44.4	12.1	12.8	15.9	2.0	0.8	0.5	0.2	41.0
Q4	50.5	49.9	14.1	14.3	16.8	3.0	0.9	0.6	0.3	45.4
2001 Q1	43.0	42.5	10.6	12.9	15.4	1.8	0.9	0.5	0.2	39.2
Q2	47.5	47.0	13.6	13.1	15.8	2.0	1.7	0.5	0.2	42.7
Q3	44.3	43.9	11.9	12.6	15.8	1.9	0.9	0.5	0.3	40.5
Q4	49.9	49.4	13.7	14.1	16.5	3.0	1.1	0.6	0.3	44.6
2002 Q1	42.6	42.1	10.3	13.0	15.6	1.7	0.8	0.5	0.2	39.1
Q2	46.3	45.7	12.7	12.9	15.7	2.0	1.6	0.6	0.3	41.6
Q3	44.4	43.9	11.4	13.0	15.7	2.0	0.8	0.5	0.3	40.4
Q4	50.0	49.3	13.6	14.4	16.5	3.0	0.9	0.7	0.3	44.8
2003 Q1	42.6	42.1	10.0	13.1	15.8	1.7	0.7	0.5	0.2	39.1
Q2	46.9	45.3	12.3	12.9	16.0	2.0	1.3	1.6	1.3	42.4
Q3	43.7	43.2	11.0	12.9	15.8	1.9	0.7	0.6	0.3	40.0
Q4	50.3	49.1	13.3	14.5	16.5	2.9	0.8	1.1	0.3	44.7
2004 Q1	42.2	41.7	9.8	13.1	15.7	1.6	0.6	0.6	0.3	38.8
Q2	45.7	44.7	12.3	13.1	15.6	2.0	0.9	0.9	0.7	41.7
Q3	43.5	43.0	10.9	12.9	15.7	1.9	0.7	0.6	0.3	39.8
Q4	50.4	49.4	13.3	14.7	16.6	2.9	0.8	1.0	0.4	45.0
2005 Q1	42.7	42.2	10.2	13.3	15.6	1.5	0.6	0.6	0.3	39.3

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q1	47.8	44.5	10.5	4.4	4.5	25.0	21.7	1.3	3.3	2.0	1.4	-3.6	0.9
Q2	47.8	44.2	10.6	4.6	4.2	24.8	21.5	1.5	3.6	2.4	1.2	0.4	4.6
Q3	47.8	44.1	10.4	4.6	4.0	25.1	21.5	1.6	3.7	2.5	1.2	-2.5	1.5
Q4	51.1	46.3	11.1	5.3	3.7	26.2	22.5	1.7	4.8	3.1	1.7	0.3	4.0
2000 Q1	46.6	43.2	10.3	4.5	4.1	24.3	21.1	1.2	3.4	2.0	1.4	-2.5	1.6
Q2	47.0	43.5	10.4	4.6	3.9	24.5	21.1	1.4	3.5	2.4	1.2	1.2	5.1
Q3	43.7	43.3	10.2	4.6	4.0	24.5	21.1	1.5	0.4	2.5	1.1	1.2	5.2
Q4	50.2	46.3	11.1	5.3	3.8	26.1	22.2	1.6	3.9	3.1	1.6	0.3	4.1
2001 Q1	46.1	42.6	10.2	4.1	4.0	24.3	21.1	1.2	3.5	2.0	1.6	-3.1	0.9
Q2	47.0	43.5	10.4	4.7	3.9	24.4	21.0	1.4	3.6	2.4	1.2	0.5	4.4
Q3	47.1	43.2	10.1	4.6	3.9	24.6	21.2	1.5	3.8	2.5	1.3	-2.7	1.2
Q4	51.8	46.7	11.1	5.6	3.7	26.3	22.4	1.6	5.1	3.2	1.9	-1.9	1.8
2002 Q1	46.5	43.0	10.4	4.2	3.8	24.7	21.4	1.2	3.5	2.0	1.6	-3.9	-0.2
Q2	47.4	43.9	10.5	4.9	3.6	24.9	21.4	1.4	3.5	2.4	1.2	-1.1	2.5
Q3	47.7	43.9	10.2	4.7	3.6	25.4	21.7	1.5	3.8	2.5	1.3	-3.3	0.3
Q4	51.7	47.1	11.2	5.7	3.4	26.8	22.9	1.6	4.6	2.8	1.7	-1.7	1.7
2003 Q1	47.1	43.5	10.4	4.3	3.6	25.2	21.8	1.2	3.6	2.0	1.6	-4.5	-0.9
Q2	48.2	44.6	10.6	4.7	3.5	25.8	22.1	1.4	3.6	2.4	1.2	-1.3	2.2
Q3	47.9	44.1	10.4	4.8	3.4	25.6	21.9	1.4	3.8	2.6	1.2	-4.1	-0.8
Q4	52.0	47.1	11.2	5.7	3.2	27.0	23.1	1.5	4.9	3.3	1.7	-1.8	1.4
2004 Q1	46.9	43.4	10.4	4.4	3.3	25.3	21.8	1.1	3.5	2.0	1.5	-4.7	-1.3
Q2	47.3	43.9	10.6	4.8	3.2	25.3	21.8	1.3	3.5	2.4	1.1	-1.7	1.6
Q3	47.0	43.5	10.1	4.6	3.3	25.5	21.9	1.3	3.5	2.5	1.0	-3.5	-0.2
Q4	51.8	46.7	11.1	5.7	3.1	26.7	23.1	1.4	5.2	3.1	1.9	-1.4	1.7
2005 Q1	46.8	43.3	10.4	4.4	3.3	25.3	21.7	1.0	3.5	1.9	1.6	-4.1	-0.8

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are not included. Including these transactions would increase both revenue and expenditure by, on average, about 0.2% of GDP. 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.

7 EXTERNAL TRANSACTIONS AND POSITIONS

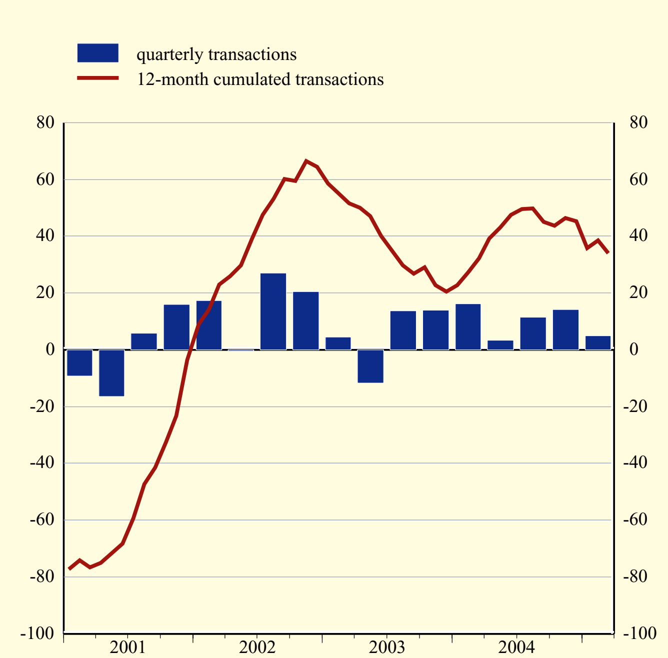
7.1 Balance of payments

(EUR billions; net transactions)

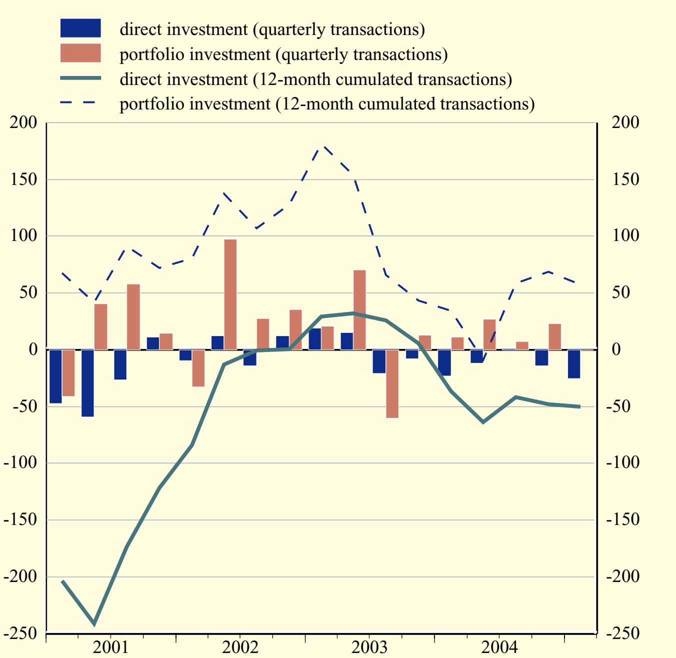
1. Summary balance of payments

	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
2002	64.5	128.5	16.4	-31.9	-48.6	10.2	74.6	-43.9	0.6	127.8	-11.0	-159.1	-2.3	-30.7
2003	20.4	102.7	19.7	-45.8	-56.1	13.1	33.5	-5.9	5.4	43.4	-12.2	-72.5	30.0	-27.6
2004	45.2	103.4	27.2	-29.8	-55.6	17.2	62.5	24.5	-47.9	68.6	-2.0	-6.6	12.4	-86.9
2004 Q1	16.2	27.7	1.8	-6.4	-7.0	3.4	19.6	5.5	-23.0	11.3	5.3	2.6	9.3	-25.1
Q2	3.4	31.4	10.4	-21.7	-16.7	4.0	7.4	11.3	-12.1	27.0	-1.2	0.4	-2.8	-18.6
Q3	11.4	23.5	8.8	-3.0	-18.0	4.1	15.5	3.1	1.1	7.2	-1.0	-7.7	3.5	-18.6
Q4	14.3	20.8	6.2	1.2	-13.9	5.7	20.0	4.6	-14.0	23.1	-5.1	-2.0	2.5	-24.6
2005 Q1	4.9	14.7	2.3	-2.6	-9.4	1.0	6.0	35.4	-25.2	0.2	-9.6	65.3	4.9	-41.4
2004 Apr.	-1.8	9.7	2.2	-9.6	-4.1	0.8	-1.0	-15.6	-2.0	-5.8	-2.7	-2.4	-2.6	16.6
May	0.5	10.2	4.2	-7.9	-6.0	2.3	2.9	15.7	0.0	1.2	-0.3	14.2	0.7	-18.6
June	4.7	11.5	3.9	-4.2	-6.6	0.9	5.5	11.1	-10.1	31.6	1.8	-11.3	-0.8	-16.7
July	8.3	13.5	3.7	-2.5	-6.4	1.3	9.6	-17.6	-7.2	-40.6	0.6	29.4	0.2	8.0
Aug.	3.3	5.2	2.6	0.8	-5.3	1.6	4.9	6.3	5.1	2.5	-4.2	-0.9	3.8	-11.2
Sep.	-0.1	4.9	2.5	-1.2	-6.3	1.1	1.0	14.4	3.3	45.3	2.5	-36.2	-0.5	-15.4
Oct.	3.5	8.9	3.8	-3.6	-5.6	0.6	4.2	-30.1	-12.6	-2.2	-4.1	-12.1	0.9	25.9
Nov.	5.3	4.6	1.6	3.5	-4.4	1.0	6.3	25.2	-6.4	-13.0	1.4	43.2	-0.1	-31.5
Dec.	5.5	7.3	0.8	1.4	-4.0	4.1	9.6	9.4	5.1	38.3	-2.4	-33.1	1.6	-19.0
2005 Jan.	-7.2	0.2	0.5	-4.7	-3.2	-0.8	-8.0	25.9	-11.4	-17.1	-3.8	59.7	-1.6	-17.8
Feb.	8.8	6.1	1.2	3.7	-2.2	1.1	9.9	21.9	-4.9	21.7	-0.3	0.3	5.0	-31.8
Mar.	3.4	8.4	0.6	-1.6	-4.0	0.7	4.1	-12.3	-9.0	-4.5	-5.5	5.3	1.4	8.2
Apr.	-11.6	3.4	1.7	-12.5	-4.2	0.3	-11.3	-12.2	-6.4	-2.8	-1.0	-1.3	-0.8	23.5
	12-month cumulated transactions													
2005 Apr.	24.2	84.2	27.1	-29.0	-58.1	14.4	38.5	57.8	-54.5	60.5	-15.3	57.2	9.9	-96.3

C26 B.o.p. current account balance
(EUR billions)



C27 B.o.p. net direct and portfolio investment
(EUR billions)



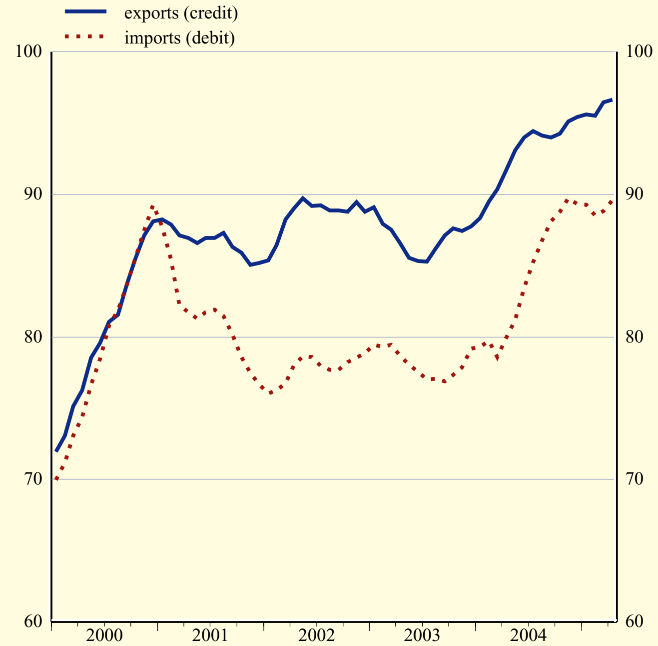
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

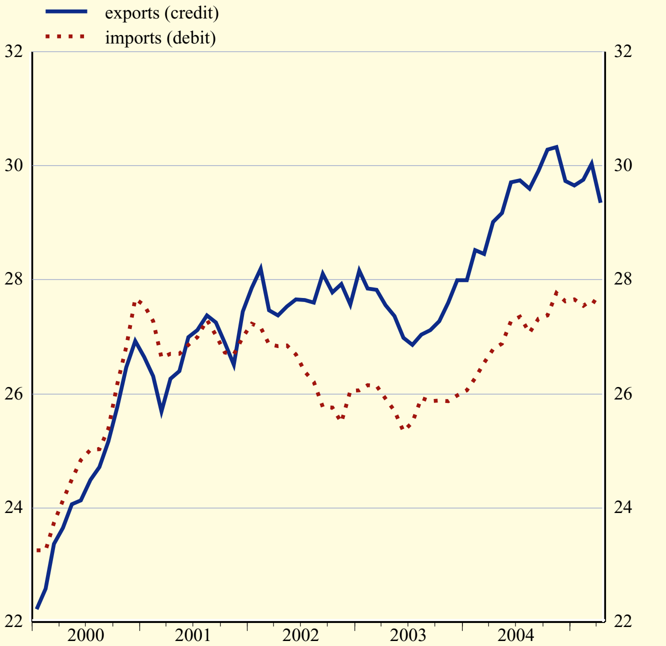
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	1,726.9	1,662.4	64.5	1,062.1	933.6	332.1	315.7	247.3	279.2	85.4	133.9	19.2	9.0
2003	1,675.4	1,655.0	20.4	1,039.7	937.0	329.3	309.6	225.6	271.5	80.8	137.0	23.3	10.1
2004	1,818.1	1,772.8	45.2	1,130.0	1,026.6	355.1	327.9	252.8	282.6	80.2	135.8	23.3	6.1
2004 Q1	431.0	414.8	16.2	266.1	238.4	77.2	75.4	56.1	62.5	31.5	38.5	5.0	1.6
Q2	455.9	452.5	3.4	285.0	253.6	89.8	79.4	66.0	87.7	15.0	31.7	5.3	1.3
Q3	451.7	440.3	11.4	279.6	256.1	96.4	87.5	60.3	63.3	15.4	33.4	5.6	1.6
Q4	479.5	465.2	14.3	299.2	278.4	91.7	85.6	70.3	69.1	18.2	32.2	7.3	1.6
2005 Q1	457.5	452.6	4.9	279.4	264.6	80.1	77.8	66.0	68.6	32.1	41.5	4.3	3.3
2005 Feb.	147.2	138.4	8.8	90.8	84.7	25.8	24.6	23.0	19.3	7.7	9.8	1.5	0.4
Mar.	160.1	156.7	3.4	101.3	92.9	27.8	27.2	24.1	25.7	6.8	10.9	1.3	0.6
Apr.	159.1	170.7	-11.6	98.4	95.0	28.3	26.6	26.8	39.4	5.5	9.7	0.9	0.6
	Seasonally adjusted												
2004 Q1	435.5	421.1	14.4	271.1	235.8	85.4	79.6	59.4	69.9	19.7	35.8	.	.
Q2	452.4	435.7	16.7	281.9	250.3	89.1	81.8	61.4	71.2	20.0	32.4	.	.
Q3	454.6	450.7	3.9	282.0	264.4	89.7	82.0	63.3	69.5	19.6	34.9	.	.
Q4	463.4	456.2	7.2	286.3	267.9	89.2	82.9	68.0	71.7	19.9	33.7	.	.
2005 Q1	469.6	462.7	6.9	289.3	266.5	90.1	82.9	69.8	76.7	20.4	36.6	.	.
2004 Aug.	151.0	149.8	1.2	93.4	88.2	29.8	26.6	20.9	22.9	6.9	12.1	.	.
Sep.	152.6	152.3	0.3	93.7	88.6	30.6	28.2	21.7	24.0	6.6	11.5	.	.
Oct.	154.8	151.0	3.8	95.6	89.5	30.5	27.4	22.1	23.6	6.5	10.6	.	.
Nov.	156.6	154.1	2.5	95.9	91.1	29.9	27.7	24.1	24.3	6.6	11.0	.	.
Dec.	152.0	151.0	0.9	94.7	87.3	28.8	27.8	21.7	23.8	6.8	12.1	.	.
2005 Jan.	155.6	157.3	-1.8	96.2	89.4	30.3	27.5	22.2	26.0	6.9	14.4	.	.
Feb.	156.7	150.7	6.0	95.7	88.8	30.2	27.4	23.9	23.7	6.9	10.8	.	.
Mar.	157.4	154.6	2.7	97.4	88.3	29.6	28.1	23.7	27.0	6.6	11.3	.	.
Apr.	158.2	159.0	-0.8	96.8	91.7	28.2	27.2	25.6	29.5	7.6	10.5	.	.

C28 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C29 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.1 Balance of payments
(EUR billions)

3. Income account
(transactions)

	Compensation of employees		Investment income											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	14.9	6.2	232.4	273.0	56.4	51.8	7.6	7.1	19.8	52.3	65.6	71.0	83.0	90.8
2003	14.5	6.3	211.1	265.2	47.9	53.7	10.3	9.6	19.0	50.0	64.6	76.7	69.3	75.2
2004	15.1	6.3	237.8	276.3	65.7	57.4	11.8	11.4	23.8	56.6	73.9	79.3	62.6	71.6
2003 Q4	3.8	1.6	54.9	65.2	14.8	13.3	3.0	2.6	4.7	9.7	16.5	20.8	15.9	18.8
2004 Q1	3.7	1.3	52.5	61.2	11.7	13.3	3.2	2.5	4.6	9.3	17.8	18.7	15.1	17.3
Q2	3.7	1.6	62.4	86.1	18.2	17.0	3.0	2.7	8.1	26.0	17.6	22.8	15.4	17.6
Q3	3.8	1.8	56.6	61.5	14.0	13.8	2.4	2.6	5.7	11.1	19.0	16.5	15.4	17.6
Q4	4.0	1.6	66.4	67.5	21.8	13.3	3.1	3.5	5.4	10.2	19.4	21.3	16.7	19.2

4. Direct investment
(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	-179.9	-179.3	-22.3	-157.0	-0.6	0.0	-0.7	180.6	124.9	1.9	123.0	55.6	0.5	55.2
2003	-136.0	-112.7	-1.7	-111.0	-23.3	-0.1	-23.3	141.4	124.2	3.0	121.2	17.2	0.1	17.1
2004	-116.9	-124.1	-18.2	-105.9	7.2	0.1	7.1	69.0	69.7	2.4	67.3	-0.7	0.8	-1.5
2004 Q1	-28.4	-22.5	-4.9	-17.6	-5.9	-0.1	-5.8	5.4	13.5	-0.7	14.2	-8.1	-0.3	-7.8
Q2	-27.9	-24.8	-3.6	-21.2	-3.1	0.0	-3.1	15.8	10.6	0.6	10.0	5.2	0.8	4.5
Q3	-16.4	-27.5	-1.1	-26.4	11.1	0.0	11.1	17.6	17.7	1.5	16.3	-0.1	0.4	-0.6
Q4	-44.2	-49.2	-8.5	-40.7	5.0	0.1	5.0	30.2	27.9	1.0	26.8	2.3	-0.1	2.4
2005 Q1	-32.0	-16.0	-3.2	-12.9	-16.0	0.0	-15.9	6.8	9.9	0.5	9.4	-3.2	0.0	-3.2
2004 Apr.	-15.4	-7.6	-0.4	-7.2	-7.8	0.1	-7.9	13.4	8.6	0.2	8.4	4.8	0.0	4.8
May	-2.8	-5.6	0.0	-5.6	2.8	0.0	2.8	2.9	3.1	0.3	2.8	-0.3	0.3	-0.6
June	-9.7	-11.6	-3.2	-8.5	2.0	0.0	2.0	-0.5	-1.1	0.0	-1.2	0.7	0.4	0.3
July	-18.7	-16.4	0.1	-16.4	-2.3	0.0	-2.3	11.4	11.4	0.2	11.2	0.0	-0.1	0.1
Aug.	9.1	-7.3	0.2	-7.5	16.4	0.0	16.4	-4.0	-1.9	0.3	-2.3	-2.1	0.0	-2.0
Sep.	-6.8	-3.9	-1.3	-2.5	-3.0	0.0	-3.0	10.2	8.3	0.9	7.3	1.9	0.5	1.4
Oct.	-29.6	-22.6	0.0	-22.5	-7.0	0.0	-7.0	16.9	9.3	0.2	9.0	7.7	0.0	7.7
Nov.	-21.5	-20.3	-13.3	-7.0	-1.3	0.1	-1.4	15.1	8.0	0.3	7.7	7.1	0.0	7.1
Dec.	6.9	-6.4	4.8	-11.2	13.4	0.0	13.3	-1.8	10.6	0.5	10.1	-12.4	0.0	-12.4
2005 Jan.	-11.2	-7.0	-0.9	-6.1	-4.2	0.0	-4.2	-0.2	3.4	0.2	3.2	-3.6	0.0	-3.6
Feb.	-6.5	-3.8	-1.5	-2.3	-2.7	0.0	-2.7	1.7	3.0	0.2	2.9	-1.4	-0.1	-1.3
Mar.	-14.3	-5.2	-0.8	-4.5	-9.0	0.0	-9.0	5.3	3.5	0.2	3.4	1.8	0.0	1.7
Apr.	-12.3	1.9	-1.3	3.3	-14.2	0.0	-14.2	5.9	7.5	0.3	7.2	-1.6	0.1	-1.7

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	-0.4	-7.4	-31.0	-4.4	86.2	-0.7	-17.4	-70.6	-0.9	157.9	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-12.8	-53.8	-2.6	117.2	-2.4	-45.1	-134.8	-0.2	170.4	0.2	-41.3	13.7	0.6	32.4
2004	0.0	-21.8	-51.8	-2.1	121.6	1.2	-80.7	-70.1	-1.1	211.3	-0.1	-43.1	-15.8	0.2	18.0
2004 Q1	0.0	-6.0	-24.6	-0.9	20.6	-0.4	-26.3	-17.5	-0.5	54.1	-0.1	-10.6	-10.1	-1.0	32.3
Q2	0.0	-12.4	-3.8	-0.7	-4.1	0.3	-10.7	-17.6	-0.1	85.4	0.1	-5.0	-3.5	-2.4	-1.7
Q3	0.0	-2.5	-3.9	-0.6	38.5	0.7	-23.0	-15.0	-0.1	39.9	0.0	-14.7	-5.8	-0.7	-6.9
Q4	0.0	-0.9	-19.4	0.1	66.6	0.6	-20.6	-20.0	-0.3	31.9	-0.1	-12.8	3.5	4.3	-5.6
2005 Q1	0.0	-25.1	-20.2	.	37.7	-0.6	-34.7	-37.2	.	44.2	0.4	6.2	-5.1	.	34.6
2004 Apr.	0.0	-1.0	2.6	-	-19.8	0.2	-2.8	-5.3	-	38.8	0.0	-15.3	-3.7	-	0.6
May	0.0	-1.8	0.4	-	1.2	0.1	-7.3	-7.3	-	17.6	-0.2	2.6	0.6	-	-4.7
June	0.0	-9.7	-6.8	-	14.5	0.0	-0.5	-5.0	-	29.1	0.3	7.6	-0.3	-	2.4
July	0.0	-8.9	-0.5	-	10.2	-0.3	-12.9	0.7	-	-9.1	0.3	-19.1	1.4	-	-2.4
Aug.	0.0	-4.2	-7.5	-	15.8	0.4	-12.0	-0.7	-	9.8	-0.1	-3.5	-2.2	-	6.8
Sep.	0.0	10.6	4.0	-	12.6	0.6	1.9	-15.0	-	39.2	-0.1	7.9	-5.0	-	-11.3
Oct.	0.0	-3.7	-10.5	-	14.8	0.3	-13.7	-4.4	-	11.9	-0.1	0.6	-0.5	-	3.2
Nov.	0.0	-9.1	-5.5	-	23.0	0.4	-6.0	-9.6	-	5.9	0.2	-14.7	4.9	-	-2.5
Dec.	0.0	11.9	-3.5	-	28.8	-0.1	-1.0	-6.0	-	14.2	-0.1	1.3	-0.8	-	-6.3
2005 Jan.	0.0	-7.1	-8.8	-	10.0	-0.4	-26.0	-2.8	-	5.5	0.2	-3.1	-5.0	-	20.5
Feb.	0.0	-16.3	-3.1	-	7.9	-0.2	-3.5	-16.4	-	36.7	0.1	17.1	-2.1	-	1.5
Mar.	0.0	-1.7	-8.3	-	19.8	0.0	-5.2	-17.9	-	2.0	0.1	-7.8	2.0	-	12.6
Apr.	0.0	11.3	-2.8	-	-38.9	-0.9	-8.3	-15.6	-	58.0	-0.3	-12.9	3.2	-	4.7

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2002	-225.1	66.0	-0.9	19.3	0.1	-	-8.3	-168.0	25.8	-35.0	52.1	-133.0	-26.3	-56.3	-	29.2
2003	-240.1	167.6	-0.8	10.0	-0.6	-	-3.9	-154.7	136.2	-59.9	64.4	-94.9	71.8	-84.0	-	25.3
2004	-289.6	283.0	0.4	7.3	-1.8	-1.9	-2.8	-259.9	246.5	-19.8	0.6	-240.0	245.9	-28.3	-5.8	31.9
2004 Q1	-178.9	181.5	-0.6	-1.3	-0.6	-0.5	-6.3	-156.0	158.4	-10.4	0.3	-145.6	158.1	-21.7	-16.0	30.7
Q2	-18.6	19.0	0.9	1.7	-4.9	-4.9	3.1	-5.3	22.2	-2.3	6.7	-3.0	15.5	-9.3	10.1	-7.9
Q3	-17.9	10.2	-1.5	3.2	0.2	-0.2	2.2	-24.2	6.5	-7.8	-5.7	-16.5	12.2	7.6	-7.4	-1.7
Q4	-74.1	72.2	1.7	3.7	3.4	3.7	-1.7	-74.3	59.3	0.7	-0.8	-75.0	60.0	-5.0	7.4	10.9
2005 Q1	-163.4	228.7	0.8	4.7	3.0	3.5	0.6	-126.1	199.3	-30.1	11.4	-96.0	187.9	-41.1	-14.1	24.2
2004 Apr.	-51.1	48.7	0.6	0.6	-1.5	-1.2	-0.3	-50.4	54.3	-6.3	0.5	-44.1	53.8	0.2	5.0	-6.0
May	12.2	2.0	-0.1	-0.2	-0.2	-0.1	0.5	17.6	10.3	3.6	3.5	14.0	6.8	-5.1	6.3	-8.6
June	20.3	-31.6	0.5	1.3	-3.3	-3.6	2.9	27.4	-42.4	0.4	2.7	27.1	-45.2	-4.4	-1.2	6.7
July	57.3	-27.8	-0.3	1.5	-0.3	-0.5	-0.4	46.1	-12.7	3.1	-7.8	43.0	-4.9	11.8	2.7	-16.2
Aug.	-31.8	30.9	-0.2	0.2	-0.2	-0.3	0.1	-31.3	18.8	-5.7	2.3	-25.5	16.5	-0.1	-1.2	11.8
Sep.	-43.4	7.2	-1.0	1.5	0.7	0.7	2.6	-39.0	0.4	-5.2	-0.2	-33.9	0.6	-4.0	-8.9	2.7
Oct.	-15.7	3.6	0.1	1.3	2.0	2.2	0.2	-9.8	-0.2	8.3	5.3	-18.1	-5.5	-8.1	-0.7	2.4
Nov.	-67.1	110.3	0.5	2.0	-0.4	-0.8	1.0	-60.1	97.2	-0.3	3.3	-59.7	93.9	-7.1	-1.8	10.0
Dec.	8.7	-41.7	1.1	0.4	1.8	2.2	-2.9	-4.4	-37.7	-7.3	-9.4	2.9	-28.3	10.2	9.9	-1.6
2005 Jan.	-50.9	110.5	0.7	3.9	-1.3	-1.0	2.6	-33.9	97.7	-15.1	16.6	-18.8	81.1	-16.4	-13.4	6.3
Feb.	-60.6	61.0	0.2	-3.5	-1.5	0.6	-4.2	-58.4	59.9	-10.6	2.7	-47.8	57.2	-1.0	5.0	8.7
Mar.	-51.9	57.1	0.0	4.2	5.8	3.9	2.2	-33.8	41.6	-4.4	-7.9	-29.4	49.5	-23.8	-5.7	9.1
Apr.	-118.3	117.0	0.1	0.0	-5.7	-5.7	-4.0	-97.7	92.2	-10.4	0.2	-87.3	92.0	-15.1	10.7	28.8

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

7. Other investment by sector and instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.4	-	-	-0.9	0.0	-4.2	0.3
2004	0.4	0.0	7.1	0.2	0.0	0.1	2.0	-1.9	-1.9	0.0	-2.7	0.0
2003 Q4	-0.7	0.0	-0.9	0.0	0.0	3.1	-	-	0.1	0.0	-4.2	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.0	-0.3
Q2	0.9	0.0	1.5	0.2	0.0	-4.5	0.4	-4.9	-0.4	0.0	2.8	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.1	0.1
Q4	1.7	0.0	3.5	0.2	0.0	3.9	0.2	3.7	-0.4	0.0	-1.6	-0.1

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2002	-163.0	-5.0	27.9	-2.1	-1.9	-50.7	-	-	-3.7	-3.7	26.2	6.6
2003	-154.2	-0.5	136.3	-0.1	0.2	-81.2	-	-	-3.0	3.4	22.7	-0.7
2004	-256.8	-3.1	243.6	2.9	-4.8	-18.3	-12.5	-5.8	-5.2	8.8	22.7	0.4
2003 Q4	-70.7	-0.6	52.1	0.2	-1.0	-8.3	-	-	-0.7	2.4	11.7	-1.1
2004 Q1	-153.5	-2.6	156.8	1.6	-2.8	-17.2	-1.2	-16.0	-1.6	4.8	25.3	0.5
Q2	-4.7	-0.6	22.2	0.0	-3.2	-5.1	-15.3	10.1	-1.0	1.6	-7.4	-2.1
Q3	-22.5	-1.7	5.0	1.5	1.9	6.6	14.0	-7.4	-0.9	-0.2	-4.1	2.7
Q4	-76.1	1.8	59.6	-0.3	-0.7	-2.6	-10.0	7.4	-1.7	2.7	8.9	-0.7

8. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	30.0	1.7	0.0	-1.6	29.9	-1.8	1.6	0.0	23.2	6.9	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.8	-3.8	3.7	0.5	17.8	-11.4	0.0	0.0
2003 Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.3	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	-0.1	0.0
Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.4	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.0	1.0	2.1	0.0	0.0
Q4	2.5	0.8	0.5	1.1	0.0	-3.9	3.4	0.0	3.3	-2.8	0.0	0.0

Source: ECB.

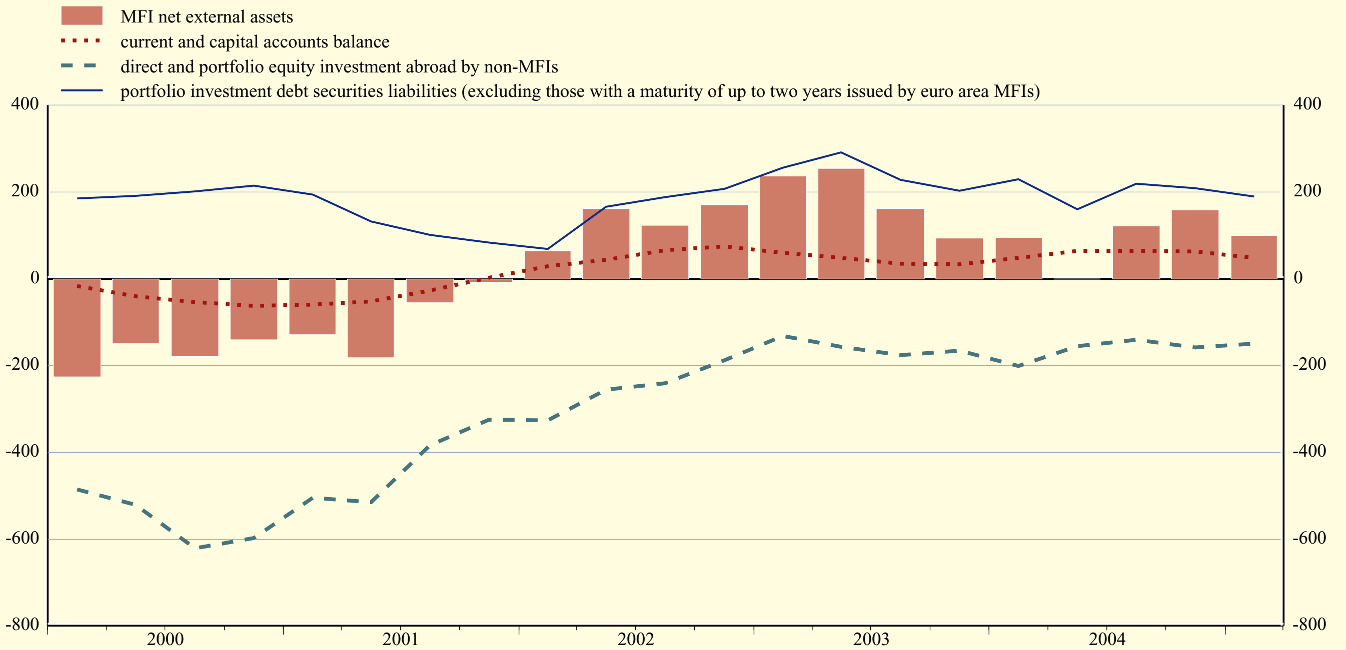
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2002	74.6	-157.7	180.1	-120.5	49.9	208.0	-56.2	20.9	-11.0	-30.7	157.5	170.8
2003	33.5	-134.2	141.3	-174.9	121.5	203.1	-84.6	21.5	-12.2	-27.6	87.4	94.4
2004	62.5	-98.8	68.2	-137.7	111.5	209.3	-30.1	29.2	-2.0	-86.9	125.1	158.3
2004 Q1	19.6	-23.4	5.7	-52.1	4.3	79.1	-22.2	24.3	5.3	-25.1	15.4	36.2
Q2	7.4	-24.3	15.0	-24.9	-4.3	72.7	-14.2	-4.9	-1.2	-18.6	2.8	0.1
Q3	15.5	-15.4	17.2	-24.8	37.6	44.6	7.9	0.5	-1.0	-18.6	63.4	64.6
Q4	20.0	-35.7	30.3	-35.9	74.0	12.9	-1.5	9.2	-5.1	-24.6	43.5	57.4
2005 Q1	6.0	-28.8	6.7	-62.5	30.6	59.3	-38.1	24.8	-9.6	-41.4	-53.1	-22.6
2004 Apr.	-1.0	-15.1	13.3	-6.4	-22.7	32.2	-1.3	-6.3	-2.7	16.6	6.8	7.0
May	2.9	-2.7	2.5	-6.4	4.5	10.1	-5.3	-8.2	-0.3	-18.6	-21.5	-21.2
June	5.5	-6.5	-0.8	-12.1	13.9	30.4	-7.7	9.6	1.8	-16.7	17.5	14.3
July	9.6	-18.8	11.5	1.6	5.9	-10.3	11.4	-16.6	0.6	8.0	3.0	-0.6
Aug.	4.9	8.9	-4.0	-10.3	15.5	17.9	-0.3	11.9	-4.2	-11.2	29.1	30.3
Sep.	1.0	-5.5	9.7	-16.0	16.1	37.0	-3.3	5.3	2.5	-15.4	31.3	34.9
Oct.	4.2	-29.5	17.0	-15.4	13.4	12.3	-6.1	2.6	-4.1	25.9	20.2	20.4
Nov.	6.3	-8.3	15.2	-10.2	26.9	1.1	-7.4	11.0	1.4	-31.5	4.5	10.6
Dec.	9.6	2.2	-1.8	-10.3	33.7	-0.5	12.0	-4.4	-2.4	-19.0	18.8	26.4
2005 Jan.	-8.0	-10.3	-0.2	-16.7	6.9	20.8	-17.6	8.9	-3.8	-17.8	-37.8	-22.5
Feb.	9.9	-5.0	1.7	-21.6	15.0	34.7	-2.5	4.5	-0.3	-31.8	4.6	13.8
Mar.	4.1	-13.5	5.3	-24.2	8.6	3.9	-18.0	11.3	-5.5	8.2	-19.9	-13.9
Apr.	-11.3	-11.0	5.8	-15.3	-49.4	59.6	-20.8	24.8	-1.0	23.5	5.0	-2.2
	12-month cumulated transactions											
2005 Apr.	38.5	-100.1	61.7	-157.0	111.2	217.0	-65.5	60.7	-15.3	-96.3	54.8	90.2

C30 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.
1) Excluding money market fund shares/units.
2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

1. Balance of payments: current and capital accounts

(Cumulated transactions)

2004 Q1 to 2004 Q4	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	1,818.1	673.0	35.9	59.1	366.6	154.1	57.3	24.0	48.2	125.5	311.8	635.7
Goods	1,130.0	395.5	25.1	41.3	202.5	126.2	0.3	14.6	33.0	64.6	171.9	450.4
Services	355.1	130.5	7.3	10.0	92.6	16.5	4.1	4.6	10.2	35.8	73.3	100.7
Income	252.8	88.0	3.1	7.3	62.3	10.1	5.3	4.2	4.7	18.9	59.6	77.4
of which: investment income	237.8	83.2	3.0	7.1	60.8	9.9	2.4	4.2	4.6	12.7	57.9	75.2
Current transfers	80.2	59.0	0.4	0.5	9.2	1.3	47.6	0.6	0.3	6.3	7.0	7.1
Capital account	23.3	20.9	0.0	0.0	0.6	0.1	20.2	0.0	0.0	0.3	1.2	0.9
	Debits											
Current account	1,772.8	597.3	34.3	57.0	293.4	130.4	82.2	18.3	84.3	119.8	265.2	688.0
Goods	1,026.6	309.9	24.3	38.5	141.9	105.3	0.0	8.6	52.2	52.3	111.4	492.1
Services	327.9	101.6	6.1	7.7	68.5	19.1	0.2	4.8	6.8	30.2	74.4	110.0
Income	282.6	96.8	3.5	10.0	75.1	4.3	3.8	3.3	24.9	32.0	69.2	56.5
of which: investment income	276.3	93.6	3.5	9.9	74.1	2.3	3.8	3.2	24.7	31.5	68.4	55.0
Current transfers	135.8	89.0	0.3	0.8	7.9	1.6	78.3	1.7	0.4	5.3	10.1	29.5
Capital account	6.1	0.9	0.0	0.0	0.3	0.2	0.4	0.1	0.0	0.2	0.4	4.5
	Net											
Current account	45.2	75.7	1.6	2.1	73.2	23.7	-24.9	5.7	-36.1	5.7	46.6	-52.3
Goods	103.4	85.5	0.8	2.8	60.7	20.9	0.3	6.0	-19.2	12.3	60.5	-41.6
Services	27.2	28.9	1.2	2.3	24.1	-2.6	4.0	-0.2	3.3	5.5	-1.2	-9.2
Income	-29.8	-8.8	-0.5	-2.8	-12.8	5.7	1.5	1.0	-20.2	-13.1	-9.6	20.9
of which: investment income	-38.6	-10.3	-0.5	-2.8	-13.3	7.7	-1.4	1.0	-20.1	-18.8	-10.6	20.3
Current transfers	-55.6	-30.0	0.1	-0.3	1.3	-0.4	-30.7	-1.1	-0.1	1.0	-3.1	-22.3
Capital account	17.2	20.0	0.0	0.0	0.3	-0.1	19.8	0.0	0.0	0.1	0.8	-3.6

2. Balance of payments: direct investment

(Cumulated transactions)

2004 Q1 to 2004 Q4	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-47.9	-20.4	2.9	-3.1	-18.3	-2.0	0.1	-0.2	-10.0	10.6	20.3	-23.2	-24.9
Abroad	-116.9	-56.3	1.4	-6.2	-43.7	-7.8	0.0	1.8	-14.0	3.6	6.3	-28.1	-30.2
Equity/reinvested earnings	-124.1	-54.3	-0.9	-6.2	-33.4	-13.7	0.0	1.9	-11.4	1.0	-18.1	-21.8	-21.5
Other capital	7.2	-2.0	2.4	0.0	-10.3	5.9	0.0	-0.2	-2.7	2.6	24.4	-6.3	-8.7
In the euro area	69.0	35.8	1.4	3.1	25.4	5.8	0.1	-1.9	4.0	7.0	14.0	4.9	5.2
Equity/reinvested earnings	69.7	40.7	1.1	2.5	36.0	1.0	0.1	-2.4	1.8	3.9	15.9	8.5	1.2
Other capital	-0.7	-4.8	0.3	0.6	-10.5	4.8	0.0	0.5	2.2	3.0	-1.9	-3.6	4.0

Source: ECB.

7.3 Geographical breakdown of the balance of payments and international investment position
(EUR billions)

3. Balance of payments: portfolio investment assets by instrument
(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-282.2	-108.8	0.9	-8.2	-81.6	-14.6	-5.2	-4.6	-42.9	1.5	-55.0	-34.5	-37.8
Equity	-73.6	-8.6	3.1	-0.5	-9.9	-1.2	-0.1	-2.4	-17.4	2.0	-20.4	-13.7	-13.1
Debt securities	-208.6	-100.2	-2.3	-7.7	-71.8	-13.4	-5.1	-2.2	-25.6	-0.5	-34.6	-20.8	-24.7
Bonds and notes	-149.5	-76.1	-0.3	-6.6	-52.2	-11.4	-5.6	-2.5	-8.9	-0.9	-34.2	0.5	-27.3
Money market instruments	-59.1	-24.1	-1.9	-1.1	-19.6	-2.1	0.6	0.3	-16.7	0.4	-0.4	-21.3	2.7

4. Balance of payments: other investment by sector
(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	-6.6	-101.7	6.9	-18.3	-90.1	-5.2	5.0	-0.1	10.0	19.7	61.1	-26.7	5.1	26.0
Assets	-289.6	-247.4	3.5	-26.0	-206.3	-18.5	-0.2	-1.8	6.0	-5.1	-3.4	-25.7	-3.3	-8.8
General government	-1.8	-1.7	-1.0	0.0	-0.3	0.2	-0.6	0.0	0.0	0.0	0.0	0.0	-1.9	1.8
MFIs	-259.5	-224.8	5.1	-23.6	-189.2	-17.6	0.5	-0.8	5.4	-4.8	-5.5	-13.5	-1.2	-14.2
Other sectors	-28.3	-20.9	-0.5	-2.4	-16.9	-1.0	-0.1	-1.0	0.6	-0.3	2.0	-12.1	-0.2	3.7
Liabilities	283.0	145.7	3.4	7.7	116.2	13.3	5.2	1.7	4.0	24.8	64.6	-1.0	8.4	34.8
General government	-2.8	-1.7	0.0	0.1	1.0	0.0	-2.8	0.0	-0.6	-0.5	-0.5	0.0	0.2	0.5
MFIs	253.8	137.2	3.1	6.5	110.0	11.7	5.9	1.1	2.1	20.4	53.9	-3.5	8.5	33.9
Other sectors	31.9	10.2	0.2	1.1	5.2	1.6	2.0	0.5	2.5	4.9	11.2	2.5	-0.2	0.4

5. International investment position
(End-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisa-tions	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	79.7	-250.1	1.8	-11.1	-346.3	105.6	-0.1	33.0	5.0	71.2	-3.3	-40.2	-0.1	264.2
Abroad	2,110.4	683.3	25.9	63.5	485.0	108.8	0.0	73.0	53.6	231.6	492.8	218.5	0.0	357.6
Equity/reinvested earnings	1,647.3	524.9	22.6	40.3	377.0	85.0	0.0	59.5	45.4	171.4	350.5	206.0	0.0	289.5
Other capital	463.1	158.3	3.4	23.2	107.9	23.8	0.0	13.5	8.2	60.1	142.3	12.5	0.0	68.0
In the euro area	2,030.7	933.4	24.2	74.6	831.2	3.2	0.1	39.9	48.7	160.4	496.2	258.7	0.1	93.4
Equity/reinvested earnings	1,474.4	732.2	18.9	60.2	650.8	2.3	0.0	37.5	38.4	109.7	347.0	135.1	0.1	74.2
Other capital	556.4	201.1	5.2	14.4	180.5	1.0	0.1	2.4	10.2	50.7	149.1	123.6	0.0	19.1
Portfolio investment assets	2,607.4	799.4	48.3	91.7	568.3	45.0	46.1	57.0	117.5	84.7	960.3	284.5	27.8	276.2
Equity	1,054.6	267.4	8.3	26.0	223.5	9.6	0.0	6.8	80.7	75.7	441.6	74.9	0.5	107.0
Debt securities	1,552.8	532.0	40.0	65.7	344.8	35.5	46.1	50.2	36.8	9.0	518.7	209.6	27.3	169.2
Bonds and notes	1,317.0	433.8	37.5	53.6	262.3	34.9	45.5	49.0	35.2	7.9	423.6	197.0	26.2	144.2
Money market instruments	235.8	98.2	2.5	12.0	82.4	0.6	0.6	1.2	1.6	1.2	95.0	12.5	1.1	25.0
Other investment	-314.8	-76.5	33.5	18.1	23.4	12.2	-163.8	2.1	14.1	-52.5	-71.8	-239.6	-6.8	116.1
Assets	2,587.3	1,240.7	49.9	49.1	1,064.8	72.5	4.5	14.2	86.4	170.6	368.4	229.7	38.9	438.4
General government	92.7	9.4	0.0	0.0	4.2	2.4	2.8	0.0	0.3	0.1	2.8	1.1	33.2	45.8
MFIs	1,768.1	961.8	42.2	33.1	834.2	51.7	0.7	6.8	70.3	109.0	233.9	153.0	5.1	228.1
Other sectors	726.4	269.5	7.7	16.0	226.4	18.4	1.0	7.3	15.8	61.5	131.7	75.6	0.5	164.5
Liabilities	2,902.1	1,317.2	16.3	31.0	1,041.4	60.3	168.2	12.1	72.3	223.1	440.1	469.3	45.6	322.3
General government	43.5	25.6	0.0	0.1	4.1	0.2	21.1	0.0	1.6	0.3	5.2	0.3	3.0	7.6
MFIs	2,333.1	1,012.1	13.2	15.5	816.6	48.3	118.5	6.7	50.6	192.0	350.7	436.2	41.3	243.5
Other sectors	525.5	279.5	3.2	15.3	220.7	11.8	28.6	5.4	20.1	30.8	84.3	32.8	1.4	71.2

Source: ECB.

7.4 International investment position (including international reserves)

(EUR billions, unless otherwise indicated; end-of-period outstanding amounts)

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
	Net international investment position						
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.4	79.7	-823.5	-7.5	-314.8	306.5
2004 Q1	-693.6	-9.1	130.3	-858.1	-9.0	-265.2	308.4
Q2	-706.4	-9.3	134.4	-842.3	-10.2	-290.5	302.2
Q3	-714.1	-9.4	112.1	-865.8	-6.5	-252.4	298.5
Q4	-815.8	-10.7	74.2	-910.6	-13.6	-246.4	280.6
	Outstanding assets						
2001	7,628.1	110.6	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	101.8	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.0	2,110.4	2,607.4	156.6	2,587.3	306.5
2004 Q1	8,285.6	108.9	2,158.1	2,796.4	170.0	2,852.7	308.4
Q2	8,317.6	109.3	2,188.7	2,821.9	150.6	2,854.2	302.2
Q3	8,429.8	110.8	2,202.0	2,869.5	167.7	2,892.0	298.5
Q4	8,461.1	111.2	2,199.5	2,931.5	165.7	2,883.8	280.6
	Outstanding liabilities						
2001	8,026.9	116.4	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	110.4	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	116.4	2,030.7	3,430.9	164.1	2,902.1	-
2004 Q1	8,979.2	118.0	2,027.8	3,654.5	179.0	3,117.9	-
Q2	9,024.0	118.6	2,054.3	3,664.2	160.8	3,144.7	-
Q3	9,143.9	120.1	2,090.0	3,735.3	174.2	3,144.4	-
Q4	9,276.9	121.9	2,125.3	3,842.1	179.3	3,130.2	-

2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5
2004 Q1	1,683.3	123.6	1,559.8	474.7	1.7	473.0	1,479.0	37.6	1,441.4	548.8	2.8	546.0
Q2	1,709.1	124.9	1,584.1	479.6	1.5	478.1	1,494.5	38.3	1,456.3	559.8	3.6	556.2
Q3	1,757.4	124.3	1,633.1	444.6	1.5	443.1	1,515.4	42.1	1,473.2	574.6	4.0	570.7
Q4	1,764.3	128.5	1,635.8	435.2	1.7	433.5	1,550.0	41.3	1,508.7	575.3	3.8	571.5

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.6	38.5	6.7	1,070.9	1,640.5	2.0	424.8	8.2	783.6	1,514.8	2.8	135.1	0.2	41.6	180.5
2002	0.7	43.8	8.3	800.5	1,366.1	6.4	404.8	8.0	787.2	1,628.8	1.2	193.8	1.3	46.7	186.7
2003	1.8	52.6	11.5	988.8	1,516.2	8.3	463.7	8.0	837.1	1,701.3	1.1	184.8	0.6	49.2	213.4
2004 Q1	1.9	60.7	13.2	1,073.1	1,643.1	7.6	513.2	8.5	869.9	1,783.0	1.2	195.0	1.7	50.6	228.4
Q2	1.8	73.7	14.1	1,075.5	1,620.0	6.9	515.8	8.5	866.4	1,819.2	1.1	198.4	4.0	55.7	225.1
Q3	1.8	75.3	14.4	1,063.8	1,632.3	6.5	539.6	8.6	884.1	1,891.1	0.9	212.0	4.7	57.8	211.9
Q4	1.8	76.3	14.6	1,105.3	1,754.2	6.1	547.6	8.9	896.1	1,893.5	1.0	217.1	0.4	56.4	194.3

Source: ECB.

7.4 International investment position (including international reserves)

(EUR billions, unless stated otherwise; end-of-period outstanding amounts)

4. Other investment by instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	3.0	0.1	40.5	0.2	3.1	68.6	-	-	55.8	0.2	44.8	12.3
2002	3.4	0.1	57.2	0.2	1.3	58.7	-	-	54.4	0.1	42.8	13.5
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8
2004 Q1	5.4	0.6	64.6	0.2	1.4	56.0	50.5	5.5	39.0	0.0	36.0	2.8
Q2	4.3	0.6	66.0	0.2	1.4	60.6	50.2	10.5	39.5	0.0	39.0	3.5
Q3	5.6	0.6	69.5	0.2	1.4	60.1	49.4	10.7	38.9	0.0	40.8	3.3
Q4	4.5	0.6	71.3	0.2	1.4	61.1	53.7	7.4	38.9	0.0	41.0	3.5

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9
2004 Q1	1,938.3	27.7	2,429.4	34.7	165.8	519.8	190.4	329.5	98.8	108.5	393.2	48.4
Q2	1,943.5	25.1	2,458.8	32.8	169.9	509.0	189.2	319.8	100.4	111.0	385.7	47.5
Q3	1,946.2	29.1	2,437.5	38.3	169.7	538.3	198.9	339.4	102.1	111.4	393.4	50.0
Q4	1,955.4	27.6	2,426.9	37.3	165.4	526.3	199.6	326.7	102.7	107.5	395.5	47.0

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Q3	298.5	131.4	392.200	4.6	20.5	142.1	8.4	31.2	102.5	0.4	66.2	35.9	0.1	0.0	19.1	-8.5
Q4	280.6	125.4	389.998	3.9	18.6	132.7	12.5	25.5	94.6	0.4	58.2	35.9	0.1	0.0	19.1	-12.8
2005 Mar.	284.9	127.7	387.359	4.0	17.4	135.7	7.6	27.8	100.3	-	-	-	-0.1	0.0	21.4	-15.1
Apr.	288.9	129.6	385.428	4.0	17.1	138.1	9.4	29.8	99.0	-	-	-	-0.1	0.0	22.6	-18.9
May	291.6	129.3	384.622	4.2	17.3	140.9	9.9	29.5	102.0	-	-	-	-0.4	0.0	23.3	-17.3
	of which held by the European Central Bank															
2002	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q3	38.0	8.2	24.656	0.2	0.0	29.6	0.9	6.8	21.9	0.0	11.0	10.9	0.0	0.0	2.0	-1.0
Q4	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Mar.	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	-	-	-	0.0	0.0	2.7	-0.9
Apr.	36.5	7.8	23.145	0.2	0.0	28.6	2.2	4.2	22.2	-	-	-	0.0	0.0	2.8	-1.1
May	37.8	7.8	23.145	0.2	0.0	29.9	1.8	5.4	22.6	-	-	-	0.0	0.0	2.4	-0.4

Source: ECB.

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2001	6.1	-0.7	1,062.6	506.1	234.9	289.2	932.6	1,014.4	579.1	178.9	228.5	741.1	107.7
2002	2.0	-3.0	1,083.9	512.5	227.9	309.6	949.6	984.8	559.5	163.2	234.3	717.5	105.2
2003	-2.2	0.5	1,058.7	501.1	222.7	300.3	924.6	988.3	554.1	164.2	240.9	715.4	109.1
2004	8.6	8.8	1,146.3	540.2	242.4	310.2	989.0	1,073.2	596.5	178.3	252.5	760.3	128.4
2003 Q4	-0.4	1.5	269.2	125.7	57.4	76.3	233.1	250.0	138.9	42.0	61.5	180.5	27.0
2004 Q1	4.7	-0.1	278.3	131.0	58.9	76.1	241.6	252.1	138.0	42.1	62.3	182.8	26.3
Q2	11.9	9.0	286.9	134.6	59.8	78.7	246.1	262.9	145.7	44.7	62.4	186.5	29.4
Q3	8.9	14.5	289.0	136.9	61.1	78.5	249.8	277.4	156.3	45.0	63.9	194.0	36.3
Q4	8.9	12.3	292.0	137.7	62.6	77.0	251.5	280.8	156.5	46.5	63.9	197.1	36.5
2005 Q1	3.4	8.6	291.0	136.5	60.6	76.7	254.4	276.5	153.3	43.7	62.5	196.5	35.8
2004 Nov.	14.6	18.5	98.3	46.2	20.8	26.1	84.3	94.5	53.1	15.9	21.4	66.8	12.1
Dec.	9.4	11.4	97.5	46.0	20.9	25.3	84.3	92.8	52.1	15.3	20.9	65.2	11.4
2005 Jan.	6.5	10.6	96.9	45.6	20.1	25.6	85.6	91.7	50.1	14.6	20.7	65.6	11.2
Feb.	3.7	8.0	96.5	45.3	20.1	25.3	83.3	91.2	49.8	14.2	20.6	64.8	10.9
Mar.	0.5	7.3	97.6	45.6	20.5	25.8	85.6	93.6	53.3	14.9	21.2	66.0	13.7
Apr.	4.4	10.8	98.5	47.0	20.8	26.6	85.1	94.8	52.8	16.2	21.3	65.5	13.1
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2001	5.1	-0.8	105.0	102.1	108.5	107.9	105.5	98.8	99.3	96.3	100.6	98.0	99.3
2002	2.9	-0.7	108.0	105.0	106.2	115.0	108.3	98.3	98.8	89.6	104.1	96.4	101.4
2003	1.0	3.7	109.0	105.9	107.9	114.8	109.2	101.8	100.5	95.2	110.4	100.1	104.9
2004	8.5	6.1	117.9	113.7	118.6	118.7	117.3	107.7	102.5	105.1	116.8	106.1	104.9
2003 Q4	3.0	5.4	111.8	107.2	111.9	117.2	111.2	104.1	101.7	97.9	113.5	101.8	106.7
2004 Q1	7.6	4.7	116.1	112.3	116.0	117.4	115.7	105.5	101.5	99.7	116.1	103.6	101.8
Q2	11.4	5.8	117.9	113.6	116.7	119.9	116.6	106.3	101.5	104.6	115.6	104.3	100.0
Q3	7.5	8.3	118.1	114.5	118.8	119.5	117.8	109.2	104.4	105.2	117.3	107.2	113.4
Q4	7.4	5.6	119.6	114.7	122.8	118.0	118.9	109.9	102.4	110.8	118.2	109.4	104.3
2005 Q1	1.2	2.3	118.8	112.8	119.6	116.9	119.7	108.9	101.6	105.2	115.0	108.9	.
2004 Nov.	12.3	11.0	120.1	114.3	122.0	119.3	119.0	110.4	103.8	112.9	118.8	111.1	102.3
Dec.	8.3	6.0	120.2	115.5	123.9	117.2	119.7	110.0	103.9	109.7	116.1	108.6	104.0
2005 Jan.	4.9	5.8	119.1	113.9	118.5	117.2	121.0	110.0	102.6	105.1	114.5	109.4	109.9
Feb.	1.2	1.6	118.3	112.2	118.7	116.0	117.8	108.1	99.1	102.9	113.8	107.7	98.5
Mar.	-1.7	-0.3	119.0	112.2	121.7	117.5	120.4	108.8	103.1	107.5	116.8	109.5	.
Apr.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.4	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	97.0	96.4	94.5	99.5	96.3	97.2	98.5	92.7	97.9	96.3	99.4
2003 Q4	-3.2	-3.7	96.1	95.3	94.8	99.1	95.7	93.8	92.4	93.7	98.1	95.3	82.4
2004 Q1	-2.7	-4.6	95.7	94.8	93.9	98.7	95.3	93.4	92.0	92.4	97.2	94.9	84.1
Q2	0.4	3.0	97.1	96.3	94.7	99.9	96.3	96.6	97.1	93.3	97.7	96.1	95.6
Q3	1.3	5.7	97.7	97.2	95.1	99.9	96.8	99.2	101.3	93.5	98.7	97.3	104.2
Q4	1.4	6.4	97.4	97.6	94.2	99.3	96.6	99.8	103.4	91.8	97.8	96.9	113.9
2005 Q1	2.1	6.2	97.8	98.3	93.7	99.9	97.0	99.1	102.1	90.8	98.3	97.0	.
2004 Nov.	2.1	6.7	98.0	98.5	94.3	99.9	97.0	100.3	103.8	92.1	98.1	97.0	116.0
Dec.	1.0	5.1	97.1	97.1	93.7	98.8	96.4	98.8	101.9	91.4	97.9	96.8	107.0
2005 Jan.	1.6	4.5	97.4	97.6	94.0	99.6	96.8	97.7	99.2	90.8	98.2	96.7	99.7
Feb.	2.5	6.4	97.6	98.4	93.8	99.8	96.9	98.8	102.1	90.6	98.3	97.0	108.4
Mar.	2.3	7.7	98.2	99.0	93.2	100.3	97.3	100.9	105.0	91.0	98.6	97.2	.
Apr.	.	.	.	.	.	.	.	.	.	.	.	.	.

Sources: Eurostat and ECB calculations based on Eurostat data (volume indices and seasonal adjustment of unit value indices).

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

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2001	1,062.6	24.4	37.0	202.5	105.8	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.5	49.9	93.3
2002	1,083.9	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.6	43.4	100.5
2003	1,058.7	24.9	38.7	194.8	117.7	29.2	63.4	24.9	166.4	35.3	31.3	135.4	59.6	37.9	99.2
2004	1,146.3	25.5	41.8	203.1	126.8	35.5	66.1	31.8	173.4	40.2	33.0	149.6	63.6	40.2	115.7
2003 Q4	269.2	6.1	9.8	49.5	29.6	7.4	15.9	6.7	41.4	9.0	8.1	34.2	15.0	8.9	27.5
2004 Q1	278.3	6.1	10.1	49.7	31.2	8.0	15.5	7.9	42.5	9.7	8.4	36.8	15.1	9.6	27.6
Q2	286.9	6.3	10.4	50.4	31.6	9.0	16.3	8.2	43.9	10.5	8.0	36.8	15.8	9.9	29.9
Q3	289.0	6.4	10.5	51.7	31.3	9.3	17.2	8.0	43.3	9.9	8.4	38.6	16.8	10.3	27.3
Q4	292.0	6.6	10.8	51.4	32.7	9.2	17.1	7.7	43.7	10.1	8.2	37.3	15.9	10.5	30.9
2005 Q1	291.0	6.6	10.8	49.9	32.9	9.7	17.4	7.9	43.4	10.3	8.5	38.9	16.9	11.0	26.7
2004 Nov.	98.3	2.2	3.6	17.7	10.9	3.1	5.7	2.5	14.7	3.3	2.7	12.3	5.1	3.7	10.7
Dec.	97.5	2.2	3.6	16.4	10.7	3.2	5.8	2.6	14.8	3.4	2.8	12.7	5.4	3.4	10.4
2005 Jan.	96.9	2.2	3.6	16.6	11.3	3.2	5.9	2.7	14.6	3.4	2.8	13.7	5.6	3.7	7.6
Feb.	96.5	2.2	3.6	16.7	10.8	3.2	5.6	2.5	14.4	3.4	2.8	12.5	5.4	3.7	9.8
Mar.	97.6	2.2	3.7	16.6	10.8	3.3	5.9	2.7	14.4	3.5	2.9	12.7	5.9	3.6	9.3
Apr.	98.5	2.2	3.6	17.1	11.0	3.4	5.6	2.7	14.8	3.2	2.9	13.7	5.5	3.9	9.0
	% share of total exports														
2004	100.0	2.2	3.6	17.7	11.1	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.5	3.5	10.1
	Imports (c.i.f.)														
2001	1,014.4	22.0	35.6	154.6	88.8	42.8	52.9	16.7	138.7	57.5	58.6	150.5	74.0	41.0	80.6
2002	984.8	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.7	67.9	39.4	81.0
2003	988.3	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.3	52.2	141.4	68.9	39.8	82.6
2004	1,073.2	24.3	39.4	141.7	107.8	56.2	53.4	22.8	113.4	91.8	53.5	163.0	72.2	44.9	88.8
2003 Q4	250.0	5.9	9.3	34.5	26.8	11.9	12.3	4.9	26.7	20.0	12.9	35.7	16.5	10.6	22.0
2004 Q1	252.1	6.0	9.5	33.9	27.1	12.4	12.8	5.1	26.2	20.6	13.5	36.0	16.5	10.7	21.9
Q2	262.9	5.8	9.8	34.5	26.3	13.4	13.2	5.6	29.6	22.4	12.9	40.7	17.1	10.9	20.8
Q3	277.4	6.2	10.1	37.4	26.8	14.5	13.7	6.0	28.8	23.8	13.7	43.1	18.9	11.6	22.7
Q4	280.8	6.3	10.2	36.0	27.5	15.9	13.7	6.1	28.7	25.1	13.4	43.2	19.6	11.7	23.4
2005 Q1	276.5	6.1	9.9	35.3	27.0	16.8	13.4	6.3	29.0	26.2	13.0	40.1	19.9	11.9	21.7
2004 Nov.	94.5	2.2	3.4	12.3	9.2	5.4	4.6	2.0	9.5	8.5	4.7	14.7	6.8	3.9	7.2
Dec.	92.8	1.8	3.4	11.4	9.3	5.4	4.5	2.1	9.6	8.4	4.4	15.3	6.2	3.9	7.0
2005 Jan.	91.7	2.0	3.3	11.7	9.2	4.9	4.5	2.1	9.5	8.5	4.4	12.8	6.3	4.0	8.4
Feb.	91.2	2.0	3.2	11.6	9.0	5.9	4.4	2.0	9.6	8.6	4.2	13.8	6.4	4.0	6.4
Mar.	93.6	2.1	3.3	11.9	8.8	6.0	4.5	2.1	9.8	9.0	4.5	13.5	7.2	4.0	6.8
Apr.	94.8	2.2	3.4	12.7	9.3	5.7	4.5	1.9	9.9	8.7	4.2	14.6	7.1	3.9	6.8
	% share of total imports														
2004	100.0	2.3	3.7	13.2	10.1	5.2	5.0	2.1	10.6	8.5	5.0	15.2	6.7	4.2	8.3
	Balance														
2001	48.2	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.0	-10.2	-13.6	8.9	12.7
2002	99.2	2.3	1.5	56.1	18.6	-14.9	12.0	3.8	58.4	-31.9	-19.7	-2.2	-8.3	4.0	19.5
2003	70.3	1.1	1.7	56.0	15.6	-18.2	13.0	5.5	56.1	-39.1	-20.9	-6.0	-9.4	-1.8	16.5
2004	73.1	1.2	2.3	61.3	19.0	-20.7	12.7	9.0	60.1	-51.6	-20.5	-13.5	-8.6	-4.7	26.9
2003 Q4	19.2	0.2	0.5	15.0	2.8	-4.5	3.6	1.8	14.7	-11.0	-4.8	-1.5	-1.5	-1.6	5.5
2004 Q1	26.2	0.1	0.6	15.8	4.0	-4.4	2.7	2.8	16.3	-10.9	-5.0	0.8	-1.4	-1.1	5.8
Q2	24.1	0.5	0.6	15.9	5.3	-4.4	3.1	2.6	14.3	-11.8	-4.9	-4.0	-1.3	-1.0	9.1
Q3	11.7	0.2	0.4	14.3	4.4	-5.2	3.6	2.0	14.5	-13.8	-5.3	-4.4	-2.2	-1.3	4.6
Q4	11.1	0.4	0.7	15.4	5.2	-6.7	3.4	1.6	15.0	-15.0	-5.3	-5.9	-3.7	-1.2	7.4
2005 Q1	14.4	0.5	1.0	14.7	5.9	-7.1	4.0	1.6	14.5	-15.9	-4.6	-1.2	-3.0	-1.0	5.0
2004 Nov.	3.7	0.0	0.2	5.4	1.8	-2.3	1.1	0.4	5.1	-5.2	-1.9	-2.4	-1.6	-0.2	3.5
Dec.	4.7	0.4	0.2	5.0	1.5	-2.3	1.3	0.5	5.2	-4.9	-1.6	-2.6	-0.8	-0.5	3.5
2005 Jan.	5.2	0.1	0.3	4.9	2.1	-1.7	1.4	0.6	5.0	-5.1	-1.5	0.9	-0.8	-0.2	-0.8
Feb.	5.3	0.2	0.4	5.0	1.8	-2.7	1.2	0.5	4.7	-5.3	-1.4	-1.3	-0.9	-0.3	3.3
Mar.	4.0	0.1	0.3	4.8	2.0	-2.7	1.4	0.6	4.7	-5.5	-1.6	-0.8	-1.3	-0.4	2.5
Apr.	3.7	0.0	0.2	4.4	1.7	-2.3	1.1	0.7	4.9	-5.4	-1.4	-0.9	-1.6	-0.1	2.2

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

8 EXCHANGE RATES

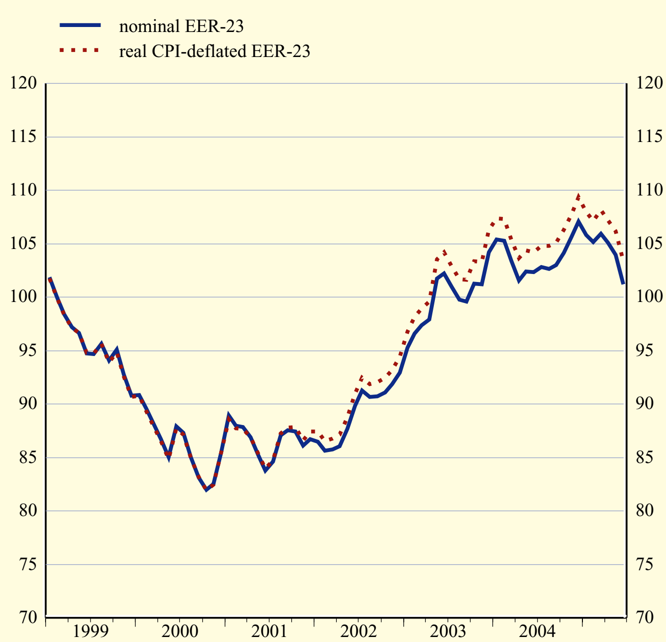
8.1 Effective exchange rates [1)]

(period averages; index 1999 Q1=100)

	EER-23						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
2002	89.2	90.4	91.9	90.3	88.6	88.4	94.8	90.9
2003	99.9	101.7	102.2	101.6	100.2	99.6	106.6	101.6
2004	103.8	105.9	105.3	105.5	104.4	104.0	111.0	105.4
2004 Q2	102.1	104.1	103.7	104.1	102.7	102.4	109.2	103.7
Q3	102.8	104.9	104.4	104.4	102.6	103.1	110.1	104.5
Q4	105.7	107.8	106.7	107.0	106.5	105.5	113.0	107.2
2005 Q1	105.7	107.8	107.1	107.2	105.9	105.3	112.6	106.5
Q2	103.4	105.6	104.1	.	.	.	110.1	104.0
2004 June	102.3	104.2	103.7	-	-	-	109.6	104.1
July	102.8	104.8	104.4	-	-	-	110.1	104.5
Aug.	102.7	104.8	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.1	104.5	-	-	-	110.3	104.7
Oct.	104.2	106.3	105.3	-	-	-	111.5	105.8
Nov.	105.6	107.7	106.5	-	-	-	113.1	107.2
Dec.	107.1	109.4	108.3	-	-	-	114.4	108.5
2005 Jan.	105.8	108.0	107.2	-	-	-	112.9	106.9
Feb.	105.1	107.2	106.6	-	-	-	111.9	105.8
Mar.	106.0	108.2	107.5	-	-	-	112.9	106.8
Apr.	105.1	107.2	106.0	-	-	-	111.9	105.8
May	104.0	106.2	104.6	-	-	-	110.6	104.6
June	101.2	103.4	101.6	-	-	-	107.6	101.7
	% change versus previous month							
2005 June	-2.7	-2.6	-2.8	-	-	-	-2.7	-2.7
	% change versus previous year							
2005 June	-1.1	-0.8	-2.1	-	-	-	-1.8	-2.3

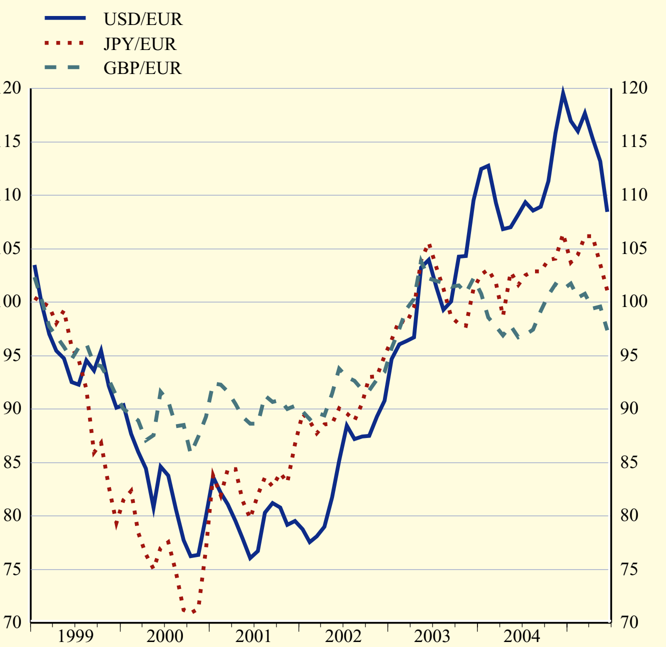
C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C32 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2002	7.4305	9.1611	0.62883	0.9456	118.06	1.4670	1,175.50	7.3750	1.6912	1.4838	7.5086	1.7376
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2004 Q4	7.4343	9.0128	0.69507	1.2977	137.11	1.5335	1,415.11	10.0964	2.1481	1.5835	8.1987	1.7132
2005 Q1	7.4433	9.0736	0.69362	1.3113	137.01	1.5488	1,340.74	10.2257	2.1452	1.6083	8.2388	1.6878
Q2	7.4463	9.2083	0.67856	1.2594	135.42	1.5437	1,269.53	9.8090	2.0885	1.5677	8.0483	1.6389
2004 Dec.	7.4338	8.9819	0.69500	1.3408	139.14	1.5364	1,408.77	10.4264	2.2002	1.6333	8.2207	1.7462
2005 Jan.	7.4405	9.0476	0.69867	1.3119	135.63	1.5469	1,362.01	10.2269	2.1501	1.6060	8.2125	1.7147
Feb.	7.4427	9.0852	0.68968	1.3014	136.55	1.5501	1,330.26	10.1507	2.1327	1.6128	8.3199	1.6670
Mar.	7.4466	9.0884	0.69233	1.3201	138.83	1.5494	1,329.44	10.2960	2.1522	1.6064	8.1880	1.6806
Apr.	7.4499	9.1670	0.68293	1.2938	138.84	1.5475	1,306.82	10.0899	2.1375	1.5991	8.1763	1.6738
May	7.4443	9.1931	0.68399	1.2694	135.37	1.5449	1,272.34	9.8900	2.0962	1.5942	8.0814	1.6571
June	7.4448	9.2628	0.66895	1.2165	132.22	1.5391	1,231.12	9.4597	2.0342	1.5111	7.8932	1.5875
	% change versus previous month											
2005 June	0.0	0.8	-2.2	-4.2	-2.3	-0.4	-3.2	-4.4	-3.0	-5.2	-2.3	-4.2
	% change versus previous year											
2005 June	0.1	1.3	0.7	0.2	-0.5	1.3	-12.4	-0.1	-2.2	-8.4	-4.7	-9.2

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu
	13	14	15	16	17	18	19	20	21	22	23	24
2002	30.804	15.6466	0.57530	0.5810	3.4594	242.96	0.4089	3.8574	225.98	42.694	1.9492	31,270
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2004 Q4	31.125	15.6466	0.57769	0.6801	3.4528	245.94	0.4314	4.2342	239.83	39.454	1.9559	39,839
2005 Q1	30.012	15.6466	0.58267	0.6962	3.4528	245.01	0.4316	4.0267	239.74	38.294	1.9559	37,069
Q2	30.129	15.6466	0.57824	0.6960	3.4528	249.75	0.4295	4.1301	239.54	38.919	1.9558	36,195
2004 Dec.	30.636	15.6466	0.57909	0.6900	3.4528	245.80	0.4325	4.1354	239.80	38.872	1.9559	38,696
2005 Jan.	30.304	15.6466	0.58170	0.6963	3.4528	246.48	0.4322	4.0794	239.77	38.573	1.9559	38,168
Feb.	29.957	15.6466	0.58315	0.6961	3.4528	243.69	0.4309	3.9867	239.74	38.044	1.9559	36,733
Mar.	29.771	15.6466	0.58319	0.6961	3.4528	244.81	0.4317	4.0123	239.70	38.253	1.9559	36,292
Apr.	30.134	15.6466	0.58282	0.6961	3.4528	248.19	0.4299	4.1559	239.65	39.232	1.9553	36,277
May	30.220	15.6466	0.57806	0.6960	3.4528	251.95	0.4293	4.1749	239.51	39.004	1.9561	36,175
June	30.034	15.6466	0.57405	0.6960	3.4528	249.04	0.4293	4.0606	239.47	38.535	1.9558	36,136
	% change versus previous month											
2005 June	-0.6	0.0	-0.7	0.0	0.0	-1.2	0.0	-2.7	0.0	-1.2	0.0	-0.1
	% change versus previous year											
2005 June	-5.0	0.0	-1.4	6.0	0.0	-1.6	0.9	-11.5	0.0	-3.5	0.1	-11.3

	Chinese yuan renminbi 1)	Croatian kuna 1)	Icelandic krona	Indonesian rupiah 1)	Malaysian ringgit 1)	New Zealand dollar	Philippine peso 1)	Russian rouble 1)	South African rand	Thai baht 1)	New Turkish lira 2)
	25	26	27	28	29	30	31	32	33	34	35
2002	7.8265	7.4130	86.18	8,785.12	3.5933	2.0366	48.837	29.7028	9.9072	40.637	1,439,680
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2004 Q3	10.1195	7.3950	87.48	11,190.20	4.6440	1.8701	68.442	35.6546	7.7869	50.478	1,807,510
Q4	10.7423	7.5528	86.19	11,840.69	4.9324	1.8526	73.035	36.9618	7.8379	52.191	1,871,592
2005 Q1	10.8536	7.5081	80.67	12,165.35	4.9835	1.8299	72.084	36.5154	7.8793	50.622	1.7412
2004 Dec.	11.0967	7.5589	83.99	12,382.27	5.0960	1.8737	75.336	37.4162	7.6847	52.576	1,870,690
2005 Jan.	10.8588	7.5494	82.12	12,073.27	4.9861	1.8620	73.068	36.6704	7.8386	50.855	1.7784
Feb.	10.7719	7.5176	80.74	12,039.68	4.9458	1.8192	71.305	36.3910	7.8337	50.078	1.7104
Mar.	10.9262	7.4577	79.15	12,377.13	5.0167	1.8081	71.842	36.4789	7.9635	50.908	1.7333
Apr.	10.7080	7.3908	80.71	12,362.94	4.9163	1.7967	70.435	35.9794	7.9649	51.165	1.7645
May	10.5062	7.3272	82.36	12,033.61	4.8237	1.7665	68.966	35.4730	8.0500	50.562	1.7396
June	10.0683	7.3169	79.30	11,716.31	4.6234	1.7175	67.214	34.6951	8.2194	49.793	1.6560
	% change versus previous month										
2005 June	-4.2	-0.1	-3.7	-2.6	-4.2	-2.8	-2.5	-2.2	2.1	-1.5	-4.8
	% change versus previous year										
2005 June	0.2	-0.9	-9.4	2.8	0.2	-11.0	-1.1	-1.5	5.2	0.5	-

Source: ECB.
1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.
2) Data prior to January 2005 refer to the Turkish lira; 1,000,000 Turkish liras are equivalent to 1 new Turkish lira.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
	HICP												
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2005 Q1	1.4	1.0	4.5	2.5	6.7	3.1	3.5	2.3	3.6	2.8	2.6	0.7	1.7
2005 Jan.	1.5	0.8	4.2	2.8	6.7	2.8	3.9	1.9	3.8	2.3	3.1	0.5	1.6
Feb.	1.4	1.0	4.6	2.4	7.0	3.2	3.4	2.5	3.7	2.8	2.6	1.2	1.6
Mar.	1.2	1.3	4.8	2.4	6.6	3.3	3.3	2.6	3.4	3.3	2.3	0.5	1.9
Apr.	1.4	1.7	4.7	2.8	7.1	3.2	3.8	2.0	3.1	2.7	2.5	0.4	1.9
May	0.9	1.3	2.9	2.0	6.5	1.9	3.5	2.4	2.2	2.1	2.3	0.2	1.9
	General government deficit (-)/surplus (+) as a % of GDP												
2002	-6.8	1.7	1.4	-4.5	-2.7	-1.4	-8.5	-5.9	-3.6	-2.4	-5.7	-0.3	-1.7
2003	-11.7	1.2	3.1	-6.3	-1.5	-1.2	-6.2	-10.5	-4.5	-2.0	-3.7	0.2	-3.4
2004	-3.0	2.8	1.8	-4.2	-0.5	-1.4	-4.5	-5.2	-4.8	-1.9	-3.3	1.4	-3.2
	General government gross debt as a % of GDP												
2002	30.7	47.2	5.3	65.2	14.1	22.4	55.5	62.7	41.2	29.5	43.3	52.4	38.3
2003	38.3	44.7	5.3	69.8	14.4	21.4	56.9	71.8	45.4	29.4	42.6	52.0	39.7
2004	37.4	42.7	4.9	71.9	14.3	19.7	57.6	75.0	43.6	29.4	43.6	51.2	41.6
	Long-term government bond yield as a % per annum, period average												
2004 Dec.	4.05	3.85	-	6.26	4.58	3.95	7.17	4.70	6.00	4.07	4.58	3.90	4.58
2005 Jan.	3.84	3.74	-	6.13	4.29	3.85	7.21	4.71	5.97	3.87	4.04	3.84	4.60
Feb.	3.55	3.64	-	6.06	4.03	3.80	6.84	4.72	5.73	3.92	3.80	3.76	4.66
Mar.	3.62	3.82	-	5.89	3.94	3.73	6.83	4.72	5.55	3.89	3.60	3.86	4.87
Apr.	3.55	3.58	-	5.87	3.87	3.82	6.91	4.71	5.49	3.95	3.76	3.58	4.67
May	3.49	3.39	-	5.84	3.87	3.87	7.00	4.66	5.35	3.92	3.54	3.34	4.45
	3-month interest rate as a % per annum, period average												
2004 Dec.	2.57	2.20	2.41	5.16	4.39	2.65	-	2.96	6.72	4.05	3.74	2.18	4.87
2005 Jan.	2.53	2.20	2.40	5.16	3.99	2.62	-	2.97	6.63	4.05	3.66	2.15	4.87
Feb.	2.25	2.19	2.40	5.13	3.97	2.59	8.45	2.97	6.54	4.05	2.90	2.12	4.89
Mar.	2.08	2.19	2.40	4.96	3.26	2.49	-	2.98	6.15	4.05	2.29	2.11	4.99
Apr.	2.03	2.18	2.40	4.89	2.92	2.44	7.43	3.24	5.78	4.05	2.56	2.11	4.94
May	1.78	2.18	2.39	4.67	2.85	2.42	7.52	3.25	5.48	4.05	2.75	2.05	4.89
	Real GDP												
2003	3.2	0.7	5.1	2.0	7.5	9.7	2.9	-1.9	3.8	2.5	4.5	1.5	2.5
2004	4.4	2.4	6.2	3.8	8.5	6.7	4.2	1.0	5.4	4.6	5.5	3.6	3.2
2004 Q3	4.6	2.5	5.9	4.0	9.1	6.0	4.0	0.4	4.5	4.5	5.3	3.3	3.1
Q4	4.6	3.0	5.9	3.1	8.6	6.1	4.0	1.4	3.7	3.4	5.8	2.6	2.7
2005 Q1	4.4	1.9	.	3.9	7.4	5.6	3.6	-0.1	3.8	2.7	5.1	.	2.1
	Current and capital accounts balance as a % of GDP												
2003	-6.3	3.3	-12.7	-3.3	-7.6	-6.5	-8.8	-5.6	-2.2	-1.0	-0.5	7.0	-1.6
2004	-5.7	2.4	-11.8	-5.0	-11.3	-5.9	-8.4	-9.0	-1.1	-1.6	-3.4	8.2	-2.0
2004 Q2	-5.3	3.7	-17.9	-4.4	-18.3	-9.5	-10.9	-3.1	-3.1	-3.2	-7.5	8.7	-2.6
Q3	-7.4	2.5	-4.5	5.1	-11.6	-5.0	-8.1	-7.7	-0.7	-0.7	-3.4	8.5	-2.9
Q4	-7.8	0.5	-13.0	-12.6	-7.1	-2.5	-7.1	-19.0	0.5	-2.6	-3.6	7.3	-1.3
	Unit labour costs												
2003	7.6	2.0	4.6	-	5.2	1.5	7.4	-	.	4.8	3.5	0.6	3.2
2004	1.2	0.9	4.9	-	8.7	.	.	-	.	.	2.1	.	.
2004 Q3	1.4	1.1	5.2	-	-	.	-	-	.	-	3.5	-1.2	0.7
Q4	0.7	0.3	4.7	-	-	.	-	-	.	-	5.1	-0.4	.
2005 Q1	-0.2	1.9	.	-	-	.	-	-	.	-	5.7	3.1	.
	Standardised unemployment rate as a % of labour force (s.a.)												
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.8	8.0	19.2	6.5	17.5	5.6	5.0
2004	8.3	5.4	9.2	5.0	9.8	10.7	5.9	7.3	18.8	6.0	18.0	6.4	4.6
2004 Q4	8.3	5.2	8.4	5.3	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
2005 Q1	8.3	5.0	8.0	5.4	9.5	8.8	6.3	6.9	18.1	5.8	16.2	6.3	4.6
Q2	.	.	.	5.1	.	.	6.3	.	.	.	.	.	.
2005 Feb.	8.3	5.0	8.0	5.6	9.5	8.8	6.3	6.8	18.0	5.8	16.1	6.5	4.5
Mar.	8.2	5.0	7.9	5.1	9.4	8.6	6.3	6.9	18.0	5.8	15.9	6.3	4.6
Apr.	8.2	4.9	7.9	4.8	9.2	8.4	6.3	6.9	17.9	5.8	15.7	.	.
May	8.1	.	7.9	5.1	9.1	8.1	6.3	6.8	17.8	5.9	15.5	.	.
June	.	.	.	5.4	.	.	6.3	.	.	.	.	.	.

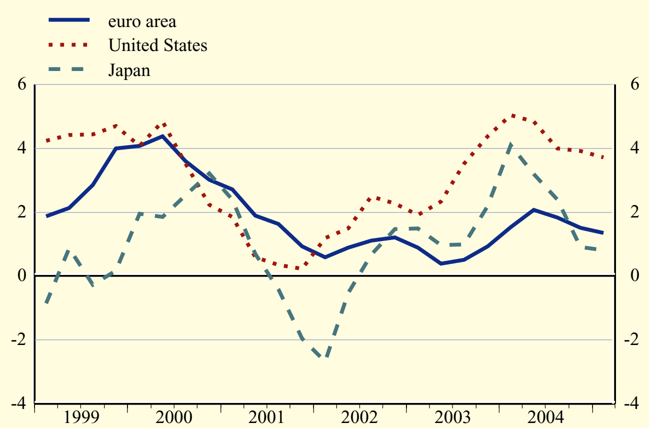
Sources: European Commission (Economic and Financial Affairs DG and Eurostat); national data, Reuters and ECB calculations.

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

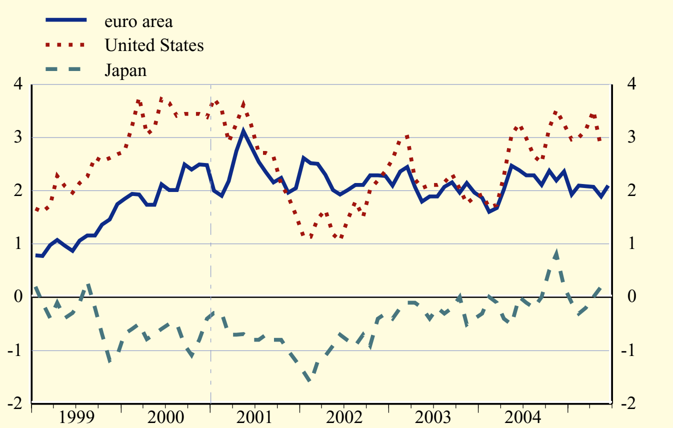
1. Economic and financial developments

	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] as a % per annum	10-year government bond yield [3] as a % per annum	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						
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.8	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.3	3.0	0.0	6.0	6.4	1.22	4.00	1.1312	-4.6	47.8
2004	2.7	-0.5	4.4	4.9	5.5	5.2	1.62	4.26	1.2439	-4.3	48.7
2004 Q2	2.9	-1.7	4.8	5.6	5.6	5.7	1.30	4.58	1.2046	-4.4	48.2
Q3	2.7	-0.1	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	3.3	0.4	3.9	5.1	5.4	5.8	2.30	4.17	1.2977	-3.9	48.7
2005 Q1	3.0	2.4	3.7	4.5	5.3	5.8	2.84	4.30	1.3113	.	.
Q2	.	.	.	.	.	.	3.28	4.16	1.2594	.	.
2005 Feb.	3.0	-	-	4.5	5.4	5.8	2.82	4.16	1.3014	-	-
Mar.	3.1	-	-	4.0	5.2	5.2	3.03	4.49	1.3201	-	-
Apr.	3.5	-	-	3.3	5.2	5.0	3.15	4.34	1.2938	-	-
May	2.8	-	-	3.2	5.1	4.3	3.27	4.14	1.2694	-	-
June	.	-	-	.	.	.	3.43	4.00	1.2165	-	-
					Japan						
2001	-0.7	4.4	0.2	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	-5.2	2.7	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q2	-0.3	-6.7	3.2	7.2	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.7	2.4	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	-1.5	0.9	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	-1.0	0.8	1.4	4.6	2.0	0.05	1.41	137.01	.	.
Q2	.	.	.	.	.	.	0.05	1.28	135.42	.	.
2005 Feb.	-0.3	-0.8	-	1.0	4.6	1.9	0.05	1.40	136.55	-	-
Mar.	-0.2	-0.6	-	1.2	4.5	2.1	0.05	1.45	138.83	-	-
Apr.	0.0	.	-	0.3	4.4	1.9	0.05	1.32	138.84	-	-
May	0.2	.	-	0.9	.	1.5	0.05	1.27	135.37	-	-
June	.	.	-	.	.	.	0.05	1.24	132.22	-	-

C33 Real gross domestic product
(annual percentage changes; quarterly)



C34 Consumer price indices
(annual percentage changes; monthly)



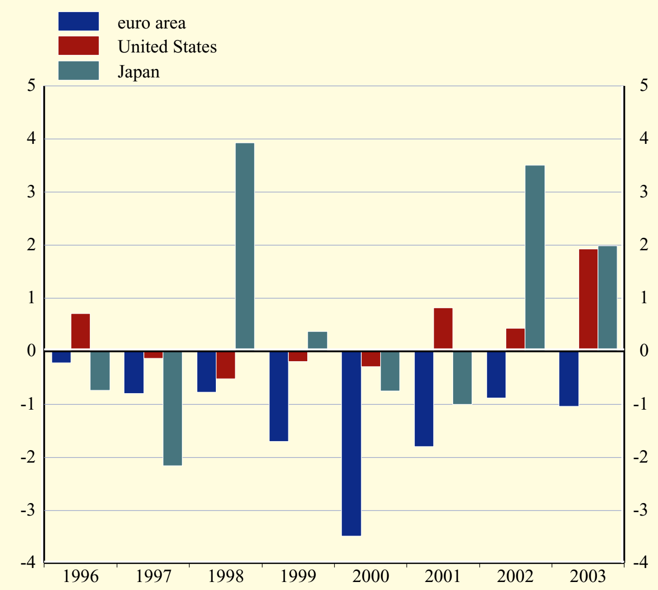
Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

9.2 In the United States and Japan
(as a percentage of GDP)

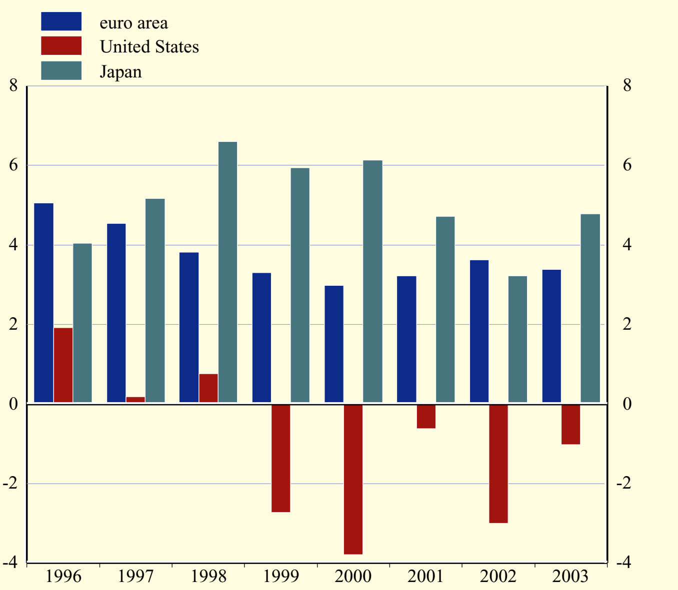
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expend- itures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
						United States							
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.5	0.9	1.7	12.8	5.1	10.8	5.7
2002	14.2	18.4	-4.4	7.3	7.3	1.2	7.9	0.8	-0.1	12.9	3.6	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	3.3	8.3	1.3	0.8	13.2	7.1	10.6	8.1
2004	14.0	19.7	-5.4	7.7	7.4	5.1	8.5	3.2	0.6	13.4	6.1	10.5	9.6
2003 Q2	13.2	18.1	-4.8	6.8	7.0	3.5	8.3	1.9	2.0	13.1	10.3	10.5	11.8
Q3	13.7	18.6	-4.6	7.0	7.1	2.4	8.5	0.4	0.3	13.4	9.3	11.2	7.5
Q4	14.4	18.8	-4.3	7.2	7.2	3.5	8.9	1.1	0.0	13.4	4.1	10.7	4.3
2004 Q1	13.7	19.1	-4.9	7.4	7.2	6.1	8.7	4.0	1.0	13.1	6.0	10.2	10.2
Q2	13.9	19.8	-5.4	7.7	7.3	4.9	8.6	2.9	-0.6	13.4	6.5	10.3	9.1
Q3	13.8	19.7	-5.4	7.6	7.4	4.1	8.9	2.5	0.2	13.5	6.9	10.4	9.2
Q4	14.5	20.1	-6.0	7.9	7.6	5.4	8.0	3.3	1.8	13.5	4.9	11.2	9.8
2005 Q1	14.6	20.3	-6.2	8.1	7.6	5.5	8.4	4.4	1.3	13.5	4.6	10.1	8.0
						Japan							
2001	26.6	25.8	2.0	15.3	15.3	-2.8	14.4	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	24.2	2.8	13.8	14.1	-1.7	15.4	-7.4	-0.8	4.8	-0.2	9.1	-2.1
2003	26.4	23.9	3.1	14.3	14.4	2.3	16.1	-5.3	-0.1	4.6	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.6	.	0.8	0.6	.	1.9	.	-0.7
2003 Q2	23.7	23.3	2.9	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.9	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
Q4	27.9	24.8	2.9	.	.	10.5	.	5.5	1.1	.	9.5	.	-1.4
2004 Q1	31.0	24.0	3.9	.	.	12.5	.	-1.9	-0.3	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	1.3	.	8.0	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	-0.5	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	12.1	.	14.6	1.9	.	8.3	.	-0.5
2005 Q1	.	24.4	.	.	.	12.5	.	0.7	-1.1	.	-11.5	.	4.1

C35 Net lending of non-financial corporations
(as a percentage of GDP)



C36 Net lending of households [1]
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.
1) Including non-profit institutions serving households.
2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.
3) Gross saving in the United States is increased by expenditures on consumer durable goods.

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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:

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.int) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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.

If T_t represents the transactions in quarter t and L_t represents the outstanding amount at the end of quarter t, then the growth rate for the quarter t is calculated as:

$$\text{j)}\quad \frac{\sum_{i=0}^{3} T_{t-i}}{L_{t-4}} \times 100$$

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 adjusted outstanding amounts. If N_t^M represents the

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.int), 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.

transactions (net issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of adjusted outstanding amounts in month t is defined as:

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

As a base, the index is set equal to 100 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:

$$\text{l)} \quad a_t = \left[\prod_{i=0}^{11}\left(1 + N^M_{t-i} \big/ L_{t-1-i}\right) - 1\right] \times 100$$

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used rather than an "F". The reason for this is to distinguish between the different ways of obtaining "net issues" for securities issues statistics, where the ECB collects information on gross issues and redemptions separately, and "transactions" used for the monetary aggregates.

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). 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.

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 S74). The raw data for goods and services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and current transfers, the working-day adjustment is corrected for national public holidays. Data on

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.int), under the "Money, banking and financial markets" sub-section.

service credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. 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.

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.int). Services available under the "Data services" sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

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 Governing Council. For this issue, the cut-off date was 6 July 2005.

All data relate to the Euro 12, unless otherwise indicated. For the monetary data, the Harmonised Index of Consumer Prices (HICP), investment fund and financial market statistics, 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 shown in the tables by means of a footnote; in the charts, the break is indicated by a dotted line. In these cases, where underlying data are available, absolute and percentage changes for 2001, calculated from a base in 2000, use a series which takes into account the impact of Greece's entry into the euro area.

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which 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 the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Sweden and 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 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 main refinancing operations (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 national central banks 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 a sectoral and instrument analysis 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 which do not arise from transactions. Section 2.7 shows selected revaluations which 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 "Money and Banking Statistics Sector Manual – Guidance for the statistical classification of customers" (ECB, November 1999). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector as identified by investment policy and type of investor.

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Sections 3.1 and 3.2 show quarterly data on financial accounts for non-financial sectors in the euro area, comprising general government (S.13 in the ESA 95), non-financial corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-

1 OJ L 356, 30.12.1998, p. 7.
2 OJ L 250, 2.10.2003, p. 19.

profit institutions serving households (S.15 in the ESA 95). The data cover non-seasonally adjusted amounts outstanding and financial transactions classified according to the ESA 95 and show the main financial investment and financing activities of the non-financial sectors. On the financing side (liabilities), the data are presented by ESA 95 sector and original maturity ("short-term" refers to an original maturity of up to one year; "long-term" refers to an original maturity of over one year). Whenever possible, the financing taken from MFIs is presented separately. The information on financial investment (assets) is currently less detailed than that on financing, especially since a breakdown by sector is not possible.

Section 3.3 shows quarterly data on financial accounts for insurance corporations and pension funds (S.125 in the ESA 95) in the euro area. As in Sections 3.1 and 3.2, the data cover non-seasonally adjusted amounts outstanding and financial transactions, and show the main financial investment and financing activities of this sector.

The quarterly data in these three sections are based on quarterly national financial accounts data and MFI balance sheet and securities issues statistics. Sections 3.1 and 3.2 also refer to data taken from the BIS international banking statistics. Although all euro area countries contribute to the MFI balance sheet and securities issues statistics, Ireland and Luxembourg do not yet provide quarterly national financial accounts data.

Section 3.4 shows annual data on saving, investment (financial and non-financial) and financing for the euro area as a whole, and separately for non-financial corporations and households. These annual data provide, in particular, fuller sectoral information on the acquisition of financial assets and are consistent with the quarterly data in the two previous sections.

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.

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 further broken down 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 refixed 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. 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 issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show the outstanding amounts, gross issues, redemptions and net issues for all securities other than shares (i.e. debt securities) issued by euro area residents. Columns 9 to 11 show the percentage share of the outstanding amounts, gross issues and redemptions of securities that have been issued in euro by euro area residents. Column 12 shows euro-denominated net issues by euro area residents.

Section 4.2 contains a sectoral breakdown of outstanding amounts and gross issues for issuers resident in the euro area which is in line with the ESA 95[3]. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual 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 annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. 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 which 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

3 The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

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 ECB's 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 spanning 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.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

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 GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (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 on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial

4 OJ L 162, 5.6.1998, p. 1.

Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. 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 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, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.4 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 from 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 Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000 6 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

5 OJ L 86, 27.3.2001, p. 11.
6 OJ L 172, 12.7.2000, p. 3.

individual euro area countries correspond to EDP 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 the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[7] on quarterly non-financial accounts for general government.

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)[8], and Eurostat documents. 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" (November 2004), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/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 first annual quality report on the euro area b.o.p./i.i.p. (January 2005), which is based on the Task Force's recommendations, is available on the ECB's website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The 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 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 the breakdown between "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.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3.

7 OJ L 179, 9.7.2002, p. 1.
8 OJ L 354, 30.11.2004, p. 34.

The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from 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 b.o.p. 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 7.3 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) 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. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. 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 i.i.p. in Section 7.4 are based on 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). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent. 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 and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.4, Table 5, together with the part held by the ECB. 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 5 are in line with the recommendations for the IMF/BIS 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, 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 7.5 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

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. 3 definition. The geographical breakdown (Table 2 in Section 7.5) shows main trading partners individually or in regional groups. Mainland China excludes Hong Kong.

Owing to 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 balance of payments statistics (Sections 7.1 to 7.3). The difference for imports has been around 5% in recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. 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 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 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. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

9 JANUARY 2003

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.

23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always 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 pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

6 FEBRUARY 2003

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.

6 MARCH 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

3 APRIL 2003

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 MAY 2003

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.

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

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 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

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 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. 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 2005.

5 FEBRUARY, 4 MARCH 2004

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 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER , 2 DECEMBER 2004 AND 13 JANUARY 2005

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 2.0%, 3.0% and 1.0% respectively.

14 JANUARY 2005

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 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. 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 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL, 4 MAY, 2 JUNE AND 7 JULY 2005

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 2.0%, 3.0% and 1.0% respectively.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2004

This list is designed to inform readers about selected documents published by the European Central Bank since January 2004. For Working Papers, the list only refers to publications released between April and June 2005. The publications are available to interested parties free of charge from the Press and Information Division. Please submit orders in writing to the postal address given on the back of the title page.

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ANNUAL REPORT

"Annual Report 2003", April 2004.
"Annual Report 2004", April 2005.

CONVERGENCE REPORT

"Convergence Report 2004", October 2004.

MONTHLY BULLETIN ARTICLES

"EMU and the conduct of fiscal policies", January 2004.
"Opinion survey on activity, prices and labour market developments in the euro area: features and uses", January 2004.
"Measuring and analysing profit developments in the euro area", January 2004.
"The acceding countries' economies on the threshold of the European Union", February 2004.
"Developments in private sector balance sheets in the euro area and the United States", February 2004.
"The impact of fair value accounting on the European banking sector – a financial stability perspective", February 2004.
"Fiscal policy influences on macroeconomic stability and prices", April 2004.
"Future developments in the TARGET system", April 2004.
"The Barcelona partner countries and their relations with the euro area", April 2004.
"The EU economy following the accession of the new Member States", May 2004.
"The natural real interest rate in the euro area", May 2004.
"Risk mitigation methods in Eurosystem credit operations", May 2004.
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"Accounting for the resilience of the EU banking sector since 2000", July 2004.
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"The Lisbon strategy – five years on", July 2005
"The use of harmonised MFI interest rate statistics", July 2005.

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13 "Fair value accounting and financial stability" by a staff team led by A. Enria and including L. Cappiello, F. Dierick, S. Grittini, A. Maddaloni, P. Molitor, F. Pires and P. Poloni, April 2004.
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"Information guide for credit institutions using TARGET", July 2003.
"TARGET2 – the future TARGET system", September 2004.
"TARGET – the current system", September 2004.

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.int/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.

Bank lending survey: 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.

Central parity: 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.

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 total gross debt 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) at 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 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.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

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-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 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.

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 sectors, 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).

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 to be found in the fact 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.

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).

Gross monthly earnings: gross monthly wages and salaries of employees, including employees' social security contributions.

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 (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of all hours worked by them (including overtime).

Implied volatility: a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

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-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.

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 a national central bank 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 the 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.

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 Harmonised Index of Consumer Prices (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.

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 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.

Yield curve: a curve describing the relationship between the interest rate or yield and the 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 at two selected maturities.