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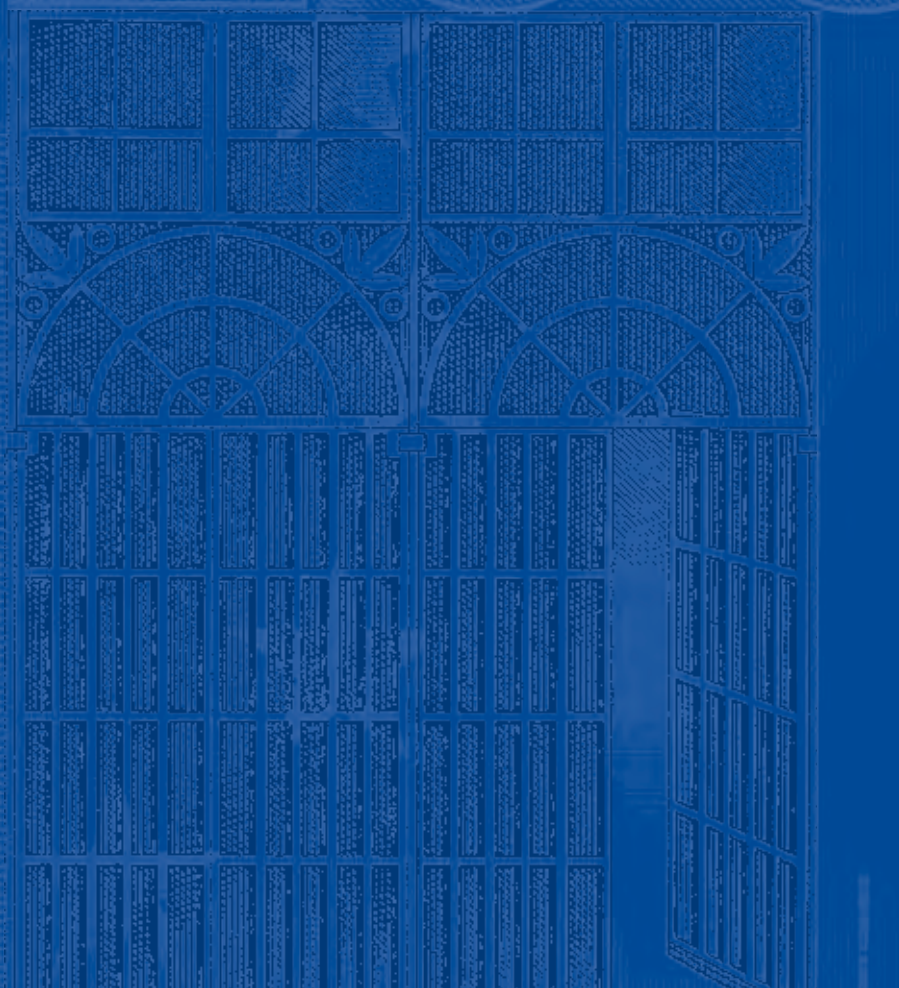
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## MONTHLY BULLETIN DECEMBER 2009

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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

BIS	Bank for International Settlements
b.o.p.	balance of payments
BPM5	IMF Balance of Payments Manual (5th edition)
CD	certificate of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
EUR	euro
f.o.b.	free on board at the exporter's border
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
HWWI	Hamburg Institute of International Economics
ILO	International Labour Organization
IMF	International Monetary Fund
MFI	monetary financial institution
NACE Rev. 1	Statistical classification of economic activities in the European Community
NCB	national central bank
OECD	Organisation for Economic Co-operation and Development
PPI	Producer Price Index
SITC Rev. 4	Standard International Trade Classification (revision 4)
ULCM	unit labour costs in manufacturing
ULCT	unit labour costs in the total economy

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



## EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 3 December 2009 to leave the key ECB interest rates unchanged. The current rates remain appropriate. Taking into account all the information and analyses that have become available since the Governing Council meeting on 5 November 2009, price developments are expected to remain subdued over the policy-relevant horizon. The latest information also confirms the expected improvement in economic activity in the second half of this year, with euro area real GDP growth returning to positive territory in the third quarter of 2009. However, some of the factors supporting the recovery at present are of a temporary nature. The Governing Council expects the euro area economy to grow at a moderate pace in 2010, recognising that the recovery process is likely to be uneven and that the outlook remains subject to high uncertainty. The outcome of the monetary analysis confirms the assessment of low inflationary pressure over the medium term, as money and credit growth continues to slow down. All in all, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Medium to longer-term inflation expectations remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

At its meeting on 3 December the Governing Council also decided to continue conducting the main refinancing operations as fixed rate tender procedures with full allotment for as long as is needed – and at least until the third maintenance period of 2010 ends on 13 April. This tender procedure will continue to be used in the special-term refinancing operations with a maturity of one maintenance period, which will continue for at least the first three maintenance periods of 2010. Moreover, the Governing Council decided that the rate in the last 12-month longer-term refinancing operation, to be allotted on 16 December 2009, will be fixed at the average minimum bid rate of the main refinancing operations over the life of this

operation. Finally, as regards longer-term refinancing operations in the first quarter of 2010, the Governing Council decided to carry out the last six-month longer-term refinancing operation on 31 March 2010. This operation will be carried out using a full allotment fixed rate tender procedure, as will the regular monthly three-month longer-term refinancing operations already announced for the first quarter of 2010.

The improved conditions in financial markets have indicated that not all liquidity measures are needed to the same extent as in the past. With these decisions, the Eurosystem continues to provide liquidity support to the banking system of the euro area for an extended period at very favourable conditions and to facilitate the provision of credit to the euro area economy.

With regard to the economic analysis, economic activity in the euro area improved further in the third quarter of 2009, with real GDP growth returning to positive territory following five quarters of contraction. According to Eurostat's first estimate, real GDP increased by 0.4% quarter on quarter. Available survey data suggest that the recovery is continuing during the fourth quarter of 2009. At present, the euro area is benefiting from the inventory cycle and a recovery in exports, as well as from the significant macroeconomic stimulus under way and the measures adopted to restore the functioning of the financial system. However, a number of the supporting factors are of a temporary nature and activity is likely to be affected for some time to come by the ongoing process of balance sheet adjustment in the financial and the non-financial sector, both inside and outside the euro area. For this reason, the euro area economy is expected to grow only at a moderate pace in 2010, and the recovery process is likely to be uneven.

Eurosystem staff project annual real GDP growth of between -4.1% and -3.9% in 2009, between +0.1% and +1.5% in 2010, and between +0.2% and +2.2% in 2011. The range for 2010 has been revised upwards compared with the September 2009 ECB staff macroeconomic projections. Forecasts by international

organisations are broadly in line with the December 2009 Eurosystem staff projections.

The Governing Council continues to view the risks to this outlook as broadly balanced. On the upside, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. Confidence may also improve further and foreign trade may recover more strongly than projected. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and the possibility of disruptive market movements related to the correction of global imbalances.

With regard to price developments, as expected, euro area annual HICP inflation has turned positive again after five months of negative rates. According to Eurostat's flash estimate, it stood at +0.6% in November, up from -0.1% in October. The rise mainly reflects upward base effects stemming from the drop in global commodity prices a year ago. Inflation is expected to rise further in the near term, mainly owing to upward base effects in the energy and food components. Looking further ahead, inflation is expected to remain moderate over the policy-relevant horizon, with overall price, cost and wage developments staying subdued in line with a slow recovery in demand in the euro area and elsewhere. In this context, it is important to re-emphasise that inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

Consistent with this assessment, the December 2009 Eurosystem staff projections foresee annual HICP inflation of 0.3% in 2009, between 0.9% and 1.7% in 2010, and between 0.8% and 2.0% in 2011. Compared with the September 2009 ECB staff projections, the inflation projections for 2010 remain

largely unchanged. Available forecasts from international organisations provide a broadly similar picture.

Risks to this outlook remain broadly balanced. They relate, in particular, to the outlook for economic activity and the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be stronger than currently expected owing to the need for fiscal consolidation in the coming years.

Turning to the monetary analysis, the data for October confirm the ongoing decline in the annual growth rates of M3 and loans to the private sector, to 0.3% and -0.8% respectively. These concurrent declines continue to support the assessment of a moderate underlying pace of monetary expansion and low inflationary pressures over the medium term. At the same time, the annual growth rate of M1 was 11.8% in October 2009, down from 12.8% in September, mainly reflecting a base effect.

The current decline in the annual growth rates of monetary aggregates is influenced by a number of special factors and is thereby likely to overstate the deceleration in the underlying pace of monetary expansion. First, base effects associated with the intensification of the financial turmoil in autumn 2008 have had a downward effect on the annual growth rate of M3 in the past two months. Second, and more fundamentally, the steep slope of the yield curve provides an incentive to shift funds out of M3 into longer-term deposits and securities, thereby dampening M3 growth. The current constellation of interest rates also continues to trigger shifts of funds within M3, as the narrow spread between the rates on different short-term deposits reduces the opportunity costs of holding the most liquid assets contained in M1.

The annual growth rate of bank loans to the non-financial private sector turned somewhat more negative in October. In the case of loans to households, the latest data provide further confirmation of a levelling-off at low rates

of growth. As regards loans to non-financial corporations, it is worthwhile to note that the growth of loans to enterprises typically picks up with some lag compared with the cycle in economic activity. In this respect, the still subdued levels of production and trade, as well as the ongoing uncertainty surrounding the business outlook, are likely to dampen firms' demand for bank financing also in the coming months, especially for short-term loans. At the same time, overall financing conditions continue to improve, which should support the demand for loans in the period ahead. Banks are currently faced with the challenge of managing the size and structure of their overall balance sheets, and at the same time ensuring the availability of credit to the non-financial sector. Against the background of their improved liquidity situation and access to market financing, banks should address this challenge by taking appropriate measures to strengthen further their capital bases and, where necessary, take full advantage of government support measures for recapitalisation.

To sum up, the current rates remain appropriate. Taking into account all the information and analyses that have become available since the Governing Council meeting on 5 November 2009, price developments are expected to remain subdued over the policy-relevant horizon. The latest information also confirms the expected improvement in economic activity in the second half of this year, with euro area real GDP growth returning to positive territory in the third quarter of 2009. However, some of the factors supporting the recovery at present are of a temporary nature. The Governing Council expects the euro area economy to grow at a moderate pace in 2010, recognising that the recovery process is likely to be uneven and that the outlook remains subject to high uncertainty. Cross-checking the outcome of the economic analysis with that of the monetary analysis confirms the assessment of low inflationary pressure over the medium term, as money and credit growth continues to slow down. All in all, the Governing Council expects price stability to

be maintained over the medium term, thereby supporting the purchasing power of euro area households.

With all the measures taken in response to the intensification of the financial crisis, the Governing Council has supported both the availability of liquidity to the banking sector and the recovery of the euro area economy. As the transmission of monetary policy works with lags, it is expected that the policy actions will continue to progressively feed through to the economy. The Governing Council will continue its enhanced credit support to the banking system, while taking into account the ongoing improvement in financial market conditions and avoiding distortions associated with maintaining non-standard measures for too long. The extraordinary liquidity measures that are not needed to the same extent as in the past will gradually be phased out, at the appropriate time. In order to counter effectively any threat to price stability over the medium to longer term, the liquidity provided will be absorbed when necessary. In this way, the Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is indispensable to supporting sustainable growth and employment and contributing to financial stability. Accordingly, all developments over the period ahead will continue to be monitored very closely.

As regards fiscal policies, the Governing Council re-emphasises how important it is for governments to develop, communicate and implement ambitious fiscal consolidation strategies in a timely manner. These strategies must be based on realistic output growth assumptions and focus on structural expenditure reforms, not least with a view to coping with the budgetary burden associated with an ageing population. As agreed by the ECOFIN Council on 2 December 2009, governments need to set out concrete and quantifiable adjustment measures that will lead to a sustainable correction of fiscal imbalances. Several countries will have to start consolidation in 2010, and all others in 2011 at the latest.



With regard to structural reforms, most estimates indicate that the financial crisis has reduced the productive capacity of the euro area economies, and will continue to do so for some time to come. In order to support sustainable growth and employment, labour market flexibility and more effective incentives to work will be needed. Furthermore, policies that enhance competition and innovation are also urgently needed to speed up restructuring and investment and to create new business opportunities. An appropriate restructuring of the banking sector should also play an important role. Sound balance sheets, effective risk management, and transparent as well as robust business models are key to strengthening banks' resilience to shocks, thereby laying the foundations for sustainable economic growth and financial stability.

## GOVERNING COUNCIL DECISIONS ON THE PHASING-OUT OF SOME NON-STANDARD MEASURES



In response to the financial crisis, the Eurosystem has, in particular since October 2008, introduced a number of non-standard measures, with the aim of mitigating the adverse effects of dysfunctional money markets on the liquidity situation of solvent banks in the euro area. Notably, the extraordinary measures have supported the ability of banks to provide credit to the euro area economy at critical times, such that money and credit market conditions reflect the monetary policy stance decided by the Governing Council. This has become known as the Eurosystem's enhanced credit support approach.

The measures reflected the fact that the banking system plays a central role in financing the euro area economy. Key elements included the conduct of all liquidity-providing operations through a fixed rate tender procedure with full allotment, against an expanded list of collateral; an increase in the frequency and maturity of longer-term refinancing operations; and the decision to purchase euro-denominated covered bonds issued in the euro area.

During the financial market crisis, these measures have contributed to a considerable improvement in the market liquidity situation. In particular, they have helped to alleviate funding risks and provide financing support to the economy through banks. In the context of subdued inflationary pressures, and in the face of a severe downturn of the euro area economy, the enhanced credit support measures contributed to more favourable financing conditions in the euro area than would have been achieved through interest rate decisions alone.

From the outset, the Governing Council has made it clear that all the non-standard measures taken in response to the financial crisis are temporary in nature and will remain in place only for as long as they are needed. Given recent improvements in financial market conditions, the Governing Council, in its meeting on 3 December 2009, concluded that the time has come to initiate a gradual phasing-out of those non-standard measures that are no

longer needed, while continuing with a number of other components of the Eurosystem's enhanced credit support. The gradual phasing-out implies a reduction in the number of longer-term refinancing operations in the first quarter of 2010. Only one further six-month operation will be conducted, on 31 March 2010. As in the past, it will be carried out at a fixed rate with full allotment against eligible collateral. The 12-month operation in December 2009 will be the last one at this maturity, and the interest rate will be fixed at the average minimum bid rate of the main refinancing operations over the life of this operation.

The decision to phase out some of the Eurosystem's non-standard measures helps to avoid distortions that could arise if they were maintained for too long. In particular, a delay in the structural adjustments necessary in the balance sheets of banks should not be encouraged by continuing with non-standard measures which are not needed to the same extent as in the past. While the phasing-out of some measures will avoid the emergence of distorting effects, it does not imply a discontinuation of the enhanced credit support approach by the Eurosystem. On the contrary, the Eurosystem will continue to supply liquidity to the banking system of the euro area for an extended period at favourable conditions.

In particular, ongoing liquidity support will be provided through the continuation of the fixed rate tender procedure with full allotment for all refinancing operations in the first quarter of 2010, whereby banks obtain as much liquidity as they desire against collateral eligible for use in the Eurosystem refinancing operations. This has played a crucial role in alleviating the difficulties of euro area banks, by removing all uncertainty regarding allotment volumes and rates.

The conduct of the third 12-month longer-term refinancing operation with full allotment on 16 December 2009 will again provide banks with liquidity for an extended period of time. In due course, the need to smooth out the liquidity effect of the 12-month longer-term refinancing

operations maturing during the second half of 2010 will be taken into account.

The economy of the euro area should also continue to benefit from the gradual pass-through of past reductions in key ECB interest rates and from the stabilisation in the liquidity situation of banks that has taken place, thanks in part to the adoption of the enhanced credit support approach. The substantial decline in bank lending rates over the past few quarters is a sign that the transmission mechanism of monetary policy continues to be broadly unimpaired. In any case, if upside risks to price stability were to emerge, the Eurosystem would take timely and appropriate action.

The Eurosystem's enhanced credit support measures, together with the strong reduction in the key ECB interest rates from autumn 2008 onwards in response to rapidly receding inflationary pressures, have supported the availability of liquidity and the recovery of the euro area economy. As a result, money market interest rates, money market spreads and interest rates on bank loans have fallen by sizeable amounts. This positive impact of the enhanced credit support measures will last beyond the start of the phasing-out process, extending well into 2010. As the transmission of monetary policy works with variable and uncertain lags, the ECB's policy action is expected to continue to feed through to the economy. The Governing Council's decisions of 3 December 2009 ensure continued liquidity provision to the euro area banking system at favourable conditions, thereby facilitating the provision of credit to the euro area economy and further underpinning its recovery.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy is exhibiting stronger signs of a return to growth, while global inflation rates are very low, owing to base effects related to commodity prices and rising spare capacity. While uncertainty still remains high regarding the sustainability of future growth, risks to the global economic outlook are viewed to be broadly balanced.

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

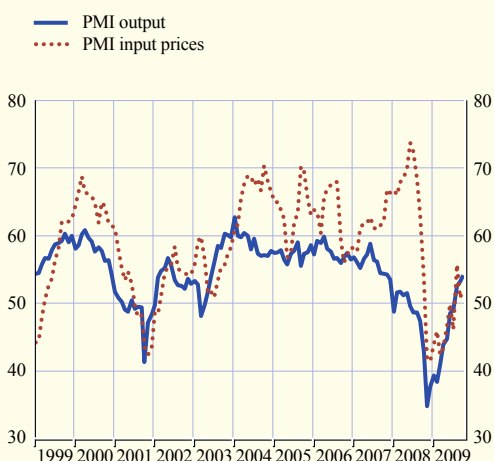
The severe and highly synchronised drop in global activity has gradually been giving way to a return to growth in the major emerging markets, as well as in a number of advanced economies. The contraction in global growth in the last quarter of 2008 and the first quarter of 2009 was followed by positive growth in the second and third quarters of 2009. The pick-up in activity has been helped by the monetary and fiscal policy stimuli in place since the beginning of the recession, as well as by improvements in both consumer and business confidence. The return to growth in global economic activity has also coincided with a recovery in world trade.

The latest indicator-based evidence points to a further expansion in global activity. The overall global Purchasing Managers' Index (PMI) has continued to increase over recent months, moving well above the expansion/contraction threshold (see Chart 1). The output index reached 54.2 in October, up from 53.2 in the previous month, a level which represents the highest reading since late 2007. Manufacturing remained the main driver of growth, but services also continued to indicate an expansion. The recovery in global manufacturing continued in November, for the fifth month in a row, and remained rather broad-based.

At the same time, global inflation rates have remained low. In the OECD countries, headline CPI rose by 0.2% in the year to October, returning to positive territory after four consecutive negative readings (see Chart 2). The downward pressure on prices in recent months stemmed mainly from significant base effects related to commodity prices, but also reflected the rise in spare

Chart 1 Global Purchasing Managers' Index (PMI)

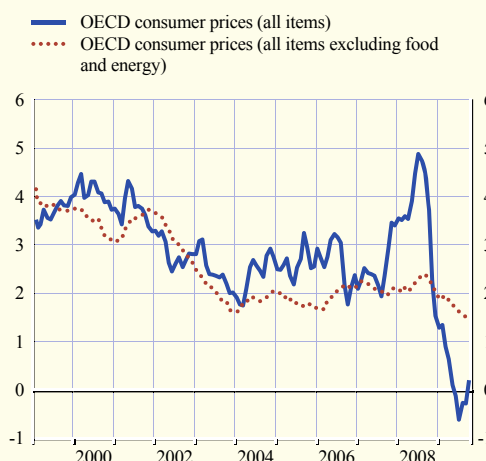
(monthly data; manufacturing and services; diffusion index)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

capacity as a result of the contraction in economic activity. However, the rebound of oil prices throughout 2009 has recently begun to counteract, albeit still only marginally, these downward inflationary pressures. Reflecting the importance of commodity price developments, the OECD inflation rate excluding food and energy declined much less over the last few quarters than the headline inflation rate and stood at 1.6% in the year to October 2009. In recent months, inflation expectations have remained anchored within positive territory, suggesting that negative inflation rates were largely perceived to be a transitory phenomenon. Box 1 at the end of this section briefly reviews the importance of stability-oriented regimes for macroeconomic performance.

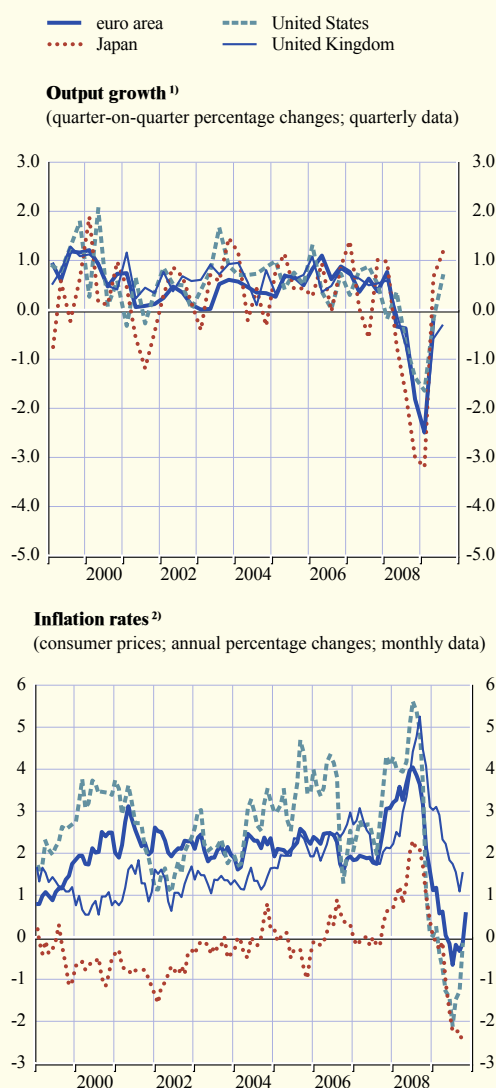
As the global economy has been exhibiting strong signs that it is emerging from the recession, world trade – having experienced an unprecedented and synchronised plunge – has also returned to positive growth. The most recent estimates for global trade in September 2009 point to a sustained growth (about 5%) over the previous month, as well as to the first quarterly increase (around 4% in the third quarter of 2009) since the first quarter of 2008. Export and import volumes in all major economic areas contributed to the increase of trade in September.

#### UNITED STATES

In the United States, economic conditions improved and activity recovered in the third quarter of 2009 following the sharp downturn in the previous quarters (see Chart 3). According to the Bureau of Economic Analysis, real GDP increased by 2.8% in annualised terms in the third quarter of 2009, compared with a contraction of 0.7% in the second quarter. The pick-up in economic activity reflected an increase in consumer spending and a strong rebound in residential investment and exports. In addition, a less pronounced pace of inventory liquidation contributed positively to growth. Government stimulus measures temporarily supported private demand, particularly in the auto and housing sectors. The recovery in imports and the strong contraction of investment in non-residential structures weighed on GDP growth in the third quarter.

As regards price developments, annual CPI inflation fell by 0.2% in the year to October 2009, following a decline of 1.3% in the year to September (see Chart 3). The decline in headline inflation was driven, in large part,

**Chart 3 Main developments in major industrialised economies**



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

by base effects stemming from past developments in energy prices. The annual rate of inflation, excluding food and energy, picked up from 1.5% in September to 1.7% in October, matching the average rate for the year to date.

Looking ahead, the short-term outlook for US economic activity is expected to improve. The stabilisation in financial market conditions, combined with the effect of monetary and fiscal stimuli and a turn in the inventory cycle, should support positive economic growth in the quarters ahead. Nevertheless, the recovery may remain subdued. Weak labour market conditions and households' need to rebuild their savings and pay off debt accumulated over recent years is likely to put downward pressure on consumption. In addition, strains on credit availability are likely to weigh on future economic activity as banks continue to have tight lending standards across major loan categories, despite some easing. As regards price developments, headline inflation rates are likely to return to positive territory in the months to come as base effects related to past energy price developments are gradually reversed. In the medium term, a sizeable output gap should limit the upward pressure on prices, although the strong rebound in oil prices since the beginning of the year will counteract the downward pressures on headline inflation.

At its meeting on 4 November, the US Federal Open Market Committee decided to keep its target for the federal funds rate unchanged within a range of 0% to 0.25%. It continues to anticipate that economic conditions, including low rates of resource utilisation, subdued inflation trends and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

## JAPAN

In Japan, the pace of economic activity picked up in the third quarter of 2009, while consumer prices continued to decline. According to the first preliminary estimate by Japan's Cabinet Office, quarterly real GDP grew by 1.2% in the third quarter of 2009, corresponding to the highest quarterly growth rate in more than two years. While quarterly real GDP growth was driven, in particular, by net exports in the second quarter of 2009, GDP growth in the third quarter of 2009 was mainly supported by domestic demand and net exports. Firms' investment increased for the first time in six quarters, by 1.6%, and consumer spending rose by 0.7%. Moreover, the recovery was supported by the fiscal stimulus package. However, residential investment continued to fall sharply, registering a decline of 7.7%.

In October 2009 annual CPI inflation declined by 2.5% following a decline of 2.2% in September. Excluding food and energy, annual CPI inflation fell to -1.1% from -1.0% in the previous month. The main drivers of price developments are base effects related to petroleum products and considerable economic slack. At its meeting on 20 November 2009, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.1%.

Looking ahead, the pace of improvement in economic activity is likely to be more moderate. Exports are expected to be the main driver of growth. With regard to price developments, the annual rate of decline in the CPI is likely to moderate somewhat as the base effect related to petroleum products should wane.

## UNITED KINGDOM

In the United Kingdom, according to the most recent data releases, real GDP continued to contract somewhat in the third quarter, by 0.3% quarter on quarter (revised from the previously published fall of 0.4%), following a 0.6% decline in the second quarter. Real household expenditure was broadly unchanged in the third quarter after a 0.6% fall in the second quarter. At the same time,

gross fixed capital formation fell by only 0.3%, following a 5.2% decrease in the second quarter. The marked moderation in the fall in gross fixed capital formation reflects, to a large extent, a significant increase in government investment, while business investment continued to fall by 3.0% in the third quarter.

Overall, recent activity and housing market indicators suggest a continued improvement in the economic situation. In particular, month-on-month industrial production growth turned positive in September and both the manufacturing and services PMIs improved markedly in October. Along with mortgage approvals, house prices have also increased in recent months, although mortgage loan growth has remained subdued.

Looking ahead, real GDP growth is expected to return to positive territory towards the end of the year, supported by the stimulus from monetary and fiscal policy and the substantial depreciation of the pound sterling. However, the level of economic activity is expected to recover only gradually thereafter as domestic demand is likely to remain subdued.

Annual HICP inflation has been decreasing in recent months and stood at 1.5% in October. The Bank of England expects inflation to remain below the 2% target in the near term. In recent months the Bank of England has maintained the main policy rate at 0.5% and continued with the asset purchase programme. On 5 November the Bank of England decided to increase the size of the programme by GBP 25 billion to GBP 200 billion.

#### **OTHER EUROPEAN COUNTRIES**

In most other non-euro area EU countries, the economic situation appears to have improved in recent quarters, with the pace of decline moderating in most countries and some others recording positive growth rates. In Sweden, real GDP increased by 0.3% and 0.2% quarter on quarter in the second and third quarter of 2009 respectively, which is a noticeable improvement compared with the 0.9% decline in the first quarter. In Denmark, output contracted by 2.6% quarter on quarter in the second quarter, compared with a 1.3% decrease in the first quarter. The faster decline in the second quarter was partly due to one-off factors. In recent months, HICP inflation has decreased in both countries, standing at 1.8% in Sweden and 0.6% in Denmark in October 2009. On 25 September Denmark's Nationalbank reduced its key interest rate by a further 10 basis points to 1.25%.

In the largest central and eastern European EU Member States, recent economic indicators suggest some improvement. Compared with the second quarter, real GDP contracted at a somewhat slower pace in Hungary and Romania in the third quarter, by 1.8% and 0.7% quarter on quarter, respectively, and increased by 0.8% in the Czech Republic. In Poland, which is the only country in the EU to have recorded positive growth in the first two quarters of 2009, the economy continued to grow in the third quarter, at a pace of 0.5% quarter on quarter. On balance, recent confidence indicators, industrial production and trade figures point to a further improvement in activity in all of the largest central and eastern European EU Member States. At the same time, downside risks remain, as illustrated by the recent deterioration in labour market indicators. HICP inflation has been decreasing in all four countries in recent months, with significant differences in the level of inflation. In October 2009 annual HICP inflation was negative in the Czech Republic, at -0.6%, reflecting mainly the base effects of previous indirect tax increases and slower growth in administered prices. By contrast, in Hungary, Poland and Romania, annual HICP inflation remained at high levels, at 4.2%, 3.8% and 4.3% respectively. Over the last three months, the Magyar Nemzeti Bank has decreased its main policy rate in three steps, by a total of 150 basis

points, to 6.5%. On 29 September Banca Națională a României decreased its main policy rate by 50 basis points to 8%.

Out of all of the EU countries, the Baltic countries have experienced the sharpest decline in economic activity since the beginning of the global crisis amid very significant declines in house prices. However, recent short-term activity and confidence indicators point to an improvement in the economic situation in the Baltic countries as well. Bulgaria has also experienced a contraction in real GDP over recent quarters (albeit less sharply than in the Baltics) and falling housing prices. However, some of the short-term indicators, such as retail sales or industrial confidence, have continued to exhibit a downwards trend in recent months. HICP inflation has decreased to very low levels in Latvia and Bulgaria over the last few months and has turned negative in Estonia and Lithuania.

In Russia, economic activity started to recover in the third quarter of 2009, following three consecutive quarters of decline. According to preliminary estimates by the statistical office, real GDP rose by about 2.5% in the third quarter in seasonally adjusted, quarter-on-quarter terms. Looking ahead, the stabilisation of external demand and developments in commodity prices, as well as expansionary fiscal policy, are expected to contribute to the continuation of the recovery. In line with the larger negative output gap and as the pass-through from earlier rouble depreciation has been phasing out, inflationary pressures have been easing further, with annual consumer price inflation reaching 9.7% in October.

#### EMERGING ASIA

In emerging Asia, the process of recovery from the global downturn continued in the third quarter of 2009. While foreign trade is still clearly below the level of summer 2008, several factors have been contributing to vibrant domestic demand and economic growth in this region, including the fiscal stimuli and expansionary monetary policies, the return of substantial net capital inflows, favourable developments in asset and real estate markets and a rebound in employment creation.

In China, annual GDP growth accelerated to 8.9% in the third quarter of 2009, compared with 7.1% in the first half of the year. Fixed asset investment growth, driven mainly by the fiscal package, contributed 7.3 percentage points to GDP growth (which stood at 7.7% overall) in the period from January to September. In addition to fast growth in infrastructure investment, private sector investment also started to pick up, mainly driven by investment in the real estate sector. The contribution from consumption to GDP growth remained robust, at 4 percentage points from January to September. The contribution of net exports was negative, however, and the trade surplus decreased to 4.3% of GDP in the period from January to September 2009, from 6.1% in the same period last year. The decline in the trade surplus was caused by a rapid recovery in imports, in turn boosted by fast investment growth bringing about an increased demand for imported commodities. The recovery in exports was considerably slower, however. Annual CPI inflation continued to be negative, but monthly changes recently became positive. The monetary policy stance remained accommodative, despite some sector-specific restrictions on bank lending. The stock of bank credit was up by 32% year on year at the end of October 2009.

In Korea, real GDP turned positive, rising by 0.6% in year-on-year terms in the third quarter of 2009, after having fallen by 2.2% in the previous quarter. The recovery has broadened since mid-2009, with an increasing contribution from private consumption and investment. Annual CPI



inflation was 2% in October, down from 2.2% a month earlier. Growth in real estate prices slowed down as a result of regulations tightening the debt-to-income ratio for mortgage loans.

Economic activity has also been robust in India. Annual real GDP growth rose to 7.9% in the third quarter of 2009, compared with 6.1% in the second quarter. Wholesale price inflation, the Reserve Bank of India's main measure of inflation, recently turned positive again, mainly because of a rapid acceleration in food price inflation. In mid-October, wholesale prices were 1.5% above the level of one year ago.

In most emerging Asian economies, the economic recovery has relied heavily on macroeconomic stimuli, whereas uncertainty still prevails with regard to the prospective recovery of the external environment. Another element of uncertainty is related to inflation figures, which have turned positive and are gradually accelerating in several countries, against the background of rising equity and property markets.

#### **LATIN AMERICA**

In Latin America, there are increasing signs that economic activity is gradually recovering from the global downturn. At the same time, inflationary pressures are continuing to recede in the region as a whole. Specifically, in Mexico, real GDP growth contracted by 6.2% in the third quarter of 2009 compared with a year earlier, after falling by 8.9% in the second quarter of 2009. Annual consumer price inflation averaged 5.1% in the third quarter, down from 6% in the second quarter of 2009. In Brazil, high frequency indicators suggest that economic activity is continuing to recover rapidly. Industrial production contracted by around 8.3% year on year in the third quarter of 2009 after having declined by almost 12.3% in the second quarter of 2009 and close to 15% in the first quarter. At the same time, inflationary pressures continue to recede with headline inflation averaging 4.3% in the third quarter, compared with 5.3% in the second quarter. In Argentina, macroeconomic performance remains mixed, with industrial production falling at an average rate of 1% year on year in the third quarter, following a decline of 0.8% in the second quarter. Meanwhile, after having eased continuously since June 2008, inflationary pressures started to pick up again, with annual CPI inflation averaging 5.9% in the third quarter, up from 5.5% in the second quarter.

Overall, although several economies continue to suffer from the impact of the global downturn, economic activity has shown clear signs of recovery in many Latin American countries. Supporting factors have been domestic stimulus measures and rising commodity prices, as well as positive wealth effects associated with the performance of stock markets. With exports still significantly below pre-crisis levels, the longer-term sustainability of the recovery still depends, to a significant extent, on the external environment.

#### **1.2 COMMODITY MARKETS**

During the last three months, oil prices have increased somewhat, recently trading in the range of USD 75 and USD 80 per barrel. Brent crude oil prices stood at USD 79.4 per barrel on 2 December (which is almost 100% higher than at the beginning of 2009). Looking ahead, market participants still expect higher oil prices in the medium term, with futures contracts for December 2011 trading at around USD 90.

Looking at fundamentals, global growth prospects are now considerably less pessimistic than a few months ago and the International Energy Agency has repeatedly revised its 2009 and 2010 projections for oil demand upwards, especially for North America and Asia. Projections on the supply side are also less gloomy and suggest moderate growth in non-OPEC oil output. OPEC production has also increased steadily over the past three months.

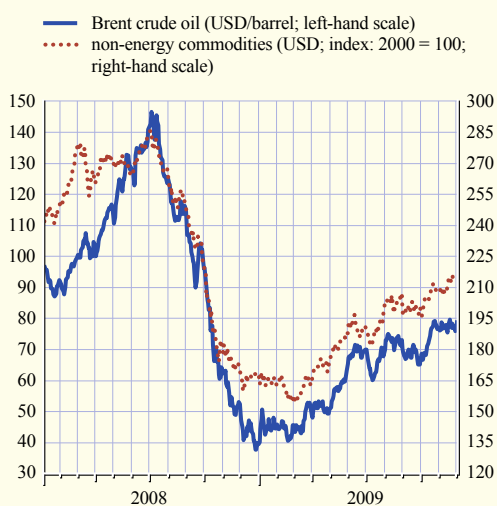
The prices of non-energy commodities have moved sideways in the last three months. Food prices recovered somewhat in October. Metal prices, especially copper, have also increased owing to a strong restocking process. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was about 27% higher at the end of November than at the beginning of the year.

### 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The latest data show that the global economy has returned to growth, although with a weaker synchronisation across the main economic areas than recorded during the downturn. The OECD's composite leading indicators (CLIs) have continued to improve over recent months and, in September, stood 3.4 points above the level prevailing one year earlier (see Chart 5). The rise in the CLIs took place across both advanced and non-OECD economies. Further evidence of this improvement in global economic prospects is also shown by the Ifo World Economic Climate Indicator, which continued to rise in the fourth quarter of the year, particularly in Asia and, to a lesser extent, in Western Europe and North America. The upward movement of this indicator stemmed both from more favourable expectations for the upcoming six months and from an improvement in the assessment of the current economic situation.

Although global economic prospects remain subject to high uncertainty, the risks to global activity remain broadly balanced. On the upside, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from policy measures taken. Confidence may also improve further and foreign trade may recover more

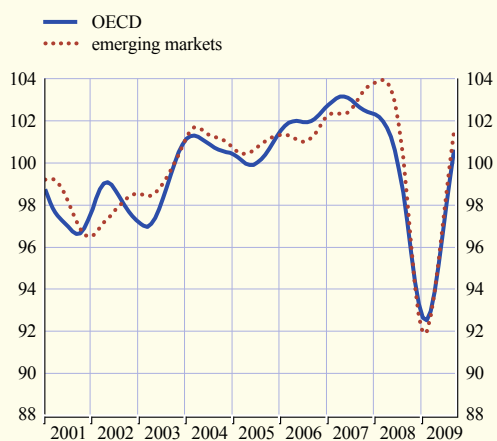
Chart 4 Main developments in commodity markets



Sources: Bloomberg and HWWI.

Chart 5 OECD composite leading indicators

(monthly data; amplitude-adjusted)



Source: OECD.

Note: The emerging market indicator is a weighted average of the composite leading indicators for Brazil, Russia and China.

strongly than projected. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and the possibility of disruptive market movements related to the correction of global imbalances.

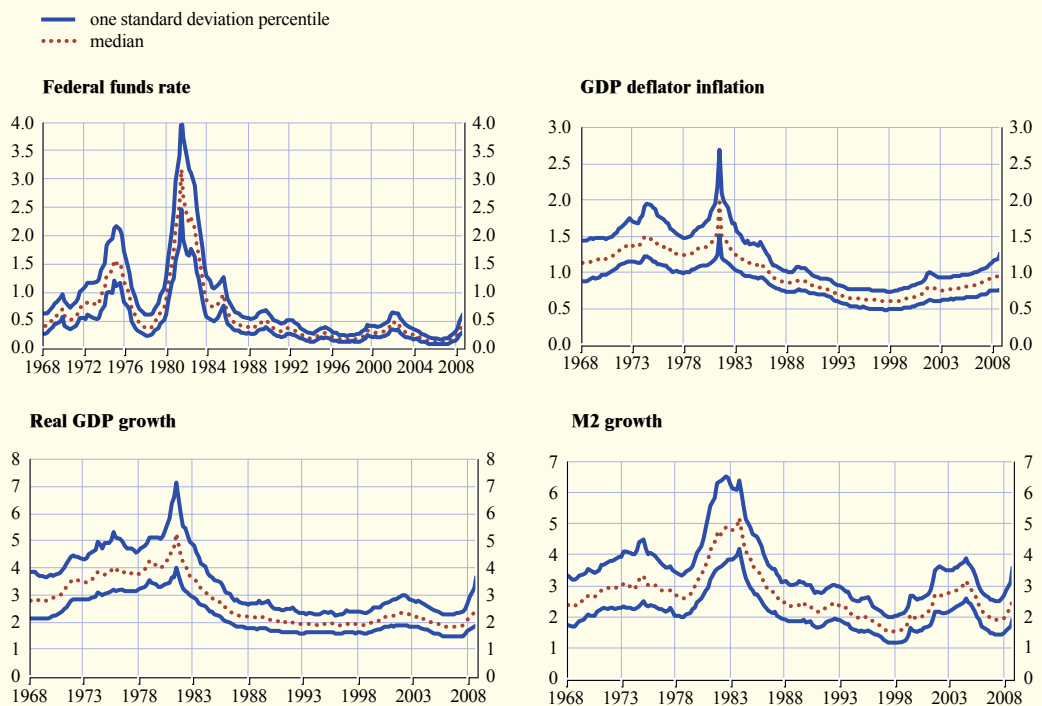
### Box I

#### MONETARY POLICY REGIMES AND MACROECONOMIC STABILITY

Empirical evidence clearly suggests that monetary policy regimes oriented towards the maintenance of price stability contribute to stable macroeconomic environments. By firmly anchoring inflation expectations, in particular, such regimes help to reduce both inflation volatility and macroeconomic uncertainty, thus improving the resilience of the economy to adverse shocks and supporting overall macroeconomic performance. The importance of stability-oriented regimes and their beneficial impact on macroeconomic performance is clearly demonstrated through a comparison of the macroeconomic performance of most advanced countries during the Great Inflation of the 1970s and that of recent years.

#### Chart A United States: volatility of shocks to key macroeconomic variables

(quarter on quarter, annualised; percentage points)



Source: L. Benati and C. Goodhart, "Monetary policy regimes and economic performance: the historical record, 1979-2008", in B. Friedman and M. Woodford (eds.), *Handbook of Monetary Economics*, Vol. 1D, North Holland, forthcoming.  
 Note: Based on a Bayesian vector autoregression with time-varying parameters.

The Great Inflation of the 1970s is a historically unique episode, illustrating how high inflation is associated with macroeconomic instability. Although history had already witnessed several episodes of high inflation, and even hyperinflation, they had always been a result of war, civil war or revolutions, and the resulting need on the part of governments to finance massive budget deficits via seigniorage.<sup>1</sup> By contrast, as stressed, for example, by Bradford DeLong with reference to the United States,<sup>2</sup> the Great Inflation is the only historical instance of a large, prolonged and persistent inflationary episode during peacetime. Besides its historical uniqueness, the Great Inflation was also characterised by several specific macroeconomic features.

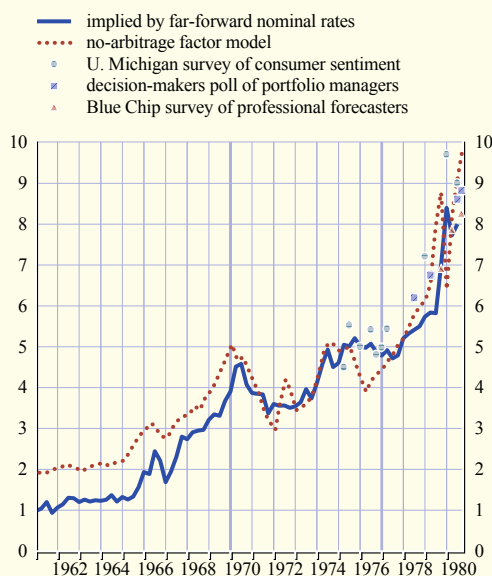
First, as illustrated in Chart A, there was a significant amount of macroeconomic volatility. Chart A shows the volatility of the shocks to four key US macroeconomic variables: the federal funds rate (which has traditionally been used by the Federal Reserve as the instrument of monetary policy), inflation, output growth and the rate of growth of the monetary aggregate M2. For all four measures, the volatility of shocks was comparatively high during the period of the Great Inflation, reaching a peak around the time of the disinflation of the early 1980s, then declining over subsequent years.

Second, as shown in Chart B, during the Great Inflation, long-term inflation expectations became less and less anchored. Chart B shows the progressive upward drift of long-term inflation expectations from the early 1960s, when expected inflation was around 1-2%, up to the early 1980s, when expectations were close to 10%.

A third feature of the Great Inflation was the comparatively large extent of inflation persistence, defined as the tendency of inflation to deviate from its long-term equilibrium – rather than quickly reverting to it – following a shock.<sup>3</sup> This automatically implies that, during those years, inflationary shocks caused comparatively large fluctuations in inflation around its equilibrium value when compared with both previous and subsequent years. The simplest explanation for the comparatively large extent of inflation persistence during those years reflects the above-mentioned progressive “de-anchoring” of inflation expectations.

Chart B United States: long-run inflation expectations

(percentage changes)



Source: A. Levin and J.B. Taylor, “Falling behind the curve: a positive analysis of stop-start monetary policies and the Great Inflation”, in M.D. Bordo and A. Orphanides (eds.), *The Great Inflation*, University of Chicago Press, forthcoming.

Notes: The solid line depicts the forward rate of expected inflation six years ahead, using nominal forward rates computed by Gürkaynak, Sack and Wright (2006) and subtracting a constant far-forward real rate of 2% and a constant term premium of 1%. The dashed line depicts the five-year expected inflation rate from the no-arbitrage factor model of Ang, Bekaert and Wei (2008).

1 See, for example, R. Dornbusch and S. Fischer, “Stopping hyperinflations past and present”, *Weltwirtschaftliches Archiv*, April 1986, and T.J. Sargent, “The ends of four big inflations”, in R.E. Hall (ed.), *Inflation: Causes and Effects*, University of Chicago Press, 1983.

2 See J.B. DeLong, “America’s peacetime inflation: the 1970s”, in C. Romer and D. Romer (eds.), *Reducing Inflation: Motivation and Strategy*, University of Chicago Press, 1997.

3 For the United States, this has been documented, for example, by T.W. Cogley, G.E. Primiceri and T.J. Sargent, “Inflation-gap persistence in the U.S.”, *American Economic Journal: Macroeconomics*, forthcoming. For the euro area, see the President’s Address delivered by J.C. Trichet, President of the European Central Bank, at the conference “The ECB and its watchers IX”, 7 September 2007.

With the monetary regime no longer providing a strong anchor or focal point for expectations, they inevitably came to depend, through a learning mechanism, on past inflation outcomes, thus automatically introducing a persistent, backward-looking component in inflation.

A conceptually related issue was the presence of a comparatively large fraction of inflationary shocks which were permanent in nature – that is, they moved inflation’s long-term equilibrium level<sup>4</sup> – whereas, over subsequent years, the relevance of permanent shocks in explaining inflation’s overall fluctuations has declined drastically.

### The stabilisation of the early 1980s and the performance of stability-oriented monetary regimes

In most advanced countries, the early 1980s saw a marked shift towards a more aggressively counter-inflationary monetary policy stance, which resulted in significant declines in inflation. The disinflation was accompanied, for the vast majority of countries, by significant declines in the volatility of key macroeconomic aggregates and large decreases in macroeconomic uncertainty on all fronts. For the United States, for example, the first feature is clearly apparent from Chart A. Further, both the fraction of inflation fluctuations resulting from permanent shocks to inflation and inflation persistence has declined significantly. The decline of inflation persistence has been especially marked under inflation targeting regimes and monetary regimes oriented towards price stability, such as EMU. For example, it has been documented<sup>5</sup> that the inception of monetary union has led to a situation in which inflation persistence has been reduced dramatically, compared with the pre-EMU period. This means that after an inflationary shock, the return of inflation to levels consistent with the ECB’s definition of price stability is much more rapid than before the adoption of the euro. Of course, this cannot be taken as a structural feature of the economy. It is conditional upon the ECB’s determination to maintain price stability over the medium term and to ensure a solid anchoring of inflation expectations on an ongoing basis.

The stabilisation of the early 1980s was also accompanied by the progressive re-anchoring of inflation expectations. This is clearly illustrated by Chart C, which shows the evolution of CPI inflation

Chart C United States: CPI inflation expectations



Source: Livingston Survey.

4 See, in particular, J.H. Stock and M.W. Watson, “Why has US inflation become harder to forecast?”, *Journal of Money, Credit and Banking*, 39(1), 2007, pp. 3-33.

5 See, for example, L. Benati, “Investigating inflation persistence across monetary regimes”, *Quarterly Journal of Economics*, 123:3, 2008, pp. 1005-1060.

expectations<sup>6</sup> in the United States for three different time horizons, namely one, two and ten years ahead. Expectations for inflation two years ahead, which is the point at which monetary policy is traditionally thought to have its maximum impact, reached a peak of 9.3% in 1980, and then declined progressively to reach a low of about 2.1% in June 2009. Expectations for inflation ten years ahead were 4% in June 1991 (when figures thereon first became available) and decreased progressively until December 1998. Since then, they have been stable at 2.5%.

The anchoring of inflation expectations has become especially strong under regimes such as EMU. Ehrmann et al.<sup>7</sup>, in particular, have documented how, under such regimes, long-term bond yields exhibit little reaction in response to macroeconomic data releases, which is a clear manifestation of the strength of the anchoring of inflation expectations. Inflation expectations have proven robust in the euro area even in the face of the large macroeconomic shocks associated with the financial crisis which started – in its most severe phase – in autumn 2008.<sup>8</sup>

6 Inflation expectations are taken from the “Livingston Survey”, which is currently managed by the Federal Reserve Bank of Philadelphia. Data on expectations for inflation two and ten years ahead are only available starting from the mid-1970s and the early 1990s respectively.

7 M. Ehrmann, M. Fratzscher, R.S. Gürkaynak and E.T. Swanson, “Convergence and anchoring of yield curves in the euro area”, ECB Working Paper Series No 817, October 2007.

8 See the lecture entitled “The crisis and its lessons”, delivered by J.C. Trichet, President of the European Central Bank, at the University of Venice on 9 October 2009.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The monetary data for the third quarter and October 2009 point to a continuation of the parallel decline observed in recent quarters in the annual growth rates of M3 and loans to the private sector. M3 growth is currently being dampened by the particularly steep yield curve, with the result that its decline is overstating that of underlying monetary growth. Overall, the latest monetary developments support the assessment of low inflationary pressures stemming from moderate underlying monetary growth. The decline in the annual growth rate of loans to the private sector continues to be driven mainly by a contraction in the shorter-term borrowing of non-financial corporations, while the monthly flows of loans to households have remained positive over the last six months. Overall, the pattern of sectoral loan developments remains consistent with historical regularities given the current stage of the economic cycle. Finally, developments in the third quarter and October confirm that euro area MFIs have resumed their deleveraging, doing so mainly by means of the reduction of their positions vis-à-vis one another.

#### THE BROAD MONETARY AGGREGATE M3

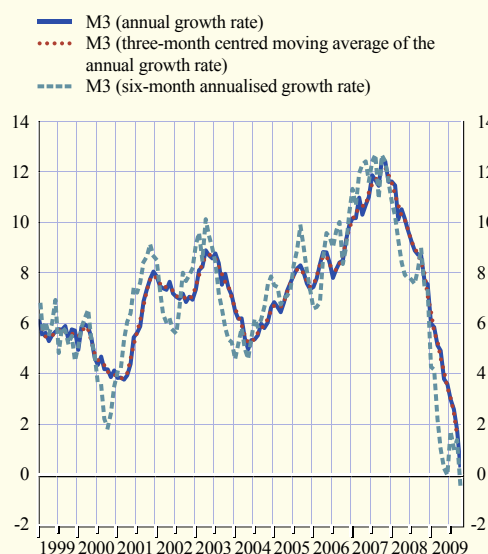
The annual growth rate of the broad monetary aggregate M3 declined further in October 2009, falling to 0.3%, down from 1.8% in September (having averaged 2.8% and 4.4% in the third and second quarters of 2009 respectively; see Chart 6). The marked slowdown in annual M3 growth in October was driven mainly by base effects, with the strong flows into monetary assets (mostly currency, and thus M1) in the immediate aftermath of the collapse of Lehman Brothers dropping out of the calculation of the annual growth rate. It also reflected a second consecutive negative month-on-month growth rate, which pulled the three and six-month annualised growth rates slightly into negative territory.

The slowdown in monetary dynamics has to be assessed against the background of the steep yield curve that emerged at the beginning of the year. This is continuing to trigger heterogeneous developments in the various components of M3. In particular, the declining remuneration of short-term time deposits relative to overnight deposits has reduced the opportunity cost of holding the most liquid of monetary assets and has been responsible for the strength of M1 growth. At the same time, the ongoing steepness of the yield curve is providing incentives to shift assets out of M3 and invest in less liquid, and potentially riskier, assets. This particular impact suggests that the decline in M3 growth is currently overstating the decline in underlying monetary growth, which is what signals risks to price stability.

As regards the counterparts of M3, the steep yield curve has led to further strengthening in the annual growth of MFIs' longer-term financial liabilities. This explains – from an accounting perspective – why the decline observed for M3 growth has recently been steeper than that seen for credit to euro

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

area residents. The growth rate of loans to the private sector, the largest component of bank credit, turned negative at the end of the third quarter and declined further in October, but remained positive when adjusted for the derecognition of loans in the context of securitisation activities. This subdued loan growth remains in line with longer-term business cycle regularities and reflects the ongoing uncertainty surrounding business, income and housing market prospects.

MFIs' main assets decreased substantially overall in the third quarter and October, pointing to a resumption of the deleveraging process following the temporary halt observed in the middle of the year. However, this process continued mainly to reflect MFIs' reduction of their positions vis-à-vis one another (with positions scaled back vis-à-vis bank counterparties both in the euro area and in the rest of the world). Credit to the euro area economy continued to grow, but this conceals strong shifts from private sector debt to securities issued by general government.

### MAIN COMPONENTS OF M3

The decline observed in the annual growth rate of M3 in the third quarter of 2009 continued to be driven mainly by declines in the contributions of short-term deposits other than overnight deposits (i.e. M2-M1) and marketable instruments (i.e. M3-M2), whereas the contribution of M1 continued to increase.

In the third quarter of 2009 the annual growth rate of M1 increased further to stand at 12.3%, up from 8.0% in the previous quarter. However, it then declined to stand at 11.8% in October (see Table 1). This decline was due mainly to base effects, as the strong increase recorded in October 2008 in the aftermath of Lehman Brothers' default dropped out of the calculation of the annual growth rate. This base effect was particularly pronounced for currency in circulation, the annual growth rate of which fell to 6.5% in October, down from 12.8% in the third quarter.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Sep.	2009 Oct.
<b>M1</b>	<b>47.7</b>	<b>2.7</b>	<b>5.3</b>	<b>8.0</b>	<b>12.3</b>	<b>12.8</b>	<b>11.8</b>
Currency in circulation	7.9	12.4	13.6	13.2	12.8	12.5	6.5
Overnight deposits	39.8	0.8	3.7	7.0	12.2	12.8	12.9
<b>M2 – M1 (= other short-term deposits)</b>	<b>39.7</b>	<b>15.8</b>	<b>9.3</b>	<b>3.0</b>	<b>-3.1</b>	<b>-5.3</b>	<b>-7.2</b>
Deposits with an agreed maturity of up to two years	20.7	29.0	13.0	-0.7	-13.1	-17.8	-21.6
Deposits redeemable at notice of up to three months	19.0	-0.5	4.5	8.6	12.8	14.9	16.2
<b>M2</b>	<b>87.4</b>	<b>8.9</b>	<b>7.3</b>	<b>5.5</b>	<b>4.5</b>	<b>3.6</b>	<b>2.3</b>
<b>M3 – M2 (= marketable instruments)</b>	<b>12.6</b>	<b>4.2</b>	<b>-0.7</b>	<b>-2.5</b>	<b>-7.5</b>	<b>-8.9</b>	<b>-11.6</b>
<b>M3</b>	<b>100.0</b>	<b>8.2</b>	<b>6.1</b>	<b>4.4</b>	<b>2.8</b>	<b>1.8</b>	<b>0.3</b>
<b>Credit to euro area residents</b>		<b>7.4</b>	<b>5.9</b>	<b>4.3</b>	<b>3.3</b>	<b>3.0</b>	<b>2.9</b>
Credit to general government		1.7	5.6	8.4	11.5	13.5	15.2
Loans to general government		2.9	2.3	1.5	2.7	1.6	3.6
Credit to the private sector		8.6	5.9	3.5	1.6	1.0	0.5
Loans to the private sector		7.3	4.6	2.1	0.4	-0.3	-0.8
Loans to the private sector adjusted for sales and securitisation		8.4	6.1	3.6	1.6	0.9	0.3
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>1.1</b>	<b>1.7</b>	<b>2.7</b>	<b>3.6</b>	<b>4.6</b>	<b>6.2</b>

Source: ECB.

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



By contrast, the annual growth rate of overnight deposits increased further to stand at 12.9% in October, up from 12.2% and 7.0% in the third and second quarters respectively, thereby explaining the continued strong growth of M1.

The strong flows into overnight deposits in the third quarter and October are consistent with the current interest rate configuration, with reductions in short-term market interest rates bringing the opportunity cost of holding this type of deposit to particularly low levels. At the same time, with appetite for risk gradually returning, overnight deposits may be being used to park funds on a temporary basis with the aim of subsequently investing them further along the maturity and risk spectrum.

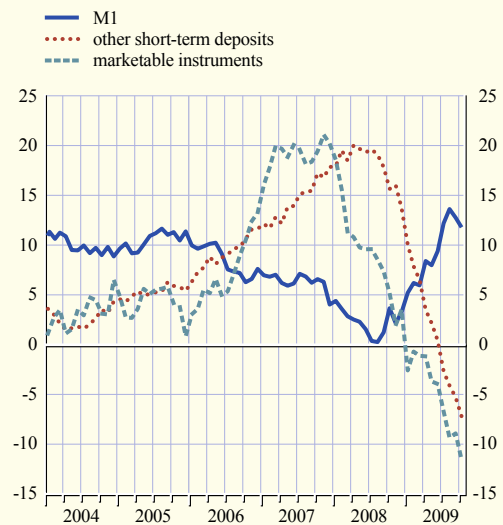
The annual growth rate of short-term deposits other than overnight deposits declined further to stand at -7.2% in October, down from -3.1% and 3.0% in the third and second quarters respectively. This reflects a significant decline in the annual growth rate of short-term time deposits (i.e. deposits with an agreed maturity of up to two years), which fell to -21.6% in October, down from -13.1% and -0.7% in the third and second quarters respectively (see Chart 7). By contrast, short-term savings deposits (i.e. deposits redeemable at notice of up to three months) grew at an annual rate of 16.2% in October, up from 12.8% and 8.6% in the previous two quarters.

The developments observed for the different types of short-term deposit are consistent with their respective interest rates. In this respect, the continued inflows for short-term savings deposits can be explained by the fact that these deposits have been better remunerated than short-term time deposits since the beginning of 2009. At the same time, funds have continued to be shifted from both short-term time deposits and marketable instruments into financial assets outside M3, which have become more attractive given the steep yield curve and the recovery observed in a broad range of asset markets.

The annual growth rate of marketable instruments included in M3 declined to -11.6% in October, down from -7.5% and -2.5% in the third and second quarters respectively. This reflects, in particular, the further marked declines observed in the annual growth rate of debt securities with a maturity of up to two years, as well as the subdued annual growth rate of repurchase agreements, which has also turned negative. At the same time, the annual growth rate of money market fund shares/units, the largest sub-component of marketable instruments, also moderated somewhat in the third quarter and October, but remained positive. For a detailed discussion of recent developments in repurchase agreements, see Box 2.

Chart 7 Main components of M3

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



Source: ECB.

## Box 2

## RECENT DEVELOPMENTS IN REPURCHASE AGREEMENTS

The decline observed in annual M3 growth since the intensification of the financial turmoil has been driven mainly by the deceleration seen in short-term time deposits and marketable instruments such as repurchase agreements (henceforth “repos”). In fact, since October 2008 the deceleration in repos has contributed more than 1 percentage point to the decline in annual M3 growth, which is fairly substantial for a component that accounts for only 3% of the stock of M3. Against this background, this box reviews recent developments in repos and puts them into perspective with regard to the current interest rate configuration.

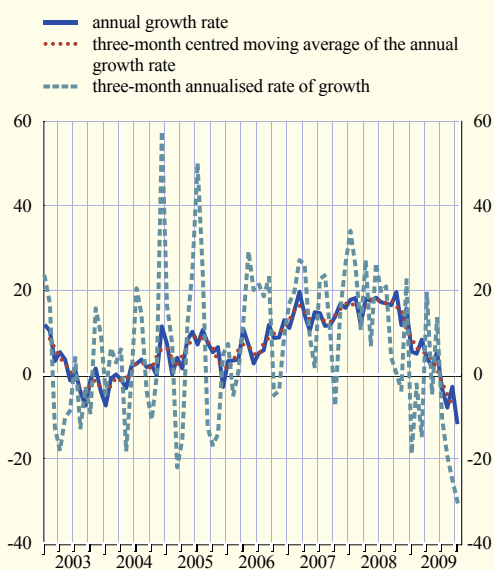
## Repurchase agreements and interest rate developments

A repo represents a special form of deposit, as it simultaneously constitutes both a deposit and a collateralised loan. It is, therefore, a twofold transaction, comprising the sale of a security (or a basket of securities) by one party to another party for cash on the initiation date, with the added condition that these assets will be repurchased at a later date established in advance. The main advantage is the high level of security that it offers to the lender in the event of the borrower defaulting, as the risk is covered by the collateral received.

Market participants can be expected to use repos mainly to acquire funds or to put funds to use for short periods. This can help to explain why repos are the most volatile component of M3, with that volatility extending even to their annual growth rates. However, looking beyond this volatility – by focusing on a three-month moving average of the annual growth rate – indicates that there has been a sustained and marked deceleration since the last quarter of 2008, with negative annual growth rates being recorded in October 2009 (see Chart A).

Chart A Repurchase agreements

(percentage changes; adjusted for seasonal and calendar effects)

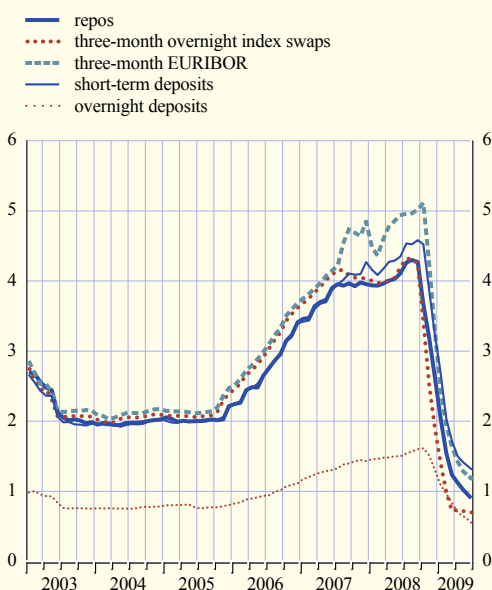


Source: ECB.

This decline in the growth rate – and, more recently, outstanding amounts – of repos is in line with developments in market interest rates and their pass-through to retail banking rates (see Chart B). Indeed, the remuneration of repo transactions conducted with households and non-financial corporations has declined in line with the EURIBOR and overnight index swap rates. Interestingly, since the start of the financial turmoil there has been a high degree of co-movement between the remuneration of repos and that of secured interbank lending (i.e. the rates on three-month overnight index swaps), while the remuneration of short-term deposits has been closer to that of unsecured interbank lending (i.e. the three-month EURIBOR). This decoupling and the resulting relative increase in the remuneration of

**Chart B Selected bank retail rates and money market interest rates**

(percentages per annum)

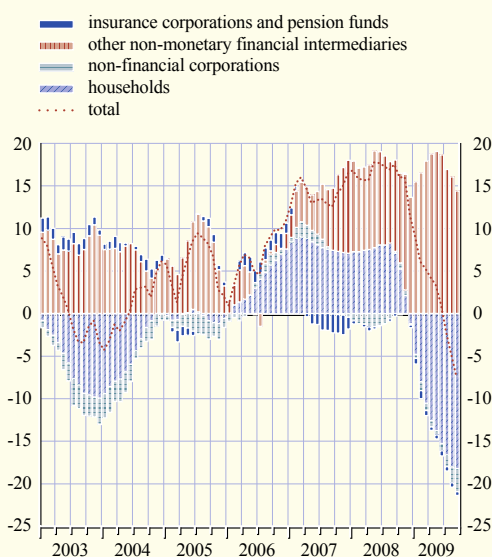


Source: ECB.

Note: Data on repos, short-term deposits and overnight deposits are annualised agreed rates applied to the household and non-financial corporation sectors.

**Chart C Developments in repurchase agreements and sectoral composition**

(annual percentage changes and percentage point contributions)



Source: ECB.

short-term deposits has probably had a negative impact on holdings of repos, especially after governments announced guarantees on households' bank deposits. Moreover, having widened significantly between the start of 2005 and mid-2008, the spread between the remuneration of repos and that of overnight deposits has since declined substantially. Thus, the relative remuneration of repos has fallen markedly since mid-2008 and stood close to zero in the third quarter of 2009.

### Developments in sectoral holdings of repurchase agreements

From a sectoral perspective, repos are held mainly by households and by non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs). Since 2004 the holdings of these two sectors have averaged 25% and slightly more than 50% of total outstanding amounts respectively. The decline seen in the annual growth of repos since the last quarter of 2008 can be explained mainly by the strong reduction observed in households' holdings of this instrument, with the value of those holdings declining by more than €60 billion in the year to October 2009 (see Chart C). This is in line with the declining spread between the remuneration of repos and that of overnight deposits (and thus the falling opportunity cost of more liquid holdings).

It should be noted that the size of sectoral repo holdings tends to differ strongly across the various countries of the euro area, with the result that country-specific developments can have a large impact on figures for the euro area as a whole. For instance, most of the changes in households' repo holdings tend to reflect developments in Italy, where repos are typically held as an alternative to time deposits, having both an attractive level of remuneration and advantages in terms of fees.

By contrast with households, substantial inflows have, overall, continued to be recorded for repos held by OFIs. These inflows have totalled

around €40 billion over the past 12 months and have offset part of the reduction in households' holdings. Although these inflows appear to have declined somewhat in the last few months, the past strength of OFIs' accumulation of repos is fairly striking, as OFIs' portfolio allocation is typically very strongly (and immediately) influenced by remuneration considerations. Two factors should be considered in this respect. First, OFIs may be more inclined to use secured deposits in the form of repos while financial tensions persist, a factor that is not as relevant for households given that their bank deposits are covered by deposit insurance schemes (within certain limits). Second, repos held by OFIs also include interbank repo transactions – often associated with electronic trading – that are cleared by a central counterparty.<sup>1</sup> Increased activity on such platforms (as observed in 2005, for instance) can have a strong impact on the volatility of the repo series and may make it more difficult to ascertain the activities of the OFI sector itself. During the financial turmoil banks may have had more recourse than usual to such secured trading. Looking at individual countries, most of the operations conducted through a central counterparty are taking place in Germany.

In MFI statistics, an operation conducted through a central counterparty is accounted for in two ways: (i) as a loan in the institution providing liquidity; and (ii) as a repo deposit in the institution receiving that liquidity. Thus, they have an impact on M3 developments, although they should not be regarded as purely monetary developments. Indeed, pure over-the-counter repo transactions between two MFIs do not have an impact on monetary developments. In that sense, it could be argued that these counterparties should be removed from the money-holding sector, thereby removing their deposits with MFIs from the monetary aggregates. However, it is not yet statistically possible to single out such counterparties.<sup>2</sup>

Overall, recent developments in repos mainly reflect changes in market interest rates and the remuneration of such instruments relative to other forms of deposit. At the same time, the financial turmoil may have given rise to some offsetting factors given that repo transactions are collateralised and given that interbank repo transactions cleared by central counterparties are included in the repo holdings of the OFI sector.

1 See “The role of other financial intermediaries in monetary and credit developments in the euro area”, ECB Occasional Paper No 75, October 2007, p.17.

2 However, as of June 2010 it will be possible to isolate repo-related business conducted through central counterparties, following the entry into force of an updated statistical regulation on the reporting of MFI balance sheet data (Regulation ECB/2008/32).

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available on a sectoral level – declined to 3.4% in the third quarter of 2009, down from 5.0% in the previous quarter. This decline continued in October, with the annual growth rate falling to 1.5%. The annual growth rate of households' M3 deposits, which make the largest contribution to the annual growth rate of total M3 deposits, has decreased markedly since the second quarter of 2009 and stood at 3.4% in October (see Chart 8). By contrast, the annual growth rate of M3 deposits held by non-financial corporations has become clearly positive in recent months.

These developments in sectoral deposits are in line with both the current stage of the business cycle and the interest rate configuration. Indeed, the moderation observed in households' deposits can be explained by the fact that households' income lags economic activity – which is, however, partly offset by the increases observed in the saving ratio since the third quarter of 2008 – and partly reflects the shifting of funds from monetary assets into longer-term assets. The impact

of the interest rate configuration on shifts out of M3 money holdings and into higher-yielding instruments is more clearly visible for non-monetary financial intermediaries (mainly OFIs – i.e. non-monetary financial intermediaries other than insurance corporations and pension funds), with the annual growth rate of these intermediaries' holdings declining strongly to stand at -6.3% in October, down from -0.5% and 5.1% in the third and second quarters respectively. The increased money holdings observed for non-financial corporations may reflect the fact that cash flows tend to improve in the early stages of a recovery and are then used to replenish liquidity buffers. However, they could also reflect an inflow of funds as a result of the increased securities issuance activity witnessed in recent months.

#### MAIN COUNTERPARTS OF M3

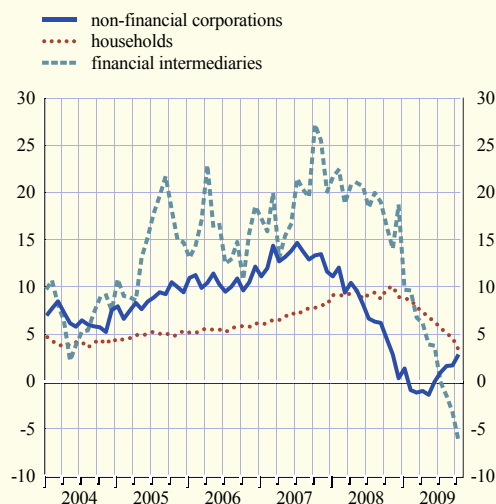
As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents continued to decline in the third quarter of 2009, falling to 3.3%, down from 4.3% in the previous quarter, before decreasing further to stand at 2.9% in October (see Table 1). This reflects a significant decline in the annual growth rate of MFI credit to the private sector, which was partially offset by a marked increase in the annual growth rate of credit to general government.

The significant strengthening in the annual growth rate of MFI credit to general government (which rose to 15.2% in October) mainly reflects the ongoing robust inflows observed for the MFI sector's holdings of government securities, but also (particularly in October) inflows via outright loans. These purchases of government debt securities are in line with the typical investment behaviour of banks over the interest rate cycle. The steepening of the yield curve – when the funding costs implied by short-term rates are low relative to the yield that can be achieved on government bonds – allows MFIs to achieve a stable return, without too much impact in terms of capital charges or credit risk in the presence of considerable uncertainty regarding future economic prospects.<sup>1</sup>

By contrast, the annual growth rate of MFI credit to the private sector continued to decline in the third quarter – standing at 1.6%, down from 3.5% in the previous quarter – before moderating further to stand at 0.5% in October. The annual growth rate of MFIs' holdings of private sector securities other than shares continued to decline, falling from 26.1% in the second quarter to 20.6% in the third quarter and 16.4% in October. This decline reflected the moderate monthly inflows observed since the beginning of 2009 and can be explained by the weakening of retained securitisation activity over the course of the year following the intense activity seen at the end of 2008. The annual growth

**Chart 8 Short-term deposits and repurchase agreements**

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



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

<sup>1</sup> See Box 1, entitled "Recent developments in MFIs' purchases of debt securities issued by the euro area general government sector", in the June 2009 issue of the Monthly Bulletin.

rate of MFIs' holdings of shares and other equity remained unchanged at -8.2% in the third quarter, before recovering to stand at -4.9% in October.

A further decline was also observed in the annual growth rate of MFI loans to the private sector (the largest component of credit to the private sector), which fell to 0.4% in the third quarter, down from 2.1% in the previous quarter, before turning negative to stand at -0.8% in October (see Table 1). With true-sale securitisation activity becoming more subdued in the third quarter and October, the downward distortion of loans to the private sector as a result of the derecognition of loans has decreased. However, in annual terms the difference between the adjusted and unadjusted growth rates is still 1.1 percentage points. This implies that, once this effect is taken into account, the annual growth rate of loans to the private sector has remained slightly positive.

The further deceleration observed in the annual growth of loans to the private sector in the third quarter and October can be attributed mainly to the decline in loans to non-financial corporations and non-monetary financial institutions, while the earlier decline in the annual growth rate of loans to households has levelled off in recent months. Indeed, the monthly flow of loans to households has been positive since May.

The annual growth rate of loans to non-financial corporations declined to -1.2% in October, down from 1.1% and 4.6% in the third and second quarters respectively. This reflects the monthly outflows recorded since February. These outflows have been concentrated in loans with maturities of less than five years, whereas flows for loans with maturities of over five years have remained positive over this period. These differences between shorter and longer-term loans might be a reflection of firms shifting, to some extent, to longer-term sources of financing. This is also consistent with the stronger securities issuance observed for longer maturities, which could indicate that firms (especially larger firms) may have replaced maturing bank loans with such market-based funding. (See Sections 2.6 and 2.7 for more details of sectoral developments in loans and financing.)

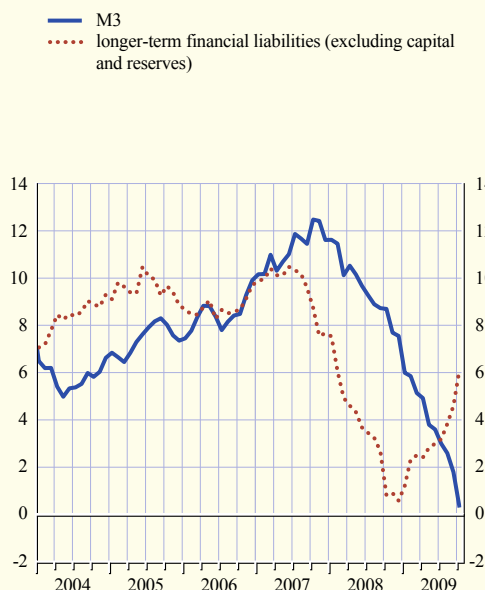
Overall, the pattern of sectoral loan developments appears to be consistent with historical regularities and current expectations regarding real economic activity. Growth in real loans to households tends to lead real GDP growth, whereas growth in loans to non-financial corporations tends to lag it to some extent. Thus, corporate borrowing is likely to remain subdued for some time, even after a turning point has been reached in terms of economic activity, and especially so in an environment which remains characterised by considerable uncertainty regarding future economic prospects.<sup>2</sup>

Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) increased to 6.2% in October, up from 3.6% in the third quarter and 2.7% in the second quarter (see Chart 9). In particular, longer-term deposits (i.e. those with an agreed maturity of over two years and those redeemable at notice of over three months) have benefited from the steep yield curve and have attracted some of the funds that have been flowing out of short-term time deposits over the past few quarters. The monthly flow turned negative in October, but this essentially reflects a strong reduction in OFIs' holdings in the context of weaker securitisation activity and conceals a continuation of households' long-term deposit accumulation in view of those deposits' relatively favourable remuneration.

<sup>2</sup> See Box 1, entitled "Loans to the non-financial private sector over the business cycle in the euro area", in the October 2009 issue of the Monthly Bulletin.

**Chart 9 M3 and MFI longer-term financial liabilities**

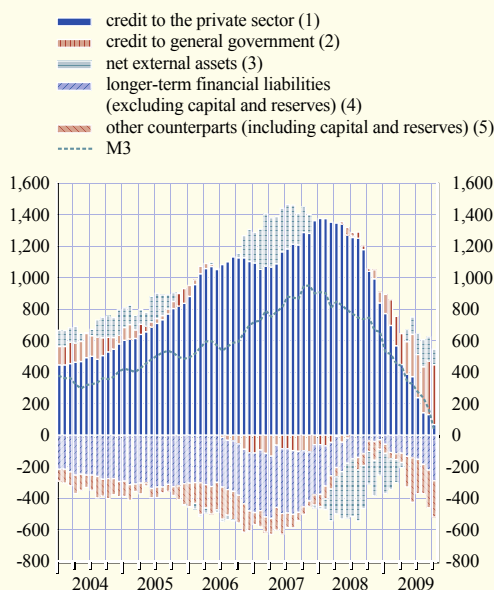
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 10 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.

At the same time, the annual growth rate of debt securities with a maturity of over two years remained unchanged at 0.3% in the third quarter, before increasing to 3.2% in October (mostly on account of base effects). The monthly flows of longer-term MFI debt securities purchased by the money-holding sectors remained slightly negative in October. However, these outflows mask the fact that net issuance of such instruments was again positive in October, with these instruments being purchased by MFIs themselves. The annual growth rate of capital and reserves increased in the third quarter – rising to 10.7%, up from 10.1% in the previous quarter – but decreased strongly to stand at 7.2% in October, despite a moderate positive flow in that month.

Finally, the annual inflow for MFIs' net external asset position increased to €155 billion in the third quarter, up from €110 billion in the previous quarter, but then declined again to stand at €98 billion in October (see Chart 10). These positive annual flows for the net external asset position conceal the fact that both external assets and external liabilities have continued to contract on an annual basis, with the contraction observed for liabilities being stronger than that seen for assets. These contractions have contributed strongly to the deleveraging observed on the MFI balance sheet in recent quarters.

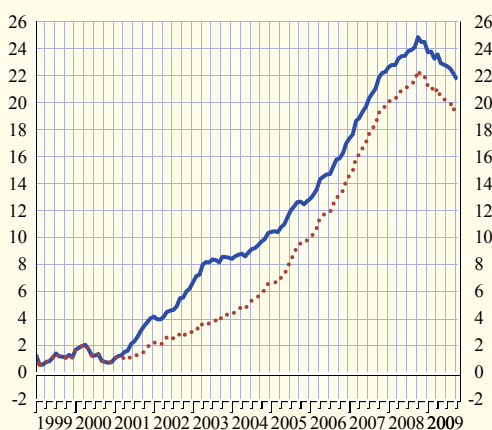
#### GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

On the basis of developments in the nominal and real money gaps, the accumulation of monetary liquidity in the euro area continued to decline in the third quarter of 2009 (see Charts 11 and 12). Such measures of the liquidity situation need to be interpreted with caution, as they rely on an assessment of equilibrium money holdings, which is always uncertain and especially so at present.

Chart 11 Estimates of the nominal money gap<sup>1)</sup>

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

- nominal money gap based on official M3
- ..... nominal money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

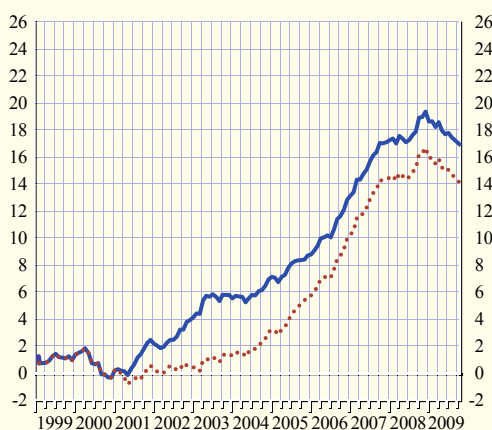
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

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

Chart 12 Estimates of the real money gap<sup>1)</sup>

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

- real money gap based on official M3
- ..... real money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

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

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

Indeed, the differences between the various money gap measures may be taken as an indication of the considerable uncertainty surrounding the liquidity situation in the euro area at the current juncture. These caveats notwithstanding, the measures point to a clear accumulation of monetary liquidity in recent years, and the period of subdued M3 growth observed since the end of 2008 is unlikely to have resulted in the full unwinding of this earlier accumulation.

Summing up, the most recent data point to a continuation of the parallel deceleration observed in recent quarters in the growth of M3 and loans to the private sector. This underpins the assessment of moderate underlying monetary expansion and low inflationary pressures stemming from monetary developments. In this respect, it is important to note: (i) that the decline in M3 growth is currently substantially affected by the particularly steep yield curve and overstates the decline in underlying monetary growth; and (ii) that part of the decline may correspond to a partial unwinding of previously accumulated imbalances.

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

*The annual growth rate of total financial investment by the non-financial sectors increased only marginally in the second quarter of 2009, concealing further strong investment by general government and a pick-up in financial investment by households. The annual flows of investment in bond and equity funds remained negative in the second quarter, but quarterly flows turned positive,*



suggesting that investor confidence has improved. The annual growth rate of financial investment by insurance corporations and pension funds increased in the second quarter, but remained low from a longer-term perspective.

## NON-FINANCIAL SECTORS

In the second quarter of 2009 (the most recent quarter for which data are available) total financial investment by the non-financial sectors grew by 3.6% on an annual basis (see Table 2). This was marginally above the 3.5% recorded in the previous quarter, but still subdued when looking at the period since 1999. This reflects, in particular, an increase in the contribution of investment in “other” financial instruments (which includes items such as inter-company loans and trade credit), as well as increases in the contributions of unquoted shares and other equity. It also reflects a smaller negative contribution by mutual fund shares. By contrast, the contributions of investment in currency and deposits, debt securities and quoted shares declined, while the contribution of insurance technical reserves remained broadly unchanged from the previous quarter.

As regards the sectoral breakdown, the marginal increase observed in the growth rate of total financial investment is the result of an increase in the contribution of households, which was broadly offset by a decline in the contribution of non-financial corporations (see Chart 13). The contribution of the general government sector increased further, as governments continued to accumulate large amounts of financial assets. This mainly reflects the granting of loans and purchases of equity and debt securities in the context of measures to ensure the stability of the banking sector. In addition, the strong issuance of debt securities in the context of rising deficits is likely to have increased governments’ deposit holdings. While the annual growth rates of financial investment by non-financial corporations and households are currently close to their lowest levels since the start of Stage Three of EMU, those of financial investment by governments are at unprecedented levels.

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

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
<b>Financial investment</b>	<b>100</b>	<b>5.3</b>	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>	<b>4.1</b>	<b>3.5</b>	<b>3.3</b>	<b>3.8</b>	<b>3.5</b>	<b>3.6</b>
Currency and deposits	25	7.4	7.9	7.4	7.1	6.9	5.5	5.5	6.6	6.8	6.3
Debt securities, excluding financial derivatives	6	6.6	5.1	3.9	4.3	4.2	4.6	5.2	7.4	4.7	1.2
of which: short-term	0	17.1	17.2	25.5	30.8	28.2	9.5	-4.4	2.9	-29.7	-42.2
of which: long-term	5	5.6	3.8	1.7	1.8	1.5	4.1	6.5	7.9	9.3	6.4
Shares and other equity, excluding mutual fund shares	27	2.3	2.4	2.8	3.0	3.0	3.0	2.7	3.5	3.9	4.2
of which: quoted shares	6	1.4	1.9	2.1	2.8	3.0	3.6	3.7	3.8	5.1	4.8
of which: unquoted shares and other equity	21	2.7	2.6	3.1	3.1	3.0	2.8	2.3	3.3	3.4	4.0
Mutual fund shares	5	0.4	0.6	-1.0	-3.2	-5.3	-6.5	-6.6	-6.5	-5.2	-3.9
Insurance technical reserves	16	6.6	6.5	5.9	5.5	5.0	4.6	4.3	3.5	3.3	3.4
Other <sup>2)</sup>	21	8.3	7.9	7.5	6.8	5.4	4.5	4.0	3.8	1.5	2.7
M3 <sup>3)</sup>		11.0	11.0	11.4	11.6	10.1	9.7	8.7	7.5	5.1	3.6

Source: ECB.

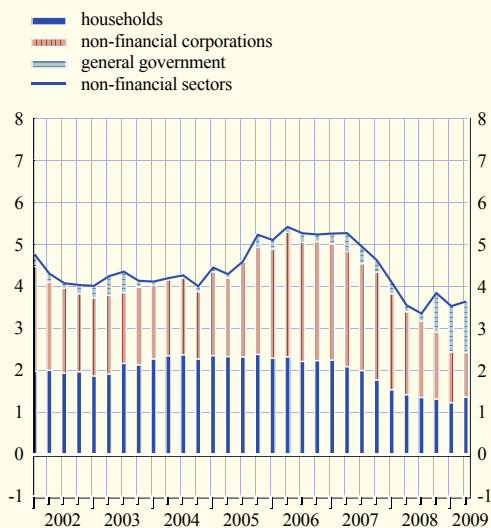
1) As at the end of the last quarter available. Figures may not add up due to rounding.

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

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

**Chart 13 Financial investment of non-financial sectors**

(annual percentage changes; contributions in percentage points)



Source: ECB.

For more detailed information concerning developments in the financial investment of the private sector, see Sections 2.6 and 2.7.

### INSTITUTIONAL INVESTORS

The decline in the value of the total assets of euro area investment funds (excluding money market funds) continued to slow in the second quarter of 2009, with a year-on-year growth rate of -9.5%, up from -20.6% in the first quarter and -26.8% in the fourth quarter of 2008.<sup>3</sup>

However, on a quarter-on-quarter basis, the value of investment funds' total assets increased by 10.8% in the second quarter of 2009, the first such increase since 2007 on the basis of non-seasonally adjusted data. This increase was broadly based across individual asset classes, but was accounted for mostly by the rising value of holdings of: (i) shares and other equity; and (ii) securities, other than shares, with a maturity of over one year. Data

on transactions point to positive flows into investment funds in the second quarter (the first time that this has been observed since mid-2007), but most of the quarter-on-quarter increase observed in the value of total assets was nevertheless due to positive valuation effects.

Data provided by EFAMA<sup>4</sup> for the net sales of different types of investment fund in the second quarter of 2009 show that net annual outflows continued to recede – fairly markedly in the case of equity and bond funds and somewhat less so in the case of mixed/balanced funds (see Chart 14). At the same time, the outflows remained much stronger for equity and bond funds than for mixed/balanced funds. Money market funds remained the only fund category with positive annual flows, although those flows declined moderately compared with the previous quarter.

Overall, developments in the second quarter suggest that investment in investment funds benefited from improved investor confidence and the steep yield curve. This fostered stronger shifts from safer and more liquid monetary assets to longer-term and arguably more risky assets.

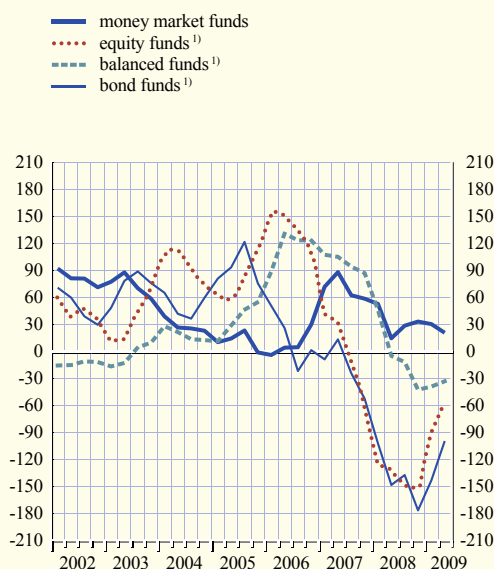
The annual growth rate of total financial investment by insurance corporations and pension funds (ICPFs) increased to 2.9% in the second quarter of 2009, up from 2.6% in the previous quarter (see Chart 15). This was driven mainly by an increase in the contribution of investment in mutual fund shares and, to a lesser extent, by the larger contribution made by the granting of loans (included in “other” financial instruments). At the same time, the contribution made by ICPFs' investment in

<sup>3</sup> It should be noted that a number of unsupervised investment funds were included in the reporting sample in December 2008, resulting in an increase in total assets of around €120 billion. Thus, the annual growth rates in the fourth quarter of 2008 and the first and second quarters of 2009 understate the actual decline in the value of total assets.

<sup>4</sup> The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. See the box entitled “Recent developments in the net flows into euro area equity and bond funds” in the June 2004 issue of the Monthly Bulletin for further information.

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

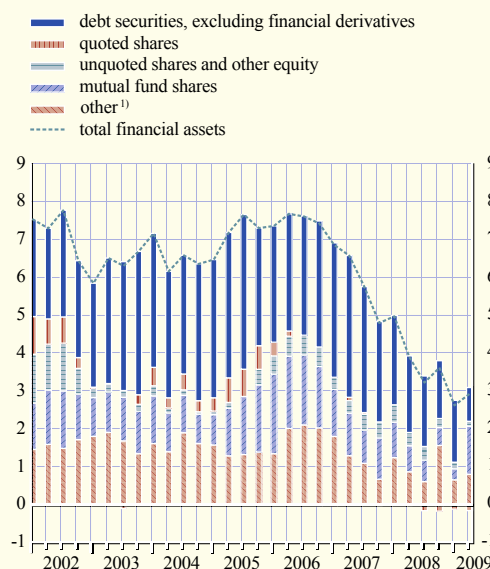
(EUR billions)



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

**Chart 15 Financial investment of insurance corporations and pension funds**

(annual percentage changes; contributions in percentage points)



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

debt securities declined by comparison with the previous quarter. This contrasts with the stronger purchases of these instruments by MFIs and OFIs. Thus, there appears to have been a shift, in the case of ICPFs, from direct holdings of securities to indirect holdings via mutual funds. The fact that growth in total financial investment is fairly modest from a historical perspective (i.e. when looking at the period since 1999) reflects the lower rate of growth for insurance technical reserves on the liabilities side of the balance sheet. In this respect, it may be worth noting that, overall, the money-holding sectors' annual flows into insurance technical reserves did not moderate further in the first and second quarters of 2009 following the very low level observed at the end of 2008.

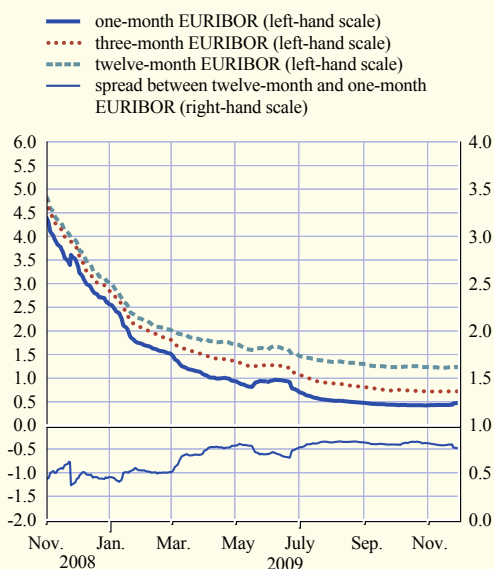
### 2.3 MONEY MARKET INTEREST RATES

*Money market rates have continued to decrease across all maturities over the past three months, with declines observed for both secured and unsecured market rates. However, these declines have been weaker than those seen in previous periods. Spreads between secured and unsecured market rates have declined further in the past three months, but remain elevated by comparison with the levels observed prior to the onset of the financial market turmoil in August 2007.*

Over the past three months unsecured money market interest rates have declined further across almost all maturities, albeit less strongly than in the period from October 2008 to August 2009. These developments reflect the further easing of tensions in money markets in the context of the ECB's enhanced credit support measures (including, in particular, the one-year longer-term refinancing operations conducted on 24 June and 30 September 2009). On 2 December the three-month,

Chart 16 Money market interest rates

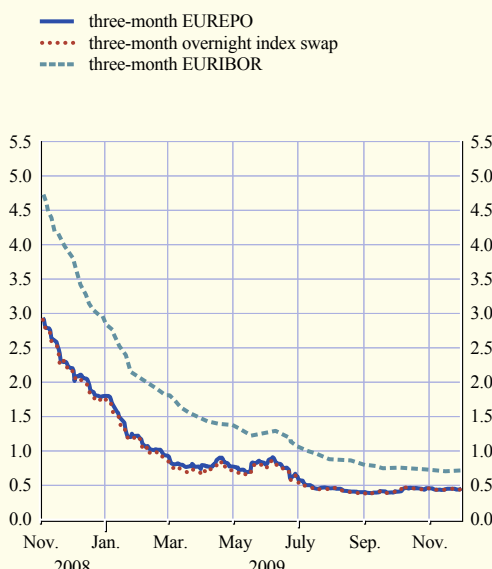
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Reuters.

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

(percentages per annum; daily data)



Sources: ECB, Bloomberg and Reuters.

six-month and twelve-month EURIBOR rates stood at 0.72%, 1.00% and 1.24% respectively – i.e. 9, 8 and 6 basis points lower than the levels observed on 3 September. The one-month EURIBOR, however, remained unchanged at 0.48%. Overall, the spread between the twelve-month and one-month EURIBOR rates – an indicator of the slope of the money market yield curve – decreased by 6 basis points in that period, standing at 76 basis points on 2 December (see Chart 16).

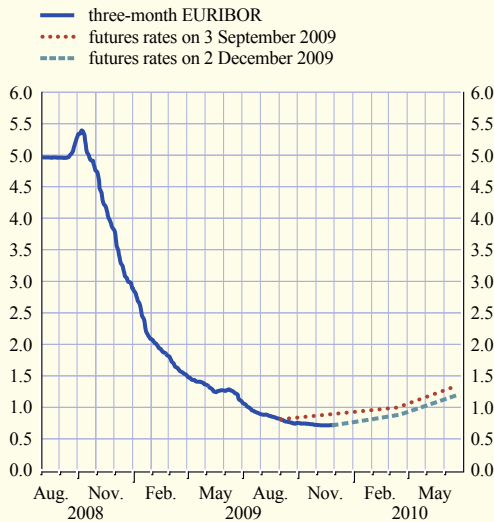
The spread between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) continued to decline in that period, although at a more moderate pace than in previous months. At the three-month maturity, that spread stood at 28 basis points on 2 December, 15 basis points lower than its level on 3 September. Overall, notwithstanding their continued decline following the peaks recorded in September 2008, these spreads remain relatively wide compared with the levels prevailing prior to the onset of the financial market turmoil in August 2007 (see Chart 17).

On 2 December the interest rates implied by the prices of three-month EURIBOR futures maturing in March, June and September 2010 stood at 0.875%, 1.175% and 1.455% respectively, representing decreases of around 12, 14 and 19 basis points respectively by comparison with the levels observed on 3 September (see Chart 18). The implied volatility derived from options on three-month EURIBOR futures contracts maturing in December 2009 has also decreased over the past three months (see Chart 19).

The ECB has continued to provide the money markets with ample support through a number of liquidity-providing operations with various maturities. Besides the one-year operations on 24 June and 30 September 2009, these include operations with maturities of one week, one maintenance period,

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

(percentages per annum; daily data)



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

**Chart 19 Implied volatility derived from options on three-month EURIBOR futures maturing in December 2009**

(percentages per annum; basis points; daily data)

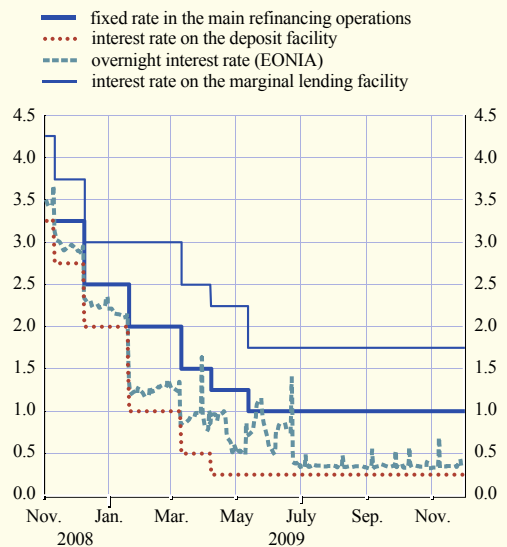


Sources: Bloomberg, Reuters and ECB calculations.  
Note: The basis point measure is obtained as the product of implied volatility in percentages and the corresponding interest rate (see also the box entitled "Measures of implied volatility derived from options on short-term interest rate futures" in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

three months and six months. Participation in operations with maturities of less than one year has fallen significantly since June 2009. The EONIA has been relatively stable since 24 June, standing less than 10 basis points above the rate on the deposit facility, with rare spikes related to liquidity-absorbing operations on the last day of the maintenance period. On 2 December the EONIA stood at 0.349%. These developments reflect the large amount of outstanding excess liquidity following the one-year longer-term refinancing operation conducted on 24 June, in which €442 billion was allotted, followed by a smaller one-year operation on 30 September, in which €75 billion was allotted. The one-year operations were conducted as fixed rate tender procedures with full allotment, in line with the Eurosystem's other liquidity-providing operations. The abundant liquidity in the euro area is being absorbed in part by considerable daily recourse to the deposit facility (see Chart 20).

**Chart 20 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

## Box 3

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 12 AUGUST TO 10 NOVEMBER 2009**

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 8 September, 13 October and 10 November 2009 respectively. During this three-month period the ECB continued implementing the non-standard measures that were introduced in October 2008 in response to the intensification of the financial crisis.

Indeed, euro-denominated refinancing operations continued to be conducted as fixed rate tender procedures with full allotment against an extended list of assets eligible for use as collateral and with maturities ranging from one week to one year. In this connection, the second one-year longer-term refinancing operation (LTRO) was conducted on 30 September. This operation attracted bids from 589 counterparties and resulted in the allotment of €75 billion. By comparison, €442 billion was allotted in June in the first one-year operation. At the same time, the Eurosystem continued to conduct purchases under its covered bond purchase programme. On 10 November the total value of purchases had reached €21.9 billion. Under this programme, Eurosystem central banks are planning to purchase covered bonds with a total value of €60 billion between 6 July 2009 and end-June 2010.

On 24 September the Governing Council of the ECB decided – in agreement with other central banks, including the Federal Reserve – to continue its one-week US dollar liquidity-providing operations until January 2010. These operations will continue to be conducted against collateral eligible for Eurosystem operations in fixed rate tender procedures with full allotment. The Governing Council also decided, in agreement with the Swiss National Bank, to continue conducting one-week Swiss franc liquidity-providing swap operations until 31 January 2010. The refinancing provided in foreign currency by the Eurosystem is obtained by means of foreign exchange swaps with the relevant central banks.

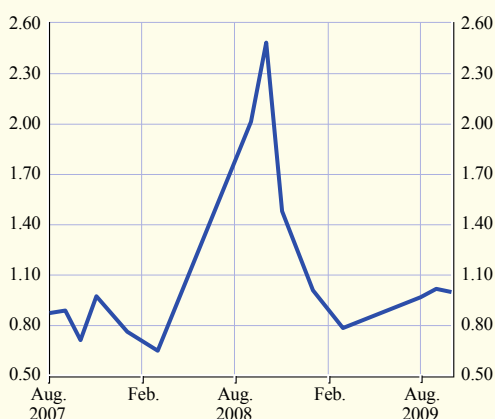
**Liquidity needs of the banking system**

In the three maintenance periods under review, banks' average daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – totalled €591 billion, €7 billion less than the average for the previous three maintenance periods.

Average autonomous factors declined slightly to €372.6 billion (see Chart B), down from €380.2 billion in the previous three maintenance periods. Average reserve requirements fell by a further €3.2 billion to stand at €213.8 billion. Average excess reserves rose slightly in the first two maintenance periods, continuing the

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

(EUR billions; average level in each maintenance period)



Source: ECB.

increases observed in July and August. Average excess reserves then declined marginally in the maintenance period ending on 10 November. Overall, average excess reserves were around €0.1 billion lower than in the previous three maintenance periods (see Chart A).

Net recourse to the deposit facility progressively declined over the period under review, falling from an average of €136.4 billion in the maintenance period ending on 8 September to an average of €86.2 billion in the maintenance period ending on 10 November (with average net recourse to the deposit facility of €110.5 billion for the three maintenance periods as a whole). This reflected a gradual decline in the amount of outstanding refinancing operations following the settlement of €442 billion on 25 June in the first one-year operation.

In the period under review the level of participation in the liquidity-absorbing fine-tuning operation carried out by the Eurosystem on the last day of each maintenance period was relatively stable (see Chart B). Across the three operations, average absorption was around €185 billion. By comparison, average absorption was €264 billion in the previous three maintenance periods. Recourse to the marginal lending facility averaged €0.3 billion during the period under review, some €0.5 billion lower than in the previous three maintenance periods.

### Liquidity supply and interest rates

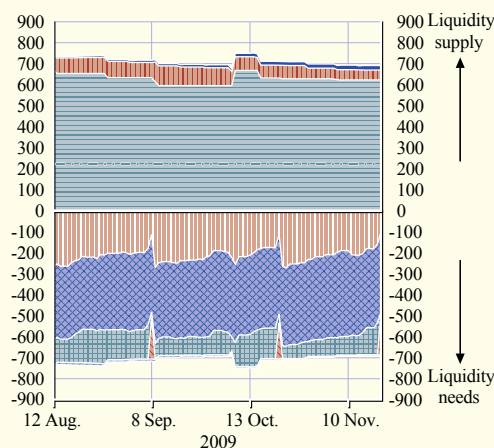
The volume of outstanding refinancing operations averaged €683 billion over the three maintenance periods under review. This compares with €711 billion for the previous three maintenance periods (a period which covers 25 June 2009, when the first one-year LTRO was settled and the volume of outstanding refinancing reached a record high of €897 billion). The decline from this peak continued in each of the three maintenance periods under review, with the average volume of outstanding refinancing operations falling from €702 billion in the maintenance period ending on 8 September to €683 billion and €666 billion in the two subsequent maintenance periods.

As in the previous three maintenance periods, the one-week main refinancing operation accounted for only a limited, and declining, share (i.e. around 8-10%) of the total amount of outstanding refinancing. In fact, the average outstanding volume of weekly main refinancing operations declined steadily in the three maintenance periods under review, falling from €74.8 billion in the maintenance period ending on 8 September to €52.3 billion in the maintenance period ending on 10 November. At the same time, while €75 billion was allotted in the second one-year LTRO

**Chart B Liquidity needs of the banking system and liquidity supply**

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

- covered bond purchases: €14.3 billion
- main refinancing operations: €69.5 billion
- longer-term refinancing operations: €628.5 billion
- Eurosystem's Swiss franc operations: €8.3 billion
- fine-tuning operations: €6.1 billion
- net recourse to deposit facility: €110.5 billion
- autonomous factors: €372.6 billion
- current account holdings (excess reserves): €1.0 billion
- reserve requirements: €213.8 billion



Source: ECB.

on 30 September, the average outstanding volume of three and six-month LTROs declined to €113 billion in the maintenance periods under review, compared with an average of €224 billion in the previous three maintenance periods.

As regards the Eurosystem's covered bond purchase programme, a daily average of €176 million worth of covered bonds were purchased during the period under review, and the total value of settled purchases stood at €21.9 billion on 10 November. These developments, together with the marginal decline observed in the liquidity needs of the euro area banking system, resulted in an average liquidity surplus of €112 billion in the period under review, lower than the average for the previous three maintenance periods.

The ECB's key interest rates have been left unchanged since 13 May 2009, with the rate on the main refinancing operations standing at 1%, the marginal lending rate standing at 1.75% and the deposit rate standing at 0.25%. The EONIA was largely stable over the three maintenance periods under review, standing close to the rate on the deposit facility and averaging 0.358% (see Chart C). This compares with 0.464% over the previous three maintenance periods.

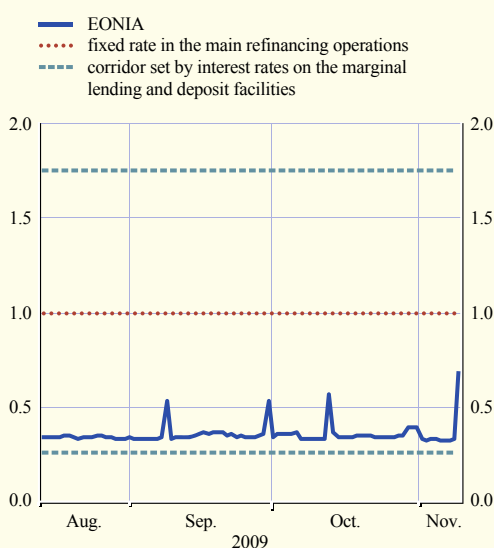
On 3 November the EONIA reached a record low of 0.324%. In addition, the spread between the three-month EURIBOR and the three-month EONIA swap rate – which indicates the level of credit and liquidity risk – continued to decline in the period under review, averaging around 35 basis points. This compares with 48 basis points in the previous three maintenance periods and 64 basis points in the maintenance period prior to the collapse of Lehman Brothers in mid-September 2008. Following that collapse a peak spread of 186 basis points was observed on 12 October 2008. Throughout the period under review the EONIA was higher on the last day of the maintenance period, when the ECB carried out its regular liquidity-absorbing fine-tuning operation. This is in line with the pattern observed for the previous three maintenance periods.

## 2.4 BOND MARKETS

*Over the last three months, long-term government bond yields in the euro area and the United States declined overall by around 10 basis points. Positive macroeconomic announcements during that period appear not to have been translated into higher long-term government bond yields. The level of euro area long-term break-even inflation rates compared with end-August remained broadly unchanged. In corporate bond markets, the continued trend of lower risk aversion was reflected in particular in the further narrowing of spreads of corporate bonds issued by non-financial corporations. However, corporate bond spreads for financial corporations widened slightly as market concerns over the soundness of financial institutions increased.*

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.



From the end of August to 2 December, the level of euro area ten-year government bond yields declined overall by around 10 basis points to stand at 3.4% (see Chart 21). Long-term government bond yields in the United States fell by 10 basis points to stand at 3.3%. Accordingly, the differential between US and euro area ten-year nominal government bond yields remained broadly unchanged at -10 basis points. In Japan, the ten-year government bond yield also fell by 10 basis points to stand at 1.2% at the beginning of December.

The overall positive macroeconomic announcements during the past three months, reflecting an upward revision of growth prospects in both the euro area and the United States, appear not to have been translated into higher long-term government bond yields. Moreover, issuance over this period has also been strong in order to fund the large fiscal stimulus launched in the euro area and the United States.

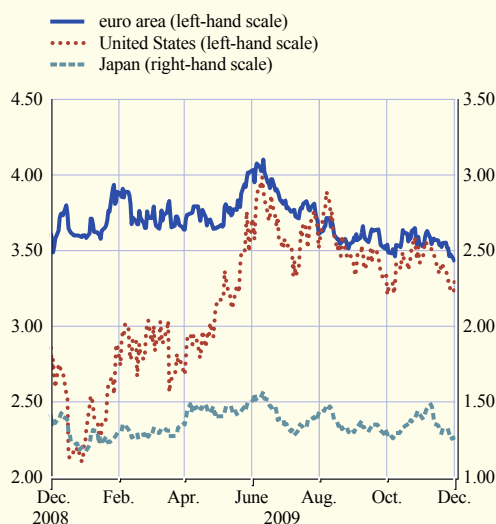
This should also have contributed to higher long-term government bond yields. Long-term government bond yields are standing at low historical levels in the euro area, and still at low levels in the United States. US long-term government bond yields, in particular, appear to be much lower than nominal growth expectations over long-term horizons.

The lack of response of yields to high issuance is explained by the fact that this has been met by strong demand during the past three months. This is a reflection of several factors. First, market concerns over the fragility of the economic recovery remain, and the search for higher returns in a gradually improving economic environment has not fully translated into portfolio shifts towards stocks. Second, the current steep slope of the yield curve and the resulting search for higher returns at longer maturities are exerting further downward pressure on the long end of the curve. Third, it cannot be excluded that the recent low yields may also partly reflect the large volumes of available liquidity. For most of 2009 euro area MFIs have made substantial purchases of debt securities issued by euro area general governments. This is partly explained by the slope of the yield curve, but also reflects the impact of some additional factors, such as the current process of deleveraging by euro area banks and the availability of ample liquidity.

Market participants' uncertainty about short-term developments in bond yields, as measured by implied bond market volatility, remained broadly unchanged between the end of August and the end of October in both the euro area and the United States. Later in November, implied volatility declined somewhat, although towards the end of the month the announcement by a Dubai government holding company that it will postpone debt repayment gave rise to renewed concerns about the soundness of global debt markets. Overall, recent levels of bond market volatility remain above the levels seen prior to the financial turmoil.

Chart 21 Long-term government bond yields

(percentages per annum; daily data)



Sources: Bloomberg and Reuters.

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

Increased market concerns about the soundness and strength of the financial position of euro area governments have translated into higher credit default swaps for most euro area countries. This was also reflected in the widening of spreads of euro area country ten-year government bond yields vis-à-vis Germany. The spread widening was particularly large for Greece. This followed the downgrading of Greek debt by some rating agencies and the announcement of upward revisions to the Greek deficit ratio.

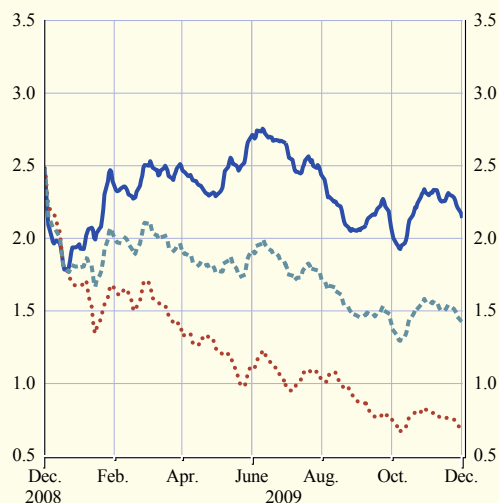
Yields on long-term inflation-linked government bonds in the euro area were in early December broadly in line with their levels at the end of August (see Chart 22). At the beginning of December the euro area ten-year inflation-linked bond yield stood at about 1.4%. However, shorter-term real yields declined over the review period by 20 basis points to stand at 0.7% at the beginning of December, and the euro area real yield curve therefore steepened somewhat.

At the end of the review period on 2 December, five and ten-year spot break-even inflation rates stood at around 1.8% and 2.2% respectively, broadly in line with the values recorded in late August 2009. The five-year implied forward break-even inflation rate five years ahead and the five-year implied forward inflation-linked swap rate five years ahead both stood at 2.6% at the beginning of December, remaining broadly unchanged with respect to end-August. Overall, financial market data continue to suggest that inflation expectations are firmly anchored. So far, there is no evidence of a significant increase in either (market) inflation expectations or inflation risk premia. Recent movements in break-even inflation rates are attributable to market volatility. As reported in the past, the relatively high volatility of break-even inflation rates and inflation-linked swap rates is primarily related to the ongoing but incomplete normalisation of liquidity conditions across the maturity spectrum and

**Chart 22 Euro area zero coupon inflation-linked bond yields**

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

- five-year forward inflation-linked bond yield five years ahead
- ..... five-year spot inflation-linked bond yield
- - - ten-year spot inflation-linked bond yield

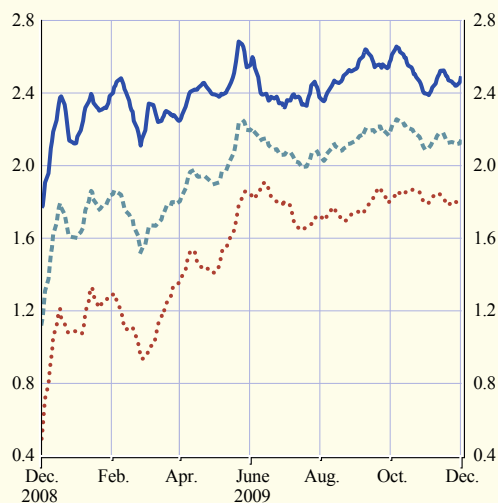


Sources: Reuters and ECB calculations.

**Chart 23 Euro area zero coupon break-even inflation rates**

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

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



Sources: Reuters and ECB calculations.

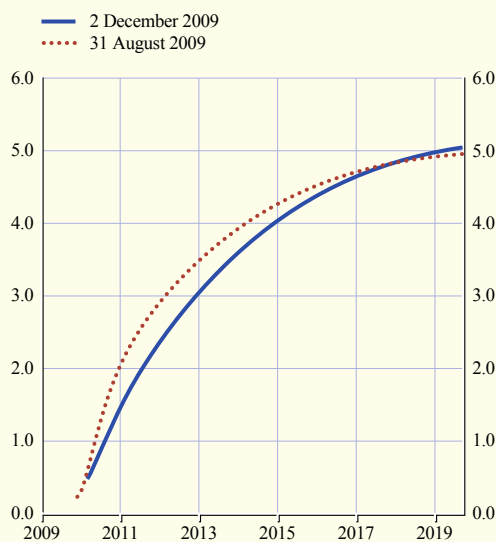
demand-supply imbalances in the market for inflation-linked products at the ten-year horizon. A more detailed analysis of the existing distortions in break-even inflation rates is provided in Box 4.

Between end-August and 2 December the implied forward overnight interest rate curve for euro area government bonds was revised slightly upwards at the long end, but downwards in the medium range (see Chart 24). Uncertainty surrounding growth prospects over the medium to long term remains high.

As regards corporate bond markets, the narrowing of corporate bond spreads for lower-rated investment-grade financial bonds and speculative-grade bonds continued until mid-October. At the same time, debt issuance from the corporate sector remained strong, which continued to suggest some substitution of bank financing by market-based financing. This took place in an environment of improving expectations regarding the economic outlook and an ongoing normalisation of conditions in these markets. By mid-October, corporate bond spreads for the non-financial sector had fully normalised, returning to values broadly in line with those observed prior to the financial turmoil. Corporate bond spreads for the financial sector narrowed at a quick pace, although levels remained visibly higher than prior to the financial turmoil. During the second half of October, worries about the withdrawal of government support or an earlier than envisaged tightening of monetary policies in developed economies raised concerns over the sustainability of the recovery. Reassurances by global leaders, however, brought some relief to the financial corporate debt market, until the announcements made by the European Commission on bank losses caused renewed market concerns about the health of the euro area banking sector. Corporate bond yield spreads for lower-rated financial institutions (even for some classified as investment-grade) increased during November. Furthermore, the announcement by a Dubai government holding company that it will ask creditors for a six-month standstill on its debt contributed to the further widening of corporate bond yields for the financial sector.

**Chart 24 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).

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

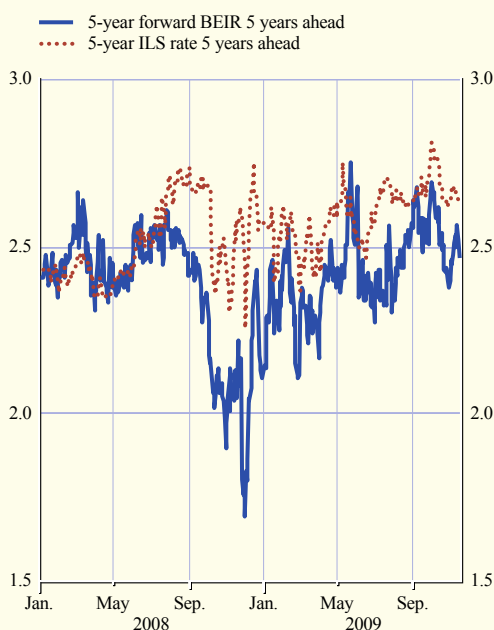
## Box 4

## AN ASSESSMENT OF RECENT DEVELOPMENTS IN LONG-TERM FORWARD BREAK-EVEN INFLATION RATES

Section 2.4 of the “Economic and Monetary Developments” part of the Monthly Bulletin contributes to the regular monitoring of financial indicators of long-term inflation expectations. Since the intensification of the financial turbulence in the autumn of 2008, this section has emphasised that the increase in the volatility of long-term forward break-even inflation rates (BEIRs) has reflected the severe dislocations in the market for inflation products. Despite the gradual normalisation in bond markets over 2009, recently long-term forward BEIRs have been fluctuating around a relatively high level of 2.5%, and even close to 2.7% in the first days of October 2009 (see Chart 23 in the main text). Moreover, comparable forward rates extracted from inflation-linked swaps (ILSs) also reached high levels of 2.8% around the same dates (see Chart A). The Governing Council of the ECB, while closely monitoring such developments, has however emphasised that inflation expectations over the medium to long term remain firmly anchored.

Chart A Long-term forward BEIRs and ILS rates

(percentages per annum)



Sources: Reuters, Bloomberg and ECB calculations.

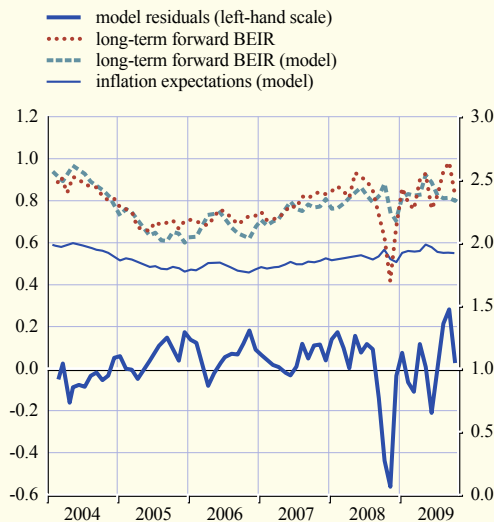
This box briefly presents the market situation and concludes that such levels of long-term forward BEIRs remain consistent with a situation of well-anchored inflation expectations and stable inflation risk premia. Liquidity distortions, although gradually disappearing, continue to affect to varying degrees the different segments of the BEIR curve, as well as the calculation of long-term forward BEIRs.

Decomposing BEIRs into inflation expectations and inflation risk premia remains challenging. Term structure models can however provide some insights into the factors affecting BEIRs. Chart B shows a model-based estimation of the euro area long-term forward BEIR together with the observed one, and model residuals reflecting the difference between the two. It also shows the implicit level of (market) inflation expectations in the estimated long-term forward BEIR.<sup>1</sup> First, since the start of the financial turbulence, model-based long-term forward BEIRs (shown by the dashed blue line) have been much less volatile than the observed BEIRs. Second, long-term inflation expectations have also been rather stable and remained at levels below, but close to, 2%.

<sup>1</sup> The underlying term structure model is relatively similar to A. Ang, G. Bekaert and M. Wei (2008), “The Term Structure of Real Rates and Expected Inflation”, *Journal of Finance*, 63(2), pp. 797-849. Specifically, the model is estimated using five and ten-year nominal government bond yields, three, five and ten-year real government bond yields, actual HICP inflation and long-term (six-to-ten years ahead) survey inflation expectations from Consensus Economics.

**Chart B Model-based decomposition of five-year BEIRs five years ahead for the euro area**

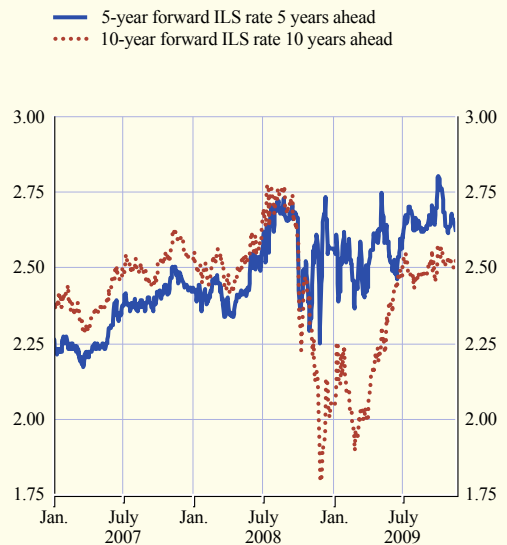
(percentages per annum)



Sources: Reuters, Consensus Economics and ECB calculations.

**Chart C Long-term forward ILS rates**

(percentages per annum)



Sources: Bloomberg and ECB calculations.

Finally, model residuals, rather than movements in the estimated inflation risk premium, explain a significant part of the volatility of observed long-term forward BEIRs. Moreover, recently, model residuals have turned positive. This might reflect the protracted decline of inflation-linked bond yields over 2009 (the ten-year real yield is currently around 1.5%), thereby mechanically exerting upward pressure on long-term (both spot and forward) BEIRs. These marked fluctuations in real yields are mainly the result of technical market factors, in particular liquidity considerations, and not of macroeconomic fundamentals.<sup>2</sup> Recent survey evidence on inflation expectations corroborates that assessment.<sup>3</sup>

Further evidence on the existing distortions in BEIRs across maturities can be obtained from the term structure of ILS rates. Chart C shows two long-term forward ILS rates, the five-year rate five years ahead and the ten-year rate ten years ahead. At such very long horizons, one can assume that the level of inflation expectations embodied in forward rates is to the same extent in line with the central bank's objective of price stability. However, the longer the horizon, the higher the uncertainty (and therefore the risk), so typically the further ahead the horizon, the higher the forward rate should be. While this was the case before the intensification of the financial turbulence in the autumn of 2008, following the Lehman Brothers collapse and the liquidity drought in the market for inflation-linked products, the concentration of demand for inflation protection around the benchmark ten-year horizon led the five-year forward rate five years ahead above the ten-year forward rate ten years ahead. Although in recent months the spread between these two long-term forward rates has somewhat normalised,

2 In contrast, model residuals became strongly negative in the autumn of 2008, reflecting the sharp rise of real yields as a result of the sell-off of inflation-linked bonds (ten-year real yields peaked above 3% in early November 2008), thereby contributing to pushing down long-term BEIRs and in particular the observed five-year BEIR five years ahead.

3 See the box entitled "Results of the ECB Survey of Professional Forecasters for the fourth quarter of 2009" in the November 2009 issue of the Monthly Bulletin.

it still remains in negative territory, suggesting that the normalisation is not yet complete (see Chart D).

Looking ahead, liquidity conditions in the euro area market for inflation-linked products may improve further in the coming months. After practically no supply of inflation-linked bonds in the first half of 2009, Treasuries' issuance of inflation-linked bonds has recently resumed and is expected to intensify in 2010. Moreover, if liquidity continues to improve, volatility in BEIRs should diminish further. This being said, the timing of such an improvement and the way in which it would propagate across the whole BEIR curve remain uncertain at this stage. Therefore, some volatility in forward BEIRs should still be expected, reflecting mainly those technical adjustments.

Chart D Spread between ten-year in ten years and five-year in five years forward ILS rates

(in basis points)



Sources: Bloomberg and ECB calculations.

In sum, the volatility and the recent high levels of long-term forward break-even inflation rates and inflation-linked swap rates do not seem to reflect a significant shift in long-term inflation expectations. Instead, they appear to be related to technical market factors, namely the ongoing but incomplete normalisation of liquidity conditions across the maturity spectrum and demand-supply imbalances in the market for inflation-linked products, especially at the ten-year horizon. It remains crucial, however, to continue monitoring these indicators closely.

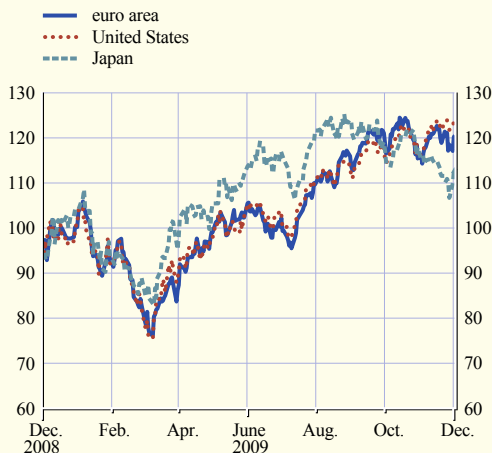
## 2.5 EQUITY MARKETS

*The upward trend underlying developments in euro area stock market prices that started in March 2009 weakened after mid-October. Market concerns about the strength of the recovery and the fragility of the financial sector appeared to be the driving forces behind recent developments. Correspondingly, there was an interruption in the decline in stock market uncertainty, as measured by the implied volatility derived from option prices, which had been seen for most of the year. However, stock market uncertainty still remains at values well below those observed at the peak of the financial turmoil.*

In the euro area and the United States stock prices, as measured by the Dow Jones EURO STOXX index and the Standard & Poor's 500 index, increased by 3.9% and 8.7% respectively between the end of August and 2 December. Developments over recent months suggest that the upward trend observed since March 2009 appears to have come to a halt in the euro area and to have become less pronounced in the United States. Despite the release of overall favourable macroeconomic news and positive news on earnings expectations, market concerns about the strength of the recovery and the soundness of the financial sector appeared to be the driving forces behind recent developments in stock prices. In Japan, meanwhile, stock prices, as measured by the Nikkei 225 index, declined sharply by 8.8% over the same period.

### Chart 25 Stock price indices

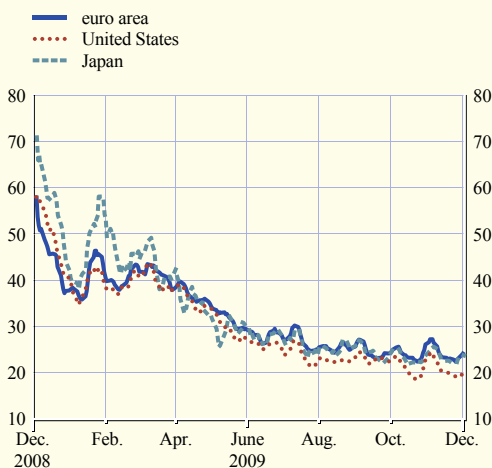
(index: 1 December 2008 = 100; daily data)



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

### Chart 26 Implied stock market volatility

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



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

The upward trend observed in stock prices since March this year came to a halt in mid-October. Upward movements in stock prices between the end of August and mid-October reflected the release of better than expected macroeconomic data confirming that the economic recovery is under way. This prompted the upward revision of growth prospects for the euro area and the rest of the world. Investor confidence was further boosted by the upward revision of the assessment of both the euro area and the US banking sectors by major market participants. By mid-October market concerns about an earlier than envisaged withdrawal of support by governments in developed economies and the soundness of the financial sector prompted strong declines in stock prices and increased volatility in the second half of October on both sides of the Atlantic. These concerns were partly dissipated by the reassurances made by global leaders at the G20 summit about maintaining support for the economic recovery. However, developments in the second half of November, when stock prices fell again, showed that market concerns about the soundness of the financial sector and uncertainty surrounding the speed of the recovery remain.

Towards the end of November, and following the announcement by a Dubai's government holding company that it will ask creditors for a six-month standstill on its debt, stock prices fell. Rather than mirroring the exposure of the euro area and the United States to a potential default on this debt, market participants apparently shared the view that these developments reflect the fragility of the current economic environment, as well as profit-taking activity.

Stock market volatility, as measured by the implied volatility extracted from stock options (see Chart 26), continued to decline from the end of August until mid-October, reaching values in line with the historical average since 1999. However, stock market developments are still affected by uncertainty surrounding

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

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health- care	Industrial	Tech- nology	Tele- communications	Utility
<b>Share of sector in market capitalisation</b> (end-of-period data)	100.0	8.5	6.1	11.9	7.6	27.7	4.0	12.3	4.2	8.1	9.7
<b>Price changes</b> (end-of-period data)											
Q3 2008	-12.1	-25.0	-5.9	0.1	-22.9	-11.1	-6.3	-17.4	-9.9	-1.3	-14.6
Q4 2008	-21.2	-26.0	-7.7	-19.1	-17.8	-35.0	-9.2	-18.5	-22.8	-2.1	-13.5
Q1 2009	-14.0	-13.6	-8.3	-11.5	-5.9	-20.1	-7.4	-14.0	-9.5	-8.8	-21.0
Q2 2009	16.4	19.8	3.3	17.7	9.7	34.2	3.9	18.0	15.8	0.0	9.0
Q3 2009	20.7	21.8	14.9	15.8	7.3	32.4	14.2	26.4	13.6	14.7	14.9
October 2009	-4.6	-2.9	-5.7	0.6	-1.4	-6.8	-2.6	-5.7	-10.7	-0.9	-7.4
November 2009	1.5	8.6	3.3	0.5	0.4	-0.9	2.6	3.3	2.1	1.1	0.5
31 Aug. 2009 - 2 Dec. 2009	3.9	15.4	4.4	8.8	5.1	-0.5	9.6	6.8	-5.5	7.7	-2.5

Sources: Thomson Financial Datastream and ECB calculations.

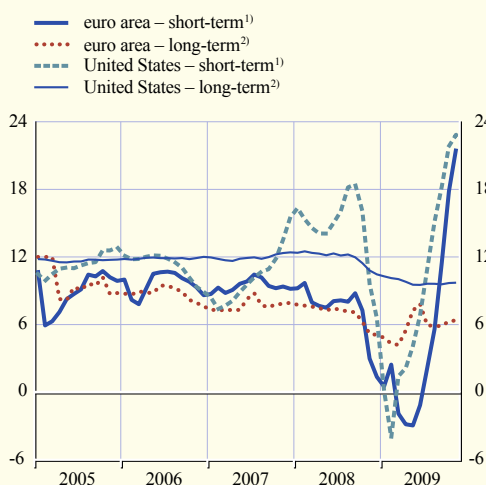
the likely pace of the recovery, and in particular by the soundness of the banking industry, for which loss estimates for next year are large, according to an announcement made by the European Commission in early November.

Developments in stock prices over the last three months have shown disparities across sectors both in the euro area and the United States. Until mid-October equity market sentiment remained upbeat and strong gains across sectors were recorded in the euro area and the United States. However, the positive sentiment changed from mid-October, with declines in financial stock prices undoing those earlier gains, and non-financial stock prices recording more subdued gains in the United States and declining slightly in the euro area. Positive developments in non-financial stock prices over the past three months have not, however, been evenly spread across sub-sectors. In particular, stock prices for the euro area technology and utility sub-sectors fell more than financial stock prices (see Table 3).

However, as regards actual earnings for companies listed in the Standard & Poor's 500 index, while still negative, they improved slightly across sectors. In the euro area actual earnings remained unchanged and are also negative. The recent positive macroeconomic news has been reflected in developments in earnings expectations during the past three months (see Chart 27). There was an upward revision in US short-term earnings

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

(percentages per annum; monthly data)



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

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

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



expectations on account of better earnings prospects for both the non-financial and financial sectors. Euro area short-term earnings expectations also improved during the past three months. Longer-term earnings expectations for euro area companies remained, however, unchanged compared with the beginning of the third quarter of 2009.

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

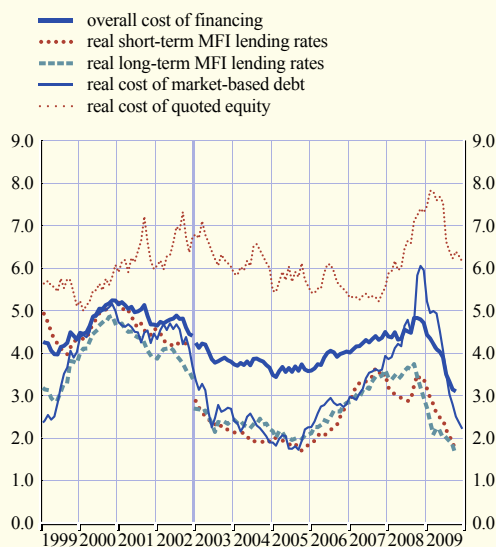
*The real average cost of financing of euro area non-financial corporations decreased significantly in the third quarter of 2009, continuing the declining trend that started in the fourth quarter of 2008. This further easing of financing costs is notably due to strong reductions in the cost of market-based sources of financing and, to a lesser extent, to lower bank lending rates. In this context, non-financial corporations' debt securities issuance continued to increase, while the share of bank financing contracted further.*

### FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their outstanding amounts, corrected for valuation effects<sup>5</sup> – declined to 3.1% in the third quarter of 2009. This represents a reduction of 75 basis points with respect to the second quarter (see Chart 28). Both bank lending rates and market-based debt financing costs decreased in real terms during the period. The ongoing declines in bank interest rates reflected mainly a continuation of the gradual pass-through of changes in key ECB interest rates to banks' retail customers in the euro area. Real short-term MFI interest rates declined by 57 basis points in the third quarter of 2009, while real long-term MFI rates dropped by 19 basis points. On the other hand, the real cost of equity and market-based debt decreased by around 130 basis points during the same period, driven by increasing investor confidence related to the releases of positive economic news. Taking a longer-term perspective, the level of the real overall cost of financing for non-financial corporations in the euro area reached the lowest level recorded since 1999.

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

(percentages per annum; monthly data)



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

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

<sup>5</sup> For a detailed description of how the real cost of the external financing of euro area non-financial corporations is measured, see Box 4 in the March 2005 issue of the Monthly Bulletin.

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

(percentages per annum; basis points)

							Change in basis points up to October 2009 <sup>1)</sup>		
	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Sep.	2009 Oct.	2008 July	2009 July	2009 Sep.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	6.91	6.24	5.08	4.55	4.25	4.19	-255	-15	-6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	6.34	5.38	4.03	3.64	3.36	3.33	-293	-23	-3
with an initial rate fixation of over five years	5.64	5.32	4.74	4.49	4.16	4.18	-135	-14	2
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	5.62	4.28	2.85	2.57	2.06	2.14	-330	-23	8
with an initial rate fixation of over five years	5.64	4.76	3.87	3.71	3.64	3.62	-193	-28	-2
<b>Memo items</b>									
Three-month money market interest rate	5.03	3.26	1.63	1.22	0.77	0.74	-422	-24	-3
Two-year government bond yield	4.09	2.62	1.74	1.68	1.28	1.39	-322	-1	11
Seven-year government bond yield	4.14	3.28	3.38	3.53	3.10	3.06	-155	-21	-4

Source: ECB.

1) Figures may not add up due to rounding.

Table 4 shows the movements in retail bank interest rates and three-month money market rates (EURIBOR), as well as in two and seven-year government bond yields. Developments in banks' short-term funding costs are, in normal times, affected primarily by movements in the short-term money market rates (EURIBOR), while banks' longer-term lending rates normally reflect movements in government bond yields. Since market rates are affected by changes in key ECB interest rates, it is important that monetary policy decisions are reflected also in bank lending rates both for households and corporations. As seen in the table, bank lending rates on new loans to non-financial corporations at shorter maturities decreased between June 2009 and September 2009 by 30 basis points for small loans and by 50 basis points for large loans. Over the same period, short-term money market rates dropped by 45 basis points, mostly reflecting the gradual normalisation of conditions in the interbank markets. The October 2009 bank lending survey<sup>6</sup> confirmed some improvements in banks' access to market financing and banks' liquidity position which contributed to an easing of credit standards for loans to enterprises.

Movements in long-term bank lending rates were less pronounced than in corresponding long-term government bond yields, although the former continued on their declining path broadly in line with past pass-through behaviour.<sup>7</sup> Bank interest rates on small long-term loans declined by more than 30 basis points, while bank lending rates on loans of over €1 million dropped on average by less than 10 basis points in the third quarter of 2009.

Bank interest rates for loans to non-financial corporations continued their downward trend in October 2009, with reductions in some cases higher than the decreases in the corresponding market rates.

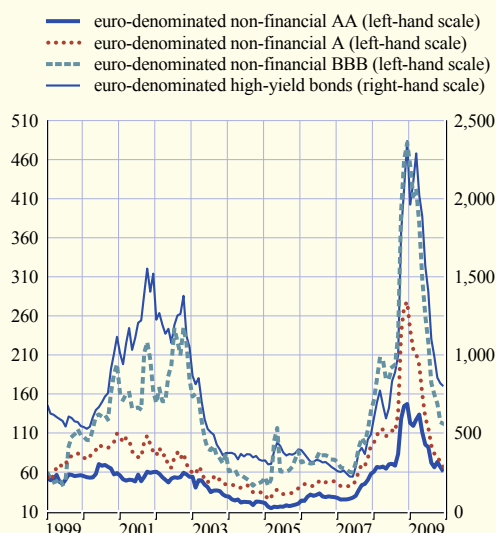
6 For a detailed description of the October 2009 bank lending survey results, see the box in the November 2009 issue of the Monthly Bulletin.

7 See the article entitled "Recent developments in the retail bank interest pass-through in the euro area" in the August 2009 issue of the Monthly Bulletin.

The large decrease in the real cost of market-based debt financing also reflects the narrowing of corporate bond spreads measuring the difference between the yields on corporate bonds and the yields on government bonds. These spreads started narrowing at the beginning of 2009. In the third quarter of 2009 they declined across all rating classes and were compressed further in October and November, falling back to or below levels recorded in August 2008 (i.e. shortly before the broad-based widening of corporate spreads as the crisis intensified). The overall declines during this period were more pronounced for bonds with low credit ratings and, in particular, for speculative-grade bonds. For instance, between August 2008 and November 2009, spreads on euro area high-yield bonds and BBB-rated bonds dropped by around 70 basis points, while AA-rated bond spreads fell back to levels similar to those seen in August 2008 (see Chart 29). Factors such as lower risk perceptions and risk aversion in the markets might have influenced these recent declines.

**Chart 29 Corporate bond spreads of non-financial corporations**

(basis points; monthly averages)



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

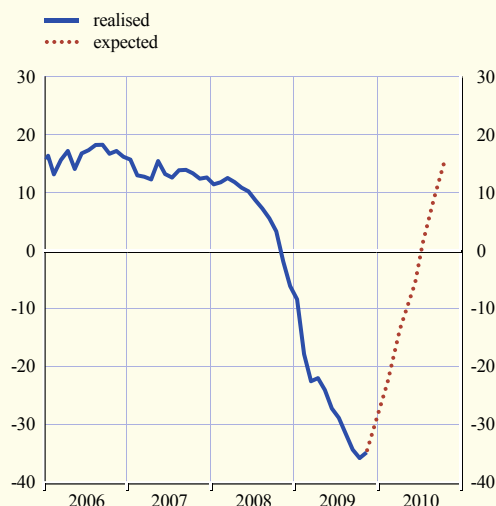
### FINANCIAL FLOWS

Most indicators of euro area non-financial corporations' profitability point towards a sharp contraction in the third quarter of 2009. The annual rate of change in earnings per share for listed non-financial corporations in the euro area declined further from -27.3% in June 2009 to -34.8% in November 2009 (see Chart 30). Looking ahead, current market expectations for future profits point to some improvements, although it is generally expected that the growth of non-financial firms' earnings per share will remain in negative territory until mid-2010.

The real annual growth rate of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) declined to 0.7% in the third quarter of 2009, from 1.7% in the preceding quarter (see Chart 31). The decline was mainly related to the significant decrease in the contribution of MFI loans, which fell close to zero in the third quarter from 0.9% in the second quarter, while the contributions from financing via debt securities and from the issuance of quoted shares decreased only slightly by 0.5 and 0.2 percentage point respectively.

**Chart 30 Earnings per share of listed non-financial corporations in the euro area**

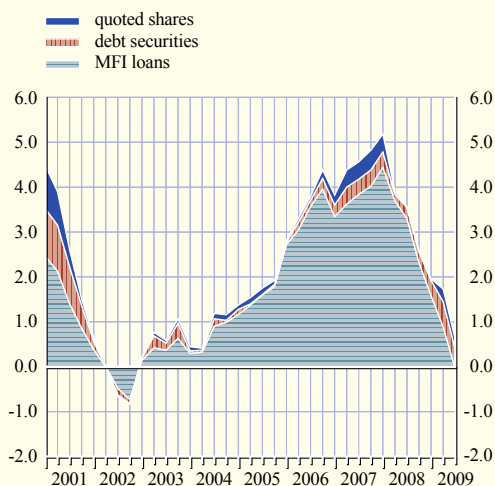
(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.

**Chart 31 Breakdown of the real annual growth rate of external financing to non-financial corporations<sup>1)</sup>**

(annual percentage changes)

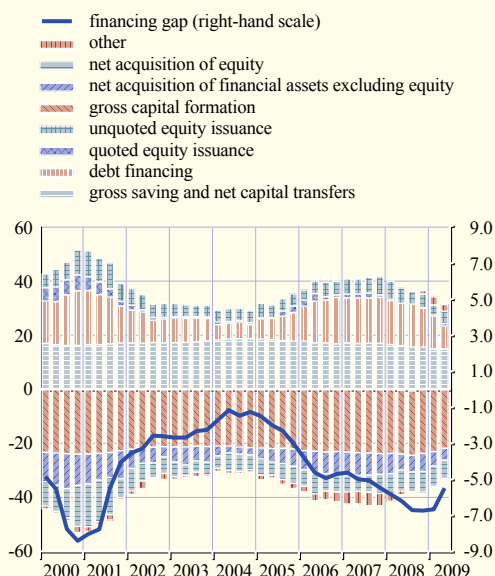


Source: ECB.

1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

**Chart 32 Savings, financing and investment of non-financial corporations**

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



Source: Euro area accounts.

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

Chart 32 illustrates the components that make up euro area firms' saving, financing and investment as reported in the euro area accounts, for which data are available up to the second quarter of 2009. For the first time since mid-2004, the financing gap – mainly the difference between outlays for real and financial investment and internal and external funds – decreased, falling to 5.5% of the total value added in the non-financial sector. As shown by the chart, most of the internal and external funds were used to finance real investment (gross fixed capital formation), whereas financial investment made up a smaller part. Net acquisition of financial assets including equity declined in the second quarter of 2009, as non-financial corporations again reduced their net purchases of quoted equity.

Growth in bank loans to non-financial corporations turned negative, falling to -0.1% at the end of the third quarter of 2009, the first annual contraction since records began in 1999 (see Table 5). In October 2009 the annual growth rate of loans to non-financial corporations declined further to -1.2%. This protracted deceleration is broadly consistent with cyclical regularities, given the past contractions in capital expenditure and the ongoing uncertainty surrounding economic prospects. While the decline in the annual growth rate continued to be broadly based across all maturities, it was particularly pronounced for lending at shorter maturities. For instance, the annual growth rates for loans with maturities of up to one year, over one year and up to five years, and over five years stood at -11.6%, 0.9% and 3.8% respectively in October 2009. These different developments might indicate some substitution by firms of longer-term loans for short-term loans.

Although, as reported by the October 2009 bank lending survey, the reduction in the tightening of credit standards on loans and credit lines to enterprises declined considerably further in the third quarter of 2009, bringing the net tightening close to a halt, empirical evidence suggests that changes in credit standards affect the dynamics of loan growth with a delay of three to four quarters. Additionally, empirical

**Table 5 Financing of non-financial corporations**

(percentage changes; end of quarter)

	Annual growth rates				
	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
<b>MFI loans</b>	<b>12.1</b>	<b>9.5</b>	<b>6.2</b>	<b>2.7</b>	<b>-0.2</b>
Up to one year	9.8	6.8	-0.5	-5.8	-10.2
Over one and up to five years	17.5	14.0	11.0	7.2	2.3
Over five years	11.4	9.4	8.1	5.9	4.5
<b>Debt securities issued</b>	<b>7.4</b>	<b>3.4</b>	<b>6.0</b>	<b>7.3</b>	<b>9.0</b>
Short-term	22.3	9.4	14.3	17.1	-10.7
Long-term, of which: <sup>1)</sup>	4.8	2.2	4.5	5.5	13.0
Fixed rate	3.5	2.6	5.2	6.8	17.6
Variable rate	12.6	2.6	4.6	2.1	-0.7
<b>Quoted shares issued</b>	<b>1.0</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.4</b>
<b>Memo items <sup>2)</sup></b>					
Total financing	4.0	3.7	3.2	2.7	-
Loans to non-financial corporations	9.8	8.5	6.7	3.9	-
Insurance technical reserves <sup>3)</sup>	0.7	0.5	0.5	0.6	-

Sources: ECB, Eurostat and ECB calculations.

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

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

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

3) Includes pension fund reserves.

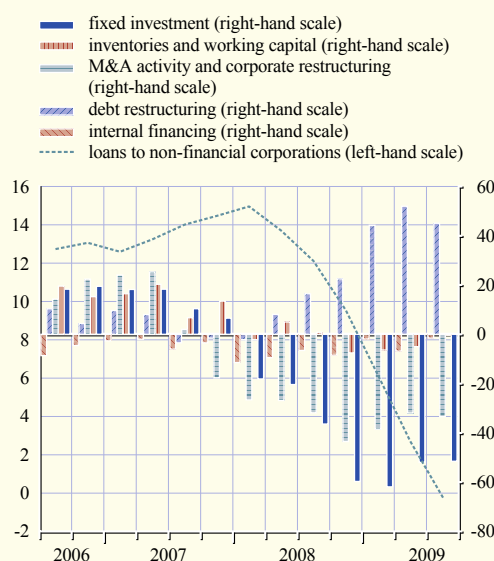
evidence suggests that loans to non-financial corporations typically tend to lag the business cycle substantially. Therefore, corporate borrowing is likely to remain subdued for some time also after the economic cycle has turned, and especially so in an environment with still high economic uncertainty.

According to the results of the bank lending survey, demand-side factors, such as lower fixed investment and M&A activity, were reported to have had a negative impact on demand for loans by non-financial corporations (see Chart 33). Recent data compiled by the ECB on loans to non-financial corporations by branch of activity also point to a primarily demand-driven slowdown of corporate lending during the turmoil period (see Box 5).

As credit flows to non-financial corporations started to shrink in the second half of 2008, firms increased their recourse to market-based debt financing. Recent data on the issuance of debt securities by non-financial corporations suggest a further increase in the annual growth rate to 9.0%

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

(annual percentage changes; net percentages)



Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease. See also the October 2009 bank lending survey.

in the third quarter of 2009, compared with 7.2% in the second quarter. Two factors seem to have played a role in providing an incentive for the increased debt securities issuance by non-financial corporations. First, the greater improvement in the overall cost of market-based debt than in the costs of bank loan financing since end-2008 had made the former type of financing more convenient and, second, non-financial corporations (notably large firms) appear to have been substituting market-based funding for bank financing in view of constrained bank lending standards. As for bank loans, debt securities issuance was much stronger at longer maturities, with the annual growth rate reaching 23.1% at the end of the second quarter. More timely data from commercial providers show that issuance remained at high levels also in October and November, with strong volumes of lower-rated bonds and of bonds from companies in cyclical sectors.

The annual rate of growth of quoted shares issued by non-financial corporations increased in the third quarter of 2009 to 0.4%, supported by the positive performance of stock markets.

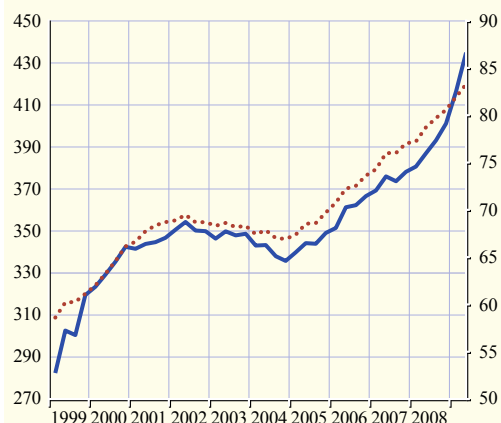
### FINANCIAL POSITION

The combination of moderate external financing flows and the slump in internal financing has resulted in further increases in non-financial corporate leverage ratios in terms of GDP and gross operating surplus, which reached record highs in the second quarter of 2009 (see Chart 34). Reflecting the significant declines in bank lending and market interest rates, the interest burden of non-financial corporations continued to fall in the third quarter of 2009, reaching levels recorded at the end of 2006 (see Chart 35). Overall, the high level of debt and the associated interest burden signal a need for some balance sheet restructuring in the non-financial corporate sector in the months ahead, which could exert a negative influence on the economic recovery. The substantial amount of leverage in the non-financial corporate sector might also explain the increasing number of actual and expected corporate defaults.

Chart 34 Debt ratios of non-financial corporations

(percentages)

- ratio of debt to gross operating surplus (left-hand scale)
- ..... ratio of debt to GDP (right-hand scale)

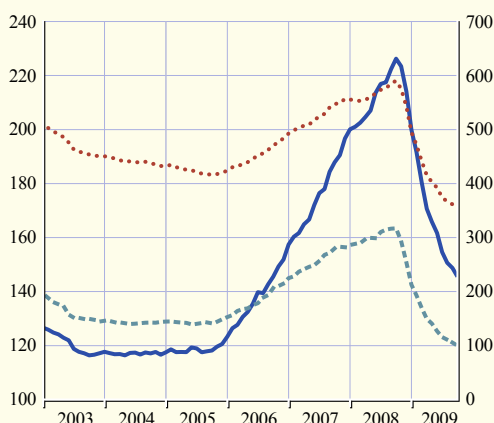


Sources: ECB, Eurostat and ECB calculations.  
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. Data are up to the second quarter of 2009.

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

(basis points)

- net bank interest rate burden (left-hand scale)
- ..... weighted average lending rates (right-hand scale)
- weighted average deposit rates (right-hand scale)



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

### DEVELOPMENTS IN MFI LOANS TO NON-FINANCIAL CORPORATIONS BY INDUSTRY

As part of its monetary statistics, the ECB regularly publishes monthly aggregates for loans by monetary financial institutions (MFIs) to non-financial corporations (NFCs). In 2009, for the first time, the ECB has compiled quarterly euro area estimates with a breakdown of MFI loans to NFCs by branch of activity according to the NACE classification.<sup>1,2</sup> This new set of statistics helps to better understand developments in corporate loans in the euro area and to assess their monetary policy implications. In particular, the more detailed loan data can provide a picture of industry-specific credit developments.

Loans to NFCs are broken down into ten main industry groups as shown in Chart A. These statistics need to be interpreted with caution. While the ECB statistics on aggregated MFI loans to NFCs are harmonised across the euro area, the breakdown by industry is based on available data at the national level (e.g. credit registers or surveys) that are not fully harmonised and are in part estimated. Both the coverage and the level of detail may differ across countries.

Furthermore, NFCs by definition exclude unincorporated firms, such as small retailers or doctors. In addition, loans may be taken out by institutional units that often encompass many production units involved in various NACE activities. This implies that the new loan breakdowns are not directly comparable with other statistics that are genuinely based on the NACE classification, such as value added or employment by economic activity.

**Chart A Share of MFI loans to non-financial corporations across selected industries**

(percentage shares)



Source: ECB.

Notes: Outstanding amounts for the fourth quarter of 2007. Breakdown according to NACE Rev. 2. Agriculture, etc. includes forestry and fishing; electricity, etc. includes gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; wholesale and retail trade includes repair of motor vehicles and motorcycles; real estate activities, etc. includes professional, scientific and technical activities, as well as administrative and support service activities; other refers to all remaining activities excluding financial and insurance activities, as well as public administration and defence.

1 NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) Rev. 2 is the statistical classification of economic activities in the European Community. This standard is applied by all the Member States for various statistics. For more information, see [http://epp.eurostat.ec.europa.eu/portal/page/portal/nace\\_rev2/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/nace_rev2/introduction).

2 Data refer to end-quarter outstanding amounts and are available as from the first quarter of 2003.

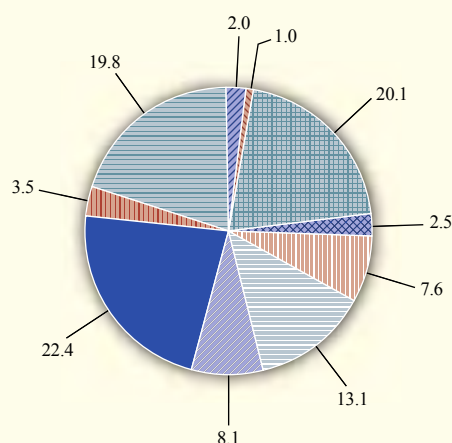
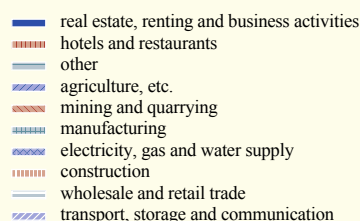
Chart A illustrates that in 2007<sup>3</sup> loans related to real estate activities (i.e. commercial property renting and such) made up the largest part of MFI lending to NFCs, followed by manufacturing, trade, construction and transport and information. A significant part of MFI lending to NFCs is also allocated to “other”.<sup>4</sup> Regarding the industry shares in gross value added, real estate and related activities and the construction industry carry a lower weight compared with their share in overall lending to NFCs, whereas for instance manufacturing has a relatively higher weight (see Chart B).

Since the start of the financial crisis, an overall fall in the annual growth rates of MFIs’ lending to NFCs can be observed for all industries, particularly after the crisis intensified in the latter part of 2008 (see Chart C). While annual growth rates of lending to NFCs had been sustained until the second half of 2008 for manufacturing as well as trade and transport, they were already falling in the first half of 2008 for the real estate and construction industries. The overall decline in annual growth rates of lending reflected an even stronger fall in the respective industries’ annual growth rate of value added (see Chart D). This points to a primarily demand-driven slowdown of corporate lending during the turmoil period.<sup>5</sup>

A few developments stand out in the run-up to the crisis. Particularly for the building-related industries (real estate services and construction), peaks in growth rates of lending in 2006 reflected the housing boom in selected euro area countries. Accordingly, the bursting of the housing bubble in these countries is not only mirrored in subdued mortgage lending to households, but also contributed to a significant slowdown in lending to real estate corporations. Nevertheless, while several industries like manufacturing, trade, transport and information and construction recorded reductions in lending volumes in the first half of 2009, annual growth rates of lending to NFCs in the real estate industry still remained positive.

Chart B Share in gross value added across selected industries

(percentage shares)



Source: Eurostat.

Notes: At current prices, 2007. Breakdown according to NACE Rev. 1.1. Real estate, renting and business activities corrected for imputed rent on owner-occupied housing (available only for a restricted number of countries). Agriculture, etc. includes hunting, forestry and fishing; wholesale and retail trade includes repair of motor vehicles, motorcycles and personal and household goods; other refers to all remaining sectors excluding financial and insurance activities, as well as public administration and defence.

3 This is the latest year for which a detailed breakdown of gross value added by economic activity is available. Loan figures up to mid-2009 indicate similar industry shares to those in 2007.

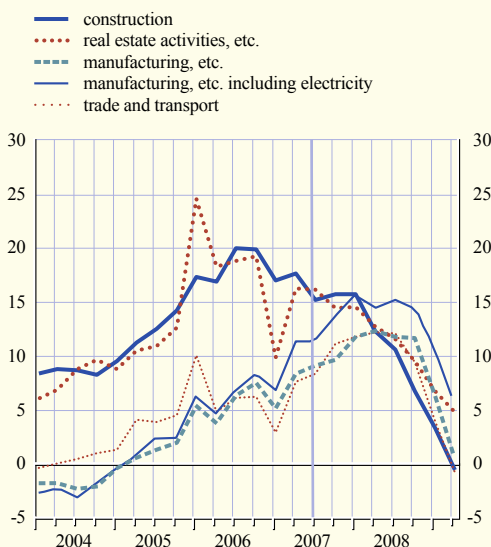
4 This category includes all remaining activities except for financial and insurance activities, as well as public administration and defence, as generally these firms do not belong to the non-financial corporate sector.

5 For a more detailed analysis, see the box entitled “A comparison of the current recession in the euro area economy and its main branches with past periods of recession” in the April 2009 issue of the Monthly Bulletin.



**Chart C Growth of MFI loans to non-financial corporations across selected industries**

(annual percentage changes)

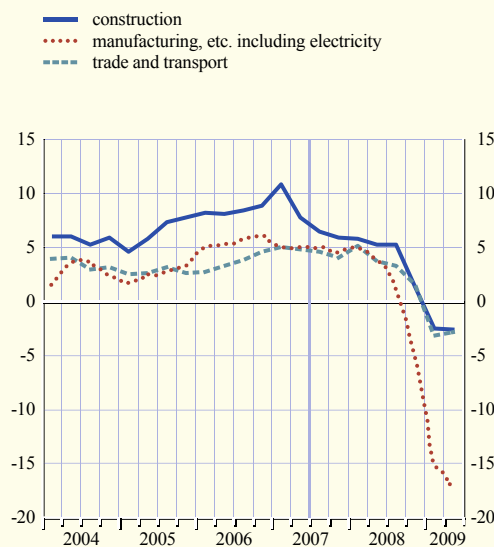


Source: ECB.

Notes: Breakdown according to NACE Rev. 2. Real estate activities, etc. includes professional, scientific and technical activities, as well as administrative and support service activities; manufacturing, etc. includes mining and quarrying; manufacturing, etc. including electricity additionally encompasses gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; trade and transport includes wholesale and retail trade, repair of motor vehicles and motorcycles, as well as transport, storage, information and communication services. The vertical blue line marks the beginning of the turmoil period.

**Chart D Growth in value added across selected industries**

(annual percentage changes)



Source: Eurostat.

Notes: Breakdown according to NACE Rev. 1.1. At current prices. Manufacturing, etc. including electricity encompasses gas, steam and air conditioning supply, as well as water supply, sewerage, waste management and remediation activities; trade and transport includes wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, as well as transport, storage and communication. The vertical blue line marks the beginning of the turmoil period.

## 2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

*The financing conditions facing households continued to improve in the third quarter of 2009, with further decreases in bank lending rates and a further decline in the tightening of credit standards. The annual growth rate of household borrowing stabilised as short-term dynamics recovered in the third quarter, driven by consistently positive monthly flows for loans for house purchase. Households' level of indebtedness remained broadly stable, while their interest payment burden eased further.*

### FINANCING CONDITIONS

The pass-through of past reductions in key ECB interest rates and declines in money market rates and bond yields led to a further decline in MFI interest rates on loans to households for house purchase in the third quarter of 2009 (see Chart 36). This decline was weaker than that observed in the previous quarter and was most evident for loans with a floating rate and an initial rate fixation period of up to one year. These reached a new low in September, standing approximately 300 basis points below the peak observed in October 2008. The term structure of interest rates on loans for house purchase continued to be characterised by a substantial positive spread between the rates on loans with long (i.e. over five years) and short (i.e. up to one year) initial rate fixation periods, which continued to shift new business towards loans with a shorter initial interest rate fixation period.

In the third quarter of 2009 MFI interest rates on consumer credit continued to decrease for the longest period of initial rate fixation (i.e. over five years). By contrast, short-term rates (i.e. rates on loans with a floating rate and an initial rate fixation period of up to one year) stopped falling and increased on average. Rates on loans with an initial rate fixation period of over one and up to five years also increased, although they remained lower than those on loans with other periods of initial rate fixation.

Spreads between rates on new loans for house purchase and comparable market interest rates increased marginally on average in the third quarter, both for short and long-term rates. In the case of consumer credit, spreads for short-term rates increased markedly in the third quarter, while those for long-term rates rose marginally.

The results of the October 2009 bank lending survey indicate that the net percentage of banks reporting a tightening of credit standards declined further in the third quarter, both as regards loans for house purchase and as regards consumer credit and other loans. Expectations regarding general economic activity, housing market prospects and a less negative assessment of the risk posed by collateral demanded remained the principal factors contributing to this decline. In the case of loans for house purchase, the weaker tightening of standards was implemented by means of smaller margins (both for loans of average risk and for riskier loans) and a decline in the tightening of non-price terms and conditions. Margins were also reduced for consumer credit and other lending, although less so for riskier loans. Finally, according to banks' assessment, net demand for loans for house purchase increased further in the third quarter, having turned positive in the previous quarter, while net demand for consumer credit and other lending was seen as continuing to decline, albeit to a much lesser extent.

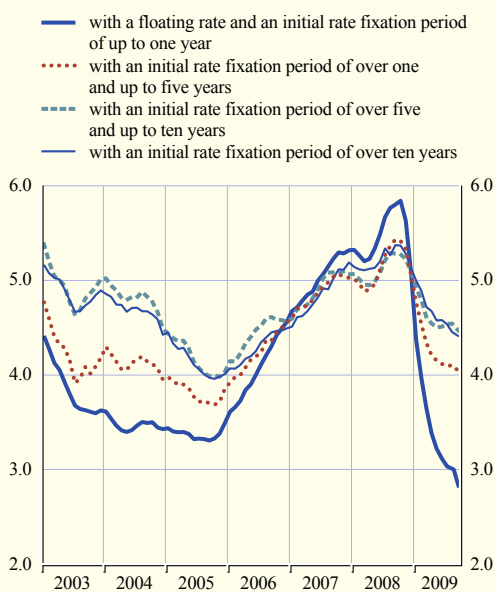
### FINANCIAL FLOWS

In the second quarter of 2009 (the most recent quarter for which data from the euro area integrated accounts are available) the annual growth rate of total loans to households declined further to stand at 2.0%, down from 2.7% in the previous quarter. The annual growth rate of non-MFI lending to households remained high at 13.9%, despite moderating. To a large extent, however, these developments do not reflect new lending originated by non-MFIs, but rather the impact of true-sale securitisation activity (where loans are derecognised and thereby removed from MFI balance sheets, subsequently being recorded as loans from OFIs), which was particularly strong in the fourth quarter of 2008 and thus continues to affect the annual growth rate. Data on MFI loans and securitisation activity point to a further decline in the annual growth rate of total loans to households in the third quarter of 2009 (see Chart 37), although monthly flows were robust towards the end of the third quarter.

In October the annual growth rate of MFI loans to households was -0.1%, unchanged from the average for the third quarter. At the same time, the short-term dynamics measured by the

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

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



Source: ECB.

three-month annualised growth rate improved considerably during the third quarter, with that growth rate increasing to 2.6% in October. This reflected the positive monthly flows observed since May 2009 for loans to households, supporting the view that the earlier downward trend in the annual growth rate is coming to a halt.

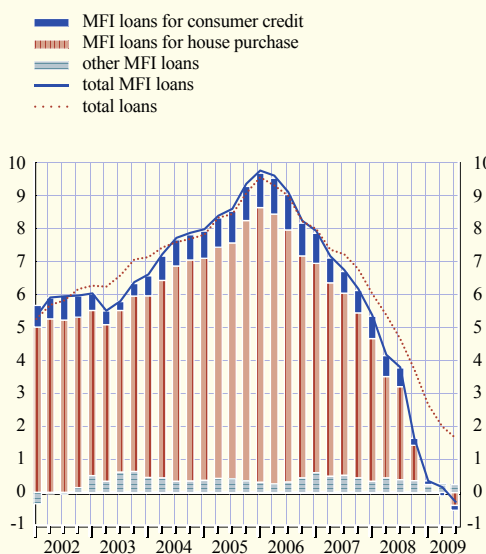
The recent positive flows for MFI loans and the stabilisation of the annual growth rate appear to be consistent with past regularities, whereby household borrowing tends to improve early in the economic cycle. At the same time, such improvements may remain modest for the time being, given that housing markets and economic activity are still surrounded by considerable uncertainty and the level of household indebtedness has remained high relative to previous cycles.

Within MFI loans to households, the annual growth rate of loans for house purchase increased to -0.2% in October, up from -0.6% in September (and -0.3% on average in the third quarter), reflecting the strongest monthly inflow since the intensification of the financial turmoil in September 2008. Consumer credit continued to contract, with an annual growth rate of -1.3% being recorded in October, down from -1.0% in the third quarter, while the annual growth rate of other lending rose slightly to stand at 1.6% in October, up from 1.4% in the third quarter.

Turning to the asset side of the euro area household sector's balance sheet as recorded in the euro area accounts, the annual growth rate of total financial investment increased to 2.8% in the second quarter of 2009 (up from 2.5% in the first quarter), the first time an increase has been observed since

**Chart 37 Total loans granted to households**

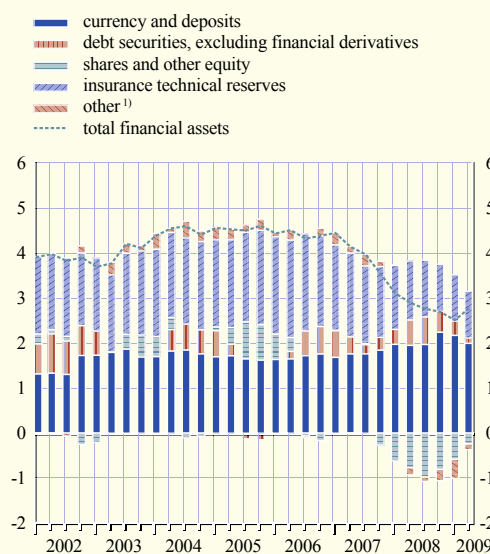
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.  
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the third quarter of 2009, total loans to households have been estimated on the basis of transactions reported in money and banking statistics.  
For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

**Chart 38 Financial investment of households**

(annual percentage changes; contributions in percentage points)



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

early 2007 (see Chart 38). Households' investment in deposits continued to make the largest positive contribution, but that contribution declined slightly as households' accumulation of shorter-term deposits slowed in the context of the steep yield curve. In this respect, the increase observed in the annual growth rate of total investment in the second quarter was a result mainly of the less negative contribution of holdings of shares and other equity, with stock markets improving and risk aversion receding.

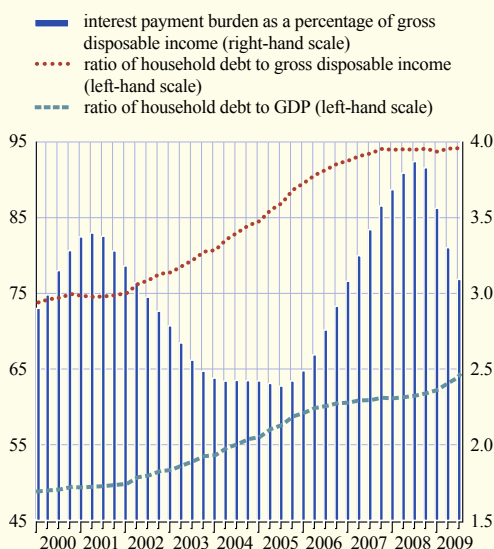
#### FINANCIAL POSITION

The further subdued developments in household borrowing in recent quarters imply the stabilisation of household indebtedness. Households' debt-to-disposable income ratio has been close to 94% since the end of 2007 and is estimated to have remained around that level in the third quarter of 2009 (see Chart 39).

By contrast, households' debt-to-GDP ratio is estimated to have increased somewhat further in the third quarter, reflecting the fact that overall economic activity displays a stronger cyclical pattern than household income. At the same time, the interest payment burden of the household sector is estimated to have declined further to stand at 3.1% of disposable income in the third quarter, down from 3.3% in the previous quarter. With the debt-to-income ratio remaining stable, this mainly reflects the impact of declining bank lending rates, particularly in the case of variable rate loans.

Chart 39 Household debt and interest payments

(percentages)



Sources: ECB and Eurostat.

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

## 3 PRICES AND COSTS

According to Eurostat's flash estimate, annual HICP inflation stood at 0.6% in November, up from -0.1% in October. In line with previous expectations, inflation has turned positive after being in negative territory for five months. The increase in overall HICP inflation in recent months has mostly reflected upward base effects stemming from the drop in global commodity prices in the second half of 2008. Inflation is expected to rise further in the coming months, mainly on account of these upward base effects. Looking further ahead, over the policy-relevant horizon, it is anticipated that inflation will remain moderate, with overall price, cost and wage developments continuing to be subdued due to the slow recovery in demand in the euro area and elsewhere. The December 2009 Eurosystem staff projections foresee euro area annual HICP inflation at 0.3% in 2009, between 0.9% and 1.7% in 2010 and between 0.8% and 2.0% in 2011. Risks to the inflation outlook remain broadly balanced.

### 3.1 CONSUMER PRICES

The euro area annual HICP inflation rate turned positive in November. This followed five months of negative inflation rates, which reached a trough of -0.7% in July 2009. According to Eurostat's flash estimate, annual HICP inflation rose to 0.6% in November from -0.1% in October. Official estimates of the breakdown of the November HICP have not yet been published, but it is known that, as in October, the November outcome was affected by a strong upward base effect in the energy component that stemmed from the drop in global oil prices 12 months before. Indeed, the negative inflation rates observed from June to October 2009 were largely anticipated and due mainly to the contribution from the HICP energy component (see Table 6 and Chart 40).

Looking at HICP developments at the sectoral level, the year-on-year change in the HICP energy component increased to -8.5% in October 2009, the last month for which breakdown data are available, from -14.4% in July. Since August the overall upward trend of the annual rate of change in the HICP energy component has been determined largely by upward base effects stemming from the drop in crude oil prices in the second half of 2008. The volatility in HICP energy items observed in recent months has resulted from the interaction of such base effects with the current movements in crude oil prices. The upward slope in the series of annual rates of change in HICP

**Table 6 Price developments**

(annual percentage changes, unless otherwise indicated)

	2007	2008	2009 June	2009 July	2009 Aug.	2009 Sep.	2009 Oct.	2009 Nov.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	3.3	-0.1	-0.7	-0.2	-0.3	-0.1	0.6
Energy	2.6	10.3	-11.7	-14.4	-10.2	-11.0	-8.5	.
Unprocessed food	3.0	3.5	0.0	-1.1	-1.2	-1.3	-1.6	.
Processed food	2.8	6.1	1.1	0.8	0.6	0.5	0.3	.
Non-energy industrial goods	1.0	0.8	0.6	0.5	0.6	0.5	0.3	.
Services	2.5	2.6	2.0	1.9	1.8	1.8	1.8	.
<b>Other price indicators</b>								
Industrial producer prices		6.1	-6.5	-8.4	-7.5	-7.6	-6.7	.
Oil prices (EUR per barrel)	52.8	65.9	49.5	46.5	51.1	46.9	49.8	52.1
Non-energy commodity prices	7.5	2.0	-23.6	-22.9	-16.2	-16.8	-6.1	.

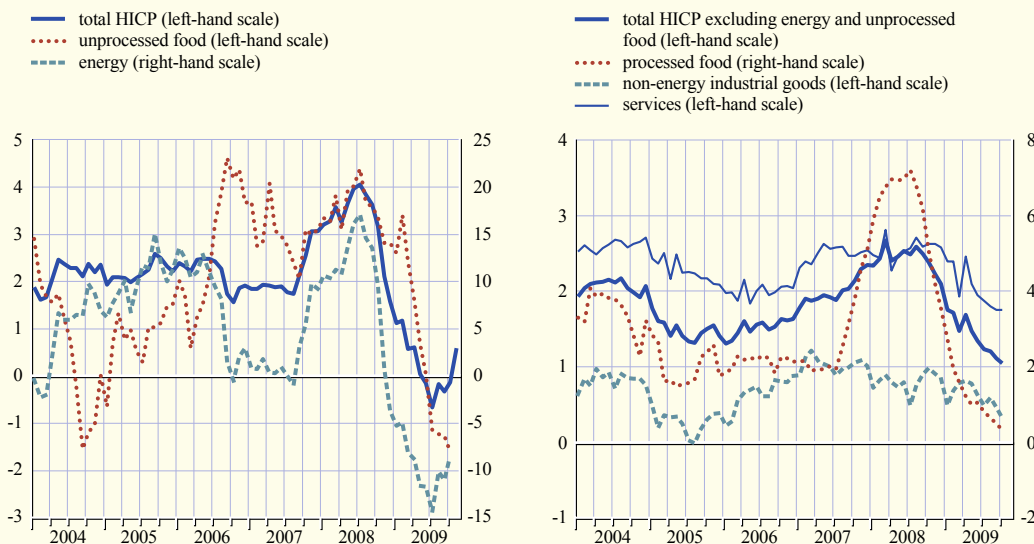
Sources: Eurostat, ECB and ECB calculations based on Thomson Financial Datastream data.

Note: The non-energy commodity price index is weighted according to the structure of euro area imports in the period 2004-06.

1) HICP inflation in November 2009 refers to Eurostat's flash estimate.

Chart 40 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

energy prices since August 2009 is the result of the increasing annual growth rate of oil energy prices (such as petrol, diesel and heating fuel prices) and the declining growth rate of prices of non-oil energy items of the HICP (such as electricity and gas), which tend to follow oil prices with a lag. Looking forward, recent developments in crude oil prices and upward base effects are expected to push up the year-on-year rate of change in the HICP energy component in the coming months.

Food price inflation has continued to diminish over recent months, falling from its peak of 6.1% in mid-2008 to -0.4% in October 2009, which is its lowest level since the start of the series in 1990 (see Table 5.1 in the “Euro area statistics” section). The decline in food price inflation has been driven mainly by the pass-through to consumers of the past falls in food commodity prices, as well as by strong competition in food retailing against the background of weak consumer demand. In addition, sizeable downward base effects contributed to dampening food price inflation up to July 2009, but since then these effects have been broadly neutral. The annual rate of change in the unprocessed food component of the euro area HICP stood at -1.6% in October, recording a negative year-on-year change for the fourth consecutive month. These considerable decreases can be attributed not only to weather-related developments in the fruit and vegetable items, but also, in particular, to the slowdown in the annual rate of growth of meat prices, following the reversal of last year’s food price shock on global markets. In recent months the annual rate of change in processed food prices has also continued the downward trend that it started in the middle of 2008. This decline, which brought processed food inflation to 0.3% in October, has mirrored lower annual rates of change in most items, especially those that are more exposed to commodity price developments, such as cereals, dairy products and oils. Looking ahead, annual food price inflation is likely to be nearing a trough and to start increasing again in the coming months, partly on account of upward base effects.

Excluding all food and energy items, which represent around 30% of the HICP basket, developments in HICP inflation have followed a gradual downward trend over the past two years.

This reflects the developments observed in the prices of its two components, namely non-energy industrial goods and services, which are determined largely by domestic factors, such as wages and profit mark-ups (see the box entitled “Recent trends in the HICP excluding food and energy” in the October 2009 issue of the Monthly Bulletin). In October 2009 the inflation rate of this aggregate stood at 1.2%, compared with an average of 1.6% in the first half of the year.

The decline in the annual rate of growth of non-energy industrial goods prices, which has been observed since the beginning of 2008, gained momentum over the summer months. In October 2009 non-energy industrial goods inflation stood at 0.3%, compared with an average of 0.7% in the first half of the year. While in the past the reduction in the inflation rate of this HICP component was due mainly to developments in durable goods prices, the most recent decline was attributable to a broader range of items. Driven by falling car prices, durable goods inflation reached a historical low of about -1.0% in September and October 2009. Developments in car prices in the euro area appear to have been strongly affected by the economic downturn, with car dealers offering large discounts to boost weak consumer demand. Inflation in the non-durable goods sub-component has also continued to ease after the reversal in the second quarter of 2009 of its previous upward trend, which had lasted for more than three years. This development appears to be the result of sluggish demand, as most of the items in this sub-component have been affected by this downward movement. However, standing at 1.6% in October 2009, inflation in the non-durable goods sub-component remains significantly above the inflation rates of the durable goods and semi-durable goods sub-components. The year-on-year price change in the semi-durable goods sub-component has recently followed a downward path, although it has been rather volatile owing to seasonal sales of textiles. In the coming months the annual rate of change in non-energy industrial goods prices is likely to decrease further and even possibly enter negative territory, at least during the winter sales period at the beginning of 2010, as the annual rate of change in both the import prices of consumer goods (excluding food and tobacco) and the prices of these goods at the producer level has declined significantly. Demand and the pricing power of firms are not expected to increase in the near future and, in the context of deteriorating labour markets, wage developments are unlikely to exert any substantial upward cost pressures.

Services price inflation, which declined in the first half of 2009, has remained broadly stable in recent months, following moderate changes in its main sub-components. In October 2009 it stood at 1.8%, unchanged compared with the average of the third quarter of 2009. Over the past two years services prices have been driven mainly by the contributions from recreational and personal services and, to a lesser extent, transport services (see Table 5.1 in the “Euro area statistics” section). Both contributions peaked around mid-2008 and have been falling ever since. In recent months, however, this downward trend has moderated. The reduction in the annual rate of growth of recreational and personal services has been driven mainly by the declining contributions from the items restaurants and cafés, package holidays and accommodation services, the latter having been negative for five consecutive months. The severe economic downturn seems to have brought about a reduction in non-essential consumer spending. The ensuing weak demand for such services is likely to have urged firms to pass on the reductions in input costs to consumers, especially those related to energy and food prices. The decreasing contribution from the transport services sub-component has continued to almost entirely reflect the developments in the passenger transport by air item of the HICP, owing to lower demand for business and holiday-related air travel. By contrast, the negative contribution from communication services, which has been observed over a long period of time, appears to have eased, as the annual rate of change in this sub-component

has become increasingly less negative. Looking ahead, it is likely that, in a context of subdued consumption, the movements of non-essential services prices will continue to exert downward pressure on services price inflation in the coming months.

### 3.2 INDUSTRIAL PRODUCER PRICES

Downward pressures on supply chain prices have moderated in recent months, with the annual rate of change in industrial producer prices (excluding construction) rising from its trough of -8.4% in July 2009. Recent developments in the annual rate of change in industrial producer prices have largely mirrored those in its energy component, which have reflected the interaction between upward base effects, stemming from the fall in global crude oil prices in the second half of 2008, and recent developments in these prices. In recent months the annual rates of change in the other components of industrial producer prices have remained more stable, albeit at very subdued levels, on account of low input costs and weak demand for industrial products. Looking ahead, short-term dynamics, such as changes in the three-month moving average, and upward base effects in the coming months, suggest a further abatement in the downward pressure on industrial producer prices. This is also implied by developments in survey indicators, which are signalling a trend towards stabilisation in price developments at the producer level.

In October the annual rate of change in industrial producer prices (excluding construction) rose to -6.7%, from -7.6% in the previous month. This development was driven largely by the energy and intermediate goods components. On account of a strong upward base effect and a month-on-month increase in energy prices at the producer level, the annual rate of change in the

Chart 41 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

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

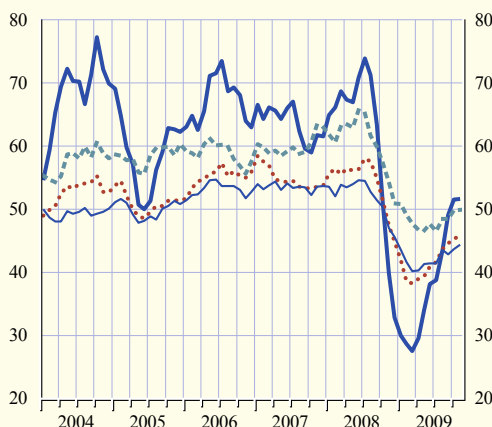


Sources: Eurostat and ECB calculations.

Chart 42 Producer input and output price surveys

(diffusion indices; monthly data)

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



Source: Markit.

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



energy component went up to -14.4% in October, from -17.3% in the previous month. Excluding energy (and construction), annual producer price inflation rose to -3.9% in October, with the components presenting a mixed picture. The annual rate of change in intermediate goods prices increased again, whereas, at the later stages of the production chain, the annual rates of change in capital goods and consumer goods prices edged down further (see Chart 41).

Survey data on the price-setting behaviour of firms have indicated that there has been an overall moderation in downward price pressures over recent months (see Chart 42). With regard to the Purchasing Managers' Index (PMI), all price indices went up again in November. In particular, the input price index for manufacturing, which had already exceeded 50 in October, rose further in November, indicating rising input prices for the second time in a row over the last 12 months. The corresponding index for services reached the threshold level of 50 in November, thus signalling stable costs for service providers. Higher commodity prices were cited as the main factor behind the increase in input costs in both sectors. Indices of prices charged in the manufacturing and services sectors remained at levels below 50 and thus continue to signal that companies are willing to lower prices, albeit at a slower rate than earlier, in order to stimulate sales of goods and services in the face of weak underlying demand.

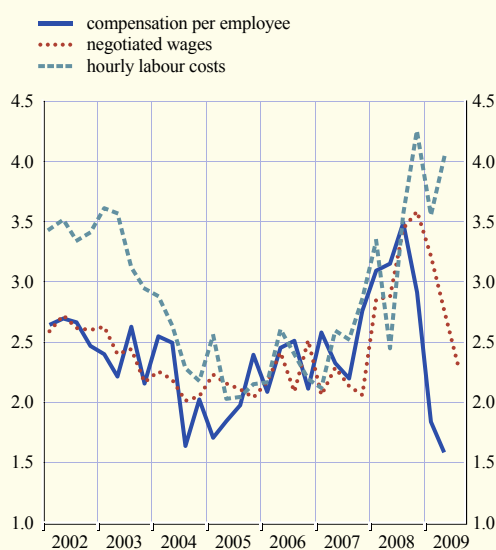
### 3.3 LABOUR COST INDICATORS

Labour cost growth, which peaked at the end of 2008, has declined substantially in the course of 2009, owing to both lower wage growth per hour and fewer hours worked. Developments in these two variables have triggered some differences in the behaviour of the annual rates of growth of negotiated wages, compensation per employee and hourly labour costs (see Chart 43 and Table 7).

The annual rate of growth of negotiated wages in the euro area, the only labour cost indicator available thus far for the third quarter of 2009, declined further to 2.3% in that quarter, from 2.8% in the previous quarter. This strong decline confirmed that negotiated wage growth in the euro area remains on the downward path that it took at the beginning of 2009, after peaking in the fourth quarter of the previous year. As this indicator captures the main component of wages that is agreed in advance through collective agreements, its latest developments show that the outcome of wage negotiations is being increasingly influenced by the deterioration in the euro area labour market situation. The smaller wage increases agreed through new collective agreements have been reflecting workers' reduced bargaining power as a consequence of the sharp downturn in economic activity, the large increase in unemployment and the significant drop in inflation. In return for job security, growth in

Chart 43 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
Negotiated wages	2.1	3.2	3.4	3.6	3.2	2.8	2.3
Total hourly labour costs	2.5	3.4	3.6	4.2	3.6	4.0	.
Compensation per employee	2.5	3.2	3.5	2.9	1.8	1.6	.
<i>Memo items:</i>							
Labour productivity	0.9	-0.1	-0.1	-1.7	-3.8	-3.1	.
Unit labour costs	1.5	3.2	3.6	4.7	5.8	4.8	.

Sources: Eurostat, national data and ECB calculations.

the wage component of remuneration has been reduced and more flexible working schemes have been implemented. Given that this indicator tends to react to changes in economic conditions with a lag, as the average length of labour contracts in the euro area is about two years, it is likely that the annual rate of growth of negotiated wages will decline further in the coming quarters, as older contracts are gradually replaced by new ones with smaller agreed wage increases in both the private and public sectors.

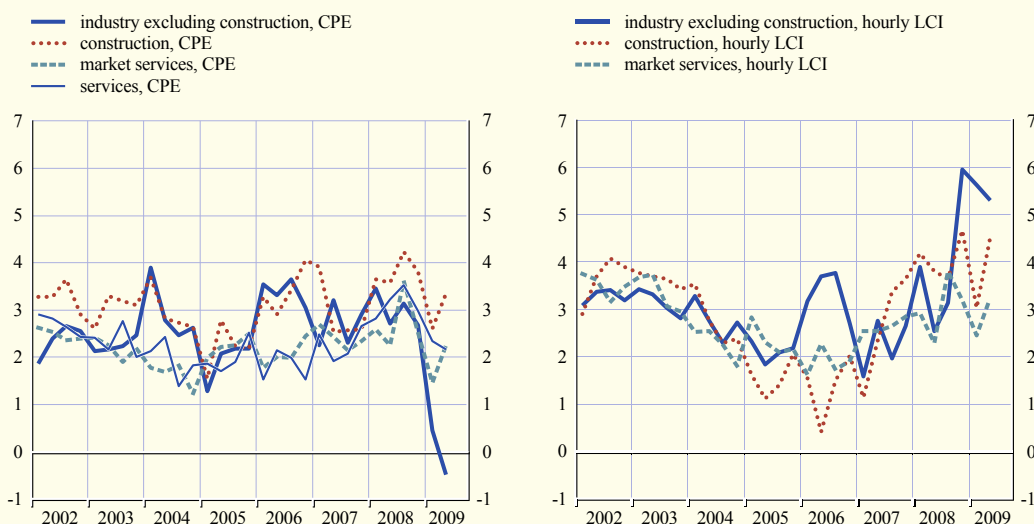
The annual growth rate of compensation per employee declined to 1.6% in the second quarter of 2009, from 1.8% in the previous quarter, a slowdown which was broad-based across countries. This rate of growth of compensation per employee was the lowest annual rate recorded since the beginning of EMU and has been about 1 percentage point below its average ever since. The further moderation in the annual growth rate of this indicator resulted from lower wage growth, shorter working hours and cuts in flexible pay elements, such as bonuses. Anecdotal evidence from various sources shows that firms have reduced labour costs by implementing a variety of available measures.<sup>1</sup> This has led to a notable negative wage drift because the growth rate of compensation per employee has been lower than that of negotiated wages.<sup>2</sup> The sectoral breakdown indicates that the slowdown in compensation per employee growth in the second quarter of 2009 was explained predominantly by developments in industry (excluding construction) and non-market services. In industry, the annual growth rate of compensation per employee turned negative (see Chart 44).

In contrast to the fall in compensation per employee, the annual growth rate of hourly labour costs in the euro area remained high, at 4.0%, in the second quarter of 2009, rebounding somewhat from the weaker rates recorded in the first quarter of the year. The persistently strong growth in hourly labour costs reflects past wage agreements and the impact of the various measures taken in several euro area economies to reduce the number of hours worked per employee, as the reduction in hours worked is often accompanied by a less than proportional decrease in remuneration. Given that the industrial sector is most strongly affected by such adjustment measures, the year-on-year increase in hourly labour costs was highest in this sector in the second quarter of 2009. Moreover, the fact that Easter fell in the second quarter of 2009 (after falling in the first quarter in 2008) contributed to a year-on-year reduction in hours worked, which boosted hourly labour costs in the second quarter of 2009.

- 1 See also the box entitled "Labour market adjustments during the current contraction of economic activity" in the June 2009 issue of the Monthly Bulletin.
- 2 The term wage drift refers to the part of compensation per employee growth which is not explained by the growth of negotiated wages and/or social security contributions (see the box entitled "Recent developments in euro area wage drift" in the October 2006 issue of the Monthly Bulletin).

**Chart 44 Sectoral labour cost developments**

(annual percentage changes; quarterly data)



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

The drop in annual productivity in terms of output per employee was smaller in the second quarter of 2009 than in the first quarter, namely 3.1%, compared with 3.7%. This more moderate decline in productivity, combined with the slowdown in the annual rate of growth of compensation per employee, helped to bring down the annual growth in unit labour costs from 5.8% in the first quarter of 2009 to 4.8% in the second quarter. Given that its average level since the start of EMU has been 1.8%, annual unit labour cost growth is still very high. However, it is expected to moderate further, as compensation per employee is likely to continue to decline and further improvements in productivity are expected (see Box 7, entitled “Recent developments in euro area productivity”).

### 3.4 CORPORATE PROFIT DEVELOPMENTS

Corporate profit growth declined considerably in the first half of 2009, continuing the downward momentum that had been observed since mid-2007. According to national accounts data, annual euro area profits fell by 8.4% year on year in the second quarter of 2009, stabilising at their lowest rate on record after having sharply contracted by roughly the same amount in the first quarter. The contraction in the second quarter of 2009 was due to a fall in economic activity (volume) and a decline in unit profits (margins per unit of output) – see Chart 45. The latter have declined mainly on account of high unit labour cost growth stemming from relatively high wages and the labour hoarding policies implemented by euro area companies during the recent downturn.

As regards developments in the main branches of activity (industry and market services), the contraction in profit growth in the second quarter of 2009 was particularly severe for industry, owing to the sharper decline in activity associated with its greater cyclical nature and higher exposure to external developments. Profits in the market services branches also contracted in the same period. This decline was the first to be recorded since the data series started in 1996.

Looking beyond the available national account data, the fall in unit labour costs should help profit margins to recover from the low levels recorded in the first half of 2009.

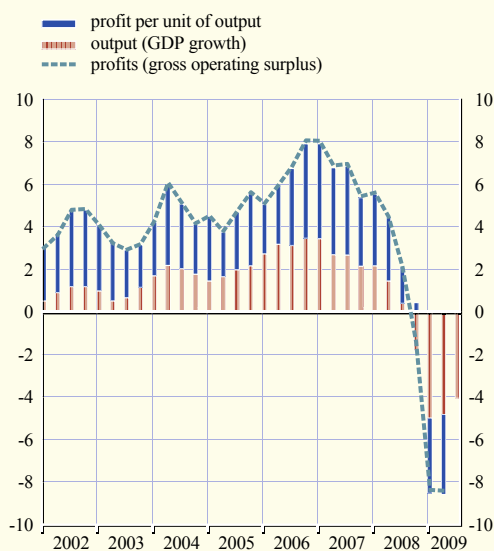
### 3.5 THE OUTLOOK FOR INFLATION

Over the coming months the outlook for annual HICP inflation will continue to be shaped mainly by upward base effects relating to the drop in commodity prices in the second half of 2008. At the same time, developments in economic fundamentals are expected to weigh on developments in the HICP. Later on over the policy-relevant horizon, inflation is expected to remain moderate, with overall price, cost and wage developments continuing to be subdued due to the slow recovery in demand in the euro area and elsewhere. The December 2009 Eurosystem staff projections foresee euro area annual HICP inflation at 0.3% in 2009, between 0.9% and 1.7% in 2010 and between 0.8% and 2.0% in 2011. Compared with the September 2009 ECB staff projections, the inflation projections for 2010 remain largely unchanged. Available forecasts from international organisations provide a broadly similar picture.

Risks to the outlook for price developments remain broadly balanced. They relate, in particular, to the outlook for economic activity and to the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be stronger than currently expected, owing to the need for fiscal consolidation in the coming years.

**Chart 45 Breakdown of euro area profit growth into output and profit per unit of output**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

*After five quarters of contraction, euro area real GDP growth returned to positive territory in the third quarter of 2009. The latest survey indicators suggest continued positive real GDP growth in the last quarter of 2009. In the near term, economic growth should benefit from a positive contribution from inventories and stronger exports, as well as from the significant macroeconomic stimulus under way and the measures adopted to restore the functioning of the financial system. However, a number of the supporting factors are of a temporary nature and the euro area economy is expected to grow at a moderate pace in 2010, as it is likely to be dampened by the ongoing process of balance sheet adjustment in the financial and the non-financial sector, both inside and outside the euro area. The risks to this outlook remain broadly balanced.*

*This assessment is broadly in line with the December 2009 Eurosystem staff macroeconomic projections for the euro area. According to these projections, average annual real GDP growth will range between -4.1% and -3.9% in 2009, between +0.1% and +1.5% in 2010, and between +0.2% and +2.2% in 2011. The range for 2010 has been revised upwards compared with the September 2009 ECB staff macroeconomic projections. Forecasts by international organisations are broadly in line with the December 2009 Eurosystem staff projections.*

### 4.1 REAL GDP AND DEMAND COMPONENTS

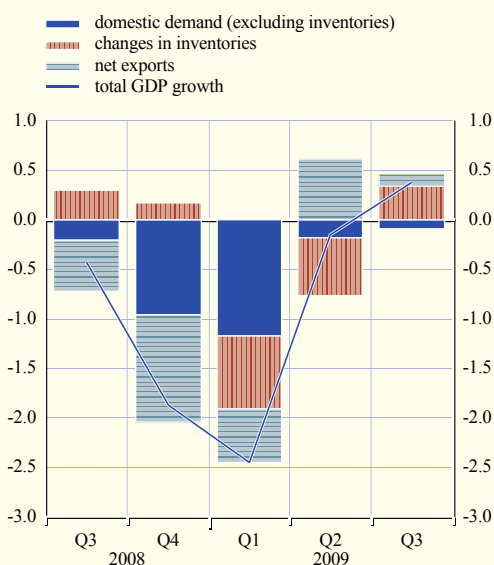
After contracting for five consecutive quarters, euro area real GDP growth returned to positive territory in the third quarter of 2009. The latest survey indicators suggest that real GDP growth remained positive in the last quarter of 2009. These developments should be seen against the background of the steep fall in euro area activity during the latter part of 2008 and early 2009. At the time, the fall in real GDP growth was mainly driven by a worldwide drop in confidence and was broad based across all components. External demand slowed sharply as activity in advanced economies weakened and emerging markets were increasingly affected by the financial turmoil. Domestic demand also moderated. Consumption remained subdued owing to worsening labour market prospects, tightening credit conditions and falling financial wealth. Investment also dropped on account of the fall in demand, tighter financing conditions and lower profitability of firms. Inventories made a positive contribution to euro area GDP growth in the second half of 2008 as firms increased stocks. This may have been because firms were surprised by the speed and extent of the slowdown in global and domestic demand.

However, the pace of the contraction in euro area activity slowed markedly in the spring and summer months of 2009, mainly as a result of an improvement in exports. Household spending also began to stabilise, partly supported by fiscal measures. Investment was also seen to stabilise. At the same time, companies reduced the level of their inventories by cutting production more aggressively than would be warranted by the expected contraction in demand. As a result, inventories made a negative contribution to real GDP growth in the first and second quarters of 2009.

The contraction in euro area activity came to a halt in the third quarter of 2009. According to Eurostat's first estimate, published on 3 December, euro area real GDP increased by 0.4% (quarter on quarter) in the third quarter, after a 0.2% decline in the second quarter (see Chart 46). The increase in euro area real GDP in the third quarter is explained by positive contributions from inventories and, to a lesser extent, from net exports and government consumption, which were partly offset by contractions in private consumption and investment.

Chart 46 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Available survey data suggest that euro area real GDP growth continued to be positive in the last quarter of 2009, largely spurred by a positive cyclical inventory contribution and strong exports. Looking ahead, some of the factors that temporarily boosted growth in the second half of 2009 should diminish in strength in 2010. The following sub-sections discuss demand developments in more detail.

### PRIVATE CONSUMPTION

Private consumption declined notably in late 2008 and early 2009 as a result of worsening labour market prospects, tightening credit conditions and falling financial wealth. In the second quarter of 2009 household spending stabilised, partly as a result of higher car purchases which benefited from government-sponsored subsidies for consumers who scrapped old cars and bought new ones.

Despite the downturn in economic activity, households' real disposable income has remained relatively resilient principally on account of three main factors. First, wage growth has continued at robust rates (according to various indicators), despite the sharp contraction in activity. This observed stickiness in wages can be largely attributed to the length of collective wage agreements (see Section 3). Second, labour hoarding and government-subsidised adjustments in working hours have also supported employment and thus disposable income. Third, the low inflation recorded in 2009 is an additional factor contributing to the resilience of real disposable income.

Reflecting the rise in both economic and financial uncertainty throughout the turmoil, household saving in the euro area has increased sharply in the past year. The household saving ratio rose to 15.4% in the second quarter of 2009, which is 1.3 percentage points higher than a year before (see Box 6).

Household spending remained subdued in the third quarter of 2009. According to Eurostat's first estimate, private consumption growth contracted slightly, falling by 0.2% (quarter on quarter) in the third quarter. Data on retail sales for the third quarter confirm that household spending was subdued. On a quarterly basis, retail sales dropped by 0.5% in the third quarter. In the wake of the diminishing impact of fiscal incentives for car purchase in some countries, growth in new car registrations also slowed in the third quarter, but still recorded a brisk growth rate of 2.9% (quarter on quarter).

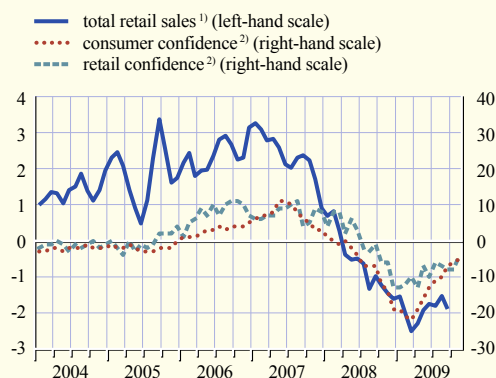
Survey data for the fourth quarter indicate that private consumption is likely to remain subdued in the coming months. Retail trade confidence and consumer confidence have increased recently but still

remain at low levels (see Chart 47). The increase in consumer confidence mainly derives from an improvement in consumers' assessment about the general economic situation and also slightly less pessimistic views on the unemployment situation. Households' perceptions concerning their financial position and savings improved only marginally over the same period. It is worth pointing out that the prevailing level of confidence is still lower than its long-term average since 1985. This suggests that euro area consumers are currently very uncertain regarding the strength and sustainability of the economic recovery.

Looking ahead, private consumption should remain subdued throughout 2010, although real income is expected to be supported by low inflation and government transfers.

**Chart 47 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



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

**Box 6**

**HOUSEHOLD SAVING BEHAVIOUR IN THE EURO AREA**

According to the euro area integrated accounts, household saving has risen sharply over the past year.<sup>1</sup> This box looks at the possible factors shaping recent saving behaviour in the euro area and discusses the likely evolution of saving in the future.

**Theoretical drivers of household saving behaviour**

Theory suggests a variety of motives for household consumption and saving decisions and disentangling the various drivers of behaviour is difficult. A key principle is that people base their consumption on the real income they expect to receive over their entire lifetime. In this respect, household saving is a means of smoothing expenditure in the face of variations in income, over long horizons – for example, by saving for retirement – and over shorter periods, in case of temporary or unexpected income fluctuations.

However, income fluctuations may not be the only determinant of a change in saving. For some households, saving levels are affected by developments in their financial and non-financial wealth, as increases in the value of their net asset holdings represent an important additional source of current and future purchasing power. Other households have few financial assets and may find it difficult to access credit. Those households may be constrained to consume out of their current resources irrespective of the likely path of future income. Saving may

<sup>1</sup> See the box entitled “Integrated euro area accounts for the second quarter of 2009” in the November 2009 issue of the Monthly Bulletin. The latest release for the integrated accounts covered data up to the second quarter of 2009.

also be affected by the degree of uncertainty surrounding future income – for example, in relation to employment prospects – as it may lead households to hold higher cash reserves against unexpected future income reductions, which is known as “precautionary saving”.<sup>2</sup>

In addition, household saving decisions are likely to be affected by the decisions and actions of other economic agents. For example, changes in government finances can be an important factor: an increase in government debt may cause households to adjust their own savings, at least partially, in anticipation of future tax liabilities – so-called Ricardian behaviour.

### Recent developments in euro area household saving

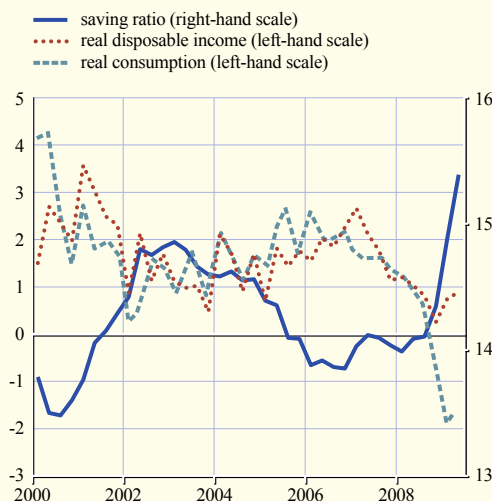
Household saving in the euro area has risen sharply in the past year. The household saving ratio rose to 15.4% in the second quarter of 2009 (on a four-quarter moving sum basis), 1.3 percentage points higher than a year before (see Chart A). The rise in the saving ratio contributed to a fall in consumption. Indeed, in the second quarter of 2009 nominal consumer spending was almost 2% lower than a year earlier.

The rise in the saving rate is at odds with the notion of consumption smoothing in the face of lower income. One key factor which may have influenced household saving decisions in 2009 is uncertainty about future prospects. The recent financial crisis has been characterised by a sharp increase in uncertainty about the economic outlook in the euro area during 2009.<sup>3</sup> A particular concern for households has been job security. Employment has declined markedly over the past year, while by mid-2009 unemployment in the euro area was over 2 percentage points higher than at the beginning of 2008. Despite a modest improvement in confidence in the past six months, the European Commission’s consumer confidence survey highlights continued concerns among households about unemployment developments in the euro area.

It is also possible that households have increased their saving because expectations regarding future income have been revised downwards. Indeed, deterioration in expectations about future income streams may already be affecting household wealth holdings. Notably, households may expect permanently weaker housing wealth in the light of the correction in housing markets in many euro area countries. In addition, with declines in equity markets during

Chart A Household income, consumption and saving

(annual percentage changes; percentages of disposable income)



Sources: Eurostat and ECB.

2 The impact of unemployment on household saving can be ambiguous. Higher unemployment lowers household disposable income, which may reduce households’ ability to save. However, increasing unemployment also entails heightened uncertainty, which may encourage households to raise their precautionary savings, at least temporarily.

3 See the box entitled “Uncertainty and the economic prospects for the euro area” in the August 2009 issue of the Monthly Bulletin; and the box entitled “Results of the ECB Survey of Professional Forecasters for the fourth quarter of 2009” in the November 2009 issue of the Monthly Bulletin.



2008 and early 2009, households' financial wealth has fallen markedly, although the recent rally in financial markets suggests some improvement (see Chart B).

As well as affecting household wealth holdings, the financial crisis may also have limited consumption by restricting households' ability to borrow. According to the Eurosystem bank lending survey for the euro area, credit standards on lending to households have tightened considerably since the onset of the financial turmoil. That may have prompted consumers to increase saving and reduce levels of debt, particularly if the changed financial environment has raised concerns among households about the state of balance sheets.

A further source of uncertainty is the impact of the large increases in government deficits since the financial crisis began. According to the integrated euro area accounts, government net borrowing increased to 3.9% of GDP in the second quarter of 2009 (on a four-quarter moving sum basis), a rise of close to 3 percentage points in the space of a year. Government deficits are projected to increase further in the near term and remain high for a sustained period. Future fiscal consolidation, either through increased taxes or through reduced government expenditure, is likely to affect household income in the years ahead. This prospect may have encouraged households to build up their savings in advance.

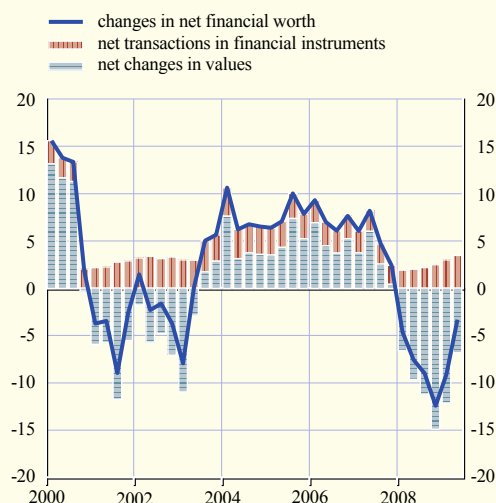
### Differences across euro area countries

While most of the factors shaping aggregate euro area saving have also played a role in individual countries, their relative importance appears to have varied and consequently recent developments in household savings have differed significantly across euro area countries.<sup>4</sup> At one extreme, saving has increased very sharply in Spain and Ireland. Sharp deteriorations in labour market conditions, with pronounced increases in unemployment, combined with marked falls in house prices have prompted households to adjust saving levels significantly.<sup>5</sup> Relatively high household indebtedness may also have increased concerns about the need for balance sheet adjustment in these countries. In addition, both countries have seen a sharp worsening in their fiscal positions.

At the other extreme, some countries have seen hardly any change in the saving ratio in the past two years. For example, in Germany the saving ratio has remained largely unchanged during the turmoil. A key factor in this case may have been the relatively muted labour market reaction to the current downturn. Subsidised reductions in hours worked, work-time accounts

Chart B Household financial net worth

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

4 As official data on saving ratios in 2008 and the first half of 2009 have not yet been published for all euro area countries, the analysis is based on estimates.

5 For a discussion of the wider implications of government labour market measures, see the box entitled "Links between output and unemployment in the euro area" in the October 2009 edition of the Monthly Bulletin; and the box entitled "Labour markets during the current contraction of economic activity" in the June 2009 edition of the Monthly Bulletin.

and overtime appear to have cushioned the impact of the downturn in activity on unemployment. In the short term, that may have helped to support incomes, reduce uncertainty and job insecurity and sustain consumption. In addition, as in a number of other countries, the government in Germany has introduced a vehicle scrapping scheme, which provides incentives for car purchase. This has also supported consumption and potentially dampened saving in recent quarters.<sup>6</sup>

### The outlook for household saving

The euro area household saving ratio is expected to have increased further in the second half of 2009. With continued high uncertainty about the strength and sustainability of the economic recovery, and further adjustment anticipated in the labour market – unemployment is expected to increase further in the coming year – households are likely to continue to increase precautionary savings as a buffer against the possibility that income growth will be lower in the future.

Uncertainty about the course of household saving remains very high. As the recovery takes hold and incomes recover, households may be expected to reduce their savings somewhat. But household saving is likely to remain persistently higher than before the downturn if, for example, the crisis has caused households to worry more than before about income prospects or if it has prompted them to seek to rebuild balance sheets and reduce debt levels. In addition, following the bursting of bubbles in some asset markets, households may now have a more realistic assessment of their current wealth. Finally, saving may remain high if households are concerned about the implications of the rising levels of government debt and high deficits for their future tax burden. Such concerns highlight how important it is that euro area governments provide credible fiscal exit and consolidation strategies to correct the rising fiscal imbalances.

<sup>6</sup> See the box entitled “The effects of vehicle scrapping schemes across euro area countries” in the October 2009 issue of the Monthly Bulletin.

## INVESTMENT

Aggregate investment has contracted sharply since early 2008 on account of weak demand, low business confidence, negative earnings growth, historically low capacity utilisation and tight lending standards. Investment made a further negative contribution to real GDP growth in the third quarter of 2009, contracting by 0.4% (quarter on quarter). This decline was, however, less negative than the contraction seen in the second quarter when investment fell by 1.7%.

Investment developments are easier to understand when analysed in terms of its two main components: construction and non-construction investment. Construction investment, which includes residential and commercial building, accounts for about half of total investment and developments in construction investment therefore have a significant influence on aggregate investment. Construction investment growth has been in negative territory since the second quarter of 2008 on account of overcapacity in some countries, financing constraints and subdued residential and commercial property prices.

Non-construction investment (mainly in assets intended for use in the production of goods and services) has also fallen sharply throughout the economic slowdown, as weakening demand lowered profitability, capacity pressures waned and tighter lending standards raised financing costs and reduced the availability of funds.

Looking ahead, relatively weak demand and elevated uncertainty about future developments in the prices of residential and commercial property will probably continue to weigh on construction investment in the coming quarters. This is supported by more timely survey-based indicators. For instance, the construction confidence indicator of the Purchasing Managers' Index (PMI) has increased only moderately over the past few months and still remains well below its long-term average. Similarly, non-construction investment is expected to be dampened by weak prospects for domestic and external demand. In addition, low capacity utilisation is likely to dampen firms' need to build up assets used in production. At the same time, the expected further normalisation in financial markets should probably contribute to keeping financing costs low in the near future and thereby help to support investment.

All in all, euro area aggregate investment is expected to remain subdued as a result of low capacity utilisation and continued weak demand. The recovery in investment has historically been particularly slow and gradual during periods in which an economic downturn is augmented by a financial crisis.<sup>1</sup> The pace of the contraction in investment is, however, expected to slow in the coming twelve months.

#### **GOVERNMENT CONSUMPTION**

Government consumption growth in the second half of 2008 and the first half of 2009 remained rather dynamic, in contrast to other components of domestic demand. This is because government expenditure items, such as public sector wages, are not affected in the short run by cyclical developments, and governments are generally likely to spend as much as agreed in the budgetary spending plans from the previous year.

Following growth of 0.6% in the second quarter of 2009, public consumption increased by 0.5% (quarter on quarter) in the third quarter. Government consumption is likely to have continued to provide support to domestic demand in the fourth quarter of 2009. However, this support is expected to moderate in 2010.

#### **INVENTORIES**

Data for the first and second quarters of 2009 show that inventories made a strong negative contribution to euro area GDP growth. The economic downturn was exacerbated by this cyclical pattern of inventories, whereby firms observing a steep and possibly prolonged fall in demand tend to reduce their inventories by cutting production aggressively, as they strive to maintain an optimal inventories to sales ratio. However, the downward adjustment of inventories tends to slow eventually to prevent an excessive fall in the ratio and, as sales start to grow again, firms should begin to build up their stocks.

The pace of destocking slowed in the third quarter of 2009 and, as a result, inventories made a positive contribution to real GDP growth of 0.3 percentage point. Both surveys and anecdotal evidence suggest that the level of inventories is now perceived to be lean and the pace of destocking should therefore continue to slow in the very near term. As a result, inventories will probably make a further positive contribution to euro area GDP growth in the last quarter of 2009. The size of that contribution, however, remains highly uncertain, as it depends on how quickly demand picks up and firms revise their expectations about future prospects.

<sup>1</sup> See the article entitled "The latest euro area recession in a historical context" in the November 2009 issue of the Monthly Bulletin.

## TRADE

The expenditure breakdown of real GDP in the third quarter of 2009 confirms that the steep fall in euro area exports observed in the previous two quarters has come to an end. In the third quarter euro area exports increased by 2.9% (quarter on quarter), compared with a contraction of 1.3% recorded in the second quarter. Imports increased by 2.6% (quarter on quarter) in the third quarter, following a contraction of 2.9% in the previous quarter. Consequently, net trade made a positive contribution to euro area real GDP growth in the third quarter of 2009.

Indicators increasingly suggest that the global recovery is gradually gaining pace, supported by strong global stimulus measures and improvements in both consumer and business confidence (see Section 1). For instance, the overall global PMI has continued to increase over recent months, rising clearly above the expansion/contraction threshold value of 50.

During the collapse in world trade in late 2008 and early 2009, demand for euro area capital goods and intermediate goods was particularly affected. The recent signs of improved global demand are also likely to lead to some recovery in demand for those goods, which should support export-exposed euro area firms. However, as the euro area recovery is expected to lag the global upturn in economic activity somewhat, import growth is expected to be slightly more sluggish than export growth.

## 4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Economic activity seen from a value added perspective confirms that the economy grew in the third quarter of 2009. Following a significant slowdown in the rate of the contraction in the second quarter, industrial value added returned to positive growth in the third quarter. The services sector also made a positive contribution to growth in the third quarter, while the construction sector continued to contract. Survey data for October and November suggest a further strengthening in value added growth in the last quarter of 2009.

Conditions in the labour market have continued to deteriorate (see the labour market section below). The euro area unemployment rate stood at 9.8% in October, unchanged from the previous month. In the second quarter of 2009 employment growth contracted by 0.5% (quarter on quarter).

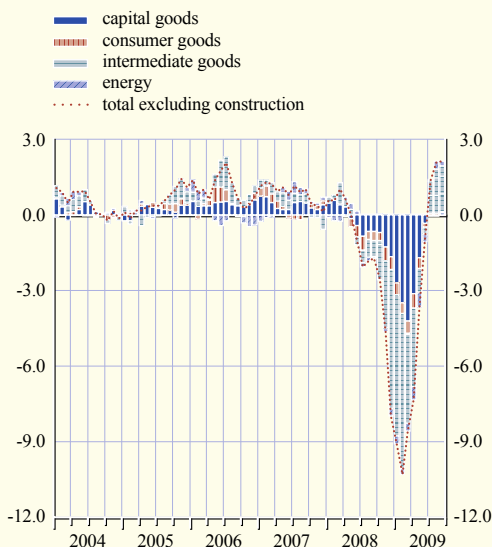
### SECTORAL OUTPUT

Looking at value added developments in the third quarter reveals some differences across sectors. After contracting in five consecutive quarters, value added in the industrial sector (excluding construction) started to expand again in the third quarter, increasing by 2.0% quarter on quarter (see Chart 48). The upturn was consistent with the latest positive data on industrial production.

Business surveys suggest that growth rates of industrial activity remained positive in the fourth quarter (see Chart 49). The PMI for the euro area manufacturing sector increased again in November and the prevailing level of 51.2 is clearly above the theoretical threshold value of 50. Similarly, developments in the PMI output sub-index (which in principle should be more closely related to industrial activity than the overall composite index) also suggest a brighter short-term outlook for the manufacturing sector. This assessment is confirmed by other industrial confidence surveys and anecdotal evidence.

**Chart 48 Industrial production growth and contributions**

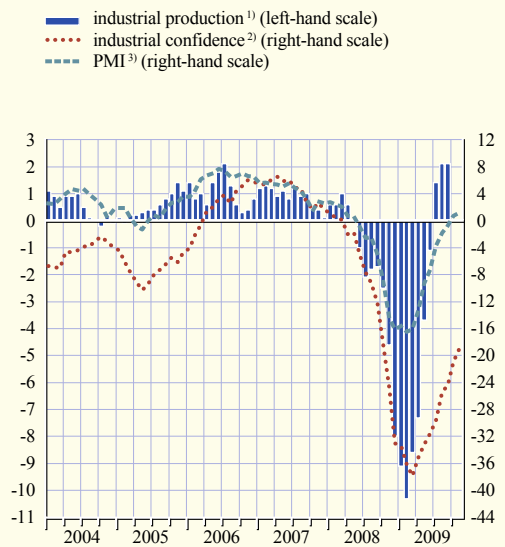
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

**Chart 49 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



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

Consistent with the latest data on construction production, the construction sector made a slightly negative contribution to euro area real GDP growth in the third quarter of 2009. Relatively large cross-country differences in construction value added can be discerned, with more severe declines in countries where the weight of this sector in terms of GDP had increased significantly prior to the financial market turmoil.

Services sector output continued to grow in the third quarter of 2009. Services sector value added grew by 0.1% (quarter on quarter), following an increase of 0.2% in the second quarter. This is in line with the European Commission's services confidence indicator and the PMI services business activity index, both of which increased in the course of the third quarter. Survey data for November signal a further improvement in the outlook for the services sector.

Survey data on capacity utilisation show that the trend has reversed somewhat recently from the extremely low levels it had sunk to. Capacity utilisation for the industrial sector as a whole increased slightly from its record low in July to stand at around 70% in October. This is, however, well below its long-term average of 81.5%. Capacity utilisation increased across all of the main industrial groupings in October. Consistent with the leading indicator properties of some of the intermediate goods industries, the pick-up in capacity utilisation in that sub-sector was, however, much more pronounced than in the other main industrial groupings. According to the European Commission's industrial and services sector surveys, firms report that insufficient demand is by far the main impediment to growth, while the importance of financial constraints appears relatively small.

Table 8 Employment growth

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

	Annual rates		Quarterly rates				
	2007	2008	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Whole economy	1.8	0.8	0.1	-0.3	-0.3	-0.7	-0.5
<i>of which:</i>							
Agriculture and fishing	-1.5	-1.4	-1.1	-0.6	0.3	-0.7	-0.8
Industry	1.4	-0.8	-0.3	-1.0	-1.3	-1.7	-1.5
Excluding construction	0.3	-0.2	-0.1	-0.6	-1.0	-1.5	-1.5
Construction	3.9	-2.2	-0.9	-2.0	-2.1	-2.1	-1.5
Services	2.1	1.4	0.3	0.0	0.0	-0.4	-0.1
Trade and transport	2.0	1.3	0.1	-0.2	-0.4	-0.8	-0.5
Finance and business	4.1	2.2	0.0	0.0	-0.4	-0.8	-0.6
Public administration <sup>1)</sup>	1.2	1.1	0.6	0.1	0.6	0.1	0.5

Sources: Eurostat and ECB calculations.

1) Also includes education, health and other services.

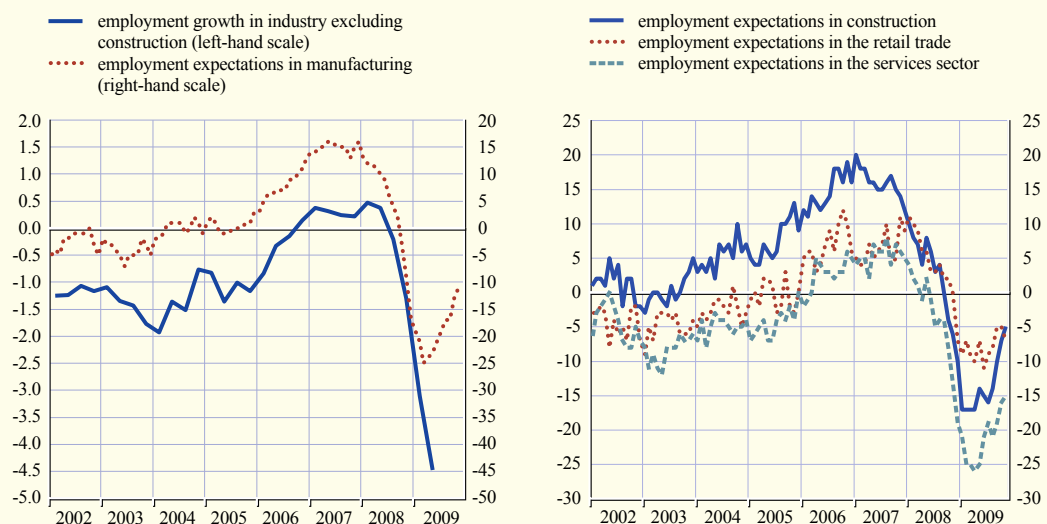
## LABOUR MARKET

Employment growth in the euro area typically lags business cycle fluctuations. Moreover, the lags tend to differ across sectors. During the economic downturn, employment started to fall earlier in the construction sector than in the industrial, services and government sectors. This is partly linked to overcapacity in the construction sector in some countries and the fact that the construction sector typically employs many workers on a temporary basis, which makes labour adjustment less costly.

As the economic crisis unfolded, many euro area countries implemented special working time schemes in an attempt to preserve the stability of employment. These schemes have reduced working hours through various channels, including changes to firms' flexible working arrangements,

Chart 50 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



Sources: Eurostat and European Commission Business and Consumer Surveys.

Note: Percentage balances are mean-adjusted.

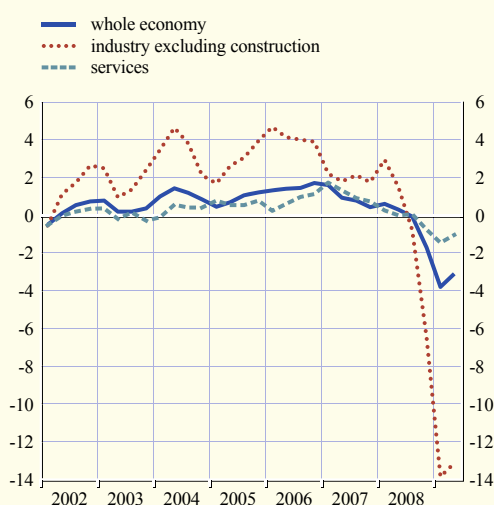
general reductions in overtime and special employment-saving schemes set up by a number of European governments. The various schemes to reduce working hours have helped to prevent a sharp drop in employment and smooth the process of adjustment. Nevertheless, in the second quarter of 2009 employment growth contracted by 0.5% (quarter on quarter), which was a somewhat smaller contraction than the 0.7% decline recorded in the first quarter (see Table 8). The latest data on unemployment is consistent with the contraction in employment. The euro area unemployment rate was practically unchanged at 9.8% in October (see Chart 52). Euro area unemployment stood at its highest rate since December 1998. According to surveys, employment expectations have recovered recently but remain at low levels.

Despite the severe contraction in economic activity in the past few quarters, it should be emphasised that euro area employment has been relatively resilient throughout the turmoil, when viewed against the background of the significant fall observed in economic activity. In that context, productivity per person employed has declined sharply (see Chart 51). The recent rebound in euro area activity will most likely lead to some improvement in euro area productivity growth in the coming quarters. However, as discussed in Box 7, long-term improvement – which would enhance the potential for future productivity growth in the euro area – will be contingent on euro area firms’ restructuring efforts and a wider sectoral reallocation of resources.

Looking ahead, following the sharp contraction in output in late 2008 and early 2009, coupled with the current low levels of capacity utilisation, firms may be less able to continue hoarding labour and further reductions in permanent jobs are to be expected. Therefore, further growth in euro area unemployment is likely in the months ahead, albeit at a slower pace than seen earlier in the year.

**Chart 51 Labour productivity**

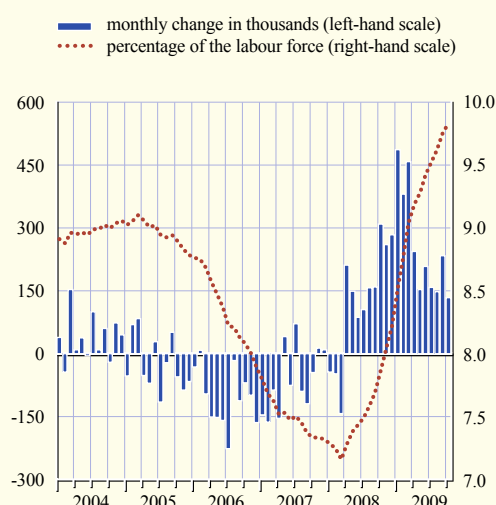
(annual percentage changes)



Sources: Eurostat and ECB calculations.

**Chart 52 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

Box 7

RECENT DEVELOPMENTS IN EURO AREA PRODUCTIVITY

This box examines the euro area's recent productivity performance, concentrating on developments since 2007, reviewing the importance of sectoral and country developments in explaining the recent slowdown before comparing the euro area's productivity performance with US developments.

The euro area's recent productivity performance

Between 2003 and 2006 euro area productivity growth (defined as output per person employed) averaged 1.3% year on year. Since the start of 2007, however, euro area productivity growth has slowed significantly, turning negative in the third quarter of 2008.<sup>1</sup> The latest national accounts releases show some quarter-on-quarter improvement but, in year-on-year terms, productivity continued to contract in 2009, falling by 2.9% in the second quarter, compared with a fall of 3.6% in the first quarter. These rates are unprecedented in the period since the launch of EMU.

The fall in productivity reflects the fact that the exceptionally large contraction in output experienced during the recent downturn was not followed by corresponding cuts in headcount (see Chart A). Indeed, employment has remained resilient, in part reflecting the high degree of employment protection for permanent workers, as well as an intensified use of shorter working hours among

1 While the onset of the recent financial market turmoil clearly exacerbated the sharp contraction in the euro area's productivity performance seen in recent quarters, in fact, the financial crisis did not entirely precipitate the slowdown in productivity growth, which has shown a continual deceleration since the fourth quarter of 2006.

Chart A Growth of euro area GDP, employment and productivity per person employed

(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart B Growth of GDP, employment and productivity in the three largest euro area economies

(annual percentage changes)



Sources: Eurostat and ECB calculations.  
Notes: The euro area 3 refers to Germany, France and Italy. Data on hours worked for France are national accounts estimates for 2008 and 2009.



employees. The latter in part reflects measures to support short-time working arrangements introduced or extended by many national governments in response to the financial market turmoil. Such measures may be beneficial if the downturn is expected to be temporary, mainly demand-driven and unlikely to require any major sectoral reallocation of resources in the economy. However, it may carry risks over the longer term by preventing an efficient reallocation of resources across sectors.<sup>2</sup>

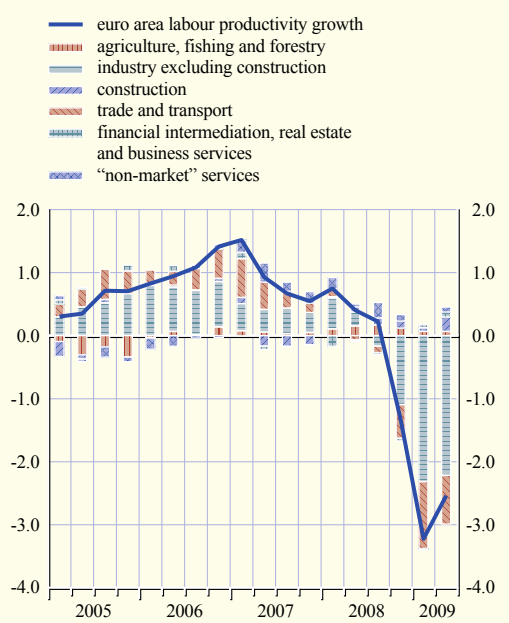
Given the heavy reliance on measures supporting adjustments in hours worked,<sup>3</sup> it is most meaningful to calculate productivity in terms of output per hour worked. Since no quarterly statistical series of hours worked is currently available from national accounts sources for the euro area as an entity, an approximation is necessary, based on aggregations for the three largest euro area economies, as shown in Chart B. This suggests that the fall in productivity was significantly weaker when measured in hours worked than when measured by employment. Nevertheless, these data confirm a rather sharp contraction in euro area hourly labour productivity.<sup>4</sup>

### Sectoral and country developments

For the euro area as a whole, the sharp decline in labour productivity per person employed observed since the third quarter of 2008 has been largely driven by developments in the industrial sector

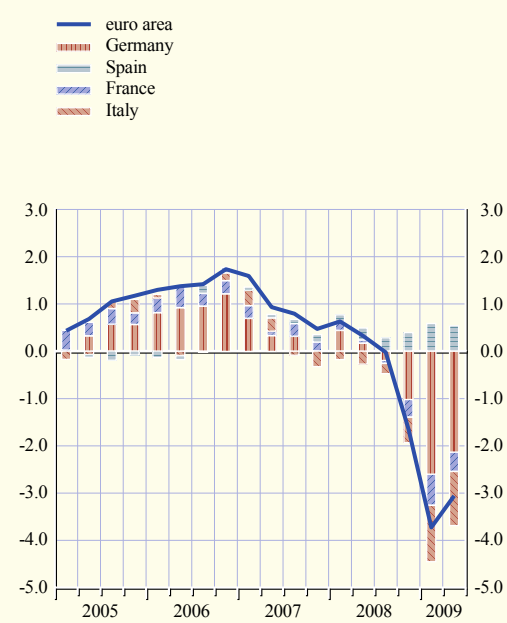
2 Moreover, there may be increased hourly labour costs for firms to the extent that compensation is not adjusted in line with hours worked.  
 3 See the box entitled “Labour market adjustments during the current contraction of economic activity” in the June 2009 issue of the Monthly Bulletin.  
 4 Data on hours worked for France are national accounts estimates for 2008 and 2009.

**Chart C Euro area productivity growth per person employed and sectoral contributions**  
 (annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.

**Chart D Euro area productivity growth per person employed and country contributions**  
 (annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB calculations.  
 Note: Contributions do not sum to the euro area total, owing to the omission of other countries.

(excluding construction) and, to a somewhat lesser extent, in the private non-financial services sub-sector classified as “trade and transport”.<sup>5</sup> This reflects the typically greater cyclicity of output in these sectors to changes in economic conditions, but it also demonstrates the apparent reluctance of firms in these sectors to adjust headcount in line with the strong changes in domestic and international demand observed over recent quarters. In contrast, over the last quarters for which data are available, several sectors appear to have contributed positively to aggregate euro area productivity growth – notably construction and, to a lesser degree, the financial and business services sector – largely as a consequence of the higher degree of labour shedding seen in these sectors (see Chart C).

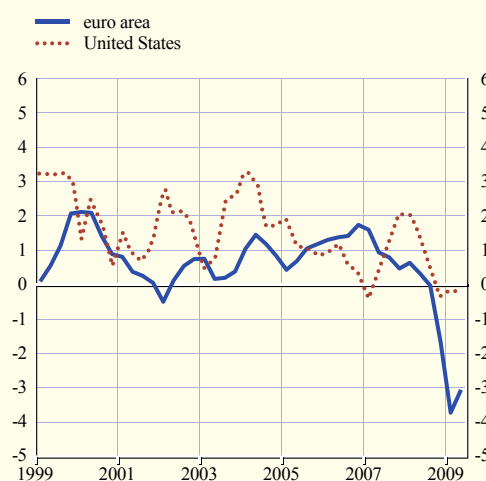
Beyond these sectoral developments, there are important cross-country differences. Chart D illustrates the contributions to the euro area aggregate of the four largest euro area economies. The extensive use of short-time working arrangements, particularly by the industrial sectors in Germany and Italy, has had a heavy impact on productivity developments per person employed in these countries. Lower reliance on such schemes in Spain and, to a lesser extent, in France, in combination with a greater reliance on traditional headcount adjustments, has yielded markedly different productivity patterns. The impact of the shedding of a high proportion of workers on temporary contracts in Spain has even been associated with an acceleration in productivity growth recently, according to national accounts statistics.

### Comparisons with developments in the United States

Chart E compares productivity developments in the euro area with those in the United States. Over the past decade, US productivity growth (per person employed) averaged 2.1% per year, compared with the euro area average of 1.1% per year. Successive declines in US activity since the mid-2000s, followed by a sharp contraction early in 2007, pushed US productivity into negative territory in the first quarter of that year. The decline in the rate of economic growth precipitated a substantial reduction in US employment and, subsequently, a significant rebound in US productivity growth (per person employed). Thus, despite a further considerable slowdown since mid-2008, US productivity growth has remained broadly positive since the second half of 2007 in contrast with significant contractions in euro area productivity.<sup>6</sup> These results hold true

Chart E Productivity growth per person employed in the euro area and the United States

(annual percentage changes)



Sources: Eurostat, OECD, US Bureau of Labor Statistics and ECB calculations.

5 Quarterly sectoral and country developments for the euro area as a whole are available only on a per person employed (not per hour worked) basis. In the national accounts, the “trade and transport” sub-sector comprises a broad range of private non-financial services, including wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants; and the transport, storage and communication sectors.

6 Between the third quarter of 2007 and the second quarter of 2009, the US economy contracted by around 3.2%, accompanied by a rapid and substantial reduction in employment of around 3.7%. Over the same period, euro area output declined by 3.8%, while employment fell by 1.0%.

## Labour productivity growth per hour worked and contributions in the euro area and the United States

(annual percentage changes; percentage point contributions)

	Euro area					United States				
	Growth in labour productivity per hour worked	Capital deepening	Contributions		TFP	Growth in labour productivity per hour worked	Capital deepening	Contributions		TFP
			Of which: Capital stock	Total hours worked				Of which: Capital stock	Total hours worked	
1999-2008	1.1	0.6	1.0	-0.4	0.6	2.1	1.0	1.2	-0.2	1.1
<i>of which:</i>										
1999-2002	1.5	0.6	1.0	-0.4	0.9	2.8	1.2	1.3	-0.1	1.5
2003-2006	1.1	0.6	0.9	-0.3	0.6	2.0	0.9	1.3	-0.4	1.1
2007	1.0	0.3	1.1	-0.8	0.7	1.4	0.9	1.2	-0.3	0.5
2008	0.0	0.7	1.0	-0.3	-0.7	1.0	1.2	0.9	0.2	-0.2

Sources: Eurostat, European Commission AMECO database and ECB calculations.

irrespective of whether productivity is measured per person employed or per hour worked, although the gap is slightly smaller when measured per hour worked.<sup>7</sup>

From a longer-term perspective, employment developments are obviously only part of the explanation for the gap in labour productivity growth observed between the euro area and the United States.<sup>8</sup> The table shows the extent to which US productivity growth has exceeded that of the euro area throughout the decade since 1999, and points to two sources of this disparity. Over this period, capital deepening – defined as the sum of the contributions from changes in the capital stock and changes in total hours worked – has remained significantly higher in the United States than in the euro area, contributing around 1.0 percentage point per year, on average, to productivity growth in the United States, compared with just 0.6 percentage point in the euro area. In addition, the contribution of total factor productivity (TFP) to overall productivity growth has also been much larger in the United States than in the euro area over this period, and appears to have been rather resilient in the United States, compared with an apparent collapse of euro area TFP growth in 2008.

While the policy of giving priority to employment-rich growth helps to explain the lower rates of capital deepening in the euro area in comparison with the United States, it does not explain the differences in the rates of TFP growth. In the euro area, greater participation – particularly of lower-skilled workers entering employment – is likely to have contributed to a reduction in productive efficiency. At the same time, a less flexible regulatory environment (for both labour and product markets) has resulted in lower investment in productivity-enhancing information and communication technologies (ICT). The interaction of these elements may also have led to a lower incidence of beneficial spillover effects from using ICT – for instance, for greater efficiencies in the organisation of production or higher rates of innovation – in the euro area.<sup>9</sup> In the most recent period, while doubtless much of the fall in TFP in both economies can be attributed to cyclical factors, the greater resilience of US TFP may also reflect wider-reaching

<sup>7</sup> The comparison of hourly productivity growth is based on compilations for the euro area 3 (as in Chart B).

<sup>8</sup> The data in this section are taken from the European Commission's Annual Macroeconomic (AMECO) database.

<sup>9</sup> See, for instance, "Developments in euro area labour quality and their implications for labour productivity growth" in the October 2005 issue of the Monthly Bulletin; "Labour productivity developments in the euro area: results from the latest release of the EU KLEMS database" in the January 2008 issue of the Monthly Bulletin; and "Labour productivity developments in the euro area", *ECB Occasional Paper Series* No 53 (October 2006).

adjustments to shocks, supported by the more flexible institutional framework of the US labour market.<sup>10</sup>

### Policy implications

The recent rebound in euro area activity will undoubtedly yield some improvements in euro area productivity growth in the coming quarters, as is already apparent from quarter-on-quarter data. Recent US developments have shown a rapid return to pre-downturn rates of productivity growth, both per person employed and per hour worked, as a result of a significant shake out of employment. Further long-term improvements in euro area productivity growth – aimed at enhancing the potential for the euro area to catch up with the higher rates of productivity growth observed in the United States – will be contingent on the capacity of the euro area economy to support firms' restructuring efforts and permit a wider sectoral reallocation of resources. This process of creative restructuring will require a timely dismantling of crisis measures – including the current heavy reliance on short-time working schemes – once the recovery is assured. Moreover, further structural reforms will be required to help ease labour market transitions and facilitate the reintegration of displaced workers back into jobs, for example through an easing of employment protection legislation for permanent workers and measures aimed at enhancing human capital acquisition. This would particularly benefit young Europeans, who have so far been disproportionately hit by the recession and who are potentially a source of dynamism and innovation. In product markets, measures aimed at enhancing competition, encouraging innovation and the implementation of efficient working practices, are required.

<sup>10</sup> See, for instance, Bassanini, A., L. Nunziata and D. Venn, "Job protection legislation and productivity growth in OECD countries", *Economic Policy*, Vol. 24 (April 2009); and Duval, R., J. Elmeskov and L. Vogel, "Structural policies and economic resilience to shocks", OECD Working Paper No 567 (2006).

## 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

After five quarters of contraction, euro area real GDP growth returned to positive territory in the third quarter of 2009. The latest survey indicators suggest continued positive real GDP growth in the last quarter of 2009. In the near term, economic growth should benefit from a positive contribution from inventories and stronger exports, as well as from the significant macroeconomic stimulus under way and the measures adopted to restore the functioning of the financial system. However, uncertainty remains high as a number of the supporting factors are of a temporary nature. The euro area economy is expected to grow at a moderate pace in 2010, as it is likely to be affected by the ongoing process of balance sheet adjustment in the financial and the non-financial sector, both inside and outside the euro area.

This assessment is broadly in line with the December 2009 Eurosystem staff macroeconomic projections for the euro area. According to these projections, average annual real GDP growth will range between -4.1% and -3.9% in 2009, between +0.1% and +1.5% in 2010, and between +0.2% and +2.2% in 2011. The range for 2010 has been revised upwards compared with the September 2009 ECB staff macroeconomic projections. Forecasts by international organisations are broadly in line with the December 2009 Eurosystem staff projections.

The risks to this outlook are broadly balanced. On the upside, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. Confidence may also improve further and foreign trade may recover more

strongly than projected. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and the possibility of disruptive market movements related to the correction of global imbalances.

## 5 FISCAL DEVELOPMENTS

The current fiscal outlook points to a continued sharp deterioration in budget balances in the euro area. According to the European Commission's autumn 2009 economic forecast, the euro area average general government deficit-to-GDP ratio is projected to increase sharply in 2009. Almost all euro area countries are expected to record a deficit above the 3% of GDP reference value, and 13 countries are currently subject to an excessive deficit procedure. The deterioration in the budgetary situation has taken place alongside a strong decline in GDP and has been mainly driven by revenue shortfalls, expenditure dynamics and tax cuts. In 2010, fiscal imbalances in the euro area as a whole are projected to grow further, although at a slower pace than in 2009. To preserve confidence in the soundness of fiscal policies, it is essential that all authorities adhere to their commitment to fully apply the provisions of the Stability and Growth Pact.

### FISCAL DEVELOPMENTS IN 2009

The public finance outlook for the euro area indicates a further drastic deterioration in budget balances in 2009. According to the European Commission's autumn economic forecast published on 3 November 2009, the euro area average general government deficit ratio is projected to increase from 2.0% of GDP in 2008 to 6.4% of GDP in 2009 (see Table 9), marking the largest budget deterioration since the inception of Economic and Monetary Union. Huge deficits and very large budget deteriorations relative to the previous year are foreseen in almost all countries. A comparison with the Commission's spring 2009 economic forecast shows a clear deterioration in the budgetary situation for individual countries and the euro area as a whole. The euro area budget deficit ratio projection has been revised upward by more than 1 percentage point of GDP. Three euro area countries – Ireland, Greece and Spain – are now projected to record double digit deficit ratios in 2009, while in the spring 2009 economic forecast this applied only to Ireland.

Five countries (Ireland, Greece, Spain, France and Malta) have already been subject to the excessive deficit procedure under the corrective arm of the Stability and Growth Pact, following the ECOFIN Council decisions taken earlier this year on their budgetary outcomes for 2008. On 2 December 2009 the ECOFIN Council decided on the correction of excessive deficits for eight more countries, namely Belgium, Germany, Italy, the Netherlands, Austria, Portugal, Slovenia, Slovakia, and revised the recommendations for Ireland, Spain and France. Most countries have been set deadlines of 2012 and 2013 for the correction of their excessive deficits, while the deadline for Ireland is 2014. The required annual average structural adjustment effort over the correction period varies across countries at between 0.5% and 2.0% of GDP.

Table 9 Fiscal developments in the euro area

(as a percentage of GDP)

	2007	2008	2009	2010
<b>European Commission autumn 2009 economic forecast</b>				
a. Total revenue	45.4	44.8	44.0	43.7
b. Total expenditure	46.0	46.8	50.4	50.5
of which:				
c. Interest expenditure	2.9	3.0	3.0	3.2
d. Primary expenditure (b-c)	43.1	43.8	47.4	47.4
Budget balance (a-b)	-0.6	-2.0	-6.4	-6.9
Primary budget balance (a-d)	2.4	1.0	-3.4	-3.7
Cyclically adjusted budget balance	-1.8	-2.9	-5.0	-5.4
Gross debt	66.0	69.3	78.2	84.0
Memo item: real GDP (percentage change)	2.8	0.6	-4.0	0.7

Sources: European Commission and ECB calculations.  
Note: Figures may not add up due to rounding.

The excessive deficit procedure for Greece was started in April 2009 based on budgetary outcomes for 2007 and 2008. However, in the context of the October 2009 notification, Greece revised upward its 2008 deficit ratio as published in spring by 2.7 percentage points, to 7.7% of GDP. The revisions to the 2008 deficit were mainly on account of higher subsidies to the social security funds to cover long-standing liabilities of public hospitals. In addition, tax revenues and social contributions were revised downward. Consequently, Eurostat expressed a reservation concerning the quality of data reported by Greece, due to significant uncertainties over the figures notified by the Greek statistical authorities. For 2009, Greece revised upward its deficit ratio projection from 6.0% of GDP in early October to 12.5% of GDP in late October, while according to the Commission's projections, it will reach 12.7% of GDP.

In a context of declining economic activity, the increasing deficits and government interventions in response to the financial crisis feed into a rapidly growing debt-to-GDP ratio. The Commission projects the general government gross debt ratio of the euro area to increase sharply from 69.3% of GDP in 2008 to 78.2% of GDP in 2009. Stock-flow adjustments, which also capture bank recapitalisations and loans to private enterprises, account for 0.6 percentage point of the total debt ratio increase.

#### FACTORS UNDERLYING BUDGETARY DEVELOPMENTS IN 2009

The simultaneous deterioration in the euro area budget balance and average annual real GDP growth is clearly visible in Chart 53a.

However, an analysis of factors underlying the fiscal deterioration is made more difficult by the uncertainty regarding the distinction between cyclical and trend effects in recent economic developments. In particular, since the separation of cyclical from non-cyclical effects in actual changes of fiscal balances rests on the identification of the output gap in real time, the estimates presented below are surrounded by a large margin of uncertainty.

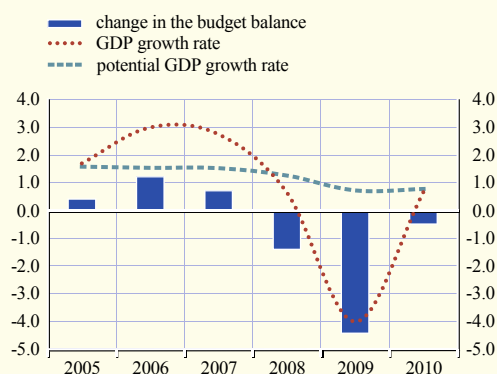
Keeping this caveat in mind, both the operation of automatic stabilisers and the expansionary fiscal stance adopted in the euro area as a whole have had a sizeable negative impact on the budget balance. This can be seen in Chart 53b from the deterioration in both the cyclical component and the cyclically adjusted balance.

More specifically, the economic downturn has caused a reduction in tax bases and an expansion in social benefits and transfer payments. In addition, revenue shortfalls beyond the assessed value of tax elasticities have put upward pressure on deficits. Finally, a large part of the deterioration reflects tax cuts implemented in a

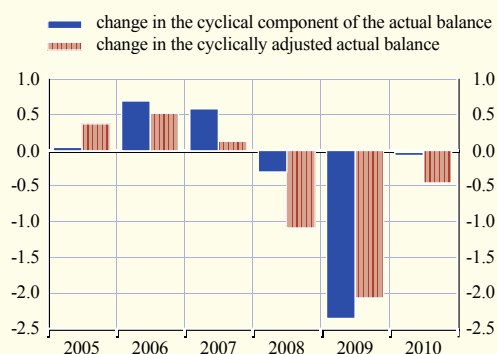
Chart 53 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)

#### a) GDP growth and annual change in the budget balance



#### b) Annual changes in the cyclically adjusted balance and in the cyclical component of the actual balance



Sources: European Commission (autumn 2009 economic forecast) and ECB calculations.

number of euro area countries and a structural spending growth rate above that of trend GDP. The Commission estimates that in 2009 discretionary measures will amount to 1.3% of GDP, partly reflecting the fiscal stimulus packages adopted in line with the European Economic Recovery Plan.

Quarterly data available up to the second quarter of 2009 show strongly negative revenue growth, while expenditure continued to grow at a high pace (Chart 54a). Consequently, revenue-to-GDP ratios declined and expenditure ratios increased (Chart 54b).

### PROSPECTS FOR FISCAL POLICIES IN 2010

Looking ahead, the gap between expenditure and revenue growth is set to widen until the end of 2009 and is projected to narrow in 2010 (Chart 54a).

For 2010 the Commission forecasts a further deterioration in the euro area average deficit ratio, at almost 7% of GDP. All euro area countries are expected to breach the 3% of GDP reference value in 2010. The debt ratio is expected to rise further by close to 6 percentage points of GDP to 84.0%.

This weakening of the budgetary position results from a moderately expansionary fiscal stance, in part reflecting the discretionary fiscal measures planned in some euro area countries. Interest expenditure is also projected to pick up in 2010. As actual real GDP growth is expected to return to close to its potential rate (Chart 53a), the effects of automatic stabilisers would be negligible (Chart 53b).

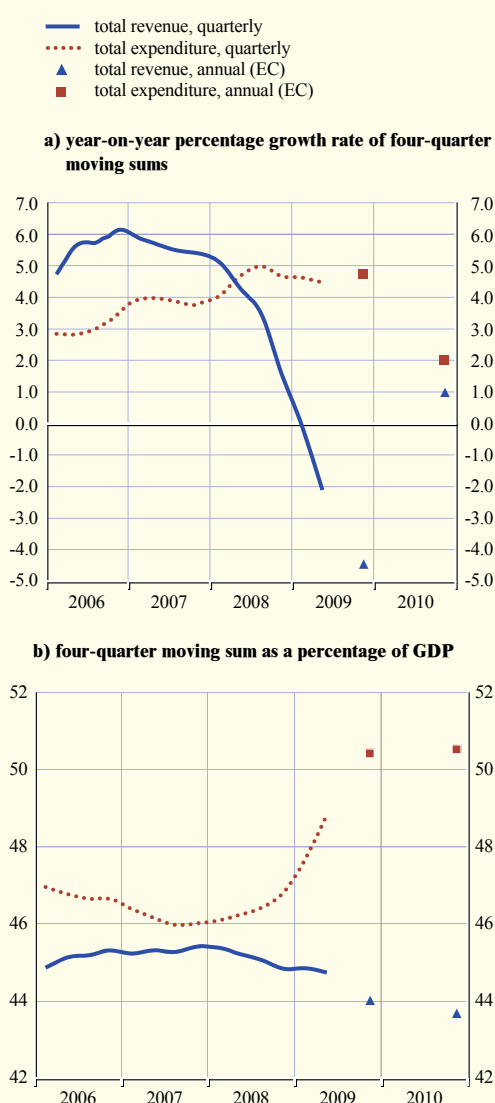
The main downside risks to the projection of the fiscal balance relate to the possibility of a slow economic recovery, as well as possible failure on the part of governments in starting to implement the necessary consolidation measures in 2010.

Additional pressures on long-term sustainability may emerge, for example from a prolonged period of lower potential growth, further costs related to bank rescue operations, as well as failure to reverse temporary stimulus measures.

### FISCAL POLICY CONSIDERATIONS

The current path of fiscal policies is not sustainable. The pressures on fiscal sustainability arising from the current financial

Chart 54 Quarterly government finance statistics and projections for the euro area



Sources: ECB calculations based on Eurostat and national data, European Commission's autumn 2009 economic forecast.  
Note: The charts show the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from the first quarter of 2006 to the second quarter of 2009, plus the annual projections for 2009 and 2010 from the European Commission's autumn 2009 economic forecast.



and economic environment are exacerbated by the projected fiscal burden due to population ageing. These pressures relate, in particular, to rising public expenditure on unfunded old age pension systems and healthcare in an environment of slowing potential growth (see Box 8).

It is imperative for policy-makers to ensure that public confidence in the sustainability of public finances is maintained. Now that the broader financial and economic environment appears to have stabilised, the main fiscal policy challenge is to define timely and credible fiscal adjustment strategies (or “exit strategies”) based on realistic growth assumptions. For each country, this will require setting out ambitious fiscal adjustment targets to ensure a swift correction of the fiscal imbalances. These targets must be underpinned by concrete adjustment measures that lead to a sustained reduction of the deficits and succeed in putting the debt ratios on a declining trajectory. In many countries, it is necessary for consolidation to start in 2010, while all countries should take corrective measures in 2011.

The consolidation effort will necessarily focus strongly on the expenditure side. As shown above, the crisis entails a sharp rise in the primary (i.e. non-interest) public expenditure-to-GDP ratio. This reflects only in part temporary discretionary expenditure measures implemented in response to the economic downturn. A large part of the increase is due to the inelastic reaction of expenditure plans to the much lower than expected output. Looking forward, expenditure trends will need to be adjusted to the changed economic environment as previous expenditure plans are no longer affordable. By contrast, given the high tax environments in most euro area countries, increases in tax rates risk inducing distortions and impeding the much needed recovery of economic growth potential.

The consistent implementation of the provisions of the EU fiscal surveillance framework, notably the corrective arm of the Stability and Growth Pact, is a key condition for maintaining public confidence in the soundness of current policies. The EU fiscal framework is a cornerstone of economic policy-making in EMU. Any perception that the letter and spirit of the framework is being undermined by lax implementation of the rules risks eroding public confidence in the soundness of fiscal institutions in the euro area. This includes any perception of shortcomings regarding the reliability and completeness of government finance statistics.

While financial market conditions for sovereign debt issuance have recently been relatively benign, this cannot be taken for granted. The very large government borrowing requirements carry the risk of triggering rapid changes in market sentiment. This could happen, in particular, if market participants were to perceive policies as failing to address the challenges to fiscal sustainability. Beyond the implications for medium and long-term interest rates and government borrowing costs, this would dampen private investment and thereby weaken the foundations for a return to sustained growth.

## Box 8

**THE EUROPEAN COMMISSION'S 2009 SUSTAINABILITY REPORT**

In October the European Commission published its 2009 Sustainability Report, which assesses the sustainability of public finances in the EU27 over the period 2008-60.<sup>1</sup> This report updates the Commission's first Sustainability Report published in 2006.<sup>2</sup> Its assessment of sustainability risks is based on a wide range of indicators covering, inter alia, sustainability gaps and government debt ratios. The respective calculations draw upon the new long-term projections of age-related government expenditure<sup>3</sup> released in April this year, as well as the Commission's spring 2009 economic forecast. This box summarises the methodology underlying the assessment of sustainability risks and presents the main results of the report.

**Methodology for measuring sustainability risks**

The Commission's approach to assessing risks to fiscal sustainability combines a quantitative analysis of governments' fiscal positions with qualitative assessments of additional sources of possible fiscal pressures. The quantitative analysis derives from governments' intertemporal budget constraint, i.e. the notion that any current and future government debt will need to be repaid by future budget surpluses.<sup>4</sup> The Commission's approach results in the S2 indicator, which measures the amount of fiscal adjustment (i.e. increase in tax revenues or reduction in public expenditure) necessary to achieve a sustainable fiscal position. This indicator captures, in particular, two sources of possible shortfalls in the intertemporal budget constraint: i) the gap between the current fiscal balance and the fiscal balance required to stabilise the debt-to-GDP ratio; and ii) the additional gap related to projected increases in age-related government expenditure until 2060.<sup>5</sup> The Commission's approach is based on primary balances, i.e. excluding interest expenditure, and accounts for the impact of the business cycle by using structural (i.e. cyclically adjusted) primary balances.

The fact that the calculation of the sustainability indicators for 2009 is based on the spring estimates for structural primary balances leads to a degree of uncertainty in the results. In view of the financial crisis and the economic downturn, uncertainty over the level and growth rate of potential output (and thus over structural fiscal balances) is particularly high at present. The very long projection horizon adds to the uncertainty surrounding the assessment.

The report also accounts for qualitative factors in the overall assessment of risks to the sustainability of public finances in the EU27. These include, inter alia, the projected change in the structural primary balance from 2008 to 2010, the level of the government debt ratio in 2009 and the tax-to-GDP ratio, as well as the benefit ratio. The tax ratio captures the fact that countries with an already high tax ratio may be restricted in improving the sustainability of their public finances, as their ability to raise tax rates further may be limited for political reasons.

1 See Sustainability Report 2009, *European Economy 9/2009*, European Commission, Brussels, 2009.

2 See the box entitled "Long-term fiscal sustainability in the euro area" in the December 2006 issue of the Monthly Bulletin.

3 See the box entitled "The 2009 Ageing Report: updated projections for age-related public expenditure" in the June 2009 issue of the Monthly Bulletin. Projections of age-related expenditure comprise pensions, health care, long-term care, unemployment benefits and education.

4 For details on the assessment of sustainability, see N. Giammarioli, C. Nickel, P. Rother and J.-P. Vidal, "Assessing fiscal soundness: theory and practice", *Occasional Paper Series*, No 56, ECB, Frankfurt am Main, 2007.

5 For an overview of the models underlying the pension projections, see Economic Policy Committee (AWG) and the Directorate General for Economic and Financial Affairs, "Pension schemes and pension projections for the EU27 Member States – 2008-2060", Volume 1, *Occasional Paper Series*, No 56, European Commission, Brussels, 2009.

Accounting for the size of the benefit ratio is supposed to capture the fact that countries with a low benefit ratio (compared with average incomes in the economy) may be restricted in reforming their social systems through further reductions in benefit levels.

### Significant increase in risks to the sustainability of public finances in the euro area

The results of grouping the euro area countries into risk categories show that half of the 16 euro area countries are assessed as high risk in terms of the sustainability of their public finances, namely Ireland, Greece, Spain, Cyprus, Malta, the Netherlands, Slovenia and Slovakia (see table below). Belgium, Germany, France, Italy, Luxembourg, Austria and Portugal are assessed as medium risk, while Finland is the only euro area country that is assessed as low risk. Compared with the 2006 Sustainability Report, mainly owing to the deterioration in their

#### Overall sustainability risk assessment and main underlying factors considered

	Sustainability gap indicator (S2)			Overall risk assessment according to the S2 indicator	Selected qualitative indicators for assessing additional sources of fiscal pressures	Overall sustainability risk assessment	
	Required adjustment of structural primary balance to:		Total (3) = (1) + (2)			2009	memo: 2006
	stabilise debt ratio given initial budgetary position (1)	address long-term change in primary balance due to ageing (2)					
Belgium	0.6	4.8	5.3	medium	tax ratio (-)	medium	medium
Germany	0.9	3.3	4.2	medium	change in structural primary balance (-)	medium	medium
Ireland	8.3	6.7	15.0	high	change in structural primary balance (-)	high	medium
Greece	2.6	11.5	14.1	high		high	high
Spain	6.1	5.7	11.8	high	change in structural primary balance (-)	high	medium
France	3.8	1.8	5.6	medium		medium	medium
Italy	-0.1	1.5	1.4	low	very high debt ratio (-) tax ratio (-)	medium	medium
Cyprus	0.5	8.3	8.8	high	change in structural primary balance (-)	high	high
Luxembourg	-0.4	12.9	12.5	high	very low debt ratio (+)	medium	medium
Malta	1.4	5.7	7.0	high		high	medium
Netherlands	1.9	5.0	6.9	high	change in structural primary balance (-)	high	low
Austria	1.6	3.1	4.7	medium	benefit ratio (-)	medium	low
Portugal	3.7	1.9	5.5	medium	benefit ratio (-)	medium	high
Slovenia	3.9	8.3	12.2	high	change in structural primary balance (-)	high	high
Slovakia	4.5	2.9	7.4	high		high	medium
Finland	-0.5	4.5	4.0	medium	low debt ratio (+), change in structural primary balance (-)	low	low

Source: European Commission.

Notes: As regards qualitative indicators, the change in the structural primary balance refers to the period 2008-10. The list of qualitative indicators reviewed in the table is not exhaustive; the assessment of the debt ratio in 2009 is included only when it contributes to explaining differences in the risk assessment according to the S2 indicator and the overall sustainability risk assessment. (-) factor tends to increase risk to long-term fiscal sustainability, while (+) factor tends to reduce it.

current budgetary positions, Ireland, Spain, Malta, the Netherlands, Austria and Slovakia have been grouped into a higher risk category.

As indicated in the table, the underlying quantitative determinants of the identified sustainability gaps, i.e. the gaps arising from the initial budgetary position and from the projected rise in ageing costs, differ significantly across the euro area countries. The table also shows that to stabilise the debt ratio, the current structural primary balance may require a large adjustment, amounting to more than 8 percentage points of GDP. In turn, the adjustment of the structural primary balance needed to address projected increases in age-related expenditure may reach almost 13 percentage points of GDP.

### **Strong need for structural reform and fiscal consolidation**

The report provides an essential and balanced assessment of sustainability risks in the EU27, which are described as being so significant that “debt sustainability should get a very prominent and explicit role in the surveillance procedures” under the Stability and Growth Pact. Although the results are subject to a large degree of uncertainty and do not account for planned consolidation measures, they provide evidence of rapidly rising risks to the sustainability of public finances. In particular, owing to the financial crisis and the economic downturn, the starting positions of all countries have already worsened considerably. The assessment does not explicitly account for the increase in the size of countries’ contingent liabilities associated with the stabilisation of the banking system during the current crisis, meaning that it may underestimate the size of the challenges to sustainability.

In November the ECOFIN Council issued its conclusions on the 2009 Sustainability Report. Acknowledging the “larger than usual uncertainty” surrounding structural budgetary positions and long-term budgetary projections, it concluded that the crisis-related deterioration in public finances “added substantially to sustainability challenges”. The Council therefore called for these challenges to be addressed through a determined implementation of the three-pronged strategy agreed at the 2001 European Council in Stockholm, consisting of: (i) deficit and debt reduction; (ii) increasing employment rates; and (iii) reforming social protection systems.

The findings of the Sustainability Report should be taken as a wake-up call concerning the severity of the challenges to fiscal sustainability. They highlight the urgent need to design and communicate ambitious fiscal exit and consolidation strategies in order to return to sound fiscal positions.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 20 November 2009, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Reflecting the prospects for a slow economic recovery worldwide, average annual real GDP growth is projected to be between -4.1% and -3.9% in 2009, increasing to between 0.1% and 1.5% in 2010 and between 0.2% and 2.2% in 2011. Inflation is projected to remain moderate over the projection horizon, being dampened by the slack prevailing in the euro area. The average rate of overall HICP inflation is expected to be around 0.3% in 2009, rising to between 0.9% and 1.7% in 2010 and between 0.8% and 2.0% in 2011.*

### Box 9

#### TECHNICAL ASSUMPTIONS ABOUT INTEREST RATES, EXCHANGE RATES, COMMODITY PRICES AND FISCAL POLICIES

The technical assumptions about interest rates and both energy and non-energy commodity prices are based on market expectations, with a cut-off date of 12 November 2009.<sup>1</sup> The assumption about short-term interest rates is of a purely technical nature. Short-term rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an overall average level of short-term interest rates of 1.2% for 2009 and 2010. They are assumed to increase thereafter to 2.4% in 2011. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.0% in 2009, increasing slightly to 4.1% in 2010 and to 4.6% in 2011. The baseline projection takes into account the recent improvements in financing conditions and assumes that, over the projection horizon, bank lending rate spreads vis-à-vis the above-mentioned interest rates will narrow somewhat. Similarly, credit supply conditions are assumed to ease gradually over the horizon. As regards commodities, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, oil prices per barrel are assumed to average USD 62.2 in 2009, USD 81.4 in 2010 and USD 85.9 in 2011. The prices of non-energy commodities in US dollars are estimated to have decreased significantly, by 22.3%, in 2009 and assumed to rise by 24.7% in 2010, followed by a more modest increase of 4.0% in 2011.

Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.39 in 2009 and 1.49 in 2010 and 2011, and an effective exchange rate of the euro that, on average, appreciates by 0.8% in 2009 and by a further 2.2% in 2010.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 20 November 2009. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

<sup>1</sup> Oil and food price assumptions are based on futures prices up to end-2011. For other commodities, prices are assumed to follow futures up to end-2010 and thereafter to develop in line with global economic activity.

<sup>1</sup> The Eurosystem staff macroeconomic projections are produced jointly by experts from the ECB and the euro area NCBS. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used, involving a correction for exceptional events, is documented in "New procedure for constructing Eurosystem and ECB staff projection ranges", ECB, December 2009, also available on the ECB's website.

## THE INTERNATIONAL ENVIRONMENT

The global economic outlook continues to show signs of improvement, with the turning-point towards a recovery having emerged in the second quarter of 2009. In the near term, the recovery is expected to be uneven, as it is being driven primarily by the impact of monetary and fiscal stimuli, the rebound in trade and the inventory cycle. While some of the factors have only a temporary impact, the gradual improvement in financing conditions is expected to provide more lasting support to the projected global recovery. Overall, global economic growth is expected to remain below past trends over the whole projection horizon, as advanced economies in particular experience a subdued recovery, being persistently affected by the crisis. World real GDP outside the euro area is estimated to have fallen by 0.6% on average in 2009, but is assumed to grow by 3.5% in 2010 and 3.9% in 2011. Growth in the euro area's export markets is estimated to have fallen even more strongly in 2009, to -12.2%, and is assumed to recover to 4.2% in 2010 and 4.7% in 2011.

## REAL GDP GROWTH PROJECTIONS

Euro area real GDP growth returned to positive territory in the third quarter of 2009, with real GDP rising for the first time since the first quarter of 2008. Available evidence suggests that a number of factors may have boosted growth, such as fiscal stimulus packages, the inventory cycle and the acceleration of trade. Once those partly temporary factors reverse, in early 2010, GDP growth is expected to moderate again. Over the full projection horizon until 2011, activity is projected to be gradually supported by exports and by stronger domestic demand. The lagged effects of monetary policy actions and of the significant efforts to restore the functioning of the financial system support the recovery over the projection horizon. Growth is, however, expected to remain on a weaker path than before the recession, owing to the need for balance sheet repair in various sectors and the fact that consumption is dampened by weak labour market prospects. In annual terms, after growing by 0.5% in 2008, real GDP growth is projected to be between -4.1% and -3.9% in 2009, picking up to between 0.1% and 1.5% in 2010 and between 0.2% and 2.2% in 2011.

In more detail, among the domestic components of GDP, total investment is expected to decline until the beginning of 2011, albeit at a diminishing pace. Non-residential private investment is assumed to be constrained by low capacity utilisation, weak demand, high uncertainty and subdued profits. Residential investment is projected to be dampened by ongoing adjustments in housing markets in some countries. In line with the fiscal packages announced in several euro area countries, government investment in real terms is assumed to grow strongly in 2009 and 2010, before declining the following year.

Private consumption growth is also expected to be subdued. Real labour income is projected to fall over most of the projection horizon, although real incomes are expected to be supported by moderate wage increases, low inflation and government transfers. In addition, the rise in precautionary saving observed in the course of 2009 – in a context of economic uncertainty, increasing unemployment and moderating house prices – is projected to be unwound only to some extent over the projection horizon.

Following sharp declines at the turn of the year, euro area exports started to rebound in mid-2009. A gradual recovery in exports is projected, supported by foreign demand growth, although price competitiveness is expected to weigh somewhat on exports. Euro area imports have decreased markedly in the course of 2009, but are projected to recover in the following two years as final demand picks up. As the projected decline in exports is even stronger than that in imports for 2009, net trade contributes significantly to the decline in GDP in 2009. Slightly positive net trade contributions are expected from 2010 onwards.

**Table 10 Macroeconomic projections for the euro area**(average annual percentage changes)<sup>1), 2)</sup>

	2008	2009	2010	2011
HICP	3.3	0.3 - 0.3	0.9 - 1.7	0.8 - 2.0
Real GDP	0.5	-4.1 - -3.9	0.1 - 1.5	0.2 - 2.2
Private consumption	0.4	-1.2 - -1.0	-0.2 - 0.8	0.2 - 1.8
Government consumption	2.0	2.2 - 3.0	0.5 - 1.7	0.4 - 1.8
Gross fixed capital formation	-0.6	-11.3 - -10.5	-3.1 - -0.1	-1.7 - 2.3
Exports (goods and services)	0.8	-14.5 - -12.5	0.6 - 5.6	0.7 - 6.5
Imports (goods and services)	0.9	-12.6 - -11.0	0.4 - 4.6	0.8 - 5.4

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

2) The reported figures include Slovakia already in 2008, except with regard to the HICP, where they include Slovakia only from 2009. The average annual percentage changes for 2009 are based on a euro area composition that includes Slovakia already in 2008.

Reflecting the lagged adjustment to the sharp drop in output experienced until mid-2009 and the projected weakness in economic activity, total hours worked in the euro area are expected to decline until 2011. While the corresponding adjustment initially arises mostly through a reduction in hours per head, it is increasingly expected to weigh on the number of persons employed. Labour demand is also projected to be dampened by downward wage rigidities in the context of the sharp downturn in activity. Reflecting the fall in employment, the unemployment rate is expected to increase over the projection horizon.

The crisis is expected to dampen potential growth over the projection horizon. The fall in potential growth reflects the inevitable rise in structural unemployment, lower participation rates and the strong decline in investment, which will weigh on the capital stock. The magnitude of these effects, however, is very uncertain and projections of potential growth, and accordingly of the output gap, are surrounded by an even higher degree of uncertainty than usual. This notwithstanding, the estimated output gap is expected to remain significantly negative over the projection horizon.<sup>2</sup>

#### PRICE AND COST PROJECTIONS

After reaching a low of -0.4% in the third quarter of 2009, annual HICP inflation is expected to turn positive in the fourth quarter of 2009. This pattern is mostly due to strong base effects arising from past falls in commodity prices. Thereafter, inflation is expected to remain moderate, being dampened by the slack prevailing in the euro area. The average annual inflation rate is estimated to be around 0.3% in 2009, and is projected to rise to between 0.9% and 1.7% in 2010, and between 0.8% and 2.0% in 2011. The annual rate of change in the HICP excluding energy is expected to follow a downward pattern until 2010, reflecting the weakness of aggregate demand, and to remain at moderate levels in 2011.

In more detail, the decline in external price pressures observed during 2009 is expected to reverse in the near future, reflecting mainly the assumed path of commodity prices but also a pick-up in competitors' prices. Turning to domestic price pressures, wage pressures have fallen markedly in the course of 2009, in view of the deterioration of the labour market and the fall in inflation. Looking ahead, wage growth is projected to remain moderate. However, annual unit labour cost growth has risen sharply in 2009, largely owing to the decline in productivity and to the fact that wages have reacted only slowly to the fall in economic activity. Looking ahead, given that productivity should rebound with the cyclical improvement, unit labour costs are projected to decline in 2010

2 See the box entitled "Potential output estimates for the euro area" in the July 2009 issue of the Monthly Bulletin.

Table II Comparison with the September 2009 projections

(average annual percentage changes)		
	2009	2010
Real GDP – September 2009	-4.4 - -3.8	-0.5 - 0.9
Real GDP – December 2009	-4.1 - -3.9	0.1 - 1.5
HICP – September 2009	0.2 - 0.6	0.8 - 1.6
HICP – December 2009	0.3 - 0.3	0.9 - 1.7

and to rebound only moderately in 2011. While profit margins have largely absorbed the sharp increase in unit labour costs in 2009, they are expected to grow again later in the projection period as companies try to recover part of the earlier decline when activity gradually picks up.

#### COMPARISON WITH THE SEPTEMBER 2009 PROJECTIONS

With regard to real GDP growth, the projection range for 2009 has been slightly narrowed compared with that published in the September 2009 issue of the Monthly Bulletin. The range for 2010 has been revised upwards. This reflects, in part, the carry-over from revisions for the end of 2009.

With regard to HICP inflation, the figure for 2009 is within the range published in September 2009, while the range for 2010 is now somewhat higher.

#### Box 10

##### FORECASTS BY OTHER INSTITUTIONS

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

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

(average annual percentage changes)							
	Date of release	GDP growth			HICP inflation		
		2009	2010	2011	2009	2010	2011
IMF	October 2009	-4.2	0.3	1.3	0.3	0.8	0.8
Survey of Professional Forecasters	October 2009	-3.9	1.0	1.6	0.3	1.2	1.6
European Commission	November 2009	-4.0	0.7	1.5	0.3	1.1	1.5
Consensus Economics Forecasts	November 2009	-3.8	1.2	1.5	0.3	1.1	1.5
OECD	November 2009	-4.0	0.9	1.7	0.2	0.9	0.7
Eurosystem staff projections	December 2009	-4.1 - -3.9	0.1 - 1.5	0.2 - 2.2	0.3 - 0.3	0.9 - 1.7	0.8 - 2.0

Sources: European Commission Economic Forecasts, Autumn 2009; IMF World Economic Outlook, October 2009; OECD preliminary Economic Outlook, November 2009; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.

Notes: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.



In the forecasts currently available from other institutions, euro area real GDP is expected to fall by between 3.8% and 4.2% in 2009. GDP growth is expected thereafter to be positive, ranging between 0.3% and 1.2% in 2010 and between 1.3% and 1.7% in 2011. All these forecasts are broadly in line with the ranges of the Eurosystem staff projections.

As regards inflation, available forecasts from other institutions anticipate average annual HICP inflation to be between 0.2% and 0.3% in 2009, between 0.8% and 1.2% in 2010, and between 0.7% and 1.6% in 2011. These forecasts for inflation are broadly in line with the ranges of the Eurosystem staff projections.

## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

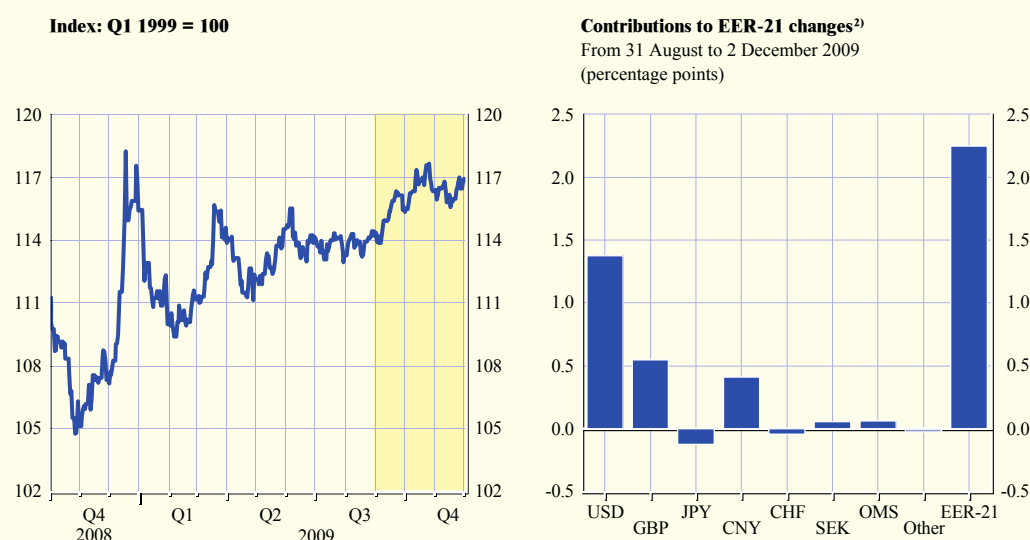
The further normalisation of conditions in financial markets appears to have contributed to the strengthening of the euro in nominal effective terms over the last three months. This appreciation primarily reflects a strengthening of the euro vis-à-vis the US dollar, the pound sterling and the major Asian currencies linked to the US dollar. Over the same period the implied volatilities of some major exchange rates stopped declining and in many cases even increased, especially at the longer maturities.

#### EFFECTIVE EXCHANGE RATE OF THE EURO

Since March 2009 global financial market conditions have gradually been returning to normal, as reflected in widespread declines in spreads and implied volatilities. This normalisation appears to have led to a reversal of the crisis-related flows into the US dollar and thereby contributed to the strong appreciation of the euro against the US dollar between March and August 2009. The appreciation of the euro has continued over the past three months, and by 2 December 2009 the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's most important trading partners – was 2.2% higher than at the end of August (see Chart 55). The appreciation over the last three months has primarily been driven by the strengthening of the euro against the US dollar, the pound sterling and the major Asian currencies linked to the US dollar (see Chart 55). This period has reportedly seen renewed resort to carry trade strategies, which are typically associated with periods of low short-term implied volatilities. More recently, however, the implied

Chart 55 Euro effective exchange rate (EER-21) and its decomposition<sup>1)</sup>

(daily data)



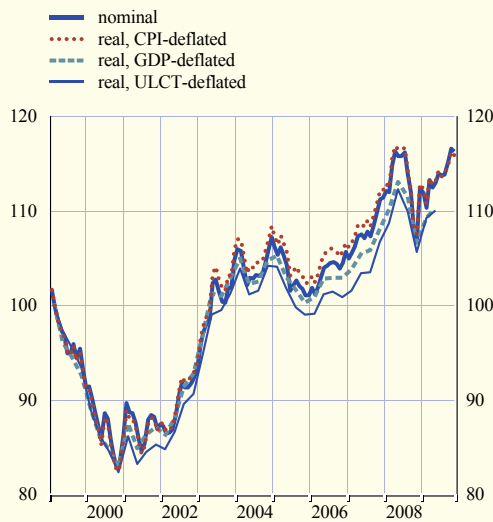
Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the most important trading partners of the euro area (including all non-euro area EU Member States).

2) Contributions to EER-21 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States" (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category "Other" refers to the aggregate contribution of the currencies of the remaining six trading partners of the euro area in the EER-21 index. Changes are calculated using the corresponding overall trade weights in the EER-21 index.

**Chart 56 Euro nominal and real effective exchange rates (EER-21)<sup>1)</sup>**

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



Source: ECB.  
1) An upward movement of the EER-21 indices represents an appreciation of the euro. The latest observations for monthly data are for November 2009. In the case of the GDP and ULCT-based real EER-21, the latest observation is for the second quarter of 2009 and is partly based on estimates.

volatilities of some major exchange rates have stopped declining and in many cases even increased (see Chart 57), particularly at the longer maturities.

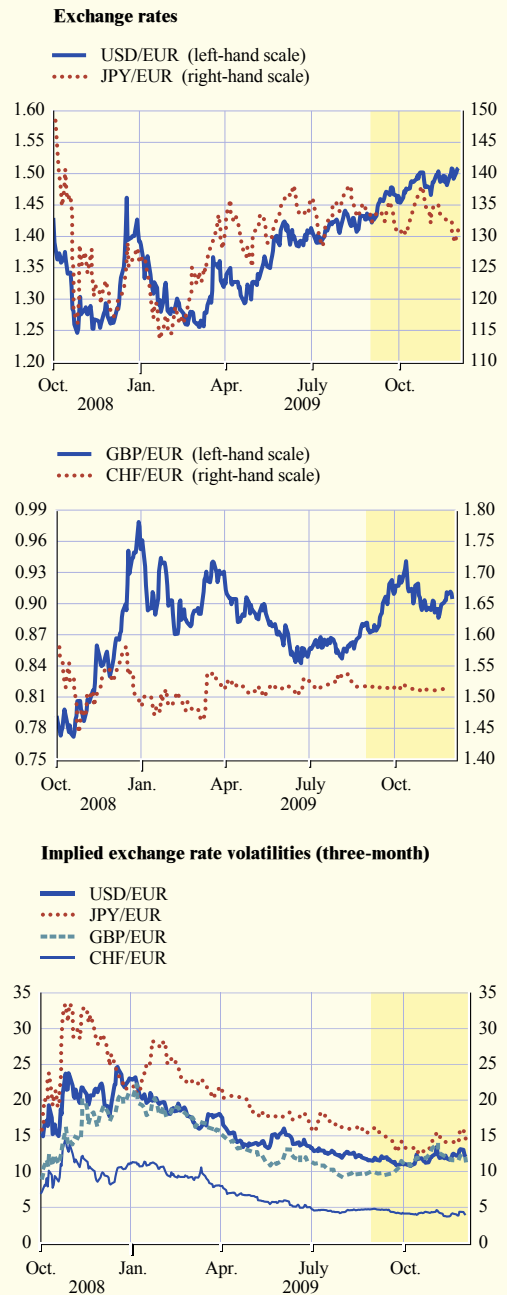
With regard to indicators of international price and cost competitiveness of the euro area, in November 2009 the real effective exchange rate of the euro based on consumer prices was around 2.1% stronger than its average 2008 level (see Chart 56).

### US DOLLAR/EURO

Over the past three months, the euro has continued to strengthen against the US dollar (see Chart 57). At the same time implied volatilities of the USD/EUR exchange rate at different horizons have increased somewhat. On 2 December 2009 the euro was trading at USD 1.51, 5.7% higher than at the end of August and 2.6% above its 2008 average.

**Chart 57 Patterns in exchange rates and implied volatilities**

(daily data)



Source: Bloomberg and ECB.  
Note: The shaded area refers to the period 31 August 2009 to 2 December 2009.

### JAPANESE YEN/EURO

While financial markets have been stabilising, since March 2009, the JPY/EUR exchange rate has also stabilised to some extent, fluctuating between JPY 125 and JPY 138 to the euro. Over the last three months the fluctuations in the JPY/EUR exchange rate have further narrowed, while implied volatilities at a wide range of maturities have decreased slightly, moving closer to their long-term average levels (see Chart 57). On 2 December the euro stood at JPY 131.6, 1.2% weaker than at the end of August and 13.7% weaker than its 2008 average.

### EU MEMBER STATES' CURRENCIES

Over the past three months, most currencies participating in ERM II have remained stable against the euro and have continued to trade at, or close to, their respective central rates (see Chart 58). The Latvian lats, however, depreciated against the euro in September and thereafter remained close to the limit on the weak side of the  $\pm 1\%$  unilaterally set fluctuation band.

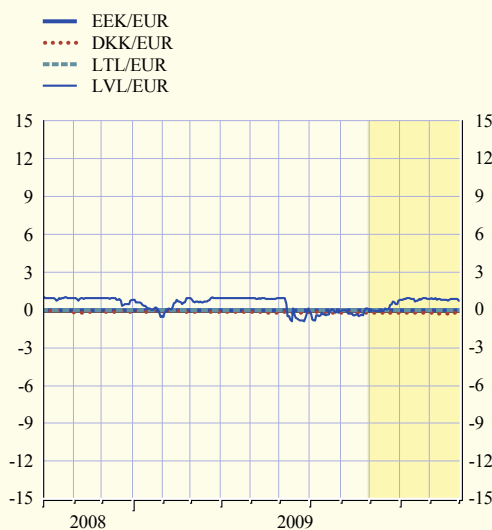
As regards the currencies of the EU Member States not participating in ERM II, over the last three months the euro has continued to appreciate against the pound sterling, standing at GBP/EUR 0.90 on 2 December, which is 2.6% stronger than at the end of August and 13.5% stronger than its average 2008 level. Since the end of August the (three-month) implied volatility of the GBP/EUR exchange rate has risen significantly above its long-term average, although it remains below recent peaks (see Chart 57). Over the same period, following an almost uninterrupted decline from early March, the euro has appreciated against the Czech koruna, while remaining broadly unchanged against the Polish zloty and the Hungarian forint. The euro has also strengthened vis-à-vis the Swedish krona, by 1.2%.

### OTHER CURRENCIES

Since March 2009 the CHF/EUR exchange rate has stabilised, fluctuating between CHF 1.50 and CHF 1.54 to the euro, amid market reports of foreign exchange intervention by the Swiss monetary authorities to counter an appreciation of the Swiss franc. Over the last three months implied volatility at the one-year horizon has remained broadly unchanged at a level close to its long-term average, while shorter-term volatility measures have decreased further below their historical averages. Reflecting a shift in the exchange rate regime for the Chinese renminbi from a crawling peg back towards a fixed rate regime vis-à-vis the US dollar in summer 2008, the CNY/EUR exchange rate has been closely following the USD/EUR exchange rate. As a result, over the last three months the euro has appreciated against the Chinese renminbi by 5.7%.

Chart 58 Patterns in exchange rates in ERM II

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



Source: ECB.

Notes: A positive (negative) deviation from the central rate against the euro implies that the currency is on the weak (strong) side of the band. In the case of the Danish krone, the fluctuation band is  $\pm 2.25\%$ ; for all other currencies, the standard fluctuation band of  $\pm 15\%$  applies.

## 7.2 BALANCE OF PAYMENTS

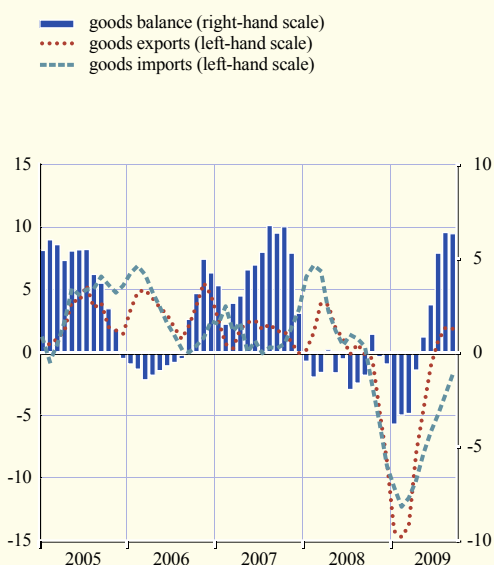
After declining in the previous three quarters, extra-euro area exports of goods and services started to rebound in the third quarter of 2009. Goods and services imports were also stabilising, but continued to lag behind exports. These developments contributed to a further narrowing of the 12-month cumulated current account deficit in September 2009, to €91.6 billion (1.0% of GDP), compared with a deficit of €105.9 billion a year earlier. In the financial account, the euro area recorded net inflows in equity securities and marginal net outflows in bonds and notes in the three-month period to September. This is likely to reflect a reassessment by investors of their asset allocations, resulting in a renewed interest in euro area equities.

### TRADE AND THE CURRENT ACCOUNT

Following the sharp contraction at around the turn of the year and a further slight decline in the second quarter of 2009, extra-euro area exports of goods and services have started to rise again, increasing by 1.4% in the third quarter (see Table 12). Extra-euro area exports of goods, in particular, have started to recover, underpinned by a strengthening of the pick-up in foreign demand (see Chart 59). This is in line with the bottoming out of economic activity in major export markets and the replenishing of firms' inventories, as reflected in the rebound of intermediate goods exports. Euro area exports have been supported by a pick-up in demand from Asia, while exports to the United Kingdom and other EU Member States have stabilised (see Chart 60). At the same time the boost in foreign demand has been somewhat dampened by the negative

Chart 59 Extra-euro area trade in goods

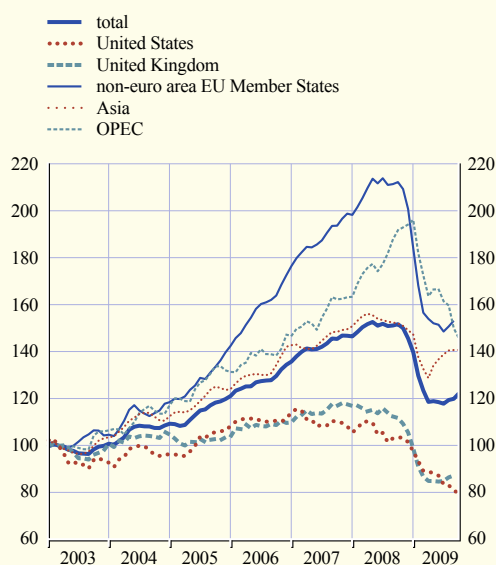
(three-month-on-three-month percentage changes; EUR billions; three-month moving averages; monthly data; working day and seasonally adjusted)



Source: ECB.

Chart 60 Extra-euro area export volumes for selected trading partners

(indices: first quarter of 2003=100; seasonally adjusted; three-month moving averages)



Source: Eurostat and ECB calculations.

Notes: The latest observations refer to September 2009, except in the case of the non-euro area EU Member States and the United Kingdom (July 2009). The aggregate non-euro area EU Member States does not include Denmark, Sweden or the United Kingdom.

Table 12 Main items of the euro area balance of payments

(seasonally adjusted data; unless otherwise indicated)

	2009		Three-month moving average figures ending				12-month cumulated figures ending	
	2009 Aug.	2009 Sep.	2008 Dec.	2009 Mar.	2009 June	2009 Sep.	2008 Sep.	2009 Sep.
<i>EUR billions</i>								
<b>Current account</b>	0.6	-5.4	-14.3	-12.5	-3.9	0.1	-105.9	-91.6
Goods balance	5.5	4.0	-0.6	-3.2	2.5	6.3	-1.5	15.1
Exports	105.3	106.5	122.8	105.9	104.7	106.7	1,591.7	1,320.3
Imports	99.8	102.4	123.4	109.1	102.2	100.4	1,593.2	1,305.2
Services balance	2.3	1.3	2.5	1.9	1.9	2.2	44.8	25.6
Exports	38.6	38.5	41.9	39.8	38.4	38.4	510.1	475.4
Imports	36.2	37.3	39.4	37.9	36.5	36.2	465.2	449.8
Income balance	-0.3	-4.1	-7.3	-3.0	-1.9	-1.9	-55.0	-42.2
Current transfers balance	-6.9	-6.5	-8.9	-8.1	-6.4	-6.6	-94.2	-90.1
<b>Financial account<sup>1)</sup></b>	-5.5	10.1	13.8	18.6	3.4	-1.7	127.4	102.3
Combined net direct and portfolio investment	48.9	28.0	30.5	23.7	32.5	27.5	81.8	342.6
Net direct investment	2.8	-25.7	-20.4	-19.6	-0.2	-4.8	-103.4	-134.9
Net portfolio investment	46.1	53.7	50.9	43.3	32.7	32.3	185.2	477.5
Equities	31.6	-4.6	-14.2	-4.4	13.3	18.2	45.6	38.5
Debt instruments	14.5	58.3	65.1	47.7	19.4	14.1	139.7	439.0
Bonds and notes	1.0	34.1	13.0	48.8	8.9	-3.4	113.4	202.1
Money market instruments	13.5	24.2	52.1	-1.2	10.5	17.5	26.3	236.9
<i>Percentage changes from previous period</i>								
<b>Goods and Services</b>								
Exports	-1.8	0.8	-6.9	-11.6	-1.8	1.4	6.3	-14.6
Imports	1.5	2.7	-7.1	-9.7	-5.6	-1.5	9.6	-14.7
<b>Goods</b>								
Exports	-2.8	1.1	-8.7	-13.8	-1.1	1.9	6.1	-17.1
Imports	0.8	2.7	-9.0	-11.6	-6.3	-1.8	10.2	-18.1
<b>Services</b>								
Exports	1.1	0.0	-1.1	-5.0	-3.6	0.1	6.8	-6.8
Imports	3.5	2.8	-0.3	-3.7	-3.7	-0.9	7.7	-3.3

Source: ECB.

Note: Figures may not add up due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

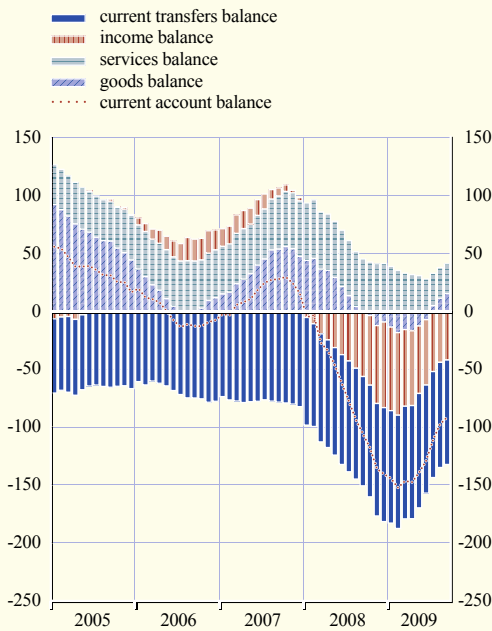
impact of losses in export price competitiveness owing to the broad-based appreciation of the euro since March 2009.

The developments in imports of extra-euro area goods and services continued to lag behind those observed for exports, with a further decrease, of 1.5%, recorded in the third quarter of 2009. As indicated by the breakdown of goods trade into volumes and prices, available up to August 2009, this was mostly the result of developments in goods import volumes. Despite recent increases in industrial production, imports of goods have declined further, reflecting the weakness in euro area domestic demand.

As a result of these developments in extra-euro area trade, the 12-month cumulated goods balance improved further in September 2009, remaining in surplus for the third consecutive month (see Chart 61). Together with lower deficits in the income account and current transfers, this contributed to a further narrowing of the euro area current account deficit, to €91.6 billion (about 1.0% of GDP) in 12-month cumulated terms, compared with a deficit of €105.9 billion a year earlier. These figures also reflect the recent methodological changes in the compilation of the euro area balance of payments and international investment position (for more details, see Box 11).

**Chart 61 Main items of the current account**

(EUR billions; 12-month cumulated flows; monthly data; working day and seasonally adjusted)



Source: ECB.

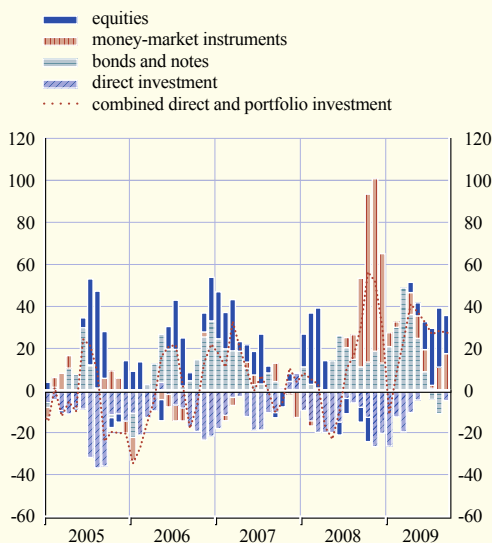
Looking ahead, available indicators suggest that the gradual recovery in extra-euro area exports may continue in the near term. In November the Purchasing Managers' Index (PMI) of new export orders in the euro area manufacturing sector posted its ninth consecutive increase, standing well above the expansion/contraction threshold of 50. However, given that the recent rebound in world trade, and thus foreign demand, partly reflected the impact of temporary factors – such as fiscal stimuli, which boosted demand for durable goods, and for cars in particular, and support from the inventory cycle – some loss of momentum may be expected, as the impact of those factors fades.

**FINANCIAL ACCOUNT**

In the third quarter of 2009 euro area residents continued to increase their net purchases of foreign debt securities, while decreasing their net equity investments abroad. At the same time non-residents increased their investment in the euro area, continuing to shift from long-term debt securities to equities. These developments resulted in net inflows in equity securities

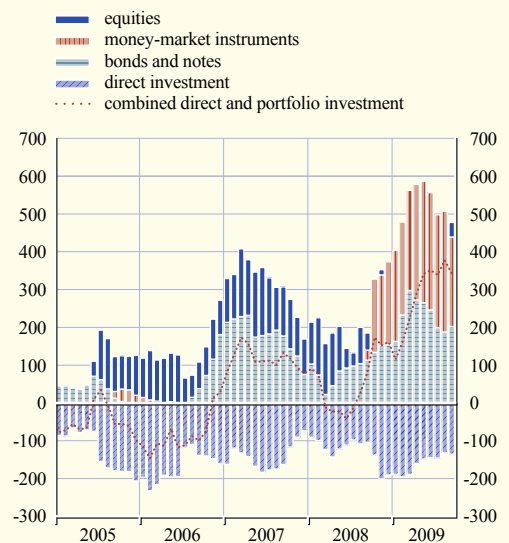
**Chart 62 Main items of the financial account**

(EUR billions; net flows; three-month moving averages; monthly data)



Source: ECB.

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



and marginal net outflows in bonds and notes in the three-month period to September 2009 (see Chart 62).

The renewed interest in equities, particularly in euro area equities, probably indicates that investors have reassessed their asset allocations in the light of the more favourable economic outlook, as reflected in improved financial market conditions, subsiding risk aversion, and improvements in euro area firms' expected earnings growth. Furthermore, a shift in demand away from debt securities towards equities also seems to be the main driver of continued net outflows in bonds and notes, despite a positive and increasing yield spread between euro area bonds and those of other major economies, e.g. the United States. Overall, the figures confirm that the repatriation of funds that occurred during the financial crisis, at around the turn of the year, is subsiding.

Turning to the other items of the financial account, direct investment activity remained subdued in the third quarter, on both the asset and the liability side. Since foreign direct investment in the euro area weakened more than euro area direct investment abroad, the euro area recorded an increase in net outflows in direct investment compared with the second quarter. Furthermore, the euro area continued to record net inflows in money market instruments in the third quarter, although they remained well below the peak levels observed last year.

Overall, mainly driven by higher outflows in net direct investment, the euro area recorded a slight decrease in the average net inflows in combined direct and portfolio investment in the third quarter of 2009 compared with the preceding quarter. In 12-month cumulated terms, net inflows in combined direct and portfolio investment reached €342.6 billion in September 2009, compared with €81.8 billion a year earlier.

#### Box 11

#### METHODOLOGICAL CHANGES IN THE COMPILATION OF THE EURO AREA BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION

In the last few years the euro area balance of payments (b.o.p.) has been characterised by a growing statistical discrepancy between the current and capital accounts and the financial account, which conceptually should sum to zero. This has been reflected, since 2004, in an increasingly negative “net errors and omissions” component (see Chart). As this proved to be a non-transitory phenomenon, the ECB and the euro area national central banks initiated work on enhancing the method of compilation of the euro area b.o.p. and thereby reducing the net errors and omissions. While the resulting methodological changes have had a rather limited impact on recent major trends in the euro area b.o.p. and international investment position (i.i.p.) series, they have produced a significant “level” adjustment in 2008, having a downward impact on net financial inflows and improving the euro area's net liability position vis-à-vis the rest of the world.

Historically, the b.o.p. was compiled on the basis of reports prepared for the purpose of foreign exchange controls. When such controls were abolished, the b.o.p. began to rely on information from bank settlements. However, as a result of developments in the organisation of international markets and information technology, bank settlements data started to diverge from the underlying transactions, in particular due to differences in timing, the classification of b.o.p. items and

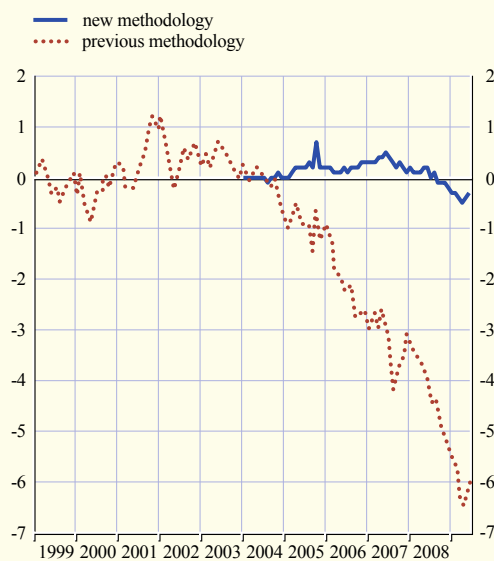


geographical allocation. In most euro area countries b.o.p. compilation is now based on surveys rather than settlements data, which have reduced the burden on respondents, but are also subject to sampling and other errors, which appear to have become sizeable since 2004.

Against this background, the methodology for three financial account items has been improved, as from 2004, by incorporating information that was previously not used in the compilation of the euro area b.o.p. and i.i.p., such as intra-euro area transactions and positions. As a result, revisions have been directly introduced into the aggregate euro area b.o.p., to adjust for asymmetrical intra-euro area recording (see the points below). These revisions have reduced the euro area portfolio investment liabilities and increased the foreign assets held by euro area residents in loans and deposits, as recorded in the financial account category “other investment”.

### Net errors and omissions in the euro area balance of payments

(cumulated totals; first quarter 1999 to second quarter 2009; as a percentage of GDP)



Sources: ECB and ECB calculations.

Specifically, the following inconsistencies have been addressed by the improved methodology:

- A comparison between the portfolio investment liabilities of each euro area country and the respective assets held by residents abroad, using data from the IMF’s Coordinated Portfolio Investment Survey, revealed that euro area residents’ holdings of equity securities issued in Luxembourg and Ireland (by investment funds) were underestimated. This seemed to be associated with an under-reporting of euro area households’ holdings of investment fund shares.
- A geographically asymmetrical recording of transactions between euro area countries was observed for loans between non-monetary financial institutions (non-MFIs). The reporting of more assets than liabilities in the case of intra-euro area loans was mostly attributable to difficulties in the statistical coverage and residency classification of financial vehicle corporations. As a result, some of these transactions have been reclassified to counterparts located outside the euro area.
- Finally, evidence from the BIS banking statistics showed an underestimation of non-MFIs’ deposits held abroad. Many of those deposits may in fact be held by euro area households.

The implementation of the new methodology for these three items<sup>1</sup> together with the annual country data revisions has entailed substantial adjustments in the financial account, while changes to the current account figures have been marginal and mostly due to revisions affecting the income account. Overall, this new methodology has significantly reduced the statistical discrepancy in

<sup>1</sup> The related end-period positions in the euro area i.i.p. have been adjusted accordingly.

the euro area b.o.p. (see chart). For the period from the first quarter of 2004 to the second quarter of 2009 these revisions resulted in a reduction in the negative cumulated net errors and omissions from €555 billion (6.1% of euro area GDP) to €30 billion (0.3% of GDP). Most of this reduction (€430 billion) was due to the new methodology, as opposed to other revisions. Although the impact on the patterns in the time-series of the adjusted b.o.p. items<sup>2</sup> was limited, the magnitude of the effect on the i.i.p. was considerable. The euro area's net liability position for 2008 was revised downwards from 19.5% to 17.7% of GDP, with the methodological adjustments accounting for a decrease equal to 4.5% of GDP (this being partly offset by upward revisions arising from the country data). The current account deficit for 2008 was revised upwards by 0.4% of GDP (from 1.1% to 1.5% of GDP), of which only 0.05% of GDP can be directly related to the new methodology, as the income account was adjusted as a result of the changes to the i.i.p. Overall, with these methodological changes, the external financing of the euro area, as presented by the financial account, has become more aligned with the developments on the non-financial side of the economy, in particular developments in external trade in goods and services.

The financial account of the euro area b.o.p. and the related stocks in the euro area i.i.p. have been based on the new improved methodology – implemented consistently for all compiled frequencies – as from the press release published on 2 November 2009.

2 Further information is available on the ECB's website in the "Balance of payments and international investment position" sub-section of the "Statistics" section (<http://www.ecb.europa.eu/stats/external/balance/html/index.en.html>).



# EURO AREA STATISTICS





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

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#### ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2009 TO INCLUDE SLOVAKIA

Unless otherwise indicated, all data series including observations for 2009 relate to the Euro 16 (the euro area including Slovakia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series relating to the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for the respective year of entry into the euro area of Greece (2001), Slovenia (2007), Cyprus (2008), Malta (2008) and Slovakia (2009), calculated from bases covering the year prior to the year of entry, use a series in which the impact of these countries' joining the euro area is taken into account. Historical data referring to the euro area before the entry of Slovakia are available on the ECB's website at: <http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html>

#### Conventions used in the tables

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



# EURO AREA OVERVIEW

## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

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

	M1 <sup>2)</sup>	M2 <sup>2)</sup>	M3 <sup>2),3)</sup>	M3 <sup>2),3)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>2)</sup>	Securities other than shares issued in euro by non-MFI corporations <sup>2)</sup>	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) <sup>4)</sup>
	1	2	3	4	5	6	7	8
2007	6.5	9.9	11.2	-	10.8	18.6	4.28	4.38
2008	2.4	9.6	9.7	-	9.5	18.7	4.64	3.69
2008 Q4	2.7	8.9	8.2	-	7.3	20.0	4.24	3.69
2009 Q1	5.3	7.3	6.1	-	4.6	26.1	2.01	3.77
Q2	8.0	5.5	4.4	-	2.1	27.8	1.31	3.99
Q3	12.3	4.5	2.8	-	0.4	25.3	0.87	3.64
2009 June	9.4	4.9	3.6	3.5	1.4	26.0	1.23	3.99
July	12.2	4.7	3.0	3.1	0.6	26.8	0.97	3.74
Aug.	13.6	4.6	2.6	2.5	0.1	23.9	0.86	3.68
Sep.	12.8	3.6	1.8	1.6	-0.3	24.3	0.77	3.64
Oct.	11.8	2.3	0.3	.	-0.8	.	0.74	3.68
Nov.	.	.	.	.	.	.	0.72	3.57

### 2. Prices, output, demand and labour markets

	HICP <sup>1)</sup>	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
2007	2.1	2.7	2.5	2.7	3.7	84.1	1.8	7.5
2008	3.3	6.1	3.4	0.6	-1.7	81.8	0.8	7.5
2009 Q1	1.0	-2.0	3.6	-5.0	-18.5	72.5	-1.2	8.8
Q2	0.2	-5.7	4.0	-4.8	-18.6	70.0	-1.8	9.3
Q3	-0.4	-7.8	.	-4.1	-14.6	70.1	.	9.6
2009 June	-0.1	-6.5	-	-	-16.7	-	-	9.4
July	-0.7	-8.4	-	-	-15.9	69.6	-	9.5
Aug.	-0.2	-7.5	-	-	-15.1	-	-	9.6
Sep.	-0.3	-7.6	-	-	-13.0	-	-	9.8
Oct.	-0.1	-6.7	-	-	.	70.7	-	9.8
Nov.	0.6	.	-	-	.	-	-	.

### 3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro; EER-21 <sup>5)</sup> (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2007	15.7	46.0	-72.9	151.3	347.2	107.9	109.0	1.3705
2008	-133.3	-11.4	-189.0	350.5	374.2	113.0	113.6	1.4708
2008 Q4	-30.5	-1.9	-61.1	152.7	374.2	109.1	109.6	1.3180
2009 Q1	-36.6	-7.7	-58.8	129.9	395.7	111.9	112.2	1.3029
Q2	-17.4	12.5	-0.6	98.1	381.5	113.2	113.4	1.3632
Q3	2.9	13.7	-14.4	96.8	430.8	114.3	114.2	1.4303
2009 June	3.8	6.5	-11.4	42.0	381.5	114.0	114.2	1.4016
July	10.7	12.6	8.5	-3.0	386.5	113.8	113.7	1.4088
Aug.	-2.8	-1.0	2.8	46.1	428.0	113.9	113.9	1.4268
Sep.	-4.9	2.1	-25.7	53.7	430.8	115.2	115.0	1.4562
Oct.	.	.	.	.	437.9	116.6	116.3	1.4816
Nov.	.	.	.	.	.	116.3	116.0	1.4914

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

Note: For more information on the data, see the relevant tables later in this section.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.
- 3) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
- 4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.
- 5) For a definition of the trading partner groups and other information, please refer to the General Notes.





# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	6 November 2009	13 November 2009	20 November 2009	27 November 2009
<b>Gold and gold receivables</b>	238,149	238,150	238,147	238,147
<b>Claims on non-euro area residents in foreign currency</b>	193,040	193,981	193,776	192,171
<b>Claims on euro area residents in foreign currency</b>	42,560	41,880	41,172	39,715
<b>Claims on non-euro area residents in euro</b>	16,490	16,742	17,071	17,401
<b>Lending to euro area credit institutions in euro</b>	669,864	649,907	649,482	649,004
Main refinancing operations	46,901	51,950	53,258	59,745
Longer-term refinancing operations	622,748	595,400	595,401	589,147
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	104	2,523	773	75
Credits related to margin calls	111	34	50	37
<b>Other claims on euro area credit institutions in euro</b>	20,156	21,767	22,058	20,581
<b>Securities of euro area residents in euro</b>	324,081	325,762	326,084	327,870
Securities held for monetary policy purposes	21,609	22,745	24,172	25,271
Other securities	302,471	303,017	301,913	302,599
<b>General government debt in euro</b>	36,195	36,195	36,195	36,190
<b>Other assets</b>	233,151	235,221	237,490	238,106
<b>Total assets</b>	1,773,685	1,759,605	1,761,476	1,759,186

### 2. Liabilities

	6 November 2009	13 November 2009	20 November 2009	27 November 2009
<b>Banknotes in circulation</b>	773,829	773,175	771,617	774,392
<b>Liabilities to euro area credit institutions in euro</b>	309,814	286,503	275,891	273,389
Current accounts (covering the minimum reserve system)	180,898	232,212	229,825	205,127
Deposit facility	128,914	54,289	46,065	68,261
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	2	1	1	1
<b>Other liabilities to euro area credit institutions in euro</b>	450	442	413	180
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	145,952	155,518	163,603	166,636
<b>Liabilities to non-euro area residents in euro</b>	61,794	58,224	62,084	56,964
<b>Liabilities to euro area residents in foreign currency</b>	3,325	4,172	3,589	3,244
<b>Liabilities to non-euro area residents in foreign currency</b>	9,530	8,912	9,702	9,028
<b>Counterpart of special drawing rights allocated by the IMF</b>	50,906	50,906	50,906	50,906
<b>Other liabilities</b>	152,874	156,543	158,458	159,234
<b>Revaluation accounts</b>	192,254	192,254	192,254	192,254
<b>Capital and reserves</b>	72,957	72,956	72,959	72,960
<b>Total liabilities</b>	1,773,685	1,759,605	1,761,476	1,759,186

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

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

### 1.3 Eurosystem monetary policy operations allotted through tender procedures <sup>1), 2)</sup>

(EUR millions; interest rates in percentages per annum)

#### 1. Main and longer-term refinancing operations <sup>3), 4)</sup>

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (... days)
				Fixed rate	Minimum bid rate	Marginal rate <sup>5)</sup>	Weighted average rate	
	1	2	3	4	5	6	7	8
<b>Main refinancing operations</b>								
2009 5 Aug.	80,785	348	80,785	1.00	-	-	-	7
12	73,596	320	73,596	1.00	-	-	-	7
19	76,056	330	76,056	1.00	-	-	-	7
26	77,530	325	77,530	1.00	-	-	-	7
2 Sep.	72,086	286	72,086	1.00	-	-	-	7
9	93,285	311	93,285	1.00	-	-	-	7
16	87,800	318	87,800	1.00	-	-	-	7
23	85,004	332	85,004	1.00	-	-	-	7
30	66,767	244	66,767	1.00	-	-	-	7
7 Oct.	62,620	224	62,620	1.00	-	-	-	7
14	61,565	218	61,565	1.00	-	-	-	7
21	49,803	224	49,803	1.00	-	-	-	7
28	48,660	188	48,660	1.00	-	-	-	7
4 Nov.	46,201	170	46,201	1.00	-	-	-	7
11	51,250	160	51,250	1.00	-	-	-	7
18	52,580	177	52,580	1.00	-	-	-	7
25	59,066	168	59,066	1.00	-	-	-	7
2 Dec.	58,128	137	58,128	1.00	-	-	-	6
<b>Longer-term refinancing operations</b>								
2009 9 Sep.	10,627	45	10,627	1.00	-	-	-	35
10	3,686	23	3,686	1.00	-	-	-	182
10	3,161	14	3,161	1.00	-	-	-	91
1 Oct.	2,769	19	2,769	1.00	-	-	-	77
1	75,241	589	75,241	1.00	-	-	-	364
8	1,128	8	1,128	1.00	-	-	-	98
8	2,368	22	2,368	1.00	-	-	-	182
14	7,741	19	7,741	1.00	-	-	-	28
29	3,284	25	3,284	1.00	-	-	-	91
11 Nov.	2,536	12	2,536	1.00	-	-	-	27
12	10,794	9	10,794	1.00	-	-	-	91
12	782	21	782	1.00	-	-	-	182
26	2,065	19	2,065	1.00	-	-	-	91

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (... days)
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate <sup>5)</sup>	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2008 7 Oct.	Collection of fixed-term deposits	147,491	97	147,491	4.25	-	-	-	-	1
9	Reverse transaction	24,682	99	24,682	3.75	-	-	-	-	6
11 Nov.	Collection of fixed-term deposits	149,656	117	79,940	-	-	3.75	3.60	3.51	1
9 Dec.	Collection of fixed-term deposits	152,655	95	137,456	-	-	3.25	3.05	2.94	1
2009 20 Jan.	Collection of fixed-term deposits	143,835	103	140,013	-	-	2.50	2.30	2.15	1
10 Feb.	Collection of fixed-term deposits	130,435	119	129,135	-	-	2.00	1.80	1.36	1
10 Mar.	Collection of fixed-term deposits	111,502	119	110,832	-	-	2.00	1.80	1.52	1
7 Apr.	Collection of fixed-term deposits	105,486	114	103,876	-	-	1.50	1.30	1.12	1
12 May	Collection of fixed-term deposits	109,091	128	108,056	-	-	1.25	1.05	0.93	1
9 June	Collection of fixed-term deposits	91,551	101	57,912	-	-	1.00	0.80	0.77	1
7 July	Collection of fixed-term deposits	279,477	165	275,986	-	-	1.00	0.80	0.64	1
11 Aug.	Collection of fixed-term deposits	238,847	159	238,345	-	-	1.00	0.80	0.70	1
8 Sep.	Collection of fixed-term deposits	196,299	157	195,099	-	-	1.00	0.80	0.73	1
13 Oct.	Collection of fixed-term deposits	170,131	160	169,680	-	-	1.00	0.80	0.74	1
10 Nov.	Collection of fixed-term deposits	191,883	165	191,379	-	-	1.00	0.80	0.76	1

Source: ECB.

- 1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
- 2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations. 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 tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
- 4) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations.
- 5) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

**1.4 Minimum reserve and liquidity statistics**

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

**1. Reserve base of credit institutions subject to reserve requirements**

Reserve base as at: <sup>1)</sup>	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009 May	18,487.3	9,972.0	854.6	2,404.7	1,224.1	4,031.9
June	18,518.3	10,003.9	818.8	2,432.6	1,207.0	4,056.0
July	18,432.9	9,891.2	818.9	2,436.0	1,204.6	4,082.1
Aug.	18,319.0	9,817.8	799.7	2,427.1	1,172.3	4,102.1
Sep.	18,280.1	9,752.0	786.1	2,453.9	1,206.6	4,081.5

**2. Reserve maintenance**

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2007	195.9	196.8	1.0	0.0	4.17
2008	217.2	218.7	1.5	0.0	3.25
2009 7 July	218.1	219.2	1.1	0.0	1.00
11 Aug.	216.0	216.9	0.9	0.0	1.00
8 Sep.	215.9	216.9	1.0	0.0	1.00
13 Oct.	213.7	214.7	1.1	0.0	1.00
10 Nov.	211.8	212.8	1.0	0.0	1.00
7 Dec.	210.2	.	.	.	.

**3. Liquidity**

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem					Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)				
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations <sup>5)</sup>				Deposit facility	Other liquidity-absorbing operations <sup>5)</sup>		
1	2	3	4	5	6	7	8	9	10	11	12	
2007	327.5	173.0	278.6	0.3	0.0	0.4	2.2	644.6	61.9	-126.6	196.8	841.9
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009 9 June	487.9	238.8	400.6	0.7	0.0	22.3	2.1	759.8	141.7	-15.8	217.9	1,000.0
7 July	457.1	221.4	504.9	1.3	0.0	119.7	9.9	763.1	137.9	-65.1	219.2	1,102.0
11 Aug.	433.6	94.1	694.0	0.3	2.8	185.1	22.1	770.8	133.9	-103.9	216.9	1,172.8
8 Sep.	427.6	74.8	645.4	0.3	8.4	136.7	18.5	769.1	125.7	-110.4	216.9	1,122.7
13 Oct.	421.4	79.1	616.9	0.3	14.3	109.6	12.9	768.8	139.0	-113.1	214.7	1,093.1
10 Nov.	413.0	52.3	626.1	0.3	20.1	86.5	12.0	770.7	148.7	-118.9	212.8	1,070.0

Source: ECB.

1) End of period.

2) Includes liquidity provided under the Eurosystem's covered bond purchase programme.

3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.

 For more information, please see: <http://www.ecb.europa.eu/mopo/liq/html/index.en.html>



## MONEY, BANKING AND INVESTMENT FUNDS

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

(EUR billions; outstanding amounts at end of period)

#### 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>3)</sup>	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
<b>Eurosystem</b>														
2007	2,046.2	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	395.3	15.2	318.0
2008	2,982.9	1,809.4	18.6	0.6	1,790.1	350.8	308.0	2.4	40.3	-	14.4	476.7	15.7	316.1
2009 Q1	2,783.6	1,555.3	18.7	0.7	1,535.9	374.1	322.7	2.5	48.9	-	13.9	490.3	15.7	334.2
Q2	2,893.4	1,671.5	17.7	0.7	1,653.1	385.4	327.0	2.7	55.7	-	15.0	480.8	16.4	324.4
2009 July	2,734.4	1,500.7	17.7	0.7	1,482.4	391.8	327.8	3.0	60.9	-	15.3	483.7	16.5	326.5
Aug.	2,723.7	1,451.3	17.6	0.7	1,433.1	400.6	332.1	3.3	65.3	-	15.7	518.5	16.4	321.2
Sep.	2,746.8	1,465.9	17.6	0.7	1,447.7	408.4	336.0	3.3	69.2	-	16.1	517.6	16.6	322.2
Oct. <sup>(p)</sup>	2,693.2	1,405.3	17.6	0.7	1,387.1	410.6	333.7	3.6	73.3	-	16.0	529.5	16.6	315.0
<b>MFIs excluding the Eurosystem</b>														
2007	29,440.2	16,893.0	954.5	10,144.3	5,794.2	3,890.6	1,197.1	953.2	1,740.3	93.5	1,293.8	4,878.9	205.7	2,184.7
2008	31,837.2	18,052.0	967.7	10,771.7	6,312.6	4,630.9	1,244.7	1,406.7	1,979.5	98.7	1,199.5	4,754.3	211.5	2,890.1
2009 Q1	31,752.2	17,913.7	970.6	10,815.0	6,128.1	4,920.1	1,387.3	1,446.9	2,085.8	104.1	1,185.5	4,545.7	215.1	2,867.9
Q2	31,818.0	18,051.1	998.2	10,836.2	6,216.7	5,085.8	1,466.2	1,496.1	2,123.5	95.6	1,198.9	4,431.3	215.2	2,740.2
2009 July	31,720.2	17,945.9	998.9	10,799.5	6,147.6	5,110.5	1,475.8	1,493.9	2,140.8	95.3	1,204.8	4,390.3	215.8	2,757.5
Aug.	31,498.3	17,783.0	1,003.8	10,734.8	6,044.4	5,104.0	1,475.6	1,492.8	2,135.6	94.8	1,213.0	4,343.4	215.9	2,744.3
Sep.	31,270.0	17,665.9	994.3	10,770.6	5,901.0	5,111.8	1,502.2	1,491.5	2,118.1	90.6	1,222.4	4,265.4	216.3	2,697.6
Oct. <sup>(p)</sup>	31,210.7	17,650.5	1,014.2	10,724.7	5,911.6	5,101.8	1,517.8	1,489.0	2,094.9	88.7	1,225.1	4,262.6	217.1	2,665.0

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units <sup>3)</sup>	Debt securities issued <sup>4)</sup>	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
<b>Eurosystem</b>											
2007	2,046.2	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	113.9	282.5
2008	2,982.9	784.7	1,217.5	68.8	16.6	1,132.1	-	0.1	273.8	377.8	329.0
2009 Q1	2,783.6	768.9	1,114.9	135.6	23.3	956.0	-	0.1	296.4	296.0	307.4
Q2	2,893.4	785.9	1,257.5	125.1	23.6	1,108.7	-	0.1	283.3	202.6	364.0
2009 July	2,734.4	795.1	1,106.7	128.2	20.2	958.2	-	0.1	286.7	187.1	358.8
Aug.	2,723.7	790.0	1,097.0	124.0	21.7	951.3	-	0.1	288.6	177.2	370.8
Sep.	2,746.8	789.7	1,149.0	138.4	23.0	987.6	-	0.1	292.7	154.1	361.2
Oct. <sup>(p)</sup>	2,693.2	794.1	1,095.2	152.8	26.0	916.4	-	0.1	297.3	144.9	361.6
<b>MFIs excluding the Eurosystem</b>											
2007	29,440.2	-	15,081.8	126.9	8,867.4	6,087.5	754.1	4,630.9	1,683.6	4,538.6	2,751.1
2008	31,837.2	-	16,741.8	190.8	9,689.8	6,861.2	825.1	4,848.3	1,767.3	4,402.7	3,251.9
2009 Q1	31,752.2	-	16,597.4	216.2	9,772.1	6,609.1	885.2	4,936.1	1,778.3	4,349.8	3,205.2
Q2	31,818.0	-	16,772.5	227.1	9,917.6	6,627.8	837.5	4,984.9	1,840.0	4,236.9	3,146.1
2009 July	31,720.2	-	16,605.9	170.0	9,888.0	6,547.8	853.6	5,008.7	1,854.3	4,198.7	3,199.0
Aug.	31,498.3	-	16,444.2	148.9	9,873.2	6,422.2	854.4	5,004.0	1,875.4	4,134.0	3,186.4
Sep.	31,270.0	-	16,350.5	156.7	9,905.6	6,288.2	829.6	4,960.2	1,880.7	4,082.0	3,167.1
Oct. <sup>(p)</sup>	31,210.7	-	16,339.3	164.8	9,890.5	6,283.9	823.8	4,929.0	1,883.2	4,092.6	3,142.8

Source: ECB.

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

**2.2 Consolidated balance sheet of euro area MFIs <sup>1)</sup>**

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

**1. Assets**

	Total 1	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 8	External assets 9	Fixed assets 10	Remaining assets 11
		Total 2	General government 3	Other euro area residents 4	Total 5	General government 6	Other euro area residents 7				
<b>Outstanding amounts</b>											
2007	22,316.2	11,117.3	972.3	10,144.9	2,377.3	1,422.2	955.1	882.2	5,274.2	220.9	2,444.3
2008	24,109.4	11,758.6	986.3	10,772.3	2,961.8	1,552.7	1,409.1	786.1	5,231.1	227.2	3,144.4
2009 Q1	24,154.5	11,804.9	989.3	10,815.6	3,159.5	1,710.1	1,449.4	770.0	5,036.0	230.8	3,153.2
Q2	24,082.7	11,852.7	1,015.9	10,836.8	3,292.1	1,793.2	1,498.9	780.7	4,912.0	231.5	3,013.6
2009 July	24,035.6	11,816.7	1,016.6	10,800.1	3,300.6	1,803.7	1,496.9	777.7	4,874.0	232.3	3,034.4
Aug.	23,945.7	11,756.8	1,021.4	10,735.4	3,303.8	1,807.7	1,496.0	774.2	4,861.9	232.4	3,016.6
Sep.	23,893.5	11,783.1	1,011.9	10,771.2	3,333.0	1,838.2	1,494.8	790.8	4,783.0	232.9	2,970.7
Oct. <sup>(p)</sup>	23,851.0	11,757.1	1,031.7	10,725.3	3,344.2	1,851.5	1,492.7	792.5	4,792.1	233.6	2,931.4
<b>Transactions</b>											
2007	2,572.2	1,014.5	-9.9	1,024.4	232.2	-46.3	278.5	55.5	806.6	-0.5	464.4
2008	1,599.5	597.9	12.4	585.5	372.5	58.1	314.5	-56.1	-81.6	-2.1	769.4
2009 Q1	-139.6	7.4	2.0	5.4	178.9	141.9	37.0	-4.3	-274.1	2.1	-49.6
Q2	-223.5	68.5	27.0	41.5	144.2	89.3	54.8	6.0	-63.1	0.6	-380.6
Q3	-162.6	-49.2	-3.9	-45.3	29.4	36.8	-7.3	-6.2	-93.0	1.7	-45.2
2009 July	-52.1	-29.5	0.7	-30.2	3.2	6.2	-3.0	-7.0	-39.2	1.0	19.5
Aug.	-101.9	-56.9	4.8	-61.7	1.9	3.5	-1.6	-7.1	-22.9	0.1	-17.1
Sep.	-8.7	37.2	-9.4	46.6	24.3	27.1	-2.8	7.9	-30.9	0.5	-47.6
Oct. <sup>(p)</sup>	-31.9	-18.6	19.9	-38.5	10.5	14.3	-3.7	3.2	12.7	0.7	-40.5

**2. Liabilities**

	Total 1	Currency in circulation 2	Deposits of central government 3	Deposits of other general government/ other euro area residents 4	Money market fund shares/ units <sup>2)</sup> 5	Debt securities issued <sup>3)</sup> 6	Capital and reserves 7	External liabilities 8	Remaining liabilities 9	Excess of inter-MFI liabilities 10
<b>Outstanding amounts</b>										
2007	22,316.2	638.6	150.8	8,886.5	660.4	2,849.1	1,492.7	4,652.5	3,033.6	-48.2
2008	24,109.4	722.9	259.6	9,706.5	726.1	2,828.6	1,613.4	4,780.5	3,580.9	-109.5
2009 Q1	24,154.5	719.9	351.8	9,795.4	780.8	2,801.4	1,645.2	4,645.9	3,512.6	-98.9
Q2	24,082.7	735.0	352.3	9,941.2	741.7	2,805.9	1,690.1	4,439.5	3,510.1	-133.3
2009 July	24,035.6	745.5	298.2	9,908.3	758.0	2,807.1	1,698.6	4,385.8	3,557.8	-123.9
Aug.	23,945.7	741.2	272.8	9,894.9	759.3	2,803.2	1,709.6	4,311.2	3,557.2	-104.0
Sep.	23,893.5	740.6	295.1	9,928.5	738.7	2,773.0	1,725.7	4,236.1	3,528.3	-72.9
Oct. <sup>(p)</sup>	23,851.0	745.4	317.6	9,916.6	734.8	2,760.9	1,731.7	4,237.6	3,504.4	-98.4
<b>Transactions</b>										
2007	2,572.2	45.8	-13.4	838.7	54.5	269.3	150.2	822.8	474.8	-70.7
2008	1,599.5	83.3	106.1	603.8	29.8	-30.1	142.3	81.0	608.9	-25.6
2009 Q1	-139.6	-4.3	89.3	32.8	55.8	-37.4	17.6	-202.5	-103.6	12.8
Q2	-223.5	15.0	0.5	154.1	-20.0	18.1	53.5	-169.2	-238.2	-37.4
Q3	-162.6	5.7	-45.7	0.7	-4.2	-16.4	15.8	-137.5	-41.6	60.5
2009 July	-52.1	10.5	-54.1	-32.6	16.0	0.4	2.4	-51.1	41.2	15.3
Aug.	-101.9	-4.3	-14.0	-10.9	1.1	2.1	5.9	-53.5	-45.6	17.3
Sep.	-8.7	-0.5	22.3	44.2	-21.2	-18.9	7.6	-32.8	-37.2	27.8
Oct. <sup>(p)</sup>	-31.9	4.8	22.5	-9.9	-3.1	-10.6	3.1	10.6	-23.2	-26.2

Source: ECB.

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

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

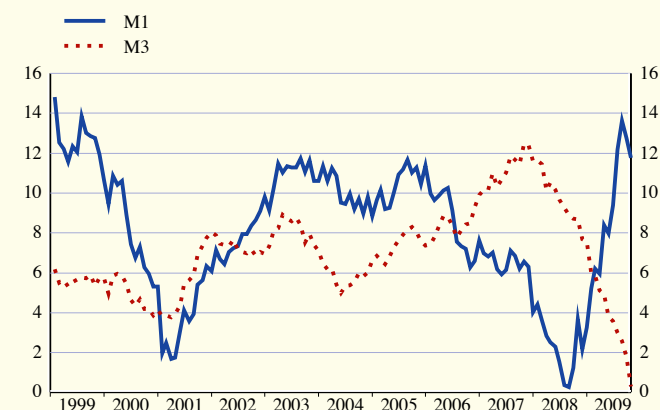
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	M3				M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets <sup>3)</sup>	
	M2		M3-M2	Loans				Memo item: Loans adjusted for sales and securitisation <sup>4)</sup>				
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2007	3,830.5	3,509.8	7,340.3	1,305.6	8,645.9	-	5,968.3	2,416.4	12,009.7	10,161.9	-	596.0
2008	3,974.2	4,035.5	8,009.7	1,376.8	9,386.5	-	6,294.2	2,562.3	12,989.5	10,788.1	-	423.5
2009 Q1	4,118.8	3,956.5	8,075.3	1,310.9	9,386.2	-	6,443.5	2,687.5	13,034.1	10,813.5	-	390.0
Q2	4,236.8	3,894.5	8,131.3	1,275.4	9,406.7	-	6,551.0	2,792.5	13,077.8	10,810.1	-	473.9
2009 July	4,332.6	3,846.5	8,179.1	1,249.7	9,428.8	-	6,577.8	2,815.3	13,048.8	10,767.3	-	488.2
Aug.	4,399.1	3,822.8	8,221.8	1,214.7	9,436.6	-	6,634.7	2,845.0	13,055.5	10,761.4	-	564.7
Sep.	4,402.7	3,784.3	8,187.1	1,227.4	9,414.4	-	6,651.5	2,867.5	13,080.3	10,762.9	-	552.9
Oct. <sup>(p)</sup>	4,482.7	3,731.1	8,213.7	1,187.6	9,401.4	-	6,648.4	2,895.9	13,034.5	10,738.8	-	537.0
Transactions												
2007	148.7	529.7	678.4	221.4	899.8	-	469.1	-59.6	1,361.7	1,028.2	1,119.6	-18.0
2008	125.3	484.8	610.1	46.5	656.7	-	169.1	70.4	839.3	584.2	746.1	-164.0
2009 Q1	109.0	-95.6	13.5	-62.1	-48.6	-	115.3	108.8	15.2	-12.6	8.9	-44.6
Q2	137.7	-71.5	66.1	-18.1	48.0	-	129.4	111.6	64.8	16.8	36.0	107.7
Q3	167.5	-100.9	66.6	-50.4	16.3	-	100.9	67.0	3.0	-26.9	-23.7	49.0
2009 July	95.7	-47.7	48.0	-26.8	21.2	-	20.8	18.6	-27.5	-36.3	-34.7	10.5
Aug.	67.3	-22.9	44.4	-35.3	9.0	-	58.6	29.2	5.2	-3.0	2.3	44.6
Sep.	4.5	-30.3	-25.8	11.8	-14.0	-	21.4	19.2	25.3	12.4	8.8	-6.1
Oct. <sup>(p)</sup>	80.3	-52.2	28.1	-39.8	-11.7	-	-2.9	29.4	-38.5	-16.7	-12.2	-21.5
Growth rates												
2007 Dec.	4.0	17.9	10.2	20.2	11.6	11.9	8.6	-2.6	12.8	11.2	12.1	-18.0
2008 Dec.	3.3	13.7	8.3	3.5	7.5	7.1	2.8	2.9	7.0	5.7	7.2	-164.0
2009 Mar.	6.0	6.5	6.2	-1.1	5.1	5.3	4.2	7.6	4.6	3.1	4.7	-146.2
June	9.4	0.4	4.9	-4.0	3.6	3.5	5.2	10.7	2.9	1.4	2.7	110.1
2009 July	12.2	-2.7	4.7	-6.7	3.0	3.1	5.1	10.9	1.9	0.6	1.8	130.4
Aug.	13.6	-4.1	4.6	-9.3	2.6	2.5	5.5	11.5	1.1	0.1	1.3	172.4
Sep.	12.8	-5.3	3.6	-8.9	1.8	1.6	5.6	13.5	1.0	-0.3	0.9	154.6
Oct. <sup>(p)</sup>	11.8	-7.2	2.3	-11.6	0.3	.	6.5	15.2	0.5	-0.8	0.3	98.4

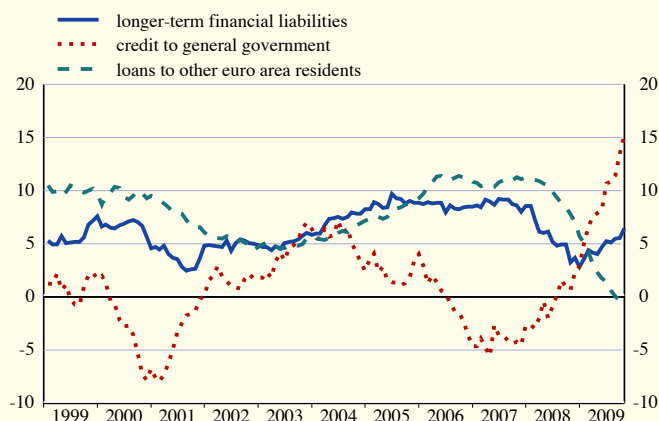
### C1 Monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



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

(annual growth rates; seasonally adjusted)



Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes. Monthly and other shorter-term growth rates for selected items are available at: <http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html>
- 2) Monetary liabilities of MFIs and central government (post office, treasury, etc.) vis-à-vis non-MFI euro area residents excluding central government. For definitions of M1, M2, M3 see glossary.
- 3) Values in the section "growth rates" are sums of the transactions during the 12 months ending in the period indicated.
- 4) Adjustment for the derecognition of loans on the MFI balance sheet on account of their sale or securitisation.

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

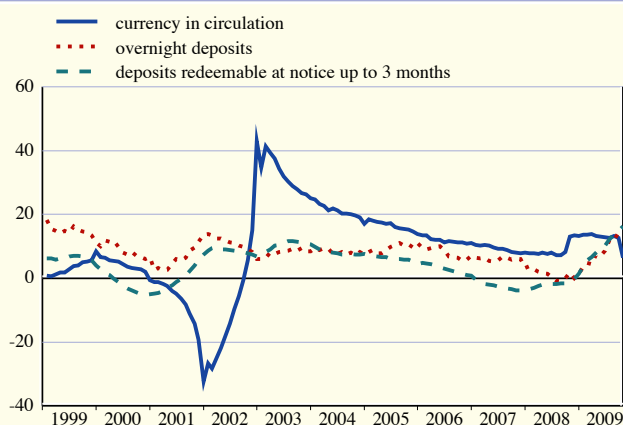
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice 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 an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2007	625.6	3,204.9	1,969.3	1,540.5	307.6	685.9	312.2	2,549.6	119.3	1,812.8	1,486.6
2008	709.9	3,264.3	2,468.5	1,567.0	354.3	755.6	266.8	2,575.5	121.2	1,990.7	1,606.8
2009 Q1	727.5	3,391.4	2,314.8	1,641.8	340.6	776.0	194.4	2,607.8	124.2	2,071.8	1,639.6
2009 Q2	734.2	3,502.6	2,199.7	1,694.8	351.3	742.2	182.0	2,607.9	129.4	2,118.4	1,695.3
2009 July	733.6	3,599.0	2,125.3	1,721.2	328.9	747.1	173.8	2,618.7	130.9	2,133.9	1,694.3
2009 Aug.	742.8	3,656.3	2,080.9	1,741.9	308.2	747.1	159.4	2,636.8	132.2	2,151.3	1,714.3
2009 Sep.	747.3	3,655.4	2,025.0	1,759.4	326.9	749.0	151.4	2,620.6	133.5	2,176.7	1,720.7
2009 Oct. <sup>(p)</sup>	745.2	3,737.5	1,946.7	1,784.4	300.6	744.6	142.4	2,610.9	134.9	2,173.7	1,728.8
Transactions											
2007	46.7	102.1	582.2	-52.5	42.1	58.7	120.6	149.5	9.7	160.4	149.5
2008	83.3	42.0	464.8	20.0	48.0	33.3	-34.7	6.2	0.6	20.6	141.8
2009 Q1	16.2	92.9	-170.0	74.4	-13.8	21.5	-69.7	19.1	2.2	75.5	18.5
2009 Q2	6.8	130.9	-125.3	53.8	10.9	-15.0	-14.0	15.3	4.5	45.3	64.3
2009 Q3	13.1	154.4	-165.6	64.7	-24.2	5.6	-31.8	30.4	4.1	60.7	5.7
2009 July	-0.6	96.3	-74.2	26.5	-22.4	4.6	-9.0	10.8	1.5	15.5	-7.0
2009 Aug.	9.2	58.1	-43.6	20.7	-20.6	-0.2	-14.5	24.2	1.3	18.3	14.9
2009 Sep.	4.6	-0.1	-47.8	17.5	18.8	1.3	-8.3	-4.6	1.3	26.9	-2.2
2009 Oct. <sup>(p)</sup>	-2.2	82.4	-77.2	25.1	-26.3	-3.5	-9.9	-7.3	1.5	-2.3	5.3
Growth rates											
2007 Dec.	8.1	3.3	41.3	-3.4	15.8	9.2	62.1	6.3	9.5	9.7	11.4
2008 Dec.	13.3	1.3	23.4	1.3	15.5	4.8	-11.6	0.3	0.5	1.1	9.7
2009 Mar.	13.8	4.4	6.6	6.6	8.2	4.1	-26.9	0.7	3.7	4.9	9.1
2009 June	12.8	8.7	-6.1	10.3	5.3	2.8	-33.7	0.2	9.3	6.4	12.1
2009 July	12.5	12.1	-12.1	12.2	-3.5	3.8	-38.3	-0.1	10.9	7.2	11.2
2009 Aug.	13.2	13.7	-15.2	13.6	-7.9	1.9	-41.9	0.5	12.8	7.8	10.6
2009 Sep.	12.5	12.8	-17.8	14.9	-2.9	2.9	-47.0	0.6	15.0	9.5	8.4
2009 Oct. <sup>(p)</sup>	6.5	12.9	-21.6	16.2	-11.8	2.7	-49.2	3.2	14.3	9.6	7.2

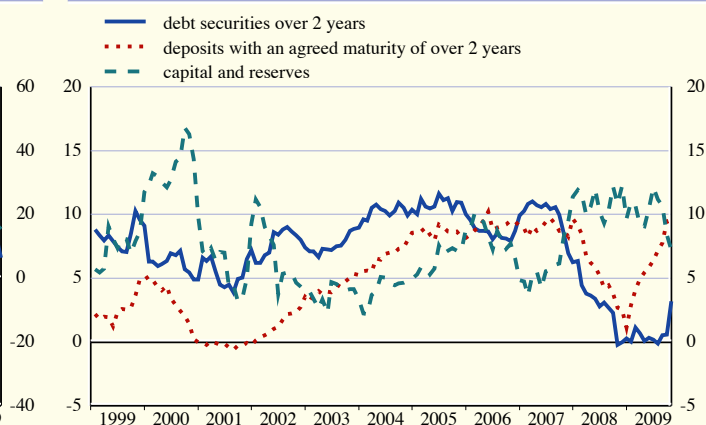
#### C3 Components of monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



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

(annual growth rates; seasonally adjusted)



Source: ECB.

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



## 2.4 MFI loans: breakdown <sup>1), 2)</sup>

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

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

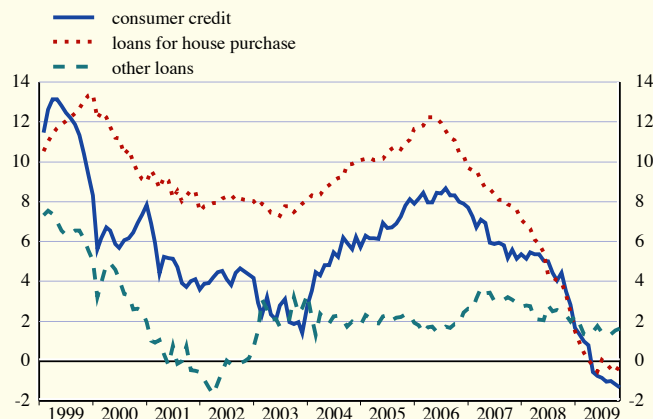
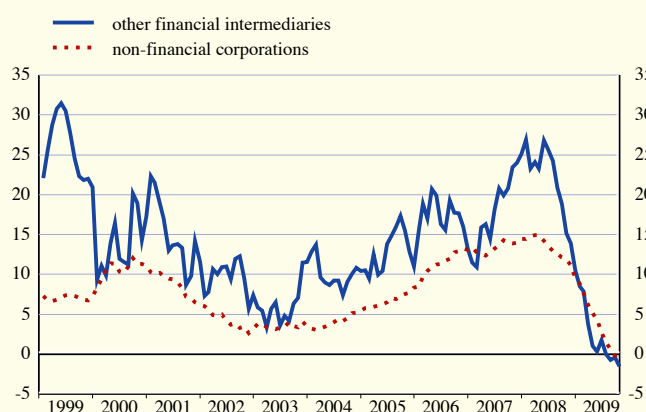
	Insurance corporations and pension funds	Other financial intermediaries <sup>3)</sup>	Non-financial corporations			Households <sup>4)</sup>				
	Total	Total	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2007	107.5	881.5	4,384.0	1,281.1	860.2	2,242.7	4,788.9	616.5	3,425.2	747.1
2008	103.6	978.8	4,823.1	1,381.2	961.6	2,480.3	4,882.6	630.8	3,487.6	764.3
2009 Q1	102.5	975.5	4,847.0	1,338.5	981.4	2,527.1	4,888.5	640.7	3,486.3	761.5
2009 Q2	103.3	1,026.8	4,788.7	1,282.7	974.7	2,531.4	4,891.3	635.6	3,487.5	768.2
2009 July	97.5	1,012.8	4,764.7	1,250.8	968.3	2,545.5	4,892.4	632.3	3,493.6	766.5
2009 Aug.	94.6	1,000.4	4,766.2	1,251.8	962.7	2,551.6	4,900.2	630.7	3,500.9	768.6
2009 Sep.	97.7	1,002.7	4,752.5	1,242.4	956.5	2,553.6	4,910.1	630.5	3,510.0	769.5
2009 Oct. <sup>(p)</sup>	92.0	997.3	4,730.6	1,224.4	948.4	2,557.9	4,919.0	628.3	3,520.3	770.4
Transactions										
2007	16.7	177.2	554.8	145.2	155.9	253.8	279.5	31.5	228.0	20.0
2008	-4.4	89.6	419.3	87.1	120.1	212.2	79.7	10.5	52.0	17.2
2009 Q1	-4.4	-10.4	10.3	-41.7	13.8	38.2	-8.0	2.2	-8.6	-1.6
2009 Q2	2.2	51.7	-41.0	-50.6	-1.4	11.0	4.0	-4.7	2.4	6.2
2009 Q3	-5.6	-21.8	-26.8	-38.1	-15.0	26.3	27.3	1.8	21.2	4.3
2009 July	-5.8	-14.7	-21.0	-31.1	-5.1	15.1	5.2	-0.3	6.5	-0.9
2009 Aug.	-2.9	-11.5	2.9	2.1	-6.1	6.9	8.5	0.6	5.9	2.0
2009 Sep.	3.1	4.4	-8.6	-9.1	-3.8	4.3	13.5	1.5	8.9	3.1
2009 Oct. <sup>(p)</sup>	-5.7	-4.0	-16.9	-17.1	-6.4	6.6	9.8	-1.4	9.9	1.3
Growth rates										
2007 Dec.	18.2	24.9	14.5	12.7	22.0	12.8	6.2	5.4	7.1	2.7
2008 Dec.	-4.1	10.2	9.5	6.8	13.9	9.4	1.7	1.7	1.5	2.3
2009 Mar.	-6.0	3.9	6.1	-0.5	11.0	8.1	0.3	0.8	0.1	1.3
2009 June	-0.2	1.9	2.7	-5.8	7.1	5.9	0.2	-0.8	0.1	1.4
2009 July	-4.2	-0.1	1.5	-8.7	5.9	5.6	0.0	-1.0	-0.1	1.3
2009 Aug.	-8.5	-0.7	0.7	-9.3	3.7	5.2	-0.2	-1.0	-0.4	1.3
2009 Sep.	-6.5	-0.3	-0.2	-10.2	2.3	4.5	-0.3	-1.2	-0.6	1.5
2009 Oct. <sup>(p)</sup>	-11.9	-1.4	-1.2	-11.6	0.9	3.8	-0.1	-1.3	-0.2	1.6

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

(annual growth rates; not seasonally adjusted)

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

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

3) Including investment funds.

4) Including non-profit institutions serving households.

**2.4 MFI loans: breakdown**<sup>1), 2)</sup>

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

**2. Loans to financial intermediaries and non-financial corporations**

	Insurance corporations and pension funds				Other financial intermediaries <sup>3)</sup>				Non-financial corporations			
	Total	Up to 1 year	Over 1 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
<b>Outstanding amounts</b>												
2008	92.4	68.6	5.7	18.0	961.2	554.1	169.0	238.0	4,829.4	1,379.1	961.3	2,489.0
2009 Q1	102.0	75.6	6.2	20.2	991.4	572.3	181.2	237.9	4,842.7	1,335.7	981.9	2,525.1
Q2	107.4	82.8	7.3	17.2	1,026.2	600.3	184.4	241.5	4,803.3	1,296.6	974.8	2,531.9
2009 July	100.3	76.2	7.2	17.0	1,010.6	578.0	186.7	245.9	4,785.8	1,265.0	971.5	2,549.3
Aug.	94.5	69.6	7.7	17.2	985.7	554.5	184.0	247.2	4,752.9	1,240.0	962.2	2,550.8
Sep.	97.6	73.1	7.7	16.8	1,014.3	579.9	187.8	246.6	4,741.5	1,236.0	955.8	2,549.7
Oct. <sup>(p)</sup>	93.8	68.4	7.3	18.1	988.1	564.3	176.3	247.6	4,720.4	1,218.0	949.0	2,553.5
<b>Transactions</b>												
2008	-4.0	-3.1	-1.8	0.9	90.5	26.9	21.3	42.4	420.0	86.8	120.1	213.0
2009 Q1	6.2	5.6	0.6	0.1	23.2	13.5	12.2	-2.5	-0.4	-42.4	14.5	27.6
Q2	6.8	7.3	1.1	-1.6	35.2	30.0	1.9	3.3	-22.1	-33.9	-1.7	13.5
Q3	-9.7	-9.7	0.3	-0.4	-9.6	-18.2	2.9	5.7	-52.2	-58.4	-15.7	22.0
2009 July	-7.0	-6.6	-0.2	-0.2	-16.3	-22.6	2.1	4.2	-14.5	-30.9	-2.0	18.3
Aug.	-5.9	-6.6	0.5	0.2	-24.0	-22.3	-3.4	1.7	-31.5	-23.9	-9.9	2.2
Sep.	3.2	3.6	0.0	-0.4	30.7	26.7	4.2	-0.2	-6.3	-3.7	-4.0	1.3
Oct. <sup>(p)</sup>	-3.8	-4.7	-0.4	1.3	-24.7	-20.3	-5.4	1.0	-16.1	-17.1	-5.1	6.1
<b>Growth rates</b>												
2008 Dec.	-4.1	-4.3	-23.7	5.0	10.5	5.3	14.4	22.0	9.5	6.8	13.9	9.4
2009 Mar.	-5.6	-7.7	-18.0	10.3	3.8	-4.7	20.1	17.2	6.2	-0.5	11.0	8.1
June	0.2	0.7	-3.7	0.6	1.8	-4.4	13.9	11.0	2.7	-5.8	7.2	5.9
2009 July	-4.2	-5.7	13.1	-2.2	0.0	-6.0	12.7	7.2	1.5	-8.7	5.9	5.6
Aug.	-8.5	-11.6	17.1	-3.2	-0.7	-6.8	10.2	7.4	0.7	-9.3	3.7	5.2
Sep.	-6.2	-8.2	21.5	-6.4	-0.4	-5.7	9.9	6.5	-0.2	-10.2	2.3	4.5
Oct. <sup>(p)</sup>	-12.0	-17.3	28.0	1.1	-1.5	-8.3	8.5	9.6	-1.2	-11.6	0.9	3.8

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

	Total	Consumer credit				Loans for house purchase				Other loans			
		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
<b>Outstanding amounts</b>													
2008	4,888.7	633.1	138.8	196.2	298.0	3,490.3	17.2	67.5	3,405.7	765.3	155.0	90.5	519.7
2009 Q1	4,878.9	637.7	136.2	199.8	301.6	3,480.9	16.3	65.6	3,399.0	760.3	150.7	88.7	520.9
Q2	4,899.2	639.1	136.6	198.6	303.9	3,487.4	15.8	64.1	3,407.5	772.8	154.4	88.3	530.1
2009 July	4,902.8	636.0	134.8	198.3	302.9	3,499.5	15.8	64.2	3,419.5	767.3	147.1	88.7	531.5
Aug.	4,901.7	631.2	133.6	196.6	301.0	3,503.0	15.7	64.1	3,423.2	767.4	146.3	88.1	533.1
Sep.	4,917.1	632.0	134.5	195.9	301.7	3,515.3	15.7	64.3	3,435.3	769.8	149.1	88.0	532.8
Oct. <sup>(p)</sup>	4,922.4	630.3	133.1	195.3	301.8	3,522.9	15.6	64.2	3,443.1	769.2	146.6	87.8	534.8
<b>Transactions</b>													
2008	79.0	10.4	1.0	-9.1	18.6	51.4	1.1	-3.8	54.1	17.2	2.5	-5.3	20.1
2009 Q1	-23.7	-3.0	-2.6	-2.2	1.7	-16.8	-0.9	-3.3	-12.5	-3.9	-4.2	-1.5	1.9
Q2	21.6	1.8	0.7	-0.9	2.0	7.7	-0.8	-1.5	10.0	12.1	4.0	-0.1	8.1
Q3	26.5	-0.2	-1.5	-0.1	1.4	26.8	0.0	0.2	26.5	-0.1	-4.9	0.0	4.8
2009 July	7.6	0.0	-1.7	0.7	1.0	12.5	0.0	0.1	12.3	-4.8	-7.1	0.4	1.9
Aug.	-0.3	-2.6	-0.9	-1.6	-0.1	2.2	-0.1	0.0	2.3	0.1	-0.9	-0.5	1.5
Sep.	19.1	2.4	1.2	0.8	0.5	12.1	0.0	0.1	11.9	4.6	3.0	0.2	1.4
Oct. <sup>(p)</sup>	6.1	-0.9	-1.2	-0.3	0.5	7.1	-0.1	-0.3	7.5	-0.1	-2.5	0.0	2.3
<b>Growth rates</b>													
2008 Dec.	1.6	1.7	0.7	-4.4	6.7	1.5	7.0	-5.2	1.6	2.3	1.7	-5.1	4.0
2009 Mar.	0.3	0.8	0.0	-4.6	5.0	0.1	1.0	-9.0	0.3	1.3	-0.2	-7.2	3.5
June	0.2	-0.8	-1.8	-5.5	3.0	0.1	-2.4	-11.2	0.3	1.5	-1.7	-5.7	3.8
2009 July	0.0	-1.0	-2.7	-5.0	2.5	-0.1	-2.0	-11.2	0.1	1.3	-2.5	-5.0	3.7
Aug.	-0.2	-1.0	-1.9	-5.4	2.5	-0.4	-3.2	-11.0	-0.1	1.3	-2.9	-4.4	3.7
Sep.	-0.3	-1.2	-2.6	-4.4	1.7	-0.5	-8.5	-9.7	-0.3	1.5	-2.8	-3.7	3.8
Oct. <sup>(p)</sup>	-0.1	-1.3	-3.2	-4.0	1.4	-0.2	-9.5	-9.3	0.0	1.6	-2.8	-3.4	3.9

Source: ECB.

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

## 2.4 MFI loans: breakdown <sup>1), 2)</sup>

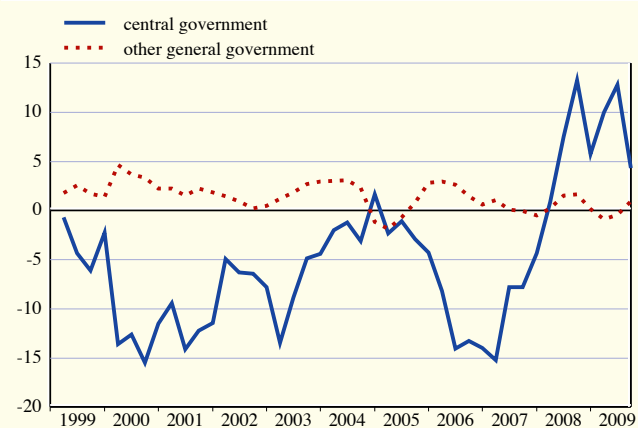
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
1	2	3	4	5	6	7	8	9	10	
Outstanding amounts										
2006	809.0	104.0	232.5	446.6	25.8	2,931.8	2,070.6	861.2	63.1	798.1
2007	954.5	213.4	217.6	494.1	29.4	3,300.2	2,344.5	955.7	59.8	895.9
2008 Q4	967.7	227.0	210.1	508.4	22.2	3,247.8	2,282.0	965.8	57.8	908.1
2009 Q1	970.6	232.8	205.6	511.2	21.0	3,057.1	2,101.0	956.1	59.2	896.9
Q2	998.2	249.2	206.5	513.9	28.6	2,949.3	1,999.7	949.6	57.2	892.3
Q3 <sup>(p)</sup>	994.3	235.5	209.7	518.2	30.7	2,807.7	1,893.6	914.2	48.6	865.6
Transactions										
2007	-8.0	-4.5	-13.0	6.0	3.6	540.7	381.4	159.3	0.3	159.0
2008	13.2	12.3	-8.1	16.2	-7.2	-59.3	-85.8	26.4	0.3	26.1
2008 Q4	-9.5	1.1	-0.2	12.8	-23.2	-257.6	-182.6	-75.0	-0.7	-74.3
2009 Q1	2.0	5.4	-4.4	2.2	-1.2	-234.0	-208.5	-25.7	0.3	-26.0
Q2	28.1	16.9	0.9	2.7	7.6	-72.1	-79.0	7.2	-1.0	8.2
Q3 <sup>(p)</sup>	-3.7	-13.6	3.2	4.3	2.1	-74.8	-69.8	-4.9	1.5	-6.4
Growth rates										
2006 Dec.	-1.6	-14.0	-5.8	5.2	-11.6	21.9	23.9	17.2	-0.1	18.8
2007 Dec.	-1.0	-4.3	-5.6	1.3	13.8	18.6	18.5	18.8	0.5	20.2
2008 Dec.	1.4	5.8	-3.7	3.3	-24.5	-1.8	-3.6	2.8	0.5	3.0
2009 Mar.	1.5	10.0	-3.6	3.5	-43.5	-14.3	-16.7	-8.7	-3.6	-9.0
June	2.6	12.8	-4.1	3.9	-31.9	-13.8	-16.5	-7.5	-7.6	-7.5
Sep. <sup>(p)</sup>	1.7	4.3	-0.2	4.4	-32.3	-18.2	-21.9	-9.3	0.2	-9.9

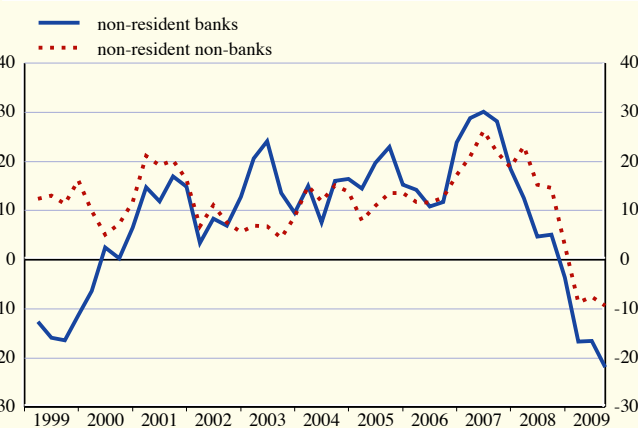
### C7 Loans to government <sup>2)</sup>

(annual growth rates; not seasonally adjusted)



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

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

3) The term "banks" is used in this table to indicate institutions similar to MFIs which are resident outside the euro area.

## 2.5 Deposits held with MFIs: breakdown <sup>1), 2)</sup>

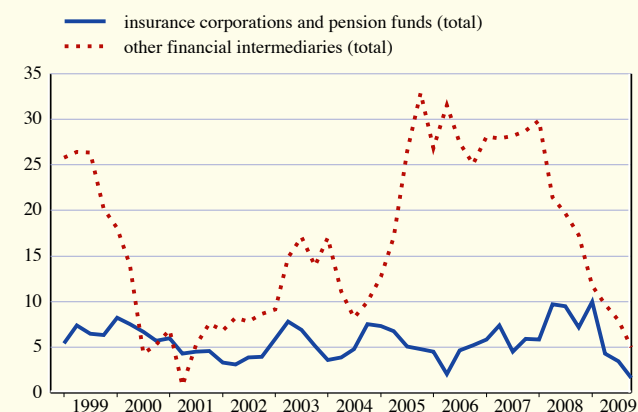
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>3)</sup>						
	Total	Overnight	With an agreed maturity of		Redeemable at notice		Repos	Total	Overnight	With an agreed maturity of		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2007	689.5	70.8	69.6	526.4	0.8	1.1	20.8	1,465.0	311.8	345.5	648.1	12.2	0.3	147.1
2008	760.9	83.7	114.1	537.5	1.1	1.5	23.1	1,802.3	320.2	419.8	852.9	12.3	0.1	197.0
2009 Q1	760.8	91.5	98.3	545.7	2.3	1.5	21.4	1,839.9	335.4	350.2	905.0	14.4	0.0	234.7
2009 Q2	749.4	85.1	91.4	550.6	1.7	1.5	19.0	1,896.8	337.2	342.6	947.8	14.1	0.0	255.0
2009 July	748.0	85.8	91.3	550.7	1.8	1.5	16.9	1,858.8	316.8	345.6	950.3	14.6	0.0	231.4
2009 Aug.	748.0	86.8	87.9	551.2	1.8	1.5	18.7	1,840.8	305.3	349.8	945.5	14.5	0.1	225.5
2009 Sep.	742.8	83.1	86.7	550.5	1.9	1.4	19.2	1,866.7	314.5	333.9	950.4	14.4	0.2	253.3
2009 Oct. <sup>(p)</sup>	745.3	85.5	90.0	548.0	2.0	1.4	18.3	1,833.5	320.6	324.4	938.6	15.8	0.1	233.9
Transactions														
2007	38.5	0.8	10.4	31.9	-0.3	-0.3	-4.1	338.9	33.9	98.7	180.4	1.7	0.1	24.1
2008	69.4	12.4	42.8	12.3	-0.3	0.1	2.2	172.4	4.5	71.0	46.6	-0.3	-0.3	51.0
2009 Q1	-5.0	5.4	-17.2	8.0	0.5	0.0	-1.7	33.8	11.6	-68.3	50.7	2.1	0.0	37.7
2009 Q2	-11.3	-6.3	-6.9	4.9	-0.5	0.0	-2.4	61.0	19.5	-20.0	41.4	-0.2	0.0	20.4
2009 Q3	-6.3	-1.9	-4.5	-0.1	0.1	-0.1	0.1	-20.5	-22.8	-1.5	4.9	0.4	0.1	-1.7
2009 July	-1.3	0.7	-0.1	0.1	0.1	0.0	-2.1	-37.9	-20.3	3.1	2.5	0.5	0.0	-23.6
2009 Aug.	0.1	1.0	-3.3	0.5	0.0	0.0	1.8	-16.5	-11.2	4.6	-4.1	-0.1	0.1	-5.9
2009 Sep.	-5.0	-3.6	-1.1	-0.7	0.0	-0.1	0.5	33.8	8.8	-9.2	6.4	0.0	0.0	27.8
2009 Oct. <sup>(p)</sup>	2.5	2.5	3.3	-2.6	0.1	0.0	-0.8	-32.2	6.4	-9.1	-11.4	1.4	0.0	-19.4
Growth rates														
2007 Dec.	5.9	1.1	17.5	6.4	-25.3	-	-16.4	29.9	12.0	39.7	38.5	16.4	-	19.1
2008 Dec.	10.0	17.3	60.0	2.3	-23.4	-	10.5	11.8	1.4	20.7	7.2	-2.5	-	34.6
2009 Mar.	4.3	8.8	13.6	2.4	-3.4	-	-2.2	9.7	-1.3	-2.4	13.6	6.3	-	39.4
2009 June	3.5	12.6	5.2	2.4	-13.3	-	-4.0	8.0	3.7	-14.5	13.2	15.4	-	39.9
2009 July	3.4	19.7	2.5	2.2	-3.3	-	-15.9	5.7	9.2	-21.9	13.5	1.7	-	30.3
2009 Aug.	4.1	27.1	0.2	2.3	3.7	-	-4.3	4.4	10.7	-24.2	13.5	11.5	-	23.0
2009 Sep.	1.6	7.8	-5.4	2.3	7.6	-	-5.9	5.0	1.7	-25.3	15.9	24.0	-	36.3
2009 Oct. <sup>(p)</sup>	1.0	1.0	-1.1	1.9	16.2	-	-12.7	2.0	0.9	-26.6	13.6	32.9	-	20.4

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

(annual growth rates)

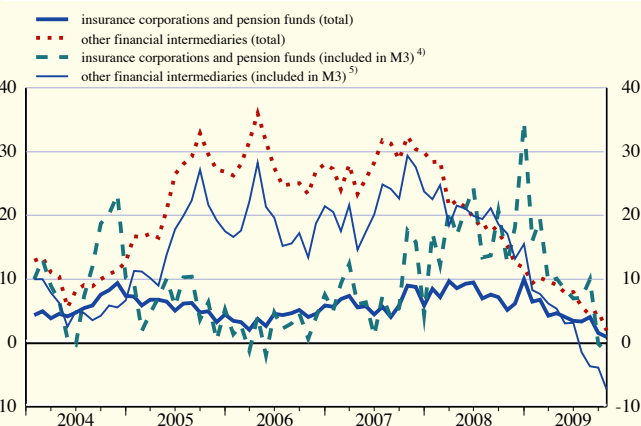


Source: ECB.

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

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

(annual growth rates)



## 2.5 Deposits held with MFIs: breakdown <sup>1), 2)</sup>

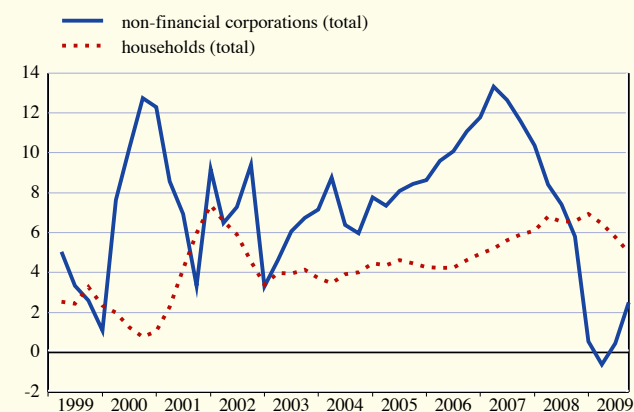
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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

	Non-financial corporations							Households <sup>3)</sup>						
	Total	Overnight	With an agreed maturity of		Redeemable at notice		Repos	Total	Overnight	With an agreed maturity of		Redeemable at notice		Repos
	1	2	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		8	9	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2007	1,477.2	884.0	479.4	59.5	29.3	1.4	23.7	4,989.0	1,777.4	993.3	561.5	1,458.6	111.1	87.1
2008	1,504.4	884.4	502.7	64.4	27.9	1.3	23.7	5,368.6	1,813.3	1,350.0	517.9	1,490.2	113.6	83.7
2009 Q1	1,477.2	873.3	476.1	70.7	38.0	1.3	17.9	5,446.6	1,899.2	1,281.2	524.4	1,565.5	114.9	61.4
2009 Q2	1,516.9	916.1	459.5	71.9	48.4	1.5	19.6	5,505.7	2,010.8	1,185.5	536.2	1,604.1	118.2	50.9
2009 July	1,517.6	912.5	458.8	74.0	52.4	1.5	18.4	5,515.7	2,028.7	1,154.2	544.5	1,618.0	119.4	50.9
2009 Aug.	1,528.7	928.1	451.9	76.1	54.7	1.5	16.5	5,507.5	2,032.0	1,121.9	552.7	1,632.7	120.1	48.1
2009 Sep.	1,549.4	950.6	445.0	78.0	57.0	1.5	17.4	5,501.1	2,052.9	1,084.8	561.1	1,637.7	121.4	43.2
2009 Oct. <sup>(p)</sup>	1,558.6	962.2	442.7	78.6	58.4	1.5	15.1	5,513.7	2,084.8	1,040.9	573.5	1,650.7	123.8	39.9
Transactions														
2007	140.2	34.1	126.8	-8.1	-10.8	-0.7	-1.1	282.9	22.4	320.9	-45.4	-43.2	11.2	17.1
2008	7.8	-5.0	13.3	3.2	-3.4	-0.3	0.0	347.5	28.7	335.5	-43.1	28.1	1.7	-3.4
2009 Q1	-37.3	-16.5	-30.7	5.0	10.7	0.0	-5.8	41.5	64.7	-80.4	4.0	75.1	0.5	-22.2
2009 Q2	43.4	45.5	-15.6	1.3	10.4	0.1	1.7	59.8	110.9	-94.4	11.8	39.3	2.7	-10.6
2009 Q3	35.0	35.8	-13.4	6.2	8.6	0.0	-2.2	-3.6	42.4	-100.0	24.9	33.7	3.1	-7.7
2009 July	0.8	-3.6	-0.6	2.2	4.0	0.0	-1.2	10.1	17.8	-31.2	8.3	14.0	1.1	0.0
2009 Aug.	11.8	15.9	-6.6	2.1	2.3	0.0	-1.9	-8.0	3.4	-32.2	8.2	14.7	0.8	-2.8
2009 Sep.	22.3	23.4	-6.2	1.9	2.3	0.0	0.9	-5.6	21.2	-36.5	8.4	5.0	1.3	-5.0
2009 Oct. <sup>(p)</sup>	9.4	11.6	-2.1	0.6	1.4	0.0	-2.2	13.4	32.0	-43.5	12.7	13.0	2.5	-3.3
Growth rates														
2006 Dec.	11.8	11.3	18.2	5.2	-8.1	5.9	0.6	5.0	3.9	25.8	-3.6	0.2	18.1	32.6
2007 Dec.	10.4	4.0	35.1	-11.8	-26.3	-31.6	-4.4	6.1	1.3	47.7	-7.5	-3.3	11.2	24.4
2009 Mar.	-0.6	1.2	-6.2	13.2	31.2	-9.5	-21.9	6.5	6.8	15.1	-4.6	6.6	4.7	-35.8
2009 Jun.	0.4	4.6	-11.4	12.1	76.5	1.0	-13.0	5.8	11.3	-0.6	0.0	9.6	10.5	-48.4
2009 July	1.5	7.1	-13.1	12.9	102.7	5.4	-20.0	5.5	13.3	-6.8	2.3	11.3	12.1	-52.5
2009 Aug.	2.3	9.6	-15.1	16.2	114.4	5.1	-28.8	5.2	15.1	-11.5	4.0	12.3	14.0	-56.5
2009 Sep.	2.5	8.3	-14.0	20.2	126.2	8.4	-30.8	5.0	15.9	-15.4	6.4	13.3	16.3	-60.1
2009 Oct. <sup>(p)</sup>	3.6	11.8	-15.4	18.5	137.1	13.0	-47.7	4.3	17.3	-22.1	10.6	14.3	15.4	-60.6

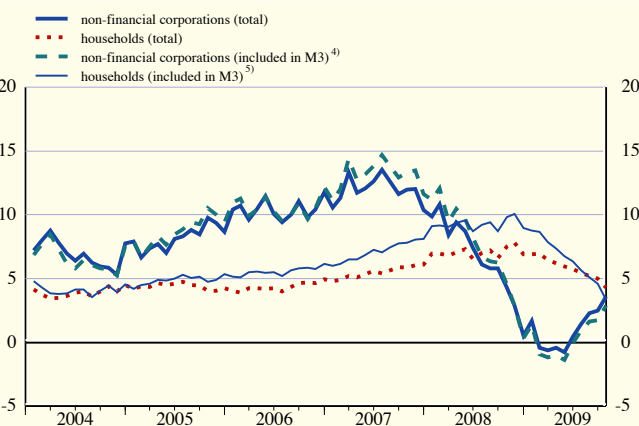
### C11 Total deposits by sector <sup>2)</sup>

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

**2.5 Deposits held with MFIs: breakdown<sup>1), 2)</sup>**

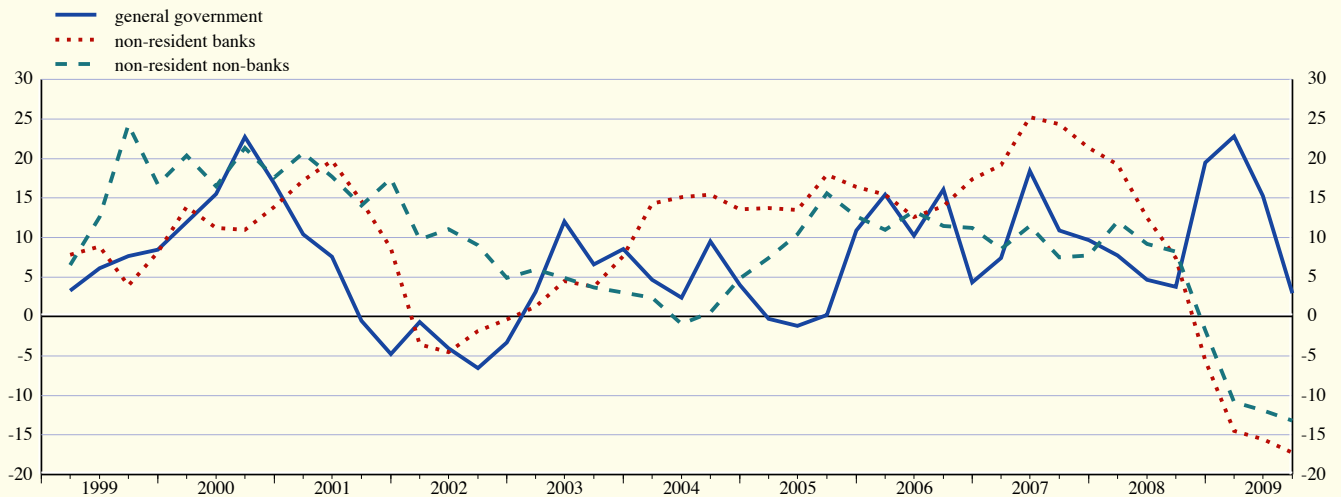
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
<b>Outstanding amounts</b>										
2006	329.6	124.1	45.4	91.4	68.8	3,430.0	2,561.5	868.6	128.5	740.1
2007	373.7	126.9	59.0	107.6	80.3	3,862.1	2,953.9	908.2	143.3	764.9
2008 Q4	444.4	190.8	52.3	115.5	85.8	3,713.9	2,816.9	897.0	65.8	831.2
2009 Q1	463.8	216.2	50.6	114.0	83.0	3,665.7	2,786.7	879.0	63.6	815.4
Q2	476.0	227.1	48.9	118.5	81.4	3,565.2	2,685.4	879.9	64.3	815.6
Q3 <sup>(p)</sup>	402.3	156.7	51.2	122.6	71.7	3,422.7	2,569.7	853.2	62.5	790.8
<b>Transactions</b>										
2007	31.9	-3.1	13.6	9.8	11.6	609.4	542.6	66.8	20.2	46.6
2008	72.8	63.5	-6.5	8.7	7.1	-185.1	-167.0	-18.0	-36.9	18.9
2008 Q4	46.2	50.8	-9.2	3.0	1.5	-427.8	-332.1	-95.8	-35.3	-60.4
2009 Q1	15.6	22.5	-1.7	-2.3	-2.9	-108.9	-77.7	-31.3	-2.6	-28.7
Q2	11.7	10.9	-1.6	4.4	-2.0	-60.5	-67.6	7.1	0.9	6.1
Q3 <sup>(p)</sup>	-62.2	-58.9	2.3	4.2	-9.8	-78.7	-66.5	-12.0	-1.2	-10.8
<b>Growth rates</b>										
2006 Dec.	4.3	-16.6	18.4	9.3	52.1	15.7	17.3	11.2	5.3	12.4
2007 Dec.	9.7	-2.4	29.9	10.7	16.9	17.9	21.3	7.7	15.8	6.3
2008 Dec.	19.5	49.9	-11.0	8.1	8.8	-4.7	-5.6	-1.8	-25.6	2.6
2009 Mar.	22.8	52.6	2.2	5.7	6.5	-13.6	-14.5	-10.9	-24.1	-8.8
June	15.3	43.7	-13.0	5.3	-4.9	-14.7	-15.6	-11.9	-21.9	-10.4
Sep. <sup>(p)</sup>	2.9	18.6	-16.6	8.3	-15.6	-16.3	-17.2	-13.2	-28.2	-10.7

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

(annual growth rates)



Source: ECB.

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

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

3) The term "banks" is used in this table to indicate institutions similar to MFIs which are resident outside the euro area.

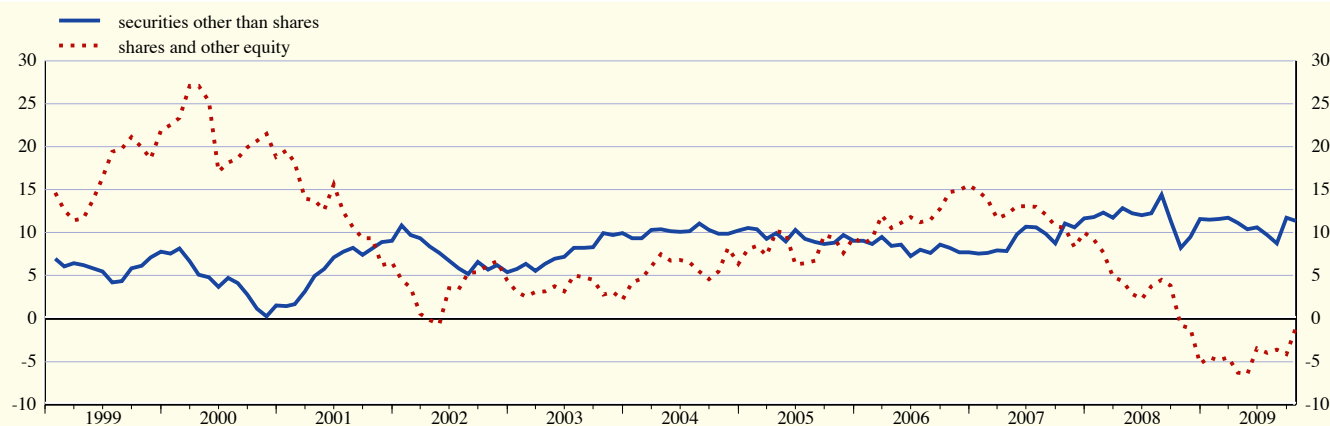
## 2.6 MFI holdings of securities: breakdown <sup>1), 2)</sup>

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

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Outstanding amounts</b>												
2007	5,125.3	1,656.4	84.0	1,180.5	16.6	919.9	33.3	1,234.7	1,636.5	424.5	869.3	342.7
2008	5,858.4	1,887.1	92.4	1,225.4	19.3	1,355.5	51.2	1,227.5	1,476.9	423.2	776.3	277.4
2009 Q1	6,135.8	1,982.3	103.5	1,366.7	20.6	1,396.3	50.6	1,215.7	1,456.8	424.6	760.9	271.3
Q2	6,289.9	2,016.8	106.7	1,445.8	20.4	1,448.4	47.7	1,204.1	1,475.0	428.3	770.6	276.1
2009 July	6,302.5	2,033.1	107.7	1,456.7	19.2	1,445.4	48.5	1,192.0	1,486.6	437.6	767.2	281.8
Aug.	6,305.1	2,030.2	105.4	1,457.7	17.9	1,445.5	47.3	1,201.1	1,496.0	449.5	763.5	283.1
Sep.	6,290.9	2,015.0	103.1	1,484.1	18.1	1,445.4	46.1	1,179.1	1,498.7	442.8	779.6	276.4
Oct. <sup>(p)</sup>	6,270.3	1,992.0	103.0	1,500.5	17.3	1,446.7	42.4	1,168.6	1,502.3	443.9	781.3	277.2
<b>Transactions</b>												
2007	543.7	136.0	18.1	-86.2	1.5	269.5	9.5	195.2	147.8	51.3	55.4	41.0
2008	597.1	212.4	5.9	36.5	1.9	295.0	19.0	26.4	-84.2	22.9	-56.6	-50.5
2009 Q1	252.0	95.1	8.4	133.8	0.4	39.7	-2.8	-22.6	-4.7	3.2	-4.4	-3.4
Q2	176.6	34.6	4.1	83.7	0.5	56.2	-1.6	-0.9	16.6	7.2	5.7	3.6
Q3	15.0	-4.8	-0.2	31.7	-1.8	-7.4	-0.4	-2.1	8.0	16.0	-6.2	-1.7
2009 July	14.1	18.5	1.0	7.9	-1.3	-3.8	0.5	-8.9	4.6	6.8	-7.0	4.8
Aug.	7.4	-4.6	-1.2	0.6	-1.1	-1.1	-0.7	15.6	3.6	10.1	-7.1	0.6
Sep.	-6.5	-18.7	0.0	23.2	0.6	-2.5	-0.3	-8.8	-0.2	-0.9	7.8	-7.1
Oct. <sup>(p)</sup>	-17.8	-20.6	0.2	16.6	-0.7	-0.7	-3.4	-9.2	5.2	1.7	3.1	0.4
<b>Growth rates</b>												
2007 Dec.	11.7	8.7	25.4	-6.8	10.7	43.3	33.4	17.7	10.0	13.7	6.9	13.9
2008 Dec.	11.6	12.7	8.1	3.1	9.9	32.2	57.2	2.2	-5.3	5.4	-6.7	-15.3
2009 Mar.	11.7	14.4	10.4	12.5	16.1	30.2	2.8	-5.4	-4.5	0.5	-6.6	-6.4
June	10.6	11.9	1.4	18.0	19.8	24.9	-5.8	-7.7	-3.4	0.7	-5.5	-4.0
2009 July	9.7	11.8	-1.8	18.2	13.5	22.7	-5.5	-9.4	-4.0	2.0	-8.6	0.5
Aug.	8.7	10.7	-2.0	18.3	13.8	19.6	-7.1	-9.4	-3.6	5.6	-9.4	-0.2
Sep.	11.7	11.3	4.2	24.0	15.5	22.0	-5.1	-5.9	-4.1	4.2	-8.9	-2.7
Oct. <sup>(p)</sup>	11.4	8.5	5.9	26.8	-0.2	17.4	-9.5	-2.5	-1.0	7.8	-5.1	-2.6

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

(annual growth rates)



Source: ECB.

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

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

**2.7 Revaluation of selected MFI balance sheet items <sup>1), 2)</sup>**  
(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 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
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.5	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009 Q1	-1.8	-0.5	-0.5	-0.8	-1.2	0.0	-0.1	-1.1	-2.3	-0.7	-0.2	-1.3
Q2	-1.5	-0.3	-0.5	-0.7	-1.0	0.0	0.0	-0.9	-1.2	-0.1	-0.2	-0.9
Q3	-1.6	-0.3	-0.5	-0.9	-0.8	0.0	0.0	-0.7	-1.6	-0.3	-0.2	-1.0
2009 July	-0.7	-0.1	-0.2	-0.3	-0.2	0.0	0.0	-0.2	-0.6	-0.1	-0.1	-0.4
Aug.	-0.4	-0.1	-0.1	-0.2	-0.2	0.0	0.0	-0.2	-0.4	-0.1	0.0	-0.2
Sep.	-0.5	-0.1	-0.2	-0.3	-0.4	0.0	0.0	-0.3	-0.5	-0.1	-0.1	-0.4
Oct. <sup>(p)</sup>	-0.7	-0.1	-0.3	-0.4	-0.2	0.0	0.0	-0.2	-0.4	0.0	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.8	-4.1	-9.1	-4.6	-6.6	-3.4	-3.2
2009 Q1	-7.2	-3.5	-1.7	-2.1	-2.7	-1.3	-1.3
Q2	-5.9	-1.7	-2.4	-1.8	-1.1	-0.3	-0.8
Q3	-7.0	-2.2	-2.1	-2.7	-1.0	-0.5	-0.5
2009 July	-2.5	-0.7	-0.9	-0.9	-0.4	-0.2	-0.2
Aug.	-1.4	-0.7	-0.4	-0.3	-0.1	-0.1	0.0
Sep.	-3.0	-0.8	-0.7	-1.5	-0.5	-0.2	-0.3
Oct. <sup>(p)</sup>	-3.4	-0.7	-1.3	-1.4	-0.4	-0.1	-0.3

**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
2007	-14.2	-3.3	0.1	-0.4	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-56.4	-8.0	0.0	5.2	0.0	-20.1	-2.2	-31.2	-60.6	-8.2	-44.1	-8.2
2009 Q1	-14.1	-0.3	-0.1	-3.2	0.0	-2.9	0.4	-8.1	-16.0	-3.5	-11.5	-1.0
Q2	-2.4	2.0	0.1	-2.0	-0.1	-1.7	0.3	-1.0	8.2	2.3	4.7	1.3
Q3	17.3	4.6	0.1	3.6	0.0	3.4	0.2	5.3	15.9	4.8	9.2	1.9
2009 July	8.2	1.9	0.1	2.9	0.0	0.5	0.2	2.5	7.0	2.5	3.6	0.9
Aug.	4.9	1.5	0.0	0.4	0.0	1.1	0.0	1.9	5.8	1.8	3.3	0.7
Sep.	4.2	1.2	0.0	0.2	0.0	1.8	0.0	1.0	3.1	0.4	2.2	0.4
Oct. <sup>(p)</sup>	0.8	0.4	0.0	-0.2	0.0	0.0	0.0	0.7	-1.6	-0.7	-1.4	0.4

Source: ECB.

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



## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1), 2)</sup>

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

### 1. Deposits

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
By euro area residents														
2006	5,239.3	90.7	9.3	5.6	0.4	1.5	1.2	8,025.9	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,087.5	92.1	7.9	4.8	0.4	1.1	1.0	8,994.4	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q4	6,861.2	89.7	10.3	7.3	0.4	1.2	0.8	9,880.6	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q1	6,609.1	90.9	9.1	6.3	0.3	1.2	0.7	9,988.3	96.9	3.1	1.9	0.4	0.1	0.5
Q2	6,627.8	92.2	7.8	5.1	0.3	1.1	0.8	10,144.7	97.0	3.0	1.9	0.3	0.1	0.5
Q3 <sup>4)</sup>	6,288.2	92.4	7.6	4.8	0.4	1.1	0.8	10,062.3	97.0	3.0	1.9	0.3	0.1	0.4
By non-euro area residents														
2006	2,561.5	45.4	54.6	35.0	2.3	2.7	11.5	868.6	50.8	49.2	31.9	1.3	2.0	10.4
2007	2,953.9	47.0	53.0	33.5	2.9	2.4	11.0	908.2	50.1	49.9	32.9	1.6	1.8	9.9
2008 Q4	2,816.9	48.2	51.8	33.4	2.8	2.6	10.2	897.0	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q1	2,786.7	47.2	52.8	34.8	2.1	2.6	10.4	879.0	52.7	47.3	31.6	1.2	1.9	8.4
Q2	2,685.4	49.0	51.0	33.2	1.6	2.6	10.7	879.9	51.9	48.1	32.5	1.8	1.8	7.8
Q3 <sup>4)</sup>	2,569.7	49.1	50.9	34.3	1.5	2.5	9.5	853.2	54.3	45.7	30.5	1.4	1.6	7.7

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

	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2006	4,470.8	80.6	19.4	10.0	1.6	1.9	3.5
2007	4,933.2	81.5	18.5	9.2	1.7	1.9	3.4
2008 Q4	5,111.7	83.3	16.7	8.4	2.0	1.9	2.5
2009 Q1	5,197.9	83.3	16.7	8.7	1.9	1.9	2.5
Q2	5,225.0	83.6	16.4	8.3	1.8	1.8	2.7
Q3 <sup>4)</sup>	5,200.1	84.0	16.0	8.2	1.8	1.9	2.3

Source: ECB.

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

**2.8 Currency breakdown of selected MFI balance sheet items <sup>1), 2)</sup>**

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

**3. Loans**

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2006	4,938.0	-	-	-	-	-	9,943.7	96.4	3.6	1.6	0.2	1.1	0.5	
2007	5,794.2	-	-	-	-	-	11,098.9	96.2	3.8	1.8	0.2	0.9	0.6	
2008 Q4	6,312.6	-	-	-	-	-	11,739.4	95.9	4.1	2.1	0.3	1.0	0.4	
2009 Q1	6,128.1	-	-	-	-	-	11,785.6	95.9	4.1	2.1	0.3	1.0	0.5	
Q2	6,216.7	-	-	-	-	-	11,834.4	96.1	3.9	2.0	0.2	1.0	0.5	
Q3 <sup>4)</sup>	5,901.0	-	-	-	-	-	11,764.9	96.2	3.8	1.9	0.2	1.0	0.4	
To non-euro area residents														
2006	2,070.6	50.9	49.1	28.7	2.0	2.3	11.0	861.2	39.3	60.7	43.1	1.1	4.0	8.6
2007	2,344.5	48.2	51.8	28.8	2.3	2.4	12.7	955.7	40.9	59.1	41.2	1.2	3.7	8.2
2008 Q4	2,282.0	45.8	54.2	31.8	3.0	2.6	11.3	965.8	40.5	59.5	41.9	1.4	4.3	7.4
2009 Q1	2,101.0	44.8	55.2	31.2	2.7	3.1	12.7	956.1	38.1	61.9	44.5	1.0	4.2	7.8
Q2	1,999.7	45.2	54.8	29.6	2.8	3.2	13.5	949.6	40.2	59.8	42.6	1.1	3.9	7.6
Q3 <sup>4)</sup>	1,893.6	45.4	54.6	29.9	2.7	3.1	12.6	914.2	40.5	59.5	41.7	1.5	3.8	7.6

**4. Holdings of securities other than shares**

	Issued by MFIs <sup>3)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2006	1,636.9	95.6	4.4	2.3	0.2	0.3	1.3	1,924.6	97.6	2.4	1.3	0.3	0.1	0.7
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,150.3	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q4	1,979.5	95.3	4.7	2.6	0.4	0.2	1.2	2,651.4	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q1	2,085.8	95.0	5.0	2.7	0.2	0.4	1.3	2,834.3	97.5	2.5	1.7	0.2	0.1	0.4
Q2	2,123.5	95.0	5.0	2.5	0.5	0.4	1.4	2,962.4	97.7	2.3	1.5	0.2	0.1	0.3
Q3 <sup>4)</sup>	2,118.1	95.1	4.9	2.9	0.2	0.3	1.3	2,993.7	97.9	2.1	1.4	0.2	0.1	0.4
Issued by non-euro area residents														
2006	515.3	52.3	47.7	28.8	0.7	0.4	14.5	594.5	38.9	61.1	36.5	4.9	0.8	14.2
2007	582.4	53.9	46.1	27.3	0.7	0.4	14.4	652.3	35.9	64.1	39.3	4.5	0.8	12.6
2008 Q4	580.7	54.1	45.9	28.6	0.9	0.5	13.3	646.8	39.0	61.0	37.1	6.4	0.8	11.0
2009 Q1	597.9	52.1	47.9	27.6	0.3	1.6	13.9	617.9	34.1	65.9	40.5	4.3	0.8	15.3
Q2	571.0	55.3	44.7	24.6	1.7	1.4	14.6	633.1	33.5	66.5	41.4	4.0	0.9	15.0
Q3 <sup>4)</sup>	562.1	56.2	43.8	25.3	0.6	0.5	14.7	618.0	34.8	65.2	39.3	4.2	0.9	15.1

Source: ECB.

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

## 2.9 Aggregated balance sheet of euro area investment funds <sup>1)</sup>

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2008 Q1	5,162.7	365.9	1,858.7	164.8	1,693.9	1,670.4	720.3	197.1	350.2
Q2	5,017.4	359.6	1,808.2	157.5	1,650.7	1,624.6	691.2	204.9	328.8
Q3	4,715.2	377.4	1,748.2	148.1	1,600.1	1,411.5	641.9	202.8	333.4
Q4	4,231.8	352.0	1,688.2	132.4	1,555.8	1,131.1	566.7	200.9	292.9
2009 Q1	4,099.2	345.6	1,699.2	121.7	1,577.5	1,043.3	529.8	205.6	275.6
Q2 <sup>(p)</sup>	4,540.1	357.6	1,866.7	120.7	1,746.0	1,239.6	568.0	208.1	300.2

### 2. Liabilities

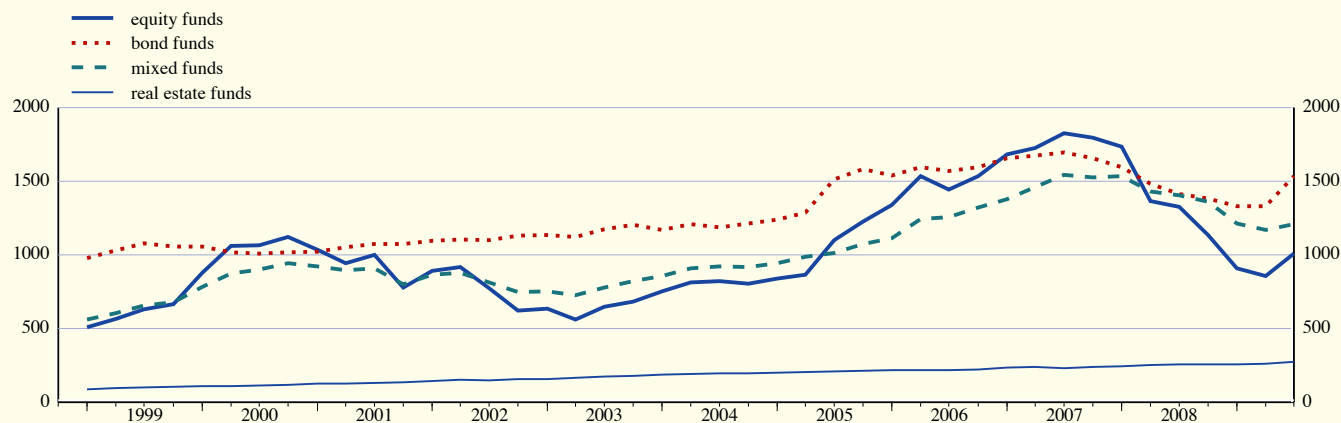
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2008 Q1	5,162.7	76.4	4,848.6	237.7
Q2	5,017.4	74.8	4,723.1	219.5
Q3	4,715.2	71.0	4,415.4	228.8
Q4	4,231.8	64.9	3,982.4	184.6
2009 Q1	4,099.2	76.2	3,838.6	184.4
Q2 <sup>(p)</sup>	4,540.1	81.5	4,237.2	221.4

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

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2008 Q1	5,162.7	1,362.8	1,483.8	1,428.1	249.7	638.3	3,780.2	1,382.5
Q2	5,017.4	1,325.4	1,413.9	1,405.6	256.3	616.2	3,649.3	1,368.1
Q3	4,715.2	1,132.4	1,383.2	1,359.3	253.2	587.1	3,342.9	1,372.3
Q4	4,231.8	907.0	1,331.1	1,210.8	256.5	526.4	2,950.2	1,281.6
2009 Q1	4,099.2	854.7	1,330.5	1,170.7	260.0	483.3	2,829.0	1,270.1
Q2 <sup>(p)</sup>	4,540.1	1,008.1	1,532.3	1,206.8	274.5	518.4	3,093.4	1,446.7

### C15 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

**1. Funds by investment policy**

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
<b>Equity funds</b>									
2008 Q1	1,362.8	51.3	63.1	21.3	41.8	1,131.0	65.7	-	51.7
Q2	1,325.4	54.3	65.1	22.0	43.1	1,088.7	65.7	-	51.6
Q3	1,132.4	48.3	61.3	20.2	41.1	915.3	57.2	-	50.2
Q4	907.0	36.3	64.9	19.4	45.5	715.3	47.2	-	43.3
2009 Q1	854.7	39.0	63.5	16.5	47.0	660.9	45.2	-	46.1
Q2 <sup>(p)</sup>	1,008.1	45.9	54.2	16.0	38.3	812.3	51.8	-	43.7
<b>Bond funds</b>									
2008 Q1	1,483.8	124.7	1,168.2	80.3	1,087.9	56.8	45.5	-	88.6
Q2	1,413.9	115.9	1,118.8	74.6	1,044.2	57.9	42.7	-	78.6
Q3	1,383.2	128.7	1,074.0	67.9	1,006.0	55.7	41.3	-	83.5
Q4	1,331.1	122.2	1,034.7	62.2	972.5	57.0	36.4	-	80.6
2009 Q1	1,330.5	117.5	1,044.9	62.1	982.8	48.5	38.6	-	81.0
Q2 <sup>(p)</sup>	1,532.3	119.1	1,210.3	64.9	1,145.4	55.2	38.7	-	109.0
<b>Mixed funds</b>									
2008 Q1	1,428.1	97.9	528.1	46.4	481.8	339.5	314.0	1.2	147.3
Q2	1,405.6	99.1	520.1	42.6	477.5	341.7	308.0	0.8	135.9
Q3	1,359.3	109.0	512.8	42.2	470.6	312.1	287.4	1.1	137.0
Q4	1,210.8	110.3	494.9	34.3	460.6	245.2	235.8	1.2	123.4
2009 Q1	1,170.7	109.5	498.5	28.2	470.3	227.3	224.0	1.8	109.6
Q2 <sup>(p)</sup>	1,206.8	104.0	505.0	23.8	481.2	252.8	237.6	1.2	106.1
<b>Real estate funds</b>									
2008 Q1	249.7	19.9	5.3	1.1	4.2	3.1	11.3	195.4	14.6
Q2	256.3	18.0	5.9	1.1	4.8	3.0	10.1	203.5	15.8
Q3	253.2	19.0	4.7	1.3	3.4	3.1	9.3	201.2	16.0
Q4	256.5	14.4	4.8	1.1	3.7	11.5	6.8	199.2	19.8
2009 Q1	260.0	14.5	5.1	1.1	4.0	11.2	7.5	203.4	18.3
Q2 <sup>(p)</sup>	274.5	20.8	5.5	1.1	4.4	14.9	8.2	206.3	18.7

**2. Funds by type of investor**

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2008 Q1	3,780.2	278.0	1,219.2	1,362.3	514.7	154.1	252.0
Q2	3,649.3	264.9	1,178.3	1,327.0	486.0	155.0	238.1
Q3	3,342.9	265.4	1,105.7	1,140.8	441.4	152.4	237.3
Q4	2,950.2	244.5	1,037.9	931.4	382.6	147.4	206.3
2009 Q1	2,829.0	244.5	1,029.9	863.6	343.0	147.8	200.3
Q2 <sup>(p)</sup>	3,093.4	257.6	1,099.9	1,021.9	361.8	150.2	201.9
<b>Special investors' funds</b>							
2008 Q1	1,382.5	88.0	639.6	308.1	205.6	43.0	98.2
Q2	1,368.1	94.8	629.9	297.6	205.2	49.9	90.7
Q3	1,372.3	112.0	642.5	270.7	200.5	50.5	96.1
Q4	1,281.6	107.5	650.2	199.7	184.1	53.5	86.6
2009 Q1	1,270.1	101.1	669.3	179.7	186.8	57.8	75.3
Q2 <sup>(p)</sup>	1,446.7	100.0	766.8	217.6	206.2	57.8	98.3

Source: ECB.



## EURO AREA ACCOUNTS

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

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
<b>2009 Q2</b>						
<b>External account</b>						
Exports of goods and services						424.5
<i>Trade balance</i> <sup>1)</sup>						-20.8
<b>Generation of income account</b>						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,113.9	109.6	708.4	54.4	241.5	
Other taxes less subsidies on production	33.6	3.5	22.7	3.6	3.8	
Consumption of fixed capital	355.1	96.8	200.7	11.6	46.0	
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	517.0	281.8	203.1	32.7	-0.6	
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income						
Compensation of employees						4.7
Taxes less subsidies on production						
Property income	1,016.8	37.5	492.0	418.7	68.6	115.8
Interest	425.5	35.2	67.1	254.6	68.5	64.7
Other property income	591.3	2.3	424.9	164.0	0.0	51.1
<i>Net national income</i> <sup>1)</sup>	1,862.3	1,673.3	-59.7	33.1	215.6	
<b>Secondary distribution of income account</b>						
Net national income						
Current taxes on income, wealth, etc.	258.4	212.5	37.0	8.6	0.3	4.3
Social contributions	414.6	414.6				0.8
Social benefits other than social transfers in kind	438.4	1.5	15.9	31.0	390.0	0.7
Other current transfers	182.8	69.3	25.8	46.2	41.6	7.8
Net non-life insurance premiums	44.6	32.4	10.7	0.8	0.7	1.1
Non-life insurance claims	44.5			44.5		0.5
Other	93.7	36.9	15.1	0.8	40.9	6.2
<i>Net disposable income</i> <sup>1)</sup>	1,843.1	1,502.2	-110.8	40.2	411.5	
<b>Use of income account</b>						
Net disposable income						
Final consumption expenditure	1,784.5	1,294.5			490.1	
Individual consumption expenditure	1,591.5	1,294.5			297.0	
Collective consumption expenditure	193.0				193.0	
Adjustment for the change in the net equity of households in pension funds reserves	17.0	0.1	0.5	16.4	0.0	0.0
<i>Net saving/current external account</i> <sup>1)</sup>	58.6	224.6	-111.3	23.8	-78.6	17.7
<b>Capital account</b>						
Net saving/current external account						
Gross capital formation	431.4	142.9	216.8	12.6	59.2	
Gross fixed capital formation	462.4	143.9	247.0	12.4	59.1	
Changes in inventories and acquisitions less disposals of valuables	-31.0	-1.1	-30.3	0.2	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.3	-1.8	1.3	0.3	0.6	-0.3
Capital transfers	45.1	8.4	3.3	6.7	26.6	4.8
Capital taxes	11.2	5.6	0.3	5.3		0.0
Other capital transfers	33.9	2.8	3.0	1.4	26.6	4.8
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	-15.3	183.3	-113.2	20.6	-106.0	15.3
Statistical discrepancy	0.0	-31.4	31.4	0.0	0.0	0.0

Sources: ECB and Eurostat.

1) For details of the calculation of the balancing items, see the Technical Notes.

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

(EUR billions)

Resources	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
<b>2009 Q2</b>						
<b>External account</b>						
Imports of goods and services						403.7
<i>Trade balance</i>						
<b>Generation of income account</b>						
Gross value added (basic prices)	2,019.6	491.6	1,135.0	102.3	290.7	
Taxes less subsidies on products	217.1					
Gross domestic product (market prices) <sup>2)</sup>	2,236.7					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
<b>Allocation of primary income account</b>						
Net operating surplus and mixed income	517.0	281.8	203.1	32.7	-0.6	
Compensation of employees	1,116.0	1,116.0				2.7
Taxes less subsidies on production	252.9				252.9	-2.3
Property income	993.2	313.1	229.1	419.1	31.8	139.4
Interest	413.3	63.5	43.3	297.8	8.6	76.9
Other property income	579.9	249.6	185.8	121.4	23.2	62.5
<i>Net national income</i>						
<b>Secondary distribution of income account</b>						
Net national income	1,862.3	1,673.3	-59.7	33.1	215.6	
Current taxes on income, wealth, etc.	262.0				262.0	0.6
Social contributions	414.4	1.2	17.0	47.4	348.9	1.0
Social benefits other than social transfers in kind	436.5	436.5				2.7
Other current transfers	162.2	89.1	10.6	45.5	17.0	28.4
Net non-life insurance premiums	44.5			44.5		1.1
Non-life insurance claims	43.8	34.9	8.0	0.6	0.3	1.2
Other	73.9	54.2	2.6	0.4	16.7	26.1
<i>Net disposable income</i>						
<b>Use of income account</b>						
Net disposable income	1,843.1	1,502.2	-110.8	40.2	411.5	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension funds reserves	17.0	17.0				0.0
<i>Net saving/current external account</i>						
<b>Capital account</b>						
Net saving/current external account	58.6	224.6	-111.3	23.8	-78.6	17.7
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	355.1	96.8	200.7	11.6	46.0	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	47.8	11.4	18.6	4.8	12.9	2.1
Capital taxes	11.2				11.2	0.0
Other capital transfers	36.6	11.4	18.6	4.8	1.8	2.1
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
Statistical discrepancy						

Sources: ECB and Eurostat.

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

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

(EUR billions)

Assets	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
<b>2009 Q2</b>								
<b>Opening balance sheet, financial assets</b>								
Total financial assets		16,592.7	13,849.2	23,623.5	9,709.5	5,915.4	3,216.5	14,773.4
Monetary gold and special drawing rights (SDRs)				245.2				
Currency and deposits		6,242.5	1,706.8	2,181.1	1,820.2	871.1	736.1	4,077.6
Short-term debt securities		60.4	107.0	137.5	371.0	345.3	25.5	795.5
Long-term debt securities		1,310.7	220.5	4,442.4	1,664.5	2,035.0	316.8	3,037.4
Loans		67.5	2,631.3	12,765.8	2,266.8	367.8	444.3	1,811.4
<i>of which: Long-term</i>		49.5	1,460.0	9,724.0	1,757.0	304.9	355.9	.
Shares and other equity		3,493.2	5,812.9	1,541.0	3,399.0	1,826.1	1,111.3	4,353.1
Quoted shares		523.7	998.2	412.8	1,373.1	395.2	223.3	.
Unquoted shares and other equity		1,694.2	4,496.2	909.1	1,493.0	391.2	764.1	.
Mutual fund shares		1,275.3	318.5	219.0	532.9	1,039.7	123.9	.
Insurance technical reserves		5,178.3	140.5	1.9	0.0	154.4	3.1	134.6
Other accounts receivable and financial derivatives		240.2	3,230.3	2,308.8	187.9	315.8	579.4	563.7
<i>Net financial worth</i>								
<b>Financial account, transactions in financial assets</b>								
Total transactions in financial assets		193.0	60.2	-123.2	164.7	42.9	112.3	-8.8
Monetary gold and special drawing rights (SDRs)				-0.4				0.4
Currency and deposits		74.1	41.6	-54.2	27.3	-13.3	17.1	-151.6
Short-term debt securities		-14.0	-28.5	-13.7	17.8	6.5	-0.8	64.9
Long-term debt securities		16.1	-44.7	147.8	113.8	-16.0	35.9	23.0
Loans		0.3	14.0	61.8	-55.7	5.6	23.5	-56.5
<i>of which: Long-term</i>		0.0	7.7	58.7	-61.2	5.1	1.6	.
Shares and other equity		31.5	64.9	21.9	32.1	60.1	26.9	121.2
Quoted shares		18.9	37.9	-0.5	-1.6	5.0	10.0	.
Unquoted shares and other equity		12.4	31.1	13.2	15.5	-3.4	17.0	.
Mutual fund shares		0.1	-4.1	9.2	18.2	58.4	-0.1	.
Insurance technical reserves		56.5	0.2	0.0	0.0	0.3	0.0	-2.3
Other accounts receivable and financial derivatives		28.5	12.7	-286.3	29.3	-0.3	9.6	-7.9
<i>Changes in net financial worth due to transactions</i>								
<b>Other changes account, financial assets</b>								
Total other changes in financial assets		306.0	310.5	231.5	331.2	86.4	20.4	55.5
Monetary gold and special drawing rights (SDRs)				-10.8				
Currency and deposits		0.0	-4.5	-21.0	-5.8	0.0	0.9	-42.0
Short-term debt securities		-0.7	18.0	-1.3	5.4	0.5	0.5	-20.0
Long-term debt securities		17.2	-5.4	-3.5	19.4	11.1	-1.0	-1.8
Loans		0.0	-3.6	-34.2	-19.2	-1.5	0.3	-19.6
<i>of which: Long-term</i>		0.0	-3.6	-17.2	-21.7	-0.9	-0.4	.
Shares and other equity		233.3	361.8	62.2	317.8	65.2	21.6	196.8
Quoted shares		90.7	95.8	43.1	188.3	39.3	21.2	.
Unquoted shares and other equity		91.1	250.0	35.8	110.3	5.2	-3.3	.
Mutual fund shares		51.5	16.0	-16.7	19.2	20.6	3.7	.
Insurance technical reserves		53.9	3.5	0.0	0.0	28.5	0.0	-46.1
Other accounts receivable and financial derivatives		2.3	-59.4	240.2	13.6	-17.4	-1.9	-11.8
<i>Other changes in net financial worth</i>								
<b>Closing balance sheet, financial assets</b>								
Total financial assets		17,091.7	14,219.9	23,731.9	10,205.4	6,044.7	3,349.2	14,819.7
Monetary gold and special drawing rights (SDRs)				234.0				
Currency and deposits		6,316.6	1,743.8	2,105.9	1,841.7	857.8	754.1	3,883.9
Short-term debt securities		45.7	96.5	122.4	394.2	352.3	25.2	840.5
Long-term debt securities		1,344.0	170.3	4,586.7	1,797.6	2,030.1	351.7	3,058.6
Loans		67.8	2,641.7	12,793.4	2,192.0	371.9	468.1	1,735.3
<i>of which: Long-term</i>		49.5	1,464.1	9,765.5	1,674.0	309.1	357.1	.
Shares and other equity		3,758.0	6,239.6	1,625.0	3,748.9	1,951.3	1,159.7	4,671.0
Quoted shares		633.3	1,131.9	455.4	1,559.8	439.5	254.5	.
Unquoted shares and other equity		1,797.8	4,777.3	958.1	1,618.8	393.1	777.8	.
Mutual fund shares		1,326.9	330.4	211.5	570.4	1,118.7	127.5	.
Insurance technical reserves		5,288.7	144.2	1.9	0.0	183.2	3.2	86.3
Other accounts receivable and financial derivatives		271.0	3,183.6	2,262.6	230.8	298.1	587.2	544.0
<i>Net financial worth</i>								

Source: ECB.

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

(EUR billions)

Liabilities	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
<b>2009 Q2</b>								
<b>Opening balance sheet, liabilities</b>								
Total liabilities		6,339.0	21,856.3	23,014.5	9,398.4	6,083.0	7,713.7	13,030.3
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.3	14,856.7	21.0	0.0	245.6	2,485.8
Short-term debt securities			308.5	255.5	96.2	10.7	943.3	228.0
Long-term debt securities			481.7	2,800.0	2,193.5	31.5	4,859.7	2,660.8
Loans		5,716.4	8,205.0		1,828.2	214.7	1,260.3	3,130.4
<i>of which: Long-term</i>		5,344.4	5,687.8		826.8	80.4	1,068.8	.
Shares and other equity			9,621.7	2,446.1	5,043.6	387.4	4.2	4,033.4
Quoted shares			2,514.0	318.1	93.8	122.0	0.0	.
Unquoted shares and other equity			7,107.7	924.9	1,152.2	265.4	4.2	.
Mutual fund shares				1,203.1	3,797.6			.
Insurance technical reserves		33.7	330.9	62.9	0.8	5,184.0	0.5	
Other accounts payable and financial derivatives		588.8	2,882.1	2,593.3	215.3	254.8	400.0	491.8
<i>Net financial worth<sup>1)</sup></i>	-1,497.9	10,253.8	-8,007.0	609.1	311.1	-167.6	-4,497.2	
<b>Financial account, transactions in liabilities</b>								
Total transactions in liabilities		41.2	142.0	-153.0	193.8	23.0	218.3	-24.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.5	14.8	-0.9	0.0	8.2	-81.5
Short-term debt securities			8.1	-49.5	-0.2	-1.0	68.5	6.4
Long-term debt securities			25.1	47.9	67.4	-1.1	113.6	22.9
Loans		31.1	12.3		-61.4	-0.2	50.3	-39.1
<i>of which: Long-term</i>		27.8	40.3		-75.5	-0.2	29.1	.
Shares and other equity			78.1	3.6	188.5	0.3	0.0	88.0
Quoted shares			26.2	12.0	1.4	0.0	0.0	.
Unquoted shares and other equity			51.9	9.4	29.5	0.3	0.0	.
Mutual fund shares				-17.8	157.6			.
Insurance technical reserves		0.1	0.6	2.1	0.0	52.0	0.0	
Other accounts payable and financial derivatives		9.9	17.5	-171.9	0.4	-26.9	-22.3	-20.9
<i>Changes in net financial worth due to transactions<sup>1)</sup></i>	-15.3	151.9	-81.8	29.8	-29.1	19.9	-106.0	15.3
<b>Other changes account, liabilities</b>								
Total other changes in liabilities		-1.3	503.2	305.5	305.0	77.0	13.5	149.3
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-50.3	0.0	0.0	0.0	-22.2
Short-term debt securities			11.3	0.6	0.6	0.0	-1.0	-9.3
Long-term debt securities			-2.0	2.0	24.9	-0.1	-20.5	31.6
Loans		-0.6	-19.2		-40.5	-1.4	-2.6	-13.6
<i>of which: Long-term</i>		-0.1	-5.1		-44.5	-1.5	-2.7	.
Shares and other equity			628.0	134.6	312.1	27.2	0.3	156.5
Quoted shares			302.9	119.5	25.5	19.4	0.0	.
Unquoted shares and other equity			325.0	27.2	55.6	7.8	0.3	.
Mutual fund shares				-12.1	231.0			.
Insurance technical reserves		0.0	0.0	0.0	0.0	39.9	0.0	
Other accounts payable and financial derivatives		-0.7	-114.9	218.6	7.8	11.4	37.2	6.2
<i>Other changes in net financial worth<sup>1)</sup></i>	83.0	307.3	-192.7	-74.0	26.2	9.3	6.9	-93.8
<b>Closing balance sheet, liabilities</b>								
Total liabilities		6,378.8	22,501.5	23,167.0	9,897.2	6,183.1	7,945.5	13,155.4
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.8	14,821.2	20.1	0.0	253.8	2,382.1
Short-term debt securities			327.9	206.6	96.6	9.7	1,010.8	225.1
Long-term debt securities			504.8	2,849.9	2,285.8	30.3	4,952.9	2,715.4
Loans		5,746.9	8,198.1		1,726.3	213.0	1,308.1	3,077.7
<i>of which: Long-term</i>		5,372.1	5,723.0		706.8	78.7	1,095.3	.
Shares and other equity			10,327.7	2,584.3	5,544.2	414.9	4.5	4,277.9
Quoted shares			2,843.1	449.5	120.6	141.4	0.0	.
Unquoted shares and other equity			7,484.6	961.5	1,237.4	273.5	4.5	.
Mutual fund shares				1,173.3	4,186.3			.
Insurance technical reserves		33.8	331.5	65.1	0.8	5,275.8	0.5	
Other accounts payable and financial derivatives		598.0	2,784.7	2,640.0	223.4	239.3	414.9	477.1
<i>Net financial worth<sup>1)</sup></i>	-1,430.3	10,713.0	-8,281.6	564.9	308.2	-138.4	-4,596.3	

Source: ECB.



### 3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2005	2006	2007	2007 Q3- 2008 Q2	2007 Q4- 2008 Q3	2008 Q1- 2008 Q4	2008 Q2- 2009 Q1	2008 Q3- 2009 Q2
<b>Generation of income account</b>								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,907.1	4,070.1	4,255.9	4,356.9	4,403.1	4,438.5	4,444.9	4,441.1
Other taxes less subsidies on production	130.0	128.8	137.1	136.3	137.1	133.8	131.7	126.3
Consumption of fixed capital	1,186.7	1,247.2	1,315.2	1,347.5	1,363.9	1,378.2	1,390.3	1,400.0
<i>Net operating surplus and mixed income</i> <sup>1)</sup>	2,072.1	2,189.5	2,331.7	2,375.2	2,379.2	2,358.6	2,293.3	2,211.7
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,618.2	3,056.3	3,617.1	3,838.5	3,923.1	3,929.5	3,824.1	3,588.7
Interest	1,345.8	1,644.0	2,055.4	2,226.3	2,296.2	2,307.2	2,222.5	2,062.9
Other property income	1,272.4	1,412.3	1,561.7	1,612.3	1,626.9	1,622.3	1,601.6	1,525.8
<i>Net national income</i> <sup>1)</sup>	6,970.7	7,317.8	7,695.2	7,783.9	7,819.7	7,803.3	7,720.6	7,631.1
<b>Secondary distribution of income account</b>								
Net national income								
Current taxes on income, wealth, etc.	935.9	1,028.2	1,111.8	1,140.2	1,142.1	1,124.2	1,113.7	1,077.3
Social contributions	1,477.8	1,540.5	1,595.9	1,627.7	1,645.3	1,660.4	1,669.2	1,671.4
Social benefits other than social transfers in kind	1,505.5	1,553.2	1,597.1	1,627.1	1,647.5	1,665.1	1,688.9	1,717.4
Other current transfers	712.0	722.8	753.5	775.5	781.7	790.1	784.3	775.3
Net non-life insurance premiums	179.6	179.6	184.2	186.5	187.7	188.3	185.7	182.6
Non-life insurance claims	180.5	179.9	183.9	186.6	188.0	189.3	186.6	183.3
Other	351.8	363.3	385.4	402.4	406.1	412.5	412.0	409.3
<i>Net disposable income</i> <sup>1)</sup>	6,884.3	7,225.6	7,599.7	7,680.2	7,717.1	7,697.7	7,615.7	7,526.8
<b>Use of income account</b>								
Net disposable income								
Final consumption expenditure	6,355.7	6,631.5	6,891.7	7,044.4	7,119.0	7,156.8	7,164.8	7,157.6
Individual consumption expenditure	5,691.0	5,946.4	6,180.3	6,313.6	6,378.6	6,407.4	6,405.2	6,391.1
Collective consumption expenditure	664.7	685.1	711.3	730.8	740.4	749.4	759.6	766.4
Adjustment for the change in the net equity of households in pension funds reserves	60.8	62.9	59.7	62.3	63.7	64.2	64.8	64.5
<i>Net saving</i> <sup>1)</sup>	528.9	594.3	708.2	635.8	598.2	540.9	450.9	369.2
<b>Capital account</b>								
Net saving								
Gross capital formation	1,717.1	1,876.7	2,021.7	2,056.2	2,072.2	2,066.3	2,003.1	1,910.5
Gross fixed capital formation	1,709.9	1,854.9	1,995.5	2,034.3	2,048.2	2,029.3	1,976.4	1,907.2
Changes in inventories and acquisitions less disposals of valuables	7.3	21.8	26.1	21.9	24.0	37.0	26.7	3.2
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-0.4	-0.5	-1.2	0.1	0.3	0.7	1.2	0.7
Capital transfers	183.6	170.0	151.2	159.6	163.7	164.1	161.4	169.9
Capital taxes	24.4	22.5	24.3	23.9	24.1	23.6	23.5	28.6
Other capital transfers	159.2	147.4	126.9	135.7	139.6	140.5	137.9	141.3
<i>Net lending (+)/net borrowing (-) (from capital account)</i> <sup>1)</sup>	12.1	-20.2	16.8	-57.8	-97.1	-136.3	-153.9	-132.9

Sources: ECB and Eurostat.

1) For details of the calculation of the balancing items, see the Technical Notes.

**3.2 Euro area non-financial accounts (cont'd)**

(EUR billions; four-quarter cumulated flows)

Resources	2005	2006	2007	2007 Q3- 2008 Q2	2007 Q4- 2008 Q3	2008 Q1- 2008 Q4	2008 Q2- 2009 Q1	2008 Q3- 2009 Q2
<b>Generation of income account</b>								
Gross value added (basic prices)	7,295.9	7,635.5	8,039.8	8,216.0	8,283.2	8,309.1	8,260.3	8,179.0
Taxes less subsidies on products	845.1	913.7	959.1	954.1	952.5	945.6	928.9	912.6
Gross domestic product (market prices) <sup>2)</sup>	8,141.1	8,549.3	8,998.9	9,170.1	9,235.7	9,254.7	9,189.2	9,091.6
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
<b>Allocation of primary income account</b>								
Net operating surplus and mixed income	2,072.1	2,189.5	2,331.7	2,375.2	2,379.2	2,358.6	2,293.3	2,211.7
Compensation of employees	3,914.4	4,077.6	4,264.0	4,365.4	4,411.6	4,447.0	4,453.2	4,449.4
Taxes less subsidies on production	988.2	1,054.0	1,103.2	1,095.8	1,095.0	1,084.5	1,065.7	1,045.4
Property income	2,614.3	3,053.1	3,613.5	3,786.1	3,857.0	3,842.8	3,732.6	3,513.4
Interest	1,320.3	1,614.5	2,014.6	2,172.5	2,241.0	2,251.0	2,164.3	2,009.0
Other property income	1,294.0	1,438.6	1,598.9	1,613.6	1,616.0	1,591.8	1,568.3	1,504.4
<i>Net national income</i>								
<b>Secondary distribution of income account</b>								
Net national income	6,970.7	7,317.8	7,695.2	7,783.9	7,819.7	7,803.3	7,720.6	7,631.1
Current taxes on income, wealth, etc.	939.5	1,032.9	1,119.2	1,148.4	1,150.4	1,132.5	1,121.9	1,083.8
Social contributions	1,477.0	1,539.7	1,595.0	1,626.9	1,644.6	1,659.5	1,668.2	1,670.4
Social benefits other than social transfers in kind	1,497.9	1,545.1	1,588.1	1,618.4	1,639.1	1,657.0	1,680.7	1,709.4
Other current transfers	630.4	634.7	660.5	673.1	680.0	685.1	680.4	673.4
Net non-life insurance premiums	180.5	179.9	183.9	186.6	188.0	189.3	186.6	183.3
Non-life insurance claims	178.3	176.8	181.3	183.7	184.9	185.7	183.0	179.9
Other	271.6	278.1	295.3	302.7	307.2	310.1	310.8	310.1
<i>Net disposable income</i>								
<b>Use of income account</b>								
Net disposable income	6,884.3	7,225.6	7,599.7	7,680.2	7,717.1	7,697.7	7,615.7	7,526.8
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension funds reserves	61.0	63.1	59.9	62.4	63.7	64.2	64.8	64.6
<i>Net saving</i>								
<b>Capital account</b>								
Net saving	528.9	594.3	708.2	635.8	598.2	540.9	450.9	369.2
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,186.7	1,247.2	1,315.2	1,347.5	1,363.9	1,378.2	1,390.3	1,400.0
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	196.8	184.5	165.1	174.6	177.0	175.7	170.6	179.0
Capital taxes	24.4	22.5	24.3	23.9	24.1	23.6	23.5	28.6
Other capital transfers	172.4	162.0	140.8	150.8	152.9	152.1	147.1	150.4
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

Sources: ECB and Eurostat.

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

### 3.3 Households

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

	2005	2006	2007	2007 Q3- 2008 Q2	2007 Q4- 2008 Q3	2008 Q1- 2008 Q4	2008 Q2- 2009 Q1	2008 Q3- 2009 Q2
<b>Income, saving and changes in net worth</b>								
Compensation of employees (+)	3,914.4	4,077.6	4,264.0	4,365.4	4,411.6	4,447.0	4,453.2	4,449.4
Gross operating surplus and mixed income (+)	1,332.8	1,409.6	1,492.9	1,524.8	1,538.7	1,544.8	1,539.4	1,529.5
Interest receivable (+)	227.0	262.5	306.1	328.4	338.2	338.6	326.3	302.8
Interest payable (-)	130.7	163.9	209.6	227.1	234.1	232.9	217.2	192.6
Other property income receivable (+)	722.7	771.5	808.8	826.3	830.2	819.1	814.1	791.4
Other property income payable (-)	9.5	9.8	9.9	9.9	9.9	9.8	10.0	9.9
Current taxes on income and wealth (-)	741.7	794.1	852.7	882.4	889.4	891.8	889.2	876.2
Net social contributions (-)	1,473.8	1,536.5	1,591.6	1,623.4	1,640.9	1,655.9	1,664.7	1,666.9
Net social benefits (+)	1,492.6	1,539.7	1,582.5	1,612.6	1,633.3	1,651.2	1,674.9	1,703.5
Net current transfers receivable (+)	66.5	66.5	69.1	70.6	70.2	71.1	72.4	74.7
<b>= Gross disposable income</b>	5,400.1	5,623.2	5,859.4	5,985.3	6,047.9	6,081.3	6,099.1	6,105.7
Final consumption expenditure (-)	4,691.4	4,898.4	5,088.0	5,195.4	5,249.2	5,263.4	5,245.6	5,220.3
Changes in net worth in pension funds (+)	60.6	62.7	59.5	61.9	63.2	63.8	64.3	64.1
<b>= Gross saving</b>	769.4	787.5	830.8	851.9	862.0	881.7	917.8	949.5
Consumption of fixed capital (-)	319.9	338.6	359.0	368.7	373.1	376.4	379.2	381.6
Net capital transfers receivable (+)	24.1	18.9	11.9	14.2	14.8	15.7	15.4	17.3
Other changes in net worth <sup>1)</sup> (+)	524.3	563.8	45.4	-1,150.4	-1,321.4	-1,768.7	-1,361.8	-752.7
<b>= Changes in net worth <sup>1)</sup></b>	997.9	1,031.7	529.0	-653.0	-817.9	-1,247.8	-807.8	-167.5
<b>Investment, financing and changes in net worth</b>								
Net acquisition of non-financial assets (+)	546.9	601.5	638.9	644.6	644.2	633.0	615.1	591.9
Consumption of fixed capital (-)	319.9	338.6	359.0	368.7	373.1	376.4	379.2	381.6
Main items of financial investment (+)								
Short-term assets	206.4	307.5	425.9	426.9	433.0	440.8	384.5	283.4
Currency and deposits	246.9	284.3	349.8	387.6	392.4	437.0	397.6	335.4
Money market fund shares	-20.2	0.9	40.0	10.5	13.5	-9.1	-4.0	-24.9
Debt securities <sup>2)</sup>	-20.3	22.2	36.0	28.7	27.1	12.9	-9.1	-27.0
Long-term assets	422.9	364.3	160.6	109.0	61.9	77.0	118.5	214.6
Deposits	-5.3	-1.2	-29.8	-37.2	-40.0	-32.9	-17.9	10.5
Debt securities	-1.7	76.6	13.9	73.8	83.4	72.1	65.2	47.9
Shares and other equity	137.5	-27.6	-86.6	-149.5	-189.5	-137.0	-98.4	-17.8
Quoted and unquoted shares and other equity	71.1	-9.8	-5.7	-24.8	-41.9	-7.9	3.4	30.6
Mutual fund shares	66.4	-17.9	-81.0	-124.7	-147.6	-129.1	-101.8	-48.4
Life insurance and pension fund reserves	292.5	316.5	263.2	221.9	208.0	174.8	169.7	174.1
Main items of financing (-)								
Loans	397.2	393.5	350.5	287.8	252.2	205.4	147.7	112.1
<i>of which: From euro area MFIs</i>	358.5	355.3	283.7	199.0	183.2	81.6	18.8	9.1
Other changes in financial assets (+)								
Shares and other equity	443.3	510.7	7.9	-1,007.0	-1,051.3	-1,403.6	-1,090.8	-624.5
Life insurance and pension fund reserves	105.5	50.6	28.1	-127.8	-180.3	-259.3	-203.8	-115.2
Remaining net flows (+)	-10.1	-70.9	-22.8	-42.2	-100.0	-153.9	-104.3	-24.0
<b>= Changes in net worth <sup>1)</sup></b>	997.9	1,031.7	529.0	-653.0	-817.9	-1,247.8	-807.8	-167.5
<b>Financial balance sheet</b>								
Financial assets (+)								
Short-term assets	4,482.0	4,748.0	5,212.3	5,488.3	5,546.3	5,724.5	5,792.7	5,798.3
Currency and deposits	4,174.0	4,454.4	4,843.3	5,055.2	5,104.7	5,312.9	5,374.4	5,430.1
Money market fund shares	296.4	257.6	296.0	346.5	348.5	328.0	346.5	312.0
Debt securities <sup>2)</sup>	11.6	36.0	72.9	86.6	93.0	83.6	71.7	56.2
Long-term assets	10,994.7	11,966.2	12,112.0	11,173.5	10,843.7	10,371.0	10,148.5	10,609.9
Deposits	1,023.3	1,031.1	966.8	903.6	887.0	890.6	868.0	886.6
Debt securities	1,209.3	1,283.1	1,279.2	1,306.2	1,287.2	1,280.5	1,299.3	1,333.4
Shares and other equity	4,514.7	5,037.4	4,960.3	4,078.7	3,790.5	3,378.7	3,146.7	3,445.9
Quoted and unquoted shares and other equity	3,192.0	3,634.3	3,612.9	2,949.6	2,736.5	2,406.1	2,218.0	2,431.1
Mutual fund shares	1,322.7	1,403.2	1,347.4	1,129.1	1,054.0	972.6	928.7	1,014.8
Life insurance and pension fund reserves	4,247.5	4,614.5	4,905.7	4,885.1	4,878.8	4,821.2	4,834.5	4,943.9
Remaining net assets (+)	95.2	72.2	74.2	49.0	67.4	37.8	29.0	51.7
Liabilities (-)								
Loans	4,788.1	5,180.0	5,512.6	5,628.4	5,683.8	5,723.1	5,716.4	5,746.9
<i>of which: From euro area MFIs</i>	4,201.0	4,553.1	4,825.5	4,887.7	4,938.7	4,901.9	4,879.5	4,899.9
<b>= Net financial wealth</b>	10,783.9	11,606.3	11,885.9	11,082.5	10,773.4	10,410.1	10,253.8	10,713.0

Sources: ECB and Eurostat.

1) Excluding changes in net worth which are due to other changes in non-financial assets, such as revaluations of residential property.

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

## 3.4 Non-financial corporations

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

	2005	2006	2007	2007 Q3- 2008 Q2	2007 Q4- 2008 Q3	2008 Q1- 2008 Q4	2008 Q2- 2009 Q1	2008 Q3- 2009 Q2
<b>Income and saving</b>								
Gross value added (basic prices) (+)	4,178.2	4,387.2	4,635.4	4,739.5	4,777.6	4,781.9	4,724.9	4,644.5
Compensation of employees (-)	2,479.0	2,592.9	2,720.8	2,789.4	2,820.4	2,841.9	2,838.5	2,828.6
Other taxes less subsidies on production (-)	73.1	75.2	80.6	80.9	81.8	79.1	77.6	73.7
<b>= Gross operating surplus (+)</b>	<b>1,626.2</b>	<b>1,719.2</b>	<b>1,833.9</b>	<b>1,869.2</b>	<b>1,875.4</b>	<b>1,860.9</b>	<b>1,808.8</b>	<b>1,742.1</b>
Consumption of fixed capital (-)	672.7	704.8	741.9	759.6	768.8	777.3	784.6	790.2
<b>= Net operating surplus (+)</b>	<b>953.5</b>	<b>1,014.4</b>	<b>1,092.0</b>	<b>1,109.6</b>	<b>1,106.6</b>	<b>1,083.5</b>	<b>1,024.2</b>	<b>951.9</b>
Property income receivable (+)	440.2	508.5	581.8	598.7	602.3	599.7	582.2	557.8
Interest receivable	141.1	169.7	199.0	219.3	225.9	227.9	218.2	203.6
Other property income receivable	299.1	338.8	382.8	379.4	376.4	371.7	364.1	354.2
Interest and rents payable (-)	237.3	284.6	346.2	382.1	397.1	403.8	386.2	356.4
<b>= Net entrepreneurial income (+)</b>	<b>1,156.4</b>	<b>1,238.3</b>	<b>1,327.6</b>	<b>1,326.2</b>	<b>1,311.7</b>	<b>1,279.4</b>	<b>1,220.2</b>	<b>1,153.3</b>
Distributed income (-)	887.7	961.5	1,016.5	1,050.5	1,064.6	1,059.5	1,055.0	1,024.7
Taxes on income and wealth payable (-)	149.1	190.0	211.1	215.3	212.2	195.2	188.9	169.4
Social contributions receivable (+)	72.8	74.9	64.3	64.1	64.9	65.4	65.6	66.2
Social benefits payable (-)	60.7	60.6	61.7	62.4	62.7	62.9	63.0	63.1
Other net transfers (-)	61.7	66.0	57.0	59.6	59.8	60.0	60.1	61.3
<b>= Net saving</b>	<b>70.1</b>	<b>35.1</b>	<b>45.5</b>	<b>2.5</b>	<b>-22.7</b>	<b>-32.8</b>	<b>-81.3</b>	<b>-99.1</b>
<b>Investment, financing and saving</b>								
Net acquisition of non-financial assets (+)	256.4	313.6	367.7	371.7	376.8	367.6	313.0	232.7
Gross fixed capital formation (+)	920.7	993.9	1,084.2	1,111.1	1,123.6	1,109.8	1,073.1	1,022.2
Consumption of fixed capital (-)	672.7	704.8	741.9	759.6	768.8	777.3	784.6	790.2
Net acquisition of other non-financial assets (+)	8.4	24.5	25.4	20.2	22.0	35.1	24.6	0.7
Main items of financial investment (+)								
Short-term assets	128.6	160.3	158.9	119.6	93.5	49.4	-37.4	-18.1
Currency and deposits	113.7	146.3	154.5	114.2	89.4	15.6	-5.3	9.8
Money market fund shares	8.3	2.5	-19.1	-10.1	6.6	30.6	27.7	33.0
Debt securities <sup>1)</sup>	6.6	11.5	23.5	15.5	-2.5	3.2	-59.8	-60.9
Long-term assets	393.5	489.5	518.7	522.6	544.2	631.3	644.3	536.3
Deposits	34.2	35.7	28.4	-19.7	3.1	9.4	14.0	29.4
Debt securities	-34.9	5.9	-27.4	-80.0	-44.3	-25.3	30.3	-5.9
Shares and other equity	255.9	265.5	346.4	380.0	339.1	332.9	326.3	281.7
Other (mainly intercompany loans)	138.3	182.5	171.2	242.2	246.3	314.4	273.7	231.0
Remaining net assets (+)	83.7	156.3	211.5	63.7	-9.4	-59.8	-149.8	-120.1
Main items of financing (-)								
Debt	440.3	750.3	787.7	743.5	760.6	692.5	579.6	393.7
of which: Loans from euro area MFIs	271.8	453.1	556.8	543.1	495.0	400.0	273.0	119.3
of which: Debt securities	13.8	41.8	37.3	12.3	41.7	55.1	68.4	82.9
Shares and other equity	291.3	262.2	355.6	259.4	191.0	248.5	189.8	255.3
Quoted shares	104.1	42.4	42.9	-12.1	-29.7	2.2	12.1	45.2
Unquoted shares and other equity	187.2	219.9	312.6	271.5	220.7	246.3	177.8	210.0
Net capital transfers receivable (-)	60.4	72.1	68.8	75.7	79.0	78.3	79.3	76.9
<b>= Net saving</b>	<b>70.1</b>	<b>35.1</b>	<b>45.5</b>	<b>2.5</b>	<b>-22.7</b>	<b>-32.8</b>	<b>-81.3</b>	<b>-99.1</b>
<b>Financial balance sheet</b>								
Financial assets								
Short-term assets	1,505.2	1,670.9	1,808.4	1,837.7	1,851.4	1,869.7	1,849.6	1,882.2
Currency and deposits	1,229.3	1,367.2	1,507.6	1,521.7	1,536.6	1,540.9	1,510.4	1,550.5
Money market fund shares	176.5	184.8	161.0	182.2	182.8	187.8	210.5	213.7
Debt securities <sup>1)</sup>	99.4	118.8	139.8	133.8	132.0	141.0	128.7	118.0
Long-term assets	8,634.3	10,024.2	10,744.1	9,903.2	9,634.1	8,871.6	8,628.8	9,009.8
Deposits	109.5	147.7	200.4	169.8	192.0	206.6	196.4	193.3
Debt securities	284.5	284.2	252.4	188.2	192.4	208.8	198.8	148.9
Shares and other equity	6,350.0	7,533.7	8,032.9	7,125.0	6,771.0	5,907.2	5,602.4	6,025.9
Other (mainly intercompany loans)	1,890.4	2,058.5	2,258.4	2,420.1	2,478.6	2,548.9	2,631.3	2,641.7
Remaining net assets	407.8	453.3	606.9	542.6	578.6	578.1	515.0	569.9
Liabilities								
Debt	7,046.1	7,771.6	8,518.4	8,900.5	9,088.0	9,229.5	9,326.2	9,362.3
of which: Loans from euro area MFIs	3,527.9	3,980.9	4,525.1	4,764.1	4,853.6	4,918.8	4,902.9	4,874.8
of which: Debt securities	675.4	695.1	692.4	698.7	721.4	745.9	790.3	832.7
Shares and other equity	10,994.5	12,966.9	14,011.7	12,209.5	11,427.7	10,300.7	9,621.7	10,327.7
Quoted shares	3,711.1	4,491.5	5,010.2	4,000.1	3,454.4	2,864.2	2,514.0	2,843.1
Unquoted shares and other equity	7,283.5	8,475.3	9,001.5	8,209.4	7,973.3	7,436.5	7,107.7	7,484.6

Sources: ECB and Eurostat.

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

### 3.5 Insurance corporations and pension funds

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

	2005	2006	2007	2007 Q3- 2008 Q2	2007 Q4- 2008 Q3	2008 Q1- 2008 Q4	2008 Q2- 2009 Q1	2008 Q3- 2009 Q2
<b>Financial account, financial transactions</b>								
Main items of financial investment (+)								
Short-term assets	25.5	67.4	92.3	105.8	90.9	107.0	55.8	39.0
Currency and deposits	7.2	10.6	6.4	35.2	32.4	57.0	18.2	12.5
Money market fund shares	-0.5	3.6	3.1	14.3	21.7	20.3	16.8	9.4
Debt securities <sup>1)</sup>	18.9	53.3	82.8	56.2	36.8	29.8	20.8	17.1
Long-term assets	284.6	319.2	202.3	144.9	119.7	101.9	95.2	129.9
Deposits	17.4	76.9	47.8	13.5	-0.4	0.0	10.1	10.5
Debt securities	132.9	129.3	77.0	70.6	80.7	65.8	80.6	37.8
Loans	-3.7	2.7	-8.7	11.9	13.5	23.2	0.6	15.2
Quoted shares	30.7	-3.4	-2.2	-2.1	-10.9	-11.5	-8.2	-10.3
Unquoted shares and other equity	19.9	28.2	25.3	22.1	22.9	14.9	10.8	7.7
Mutual fund shares	87.5	85.4	63.0	28.7	13.9	9.4	1.4	69.1
Remaining net assets (+)	2.7	3.4	-34.7	-18.6	1.7	30.8	0.6	25.6
Main items of financing (-)								
Debt securities	-0.4	5.7	3.9	5.1	5.4	9.3	9.9	7.0
Loans	17.3	44.8	6.7	3.5	-7.4	22.2	-10.4	6.3
Shares and other equity	10.6	11.6	3.1	-3.1	-8.7	-1.4	0.9	0.8
Insurance technical reserves	335.2	319.9	279.8	246.5	233.1	191.6	168.6	163.7
Net equity of households in life insurance and pension fund reserves	291.6	313.6	277.8	236.5	217.8	177.1	160.4	157.5
Prepayments of insurance premiums and reserves for outstanding claims	43.6	6.2	2.0	10.0	15.4	14.5	8.2	6.3
<b>= Changes in net financial worth due to transactions</b>	-49.9	8.0	-33.6	-20.1	-10.1	18.1	-17.4	16.5
<b>Other changes account</b>								
Other changes in financial assets (+)								
Shares and other equity	190.5	182.0	1.3	-342.0	-415.9	-549.8	-432.7	-319.7
Other net assets	82.0	-37.1	-56.7	-16.5	-7.9	32.2	9.3	74.9
Other changes in liabilities (-)								
Shares and other equity	117.9	37.0	-37.6	-150.4	-146.4	-185.1	-188.3	-121.4
Insurance technical reserves	137.7	55.3	26.8	-128.3	-183.3	-260.5	-205.9	-130.7
Net equity of households in life insurance and pension fund reserves	146.8	51.8	26.9	-124.2	-176.4	-252.2	-199.8	-126.3
Prepayments of insurance premiums and reserves for outstanding claims	-9.1	3.5	-0.1	-4.1	-6.9	-8.3	-6.1	-4.4
<b>= Other changes in net financial worth</b>	16.8	52.6	-44.6	-79.7	-94.2	-71.9	-29.2	7.3
<b>Financial balance sheet</b>								
Financial assets (+)								
Short-term assets	437.3	512.9	598.3	665.3	670.2	709.8	719.8	708.2
Currency and deposits	146.6	156.6	163.1	180.5	188.4	222.9	214.7	198.5
Money market fund shares	75.6	81.6	82.5	94.8	99.0	100.2	113.0	103.7
Debt securities <sup>1)</sup>	215.0	274.7	352.7	390.0	382.8	386.6	392.1	406.0
Long-term assets	4,623.6	5,064.0	5,214.5	5,020.0	4,954.1	4,773.6	4,725.4	4,855.3
Deposits	523.7	601.3	647.0	649.4	644.9	646.1	656.4	659.3
Debt securities	1,778.2	1,851.7	1,880.9	1,914.8	1,960.3	1,950.9	1,988.2	1,976.4
Loans	356.1	355.6	341.5	355.5	356.7	366.0	367.8	371.9
Quoted shares	653.2	736.4	728.3	598.0	538.4	427.2	395.2	439.5
Unquoted shares and other equity	404.7	483.6	513.4	459.3	444.6	420.2	391.2	393.1
Mutual fund shares	907.7	1,035.5	1,103.4	1,043.1	1,009.1	963.3	926.7	1,015.1
Remaining net assets (+)	180.7	205.2	165.7	171.6	180.5	216.2	215.4	242.0
Liabilities (-)								
Debt securities	21.3	35.9	35.2	36.5	36.7	43.2	42.2	40.0
Loans	142.1	183.7	186.9	204.3	195.5	209.2	214.7	213.0
Shares and other equity	618.8	667.4	632.8	535.5	514.9	446.3	387.4	414.9
Insurance technical reserves	4,559.9	4,935.0	5,241.7	5,242.8	5,239.8	5,172.8	5,184.0	5,275.8
Net equity of households in life insurance and pension fund reserves	3,892.2	4,257.6	4,562.4	4,554.2	4,550.4	4,487.3	4,495.6	4,585.4
Prepayments of insurance premiums and reserves for outstanding claims	667.6	677.4	679.3	688.5	689.5	685.5	688.4	690.4
<b>= Net financial wealth</b>	-100.5	-39.9	-118.1	-162.2	-182.1	-172.0	-167.6	-138.4

Source: ECB.

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

## FINANCIAL MARKETS

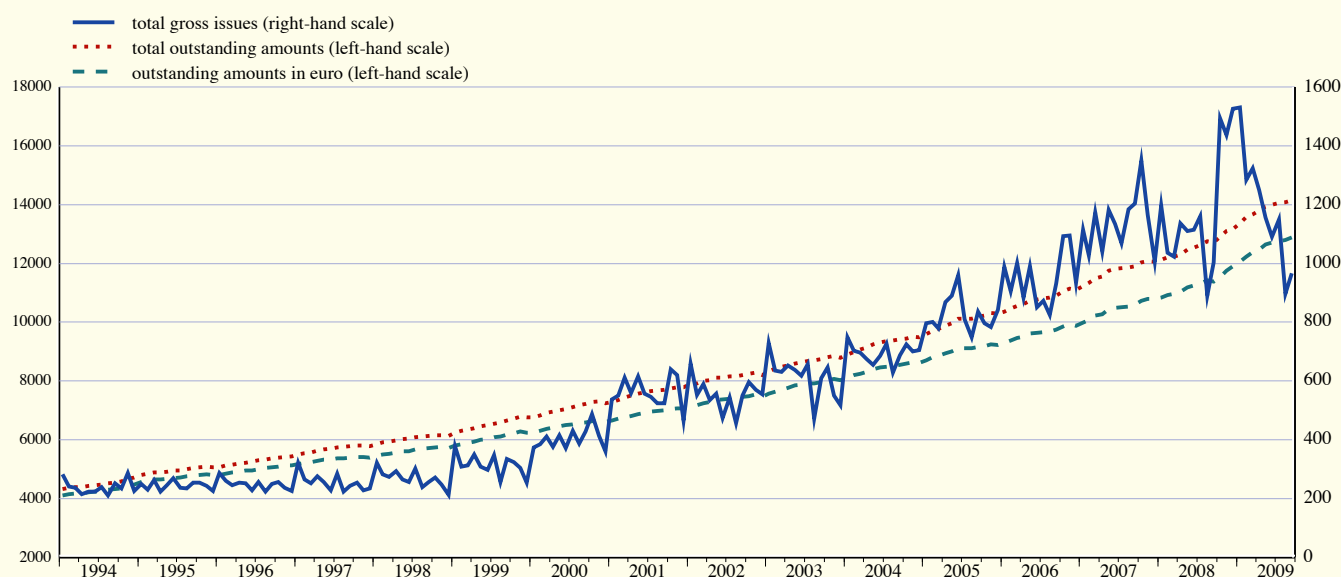
### 4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
1	2	3	4	5	6	7	8	9	10	Net issues	6-month growth rates	
	Total											
2008 Sep.	13,635.3	1,023.4	1.5	11,384.2	931.7	-33.7	12,703.0	1,002.6	-43.2	7.0	8.1	8.7
Oct.	13,732.6	1,454.3	96.6	11,534.3	1,417.3	149.5	12,901.1	1,494.4	144.5	6.9	118.5	9.5
Nov.	13,950.4	1,421.9	217.9	11,761.3	1,369.3	227.3	13,093.0	1,436.7	212.6	8.1	192.0	11.0
Dec.	14,136.5	1,538.6	189.6	11,913.9	1,449.9	156.4	13,166.0	1,527.1	143.1	9.4	229.2	13.1
2009 Jan.	14,235.3	1,500.7	94.2	12,053.4	1,451.4	135.9	13,366.9	1,530.0	145.1	10.1	103.1	13.0
Feb.	14,427.8	1,259.3	190.1	12,239.7	1,200.0	184.2	13,570.7	1,285.5	203.8	11.0	156.4	13.0
Mar.	14,602.4	1,318.0	173.1	12,378.4	1,229.8	137.2	13,675.0	1,323.1	148.2	11.9	132.8	15.1
Apr.	14,679.7	1,233.7	79.9	12,478.6	1,167.4	102.8	13,788.2	1,250.5	110.7	12.0	92.8	14.6
May	14,887.4	1,159.4	207.6	12,652.4	1,070.1	173.8	13,927.3	1,156.7	169.0	12.0	109.2	13.0
June	14,977.0	1,088.8	89.2	12,712.3	1,006.7	59.2	13,995.4	1,089.5	72.2	11.9	90.7	10.6
July	15,004.4	1,123.0	30.2	12,763.8	1,068.4	54.3	14,060.5	1,148.6	68.7	11.8	102.5	10.5
Aug.	15,053.3	882.3	47.8	12,793.8	826.5	29.0	14,076.4	896.9	17.9	10.9	56.0	8.8
Sep.	15,160.9	964.7	106.9	12,874.2	881.5	79.6	14,150.4	967.4	85.8	12.0	147.1	9.0
	Long-term											
2008 Sep.	12,191.5	184.8	-10.2	10,111.1	146.8	-21.2	11,234.6	159.8	-31.6	5.7	0.8	7.5
Oct.	12,214.3	199.0	23.1	10,145.4	182.8	34.6	11,325.9	195.5	29.1	5.2	31.1	6.7
Nov.	12,389.7	275.2	174.1	10,321.2	253.6	174.8	11,480.9	262.5	165.0	6.2	137.4	8.0
Dec.	12,568.5	363.3	180.1	10,492.6	328.7	172.9	11,575.5	340.4	153.7	7.3	165.4	9.7
2009 Jan.	12,645.0	291.7	74.3	10,582.3	276.9	88.5	11,709.8	300.3	89.1	8.1	115.5	10.5
Feb.	12,814.7	300.6	168.5	10,743.9	269.6	160.7	11,882.5	296.7	172.8	9.2	135.6	10.6
Mar.	12,997.6	319.8	153.2	10,916.8	280.2	143.1	12,019.8	301.8	144.3	10.3	141.6	13.3
Apr.	13,074.0	292.3	79.5	10,985.2	257.4	71.7	12,098.1	276.3	75.1	10.3	71.8	14.0
May	13,276.6	338.5	203.7	11,154.7	280.7	170.8	12,248.4	301.0	174.9	10.6	112.3	13.4
June	13,397.2	313.0	119.0	11,263.4	274.4	106.7	12,376.2	308.3	126.8	10.8	99.7	12.0
July	13,419.3	268.1	24.5	11,292.0	246.7	31.1	12,413.2	271.6	40.0	10.8	81.3	11.2
Aug.	13,475.9	130.8	56.3	11,333.5	108.1	41.3	12,453.1	121.0	45.4	10.5	93.6	10.4
Sep.	13,550.8	223.1	72.9	11,410.4	196.5	74.8	12,518.9	222.0	75.0	11.5	120.5	9.9

### C16 Total outstanding amounts and gross issues of securities other than shares issued by euro area residents

(EUR billions)



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

- 1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.
- 2) For details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

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

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

### 1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues <sup>1)</sup>					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2007	12,066	5,046	1,506	653	4,534	327	1,138	841	59	109	116	12
2008	13,166	5,266	1,925	697	4,937	340	1,177	817	74	100	162	24
2008 Q4	13,166	5,266	1,925	697	4,937	340	1,486	1,006	136	107	209	28
2009 Q1	13,675	5,392	2,034	719	5,187	343	1,380	922	78	92	251	35
Q2	13,995	5,433	2,113	753	5,344	351	1,166	749	62	90	244	20
Q3	14,150	5,424	2,138	780	5,450	358	1,004	651	43	84	214	12
2009 June	13,995	5,433	2,113	753	5,344	351	1,090	695	54	89	235	16
July	14,060	5,447	2,148	766	5,345	354	1,149	716	73	95	251	15
Aug.	14,076	5,439	2,143	763	5,377	355	897	628	27	74	160	8
Sep.	14,150	5,424	2,138	780	5,450	358	967	610	29	83	232	14
	Short-term											
2007	1,287	787	36	100	345	18	946	754	18	101	64	9
2008	1,591	822	62	116	566	25	962	723	26	92	101	19
2008 Q4	1,591	822	62	116	566	25	1,220	911	38	96	152	23
2009 Q1	1,655	838	42	98	659	18	1,080	806	17	74	156	27
Q2	1,619	785	37	85	696	16	870	631	14	69	143	13
Q3	1,632	751	31	82	750	19	799	569	10	71	142	8
2009 June	1,619	785	37	85	696	16	781	572	15	69	113	12
July	1,647	779	35	85	731	17	877	615	11	77	167	7
Aug.	1,623	752	34	84	738	16	776	567	10	72	122	5
Sep.	1,632	751	31	82	750	19	745	525	10	63	137	11
	Long-term <sup>2)</sup>											
2007	10,779	4,259	1,469	553	4,189	309	191	86	41	8	52	3
2008	11,575	4,444	1,863	581	4,371	316	215	95	48	8	61	4
2008 Q4	11,575	4,444	1,863	581	4,371	316	266	95	98	11	57	5
2009 Q1	12,020	4,554	1,992	621	4,528	325	300	116	61	18	96	8
Q2	12,376	4,647	2,076	669	4,648	336	295	118	48	21	101	7
Q3	12,519	4,673	2,107	698	4,700	340	205	82	33	13	72	4
2009 June	12,376	4,647	2,076	669	4,648	336	308	122	39	21	122	4
July	12,413	4,668	2,113	681	4,614	337	272	101	62	17	84	7
Aug.	12,453	4,686	2,109	680	4,639	339	121	61	17	2	38	3
Sep.	12,519	4,673	2,107	698	4,700	340	222	85	19	20	95	2
	of which Long-term fixed rate											
2007	7,324	2,263	594	419	3,797	250	107	44	10	5	45	3
2008	7,610	2,326	635	444	3,955	250	119	49	9	6	53	3
2008 Q4	7,610	2,326	635	444	3,955	250	121	42	13	10	53	2
2009 Q1	7,931	2,396	702	487	4,094	253	208	72	27	18	86	5
Q2	8,245	2,494	748	535	4,210	259	209	72	23	20	90	5
Q3	8,371	2,529	768	565	4,251	259	139	49	14	13	61	3
2009 June	8,245	2,494	748	535	4,210	259	233	75	28	19	109	2
July	8,259	2,511	766	548	4,176	259	178	59	24	17	72	6
Aug.	8,293	2,524	764	547	4,199	259	65	33	4	1	26	1
Sep.	8,371	2,529	768	565	4,251	259	174	55	13	20	86	1
	of which Long-term variable rate											
2007	3,001	1,621	857	123	342	58	69	31	30	3	4	0
2008	3,477	1,724	1,199	126	363	64	81	36	38	1	5	1
2008 Q4	3,477	1,724	1,199	126	363	64	129	39	83	1	3	2
2009 Q1	3,585	1,757	1,265	124	369	70	75	32	34	0	5	3
Q2	3,615	1,740	1,303	123	374	75	65	30	24	1	7	2
Q3	3,612	1,724	1,314	123	372	79	48	21	18	0	7	1
2009 June	3,615	1,740	1,303	123	374	75	50	28	11	2	7	2
July	3,635	1,744	1,322	123	370	76	78	30	38	0	8	1
Aug.	3,634	1,746	1,319	123	368	78	40	17	12	0	9	2
Sep.	3,612	1,724	1,314	123	372	79	27	16	5	1	5	1

Source: ECB.

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

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

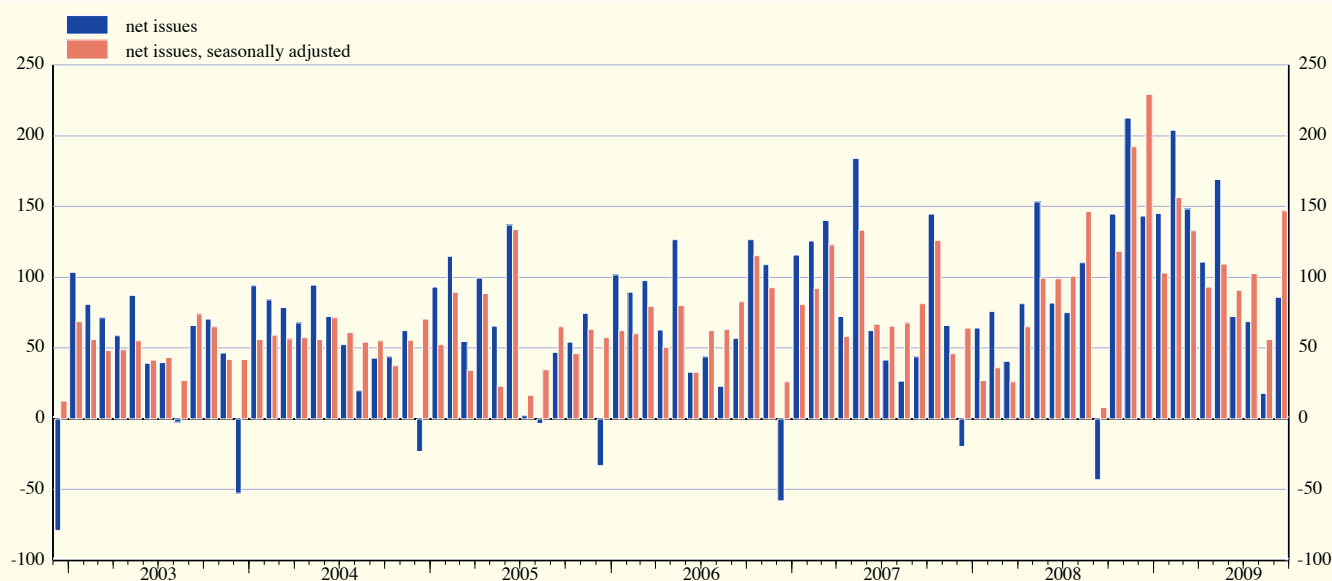
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

### 2. Net issues

	Non-seasonally adjusted <sup>1)</sup>						Seasonally adjusted <sup>1)</sup>					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2007	83.6	40.7	27.6	4.2	9.9	1.2	83.7	41.3	27.1	4.3	10.0	1.1
2008	94.9	23.2	35.0	4.0	31.7	1.1	95.6	23.3	34.2	4.1	33.1	1.0
2008 Q4	166.7	11.3	80.7	6.2	63.0	5.5	179.9	21.5	55.7	9.2	90.7	2.9
2009 Q1	165.7	40.5	35.2	7.0	82.1	1.0	130.8	21.1	45.1	5.1	56.9	2.5
Q2	117.3	21.7	27.4	11.5	54.0	2.8	97.6	21.1	27.1	7.4	39.2	2.8
Q3	57.5	0.3	9.7	9.7	35.6	2.3	101.9	9.7	29.0	12.4	47.3	3.5
2009 June	72.2	-19.7	17.2	9.2	64.0	1.4	90.7	13.5	13.5	8.4	54.0	1.3
July	68.7	17.9	35.0	12.7	0.8	2.3	102.5	13.5	48.6	12.7	24.9	2.8
Aug.	17.9	-9.7	-4.3	-1.7	32.7	0.9	56.0	-0.5	7.3	2.8	44.6	1.9
Sep.	85.8	-7.5	-1.7	18.0	73.2	3.7	147.1	16.3	31.0	21.8	72.4	5.7
Long-term												
2007	61.7	23.9	27.0	2.4	7.8	0.7	61.3	24.1	26.4	2.4	7.7	0.7
2008	65.4	16.2	32.9	2.5	13.3	0.6	64.7	16.3	32.1	2.6	13.2	0.5
2008 Q4	116.0	2.8	80.9	4.4	26.2	1.6	111.3	12.4	56.3	4.7	37.0	0.8
2009 Q1	135.4	25.8	42.0	12.9	51.7	3.1	130.9	17.1	52.1	14.4	44.4	3.0
Q2	125.6	36.1	28.8	15.9	41.2	3.7	94.6	25.4	27.9	12.3	25.5	3.5
Q3	53.5	12.2	11.8	10.7	17.4	1.4	98.5	22.4	31.3	12.5	29.8	2.5
2009 June	126.8	22.2	20.7	14.3	69.2	0.5	99.7	21.2	16.2	11.2	50.7	0.3
July	40.0	23.2	37.3	12.5	-34.3	1.3	81.3	22.4	52.2	13.1	-8.3	1.9
Aug.	45.4	21.2	-3.2	-0.3	25.5	2.1	93.6	37.4	10.1	2.7	40.4	2.9
Sep.	75.0	-7.8	1.4	19.8	61.0	0.7	120.5	7.3	31.6	21.8	57.2	2.6

### C17 Net issues of securities other than shares seasonally adjusted and non-seasonally adjusted

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



Source: ECB.

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



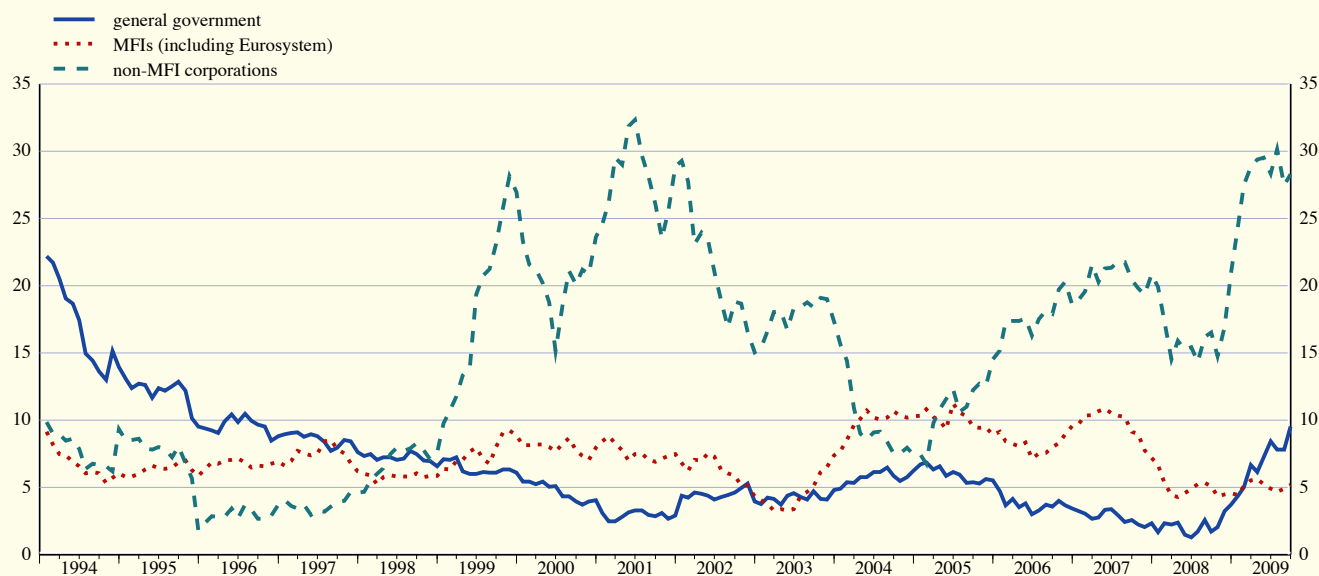
### 4.3 Growth rates of securities other than shares issued by euro area residents <sup>1)</sup>

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008 Sep.	7.0	6.9	23.7	6.0	2.6	2.3	8.7	8.1	28.4	5.3	3.9	5.9
Oct.	6.9	5.3	20.9	4.5	5.0	2.9	9.5	6.7	25.5	5.4	8.2	9.9
Nov.	8.1	5.7	23.8	4.3	6.7	2.8	11.0	5.1	30.4	5.1	12.5	7.1
Dec.	9.4	5.5	27.8	7.3	8.4	4.1	13.1	4.8	35.4	12.9	15.5	9.8
2009 Jan.	10.1	5.3	30.0	7.0	9.6	5.5	13.0	3.6	37.9	12.3	16.0	8.7
Feb.	11.0	6.3	32.1	8.1	10.1	6.6	13.0	3.8	36.3	13.3	16.0	7.4
Mar.	11.9	6.5	33.2	9.0	11.5	8.0	15.1	4.9	38.0	13.0	19.5	10.2
Apr.	12.0	6.3	33.3	10.2	11.6	10.7	14.6	6.1	41.5	15.4	14.9	11.5
May	12.0	5.5	32.9	10.2	12.7	9.6	13.0	5.9	35.2	15.9	12.7	12.1
June	11.9	4.9	29.7	11.8	13.6	9.7	10.6	4.8	24.2	10.8	11.8	9.8
July	11.8	4.2	30.7	13.1	13.5	9.5	10.5	4.9	24.2	14.1	11.0	10.4
Aug.	10.9	3.6	26.9	12.7	13.3	9.1	8.8	3.2	18.5	12.2	10.5	10.8
Sep.	12.0	4.2	27.1	15.1	14.8	10.7	9.0	3.5	17.3	17.1	10.3	11.3
	Long-term											
2008 Sep.	5.7	5.1	21.4	4.5	1.7	2.2	7.5	7.1	27.1	5.5	1.9	4.3
Oct.	5.2	4.3	19.1	3.8	2.1	1.4	6.7	6.0	23.5	4.5	2.1	5.5
Nov.	6.2	4.5	22.3	3.2	3.4	1.3	8.0	4.6	29.2	3.6	5.2	3.0
Dec.	7.3	4.6	26.8	5.5	3.8	2.2	9.7	3.9	35.5	9.7	7.1	4.6
2009 Jan.	8.1	4.4	30.7	8.2	4.4	3.4	10.5	3.0	42.2	16.0	7.1	4.3
Feb.	9.2	5.1	33.9	10.5	5.1	4.0	10.6	3.0	41.0	19.4	7.3	3.2
Mar.	10.3	5.5	34.8	13.0	6.7	5.9	13.3	4.0	42.9	21.0	11.7	7.5
Apr.	10.3	5.6	34.7	14.8	5.9	8.8	14.0	5.3	46.8	26.2	9.9	12.0
May	10.6	5.2	34.4	16.4	7.1	8.6	13.4	5.9	39.6	30.6	9.1	14.4
June	10.8	4.9	31.7	19.1	8.4	8.5	12.0	5.7	28.0	29.2	9.8	12.8
July	10.8	4.6	33.4	21.1	7.8	8.1	11.2	6.2	25.3	26.4	8.5	12.1
Aug.	10.5	4.9	29.9	20.6	7.8	8.1	10.4	6.8	19.7	21.9	8.2	13.2
Sep.	11.5	5.2	30.1	23.1	9.5	9.4	9.9	6.4	18.7	25.2	7.5	11.4

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

(annual percentage changes)



Source: ECB.

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

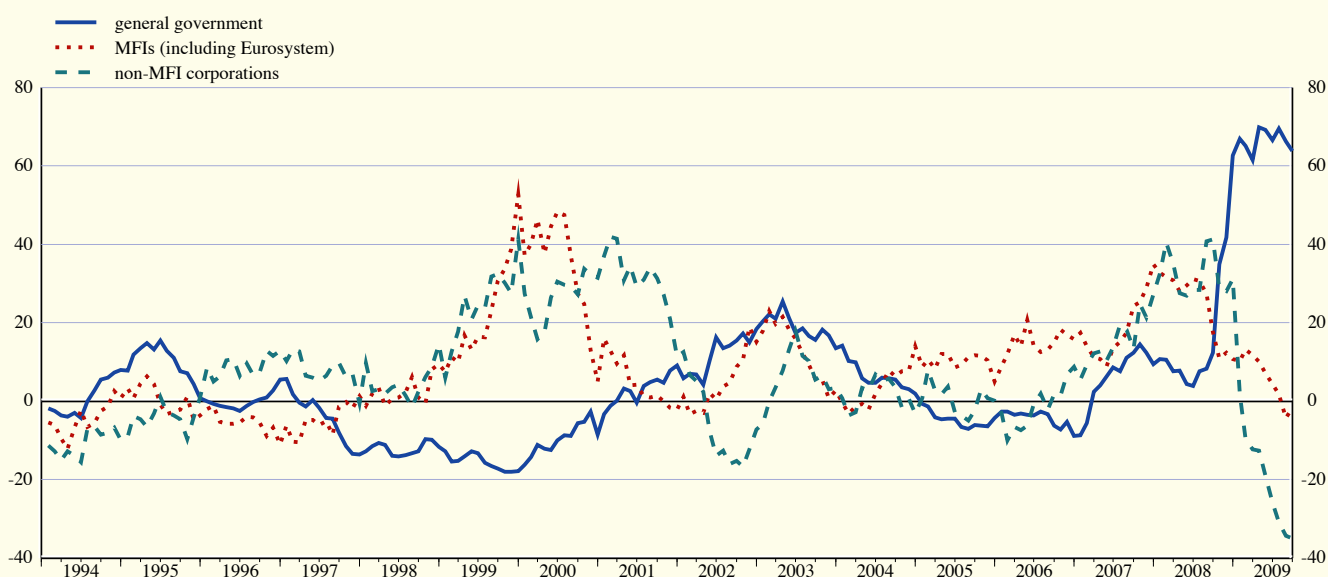
4.3 Growth rates of securities other than shares issued by euro area residents <sup>1)</sup> (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2007	5.2	7.2	17.1	4.0	2.5	6.6	15.8	11.1	37.8	18.6	3.8	-1.8
2008	3.0	4.9	5.7	4.2	1.5	1.4	12.8	5.5	33.5	7.0	7.6	3.2
2008 Q4	3.2	4.5	4.8	4.5	2.3	-0.7	13.0	5.7	33.8	4.4	3.8	10.2
2009 Q1	6.1	5.0	13.0	12.3	5.3	1.6	15.8	5.3	44.8	0.5	0.8	11.1
Q2	9.0	7.0	20.3	21.3	7.4	4.7	14.6	3.3	44.1	-1.3	-0.6	20.6
Q3	10.6	7.3	24.7	28.4	8.9	3.7	11.6	1.0	36.6	-3.5	-1.6	26.3
2009 Apr.	8.4	6.7	19.7	20.1	6.6	5.4	15.6	4.5	45.5	-0.8	-1.5	20.3
May	9.3	7.3	20.9	22.3	7.4	5.1	14.1	2.2	44.2	-2.1	-0.5	20.9
June	10.3	7.0	22.4	25.4	9.1	4.2	12.4	1.3	38.5	-1.3	0.1	24.6
July	10.4	6.8	25.9	28.5	8.6	3.7	12.4	1.5	39.3	-3.3	-2.3	24.9
Aug.	10.5	7.5	24.7	28.1	8.7	3.2	10.6	0.9	34.0	-3.9	-3.8	27.1
Sep.	11.7	8.3	24.6	31.7	9.9	4.2	11.2	0.1	34.6	-5.0	2.9	29.4
In euro												
2007	4.6	6.5	13.7	2.3	2.7	6.7	15.1	10.3	35.4	18.2	3.9	-2.4
2008	2.9	4.8	6.1	2.1	1.7	1.3	14.3	6.5	35.1	7.2	7.9	2.0
2008 Q4	3.3	4.7	7.2	2.2	2.5	-1.2	15.3	7.6	36.5	5.1	4.0	9.2
2009 Q1	6.5	6.1	16.4	9.5	5.5	0.9	18.7	7.9	47.8	0.5	0.9	11.0
Q2	9.6	8.9	23.4	19.6	7.6	4.0	17.4	5.3	47.1	-2.0	-0.7	22.5
Q3	11.3	9.5	26.6	27.3	9.2	3.0	13.9	2.8	38.9	-4.1	-2.4	28.7
2009 Apr.	9.0	8.6	23.2	18.2	6.8	4.8	18.3	6.5	48.6	-1.4	-1.6	22.2
May	9.9	9.6	23.9	20.6	7.6	4.6	16.8	4.3	47.2	-2.9	-0.6	22.9
June	10.9	8.9	24.5	24.3	9.4	3.5	14.9	3.1	41.4	-2.0	-0.2	26.8
July	11.0	9.0	27.9	27.3	8.8	3.0	14.8	3.4	41.8	-3.7	-3.0	27.2
Aug.	11.2	9.7	26.8	27.3	8.9	2.6	12.6	2.6	36.2	-4.5	-4.9	29.5
Sep.	12.3	10.9	25.9	30.5	10.0	3.5	13.3	2.0	36.5	-5.9	1.7	31.8

## C19 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

#### 4.4 Quoted shares issued by euro area residents <sup>1)</sup>

(EUR billions, unless otherwise indicated; market values)

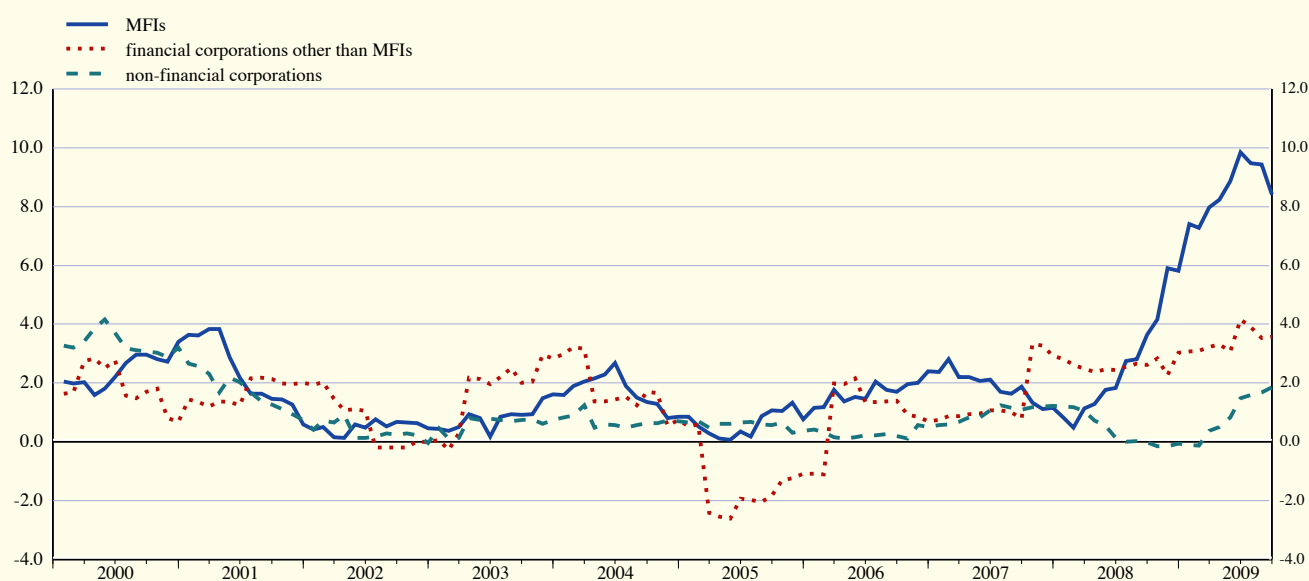
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2001 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2007 Sep.	6,690.9	104.0	1.2	1,050.6	1.9	597.3	0.8	5,042.9	1.1
Oct.	6,945.9	104.3	1.4	1,074.6	1.3	628.2	3.3	5,243.1	1.2
Nov.	6,631.8	104.3	1.4	1,034.6	1.1	578.6	3.3	5,018.6	1.2
Dec.	6,588.7	104.4	1.4	1,019.0	1.2	578.4	2.9	4,991.2	1.2
2008 Jan.	5,766.1	104.4	1.3	889.8	0.8	497.0	2.8	4,379.3	1.2
Feb.	5,820.8	104.5	1.2	860.1	0.5	492.0	2.6	4,468.7	1.2
Mar.	5,567.1	104.5	1.2	860.5	1.1	501.0	2.5	4,205.6	1.1
Apr.	5,748.0	104.4	1.0	837.2	1.3	519.1	2.4	4,391.6	0.7
May	5,729.4	104.5	0.9	771.0	1.8	496.7	2.5	4,461.7	0.6
June	5,081.0	104.5	0.6	665.3	1.8	435.5	2.4	3,980.2	0.1
July	4,972.6	104.6	0.6	691.6	2.8	427.9	2.5	3,853.1	0.0
Aug.	4,999.2	104.6	0.6	665.5	2.8	438.0	2.7	3,895.6	0.0
Sep.	4,430.0	104.7	0.7	612.2	3.6	381.8	2.6	3,436.0	0.0
Oct.	3,743.8	105.0	0.7	451.9	4.2	280.2	2.8	3,011.8	-0.1
Nov.	3,489.3	105.2	0.9	394.5	5.9	265.1	2.3	2,829.7	-0.2
Dec.	3,482.6	105.4	1.0	377.0	5.8	269.1	3.0	2,836.5	-0.1
2009 Jan.	3,286.9	105.6	1.1	342.8	7.4	243.9	3.1	2,700.3	-0.1
Feb.	2,922.2	105.6	1.1	275.0	7.3	192.4	3.1	2,454.8	-0.1
Mar.	3,010.5	106.1	1.5	314.5	8.0	209.7	3.2	2,486.4	0.4
Apr.	3,435.6	106.2	1.7	412.8	8.2	256.4	3.3	2,766.4	0.5
May	3,580.6	106.5	2.0	453.2	8.9	262.3	3.1	2,865.1	0.8
June	3,530.7	107.3	2.7	448.5	9.8	257.9	4.2	2,824.3	1.5
July	3,815.2	107.5	2.7	509.4	9.5	278.3	3.9	3,027.5	1.6
Aug.	4,044.3	107.5	2.7	572.4	9.4	301.0	3.5	3,171.0	1.7
Sep.	4,213.3	107.6	2.8	593.0	8.4	327.6	3.6	3,292.7	1.9

##### C20 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

#### 4.4 Quoted shares issued by euro area residents <sup>1)</sup>

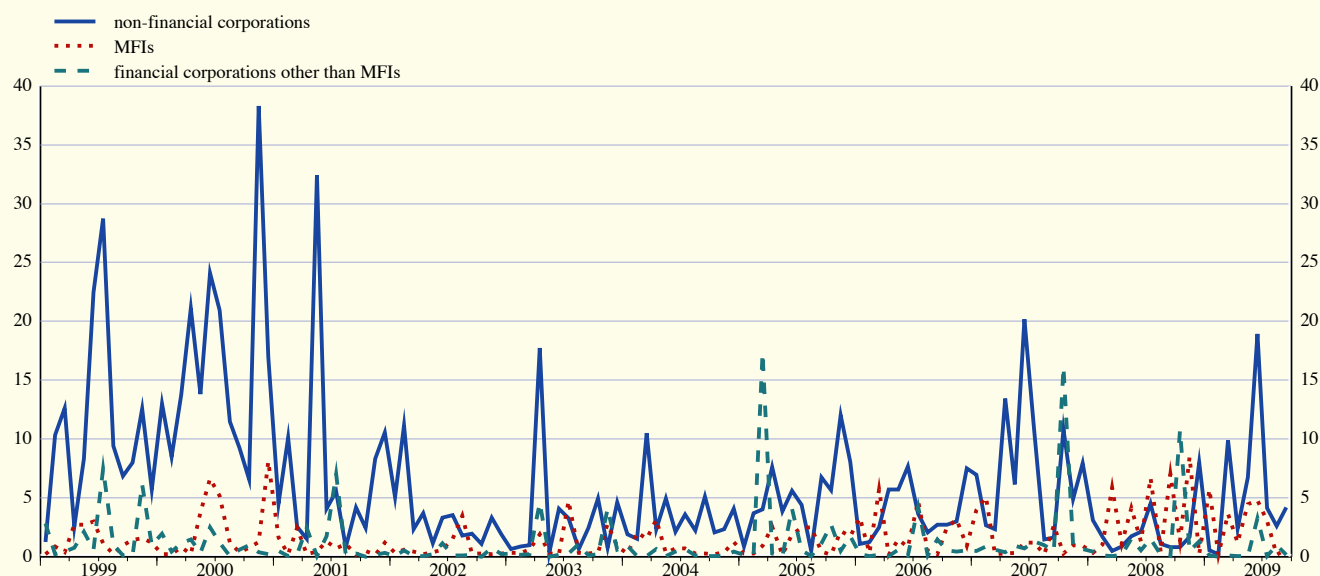
(EUR billions; market values)

##### 2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2007 Sep.	4.7	2.5	2.2	2.6	0.0	2.6	0.4	0.3	0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.2	3.2	-3.0	16.1	0.5	15.6	10.8	4.3	6.5
Nov.	6.8	3.3	3.5	0.9	0.0	0.9	1.0	1.3	-0.3	4.9	2.0	2.9
Dec.	9.5	4.6	4.9	0.9	0.0	0.9	0.7	2.2	-1.5	7.9	2.5	5.5
2008 Jan.	3.6	1.4	2.3	0.1	0.0	0.1	0.4	0.7	-0.2	3.1	0.7	2.4
Feb.	2.8	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.7	1.6	0.1
Mar.	6.4	6.0	0.3	5.9	0.0	5.9	0.0	0.5	-0.4	0.4	5.6	-5.1
Apr.	2.0	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.8	2.5	-1.7
May	7.3	6.0	1.4	4.1	0.1	4.1	1.5	0.3	1.2	1.7	5.6	-3.9
June	3.9	4.8	-0.9	1.3	0.0	1.3	0.5	0.1	0.4	2.1	4.7	-2.6
July	12.7	3.4	9.4	6.7	0.0	6.7	1.5	0.5	1.0	4.5	2.9	1.6
Aug.	1.5	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.9	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-2.0
Oct.	12.8	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	9.3	2.6	6.8	0.0	0.0	0.0	1.3	0.0	1.2	8.0	2.5	5.5
2009 Jan.	6.3	0.5	5.8	5.7	0.0	5.7	0.1	0.0	0.0	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6
Mar.	13.6	0.2	13.4	3.6	0.0	3.6	0.1	0.0	0.1	9.9	0.2	9.7
Apr.	3.7	0.3	3.4	1.2	0.0	1.2	0.1	0.0	0.0	2.4	0.3	2.1
May	11.2	0.3	10.9	4.4	0.0	4.4	0.0	0.0	0.0	6.7	0.3	6.5
June	27.0	2.0	25.0	4.8	0.0	4.8	3.3	0.3	3.0	18.9	1.8	17.2
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.2	3.9
Aug.	3.6	3.3	0.2	0.0	0.0	0.0	1.0	1.9	-0.9	2.6	1.4	1.2
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.1	4.2	0.2	3.9

#### C21 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

### 1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>2)</sup>	With an agreed maturity of:			Redeemable at notice <sup>2),3)</sup>		Overnight <sup>2)</sup>	With an agreed maturity of:			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2008 Nov.	1.29	4.26	4.67	3.71	3.02	4.20	1.98	3.53	4.58	4.15	3.19
Dec.	1.16	3.75	4.35	3.69	2.95	4.17	1.61	2.87	4.23	4.08	2.63
2009 Jan.	1.02	3.28	3.90	3.52	2.88	4.08	1.26	2.24	3.81	3.76	2.05
Feb.	0.90	2.62	3.38	3.23	2.49	3.98	1.10	1.61	3.21	3.89	1.55
Mar.	0.80	2.24	2.94	3.07	2.31	3.87	0.93	1.36	2.96	3.30	1.23
Apr.	0.66	2.01	2.69	2.87	2.22	3.75	0.77	1.15	2.64	3.06	1.12
May	0.61	1.89	2.39	2.71	1.98	3.62	0.74	1.08	2.38	3.11	1.02
June	0.56	1.86	2.38	2.57	1.95	3.52	0.63	1.04	2.17	2.58	0.93
July	0.52	1.86	2.41	2.61	1.86	3.38	0.56	0.82	2.47	2.93	0.68
Aug.	0.50	1.72	2.32	2.64	1.64	3.23	0.54	0.71	2.06	2.93	0.57
Sep.	0.49	1.61	2.27	2.52	1.60	3.12	0.52	0.69	2.10	2.74	0.58
Oct.	0.46	1.68	2.11	2.55	1.55	2.97	0.49	0.66	1.95	2.72	0.56

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

	Bank overdrafts <sup>2)</sup>	Consumer credit				Annual percentage rate of charge <sup>4)</sup>	Lending for house purchase				Annual percentage rate of charge <sup>4)</sup>	Other lending by initial rate fixation			
		By initial rate fixation			Annual percentage rate of charge <sup>4)</sup>		By initial rate fixation					Annual percentage rate of charge <sup>4)</sup>	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years			Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years					
	1	2	3	4	5	6	7	8	9	10	11	12	13		
2008 Nov.	10.78	8.85	7.17	8.69	8.88	5.63	5.34	5.22	5.28	5.58	5.84	6.15	5.75		
Dec.	10.45	8.16	7.03	8.39	8.48	5.09	5.06	5.10	5.13	5.30	4.99	5.75	5.29		
2009 Jan.	10.14	8.27	7.03	8.63	8.66	4.37	4.77	4.92	5.00	4.86	4.43	5.44	5.23		
Feb.	10.15	8.06	6.65	8.49	8.35	3.97	4.54	4.80	4.89	4.60	4.08	5.03	5.16		
Mar.	9.94	7.51	6.51	8.31	8.05	3.65	4.34	4.61	4.72	4.38	3.83	4.72	5.05		
Apr.	9.71	7.43	6.50	8.27	8.05	3.38	4.21	4.55	4.68	4.22	3.54	4.69	4.90		
May	9.62	7.87	6.44	8.17	8.08	3.22	4.15	4.50	4.58	4.12	3.60	4.71	4.90		
June	9.55	7.30	6.36	8.03	7.83	3.12	4.12	4.51	4.58	4.07	3.54	4.76	4.95		
July	9.31	7.67	6.49	8.04	8.02	3.03	4.09	4.54	4.54	4.02	3.35	4.77	4.91		
Aug.	9.26	7.96	6.54	7.96	8.17	3.00	4.10	4.54	4.45	4.06	3.21	4.74	4.82		
Sep.	9.25	7.80	6.47	7.93	8.03	2.81	4.05	4.48	4.45	3.92	3.13	4.66	4.74		
Oct.	9.16	7.43	6.39	7.94	7.90	2.78	4.01	4.45	4.40	3.85	3.18	4.73	4.72		

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

	Bank overdrafts <sup>2)</sup>	Other loans of up to EUR 1 million by initial rate fixation			Other loans of over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2008 Nov.		6.66	6.04	6.10	5.41	4.86	5.01	4.97
Dec.		6.24	5.38	5.78	5.32	4.28	4.50	4.76
2009 Jan.		6.65	4.73	5.46	5.24	3.52	3.95	4.58
Feb.		5.38	4.32	5.24	4.96	3.12	3.51	4.23
Mar.		5.08	4.03	5.06	4.74	2.85	3.22	3.87
Apr.		4.72	3.82	5.00	4.60	2.54	3.34	4.01
May		4.64	3.73	5.00	4.52	2.48	3.21	3.98
June		4.55	3.64	4.85	4.49	2.57	3.08	3.71
July		4.34	3.56	4.78	4.32	2.37	2.89	3.90
Aug.		4.24	3.42	4.67	4.24	2.31	2.80	3.83
Sep.		4.25	3.36	4.54	4.16	2.06	2.89	3.64
Oct.		4.19	3.33	4.48	4.18	2.14	2.73	3.62

Source: ECB.

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

2) For this instrument category, new business and outstanding amounts coincide. End of period.

3) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector when all participating Member States are combined.

4) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

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

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

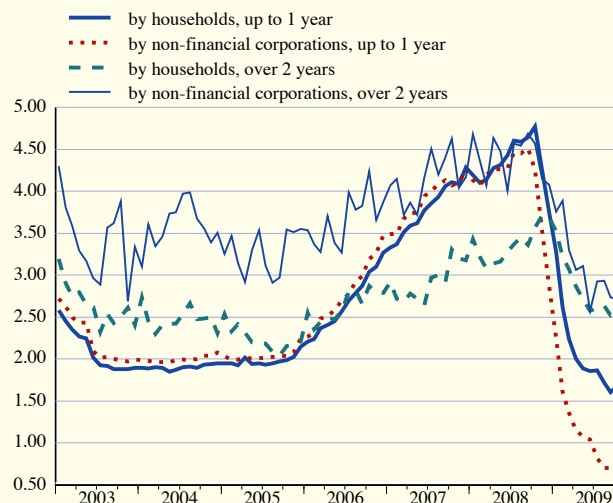
**4. Interest rates on deposits (outstanding amounts)**

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>2)</sup>	With an agreed maturity of:		Redeemable at notice <sup>2),3)</sup>		Overnight <sup>2)</sup>	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2008 Nov.	1.29	4.51	3.12	3.02	4.20	1.98	4.44	4.40	3.95
Dec.	1.16	4.41	3.07	2.95	4.17	1.61	4.01	4.30	3.56
2009 Jan.	1.02	4.16	3.10	2.88	4.08	1.26	3.49	4.11	3.09
Feb.	0.90	3.98	3.17	2.49	3.98	1.10	3.18	4.00	2.68
Mar.	0.80	3.78	3.06	2.31	3.87	0.93	2.82	3.87	2.29
Apr.	0.66	3.54	3.11	2.22	3.75	0.77	2.52	3.84	1.95
May	0.61	3.38	3.04	1.98	3.62	0.74	2.37	3.70	1.79
June	0.56	3.25	3.07	1.95	3.52	0.63	2.21	3.65	1.63
July	0.52	3.07	3.03	1.86	3.38	0.56	1.99	3.53	1.53
Aug.	0.50	2.94	3.01	1.64	3.23	0.54	1.91	3.39	1.53
Sep.	0.49	2.83	3.01	1.60	3.12	0.52	1.82	3.39	1.45
Oct.	0.46	2.64	2.95	1.55	2.97	0.49	1.72	3.33	1.35

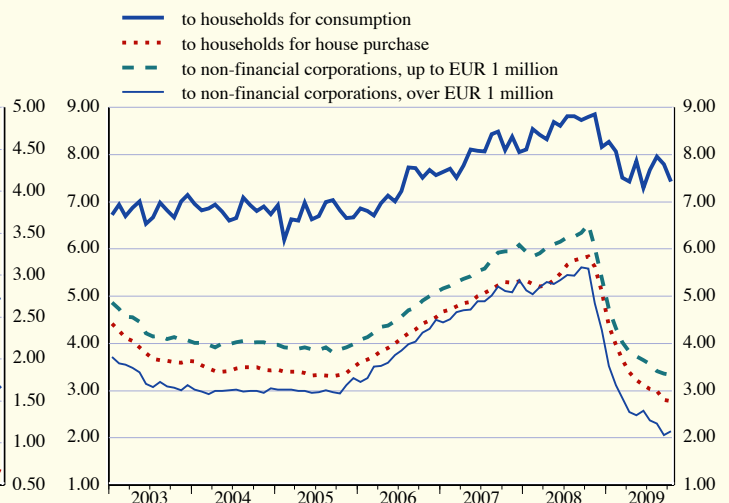
**5. Interest rates on loans (outstanding amounts)**

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2008 Nov.	5.71	5.01	5.16	9.24	7.48	6.46	6.16	5.81	5.51
Dec.	5.49	4.90	5.08	9.02	7.38	6.38	5.71	5.42	5.27
2009 Jan.	5.22	4.72	4.93	8.72	7.22	6.22	5.10	4.89	4.89
Feb.	5.14	4.75	4.91	8.61	7.27	6.21	4.75	4.59	4.74
Mar.	4.92	4.63	4.78	8.43	7.08	6.07	4.40	4.28	4.48
Apr.	4.70	4.49	4.65	8.19	7.00	5.92	4.10	3.98	4.25
May	4.59	4.45	4.56	8.09	6.92	5.84	4.00	3.84	4.12
June	4.50	4.40	4.46	7.97	6.91	5.79	3.91	3.72	4.00
July	4.31	4.31	4.36	7.82	6.79	5.70	3.73	3.59	3.81
Aug.	4.23	4.25	4.28	7.81	6.74	5.65	3.65	3.50	3.73
Sep.	4.19	4.26	4.25	7.80	6.72	5.63	3.62	3.44	3.68
Oct.	4.05	4.19	4.17	7.69	6.67	5.54	3.57	3.38	3.60

**C22 New deposits with an agreed maturity**  
(percentages per annum excluding charges; period averages)



**C23 New loans with a floating rate and up to 1 year's initial rate fixation**  
(percentages per annum excluding charges; period averages)



Source: ECB.

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

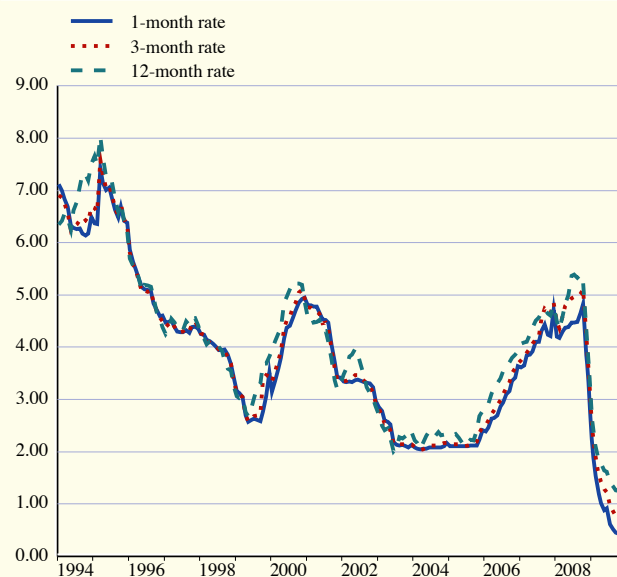
## 4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area <sup>1),2)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2006	2.83	2.94	3.08	3.23	3.44	5.20	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2008 Q3	4.25	4.54	4.98	5.18	5.37	2.91	0.90
Q4	3.17	3.92	4.24	4.31	4.38	2.77	0.96
2009 Q1	1.37	1.67	2.01	2.11	2.22	1.24	0.67
Q2	0.77	0.94	1.31	1.51	1.67	0.84	0.53
Q3	0.36	0.53	0.87	1.13	1.34	0.41	0.40
2008 Nov.	3.15	3.84	4.24	4.29	4.35	2.28	0.91
Dec.	2.49	2.99	3.29	3.37	3.45	1.83	0.92
2009 Jan.	1.81	2.14	2.46	2.54	2.62	1.21	0.73
Feb.	1.26	1.63	1.94	2.03	2.14	1.24	0.64
Mar.	1.06	1.27	1.64	1.77	1.91	1.27	0.62
Apr.	0.84	1.01	1.42	1.61	1.77	1.11	0.57
May	0.78	0.88	1.28	1.48	1.64	0.82	0.53
June	0.70	0.91	1.23	1.44	1.61	0.62	0.49
July	0.36	0.61	0.97	1.21	1.41	0.52	0.43
Aug.	0.35	0.51	0.86	1.12	1.33	0.42	0.40
Sep.	0.36	0.46	0.77	1.04	1.26	0.30	0.36
Oct.	0.36	0.43	0.74	1.02	1.24	0.28	0.33
Nov.	0.36	0.44	0.72	0.99	1.23	0.27	0.31

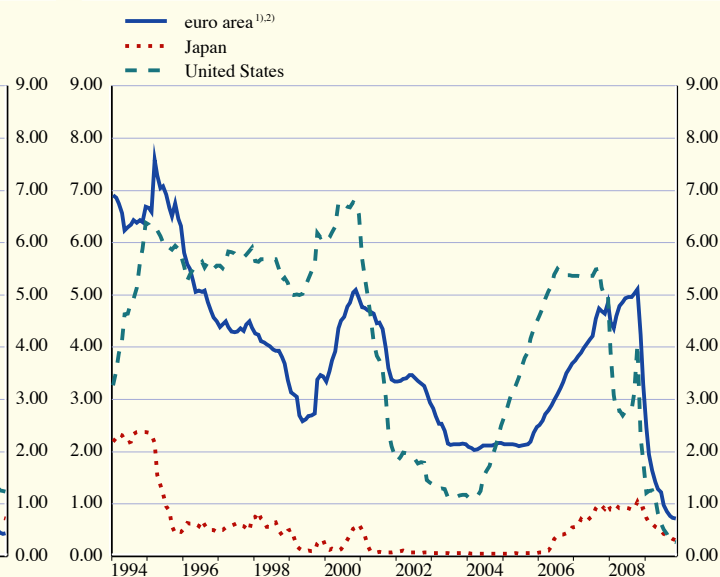
### C24 Euro area money market rates <sup>1),2)</sup>

(monthly averages; percentages per annum)



### C25 3-month money market rates

(monthly averages; percentages per annum)



Source: ECB.

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

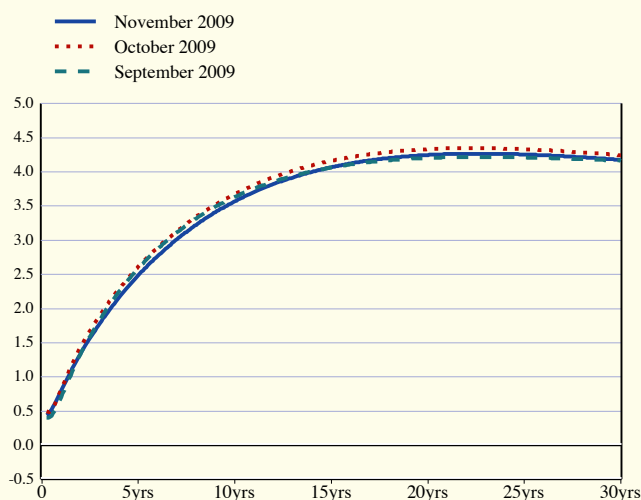
**4.7 Euro area yield curves <sup>1)</sup>**

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

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2008 Q3	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Q4	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009 Q1	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Q2	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
Q3	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
2008 Nov.	2.00	2.10	2.38	3.16	3.49	3.77	1.78	1.40	2.33	2.97	4.16	4.48
Dec.	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009 Jan.	1.19	1.27	1.79	3.02	3.53	4.02	2.83	2.24	1.70	2.85	4.53	5.26
Feb.	0.93	1.01	1.56	2.79	3.31	3.85	2.93	2.30	1.48	2.64	4.32	5.25
Mar.	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Apr.	0.74	0.96	1.53	2.72	3.25	3.79	3.05	2.26	1.52	2.58	4.24	5.19
May	0.79	0.93	1.53	3.00	3.60	4.18	3.39	2.65	1.43	2.77	4.81	5.61
June	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
July	0.49	0.74	1.43	2.68	3.21	3.74	3.26	2.31	1.49	2.62	4.21	5.13
Aug.	0.44	0.74	1.46	2.69	3.19	3.68	3.24	2.22	1.55	2.66	4.16	4.95
Sep.	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
Oct.	0.50	0.81	1.43	2.61	3.13	3.68	3.18	2.25	1.49	2.50	4.12	5.11
Nov.	0.44	0.80	1.34	2.49	3.01	3.57	3.13	2.23	1.38	2.32	4.00	5.04

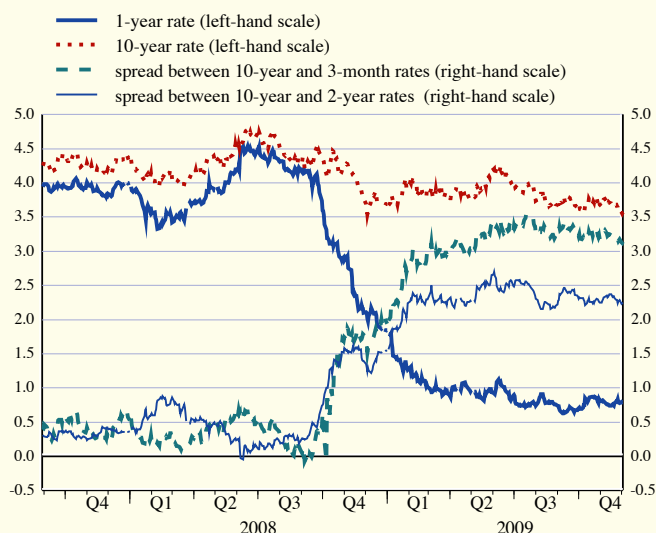
**C26 Euro area spot yield curves**

(percentages per annum; end of period)



**C27 Euro area spot rates and spreads**

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



Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.

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



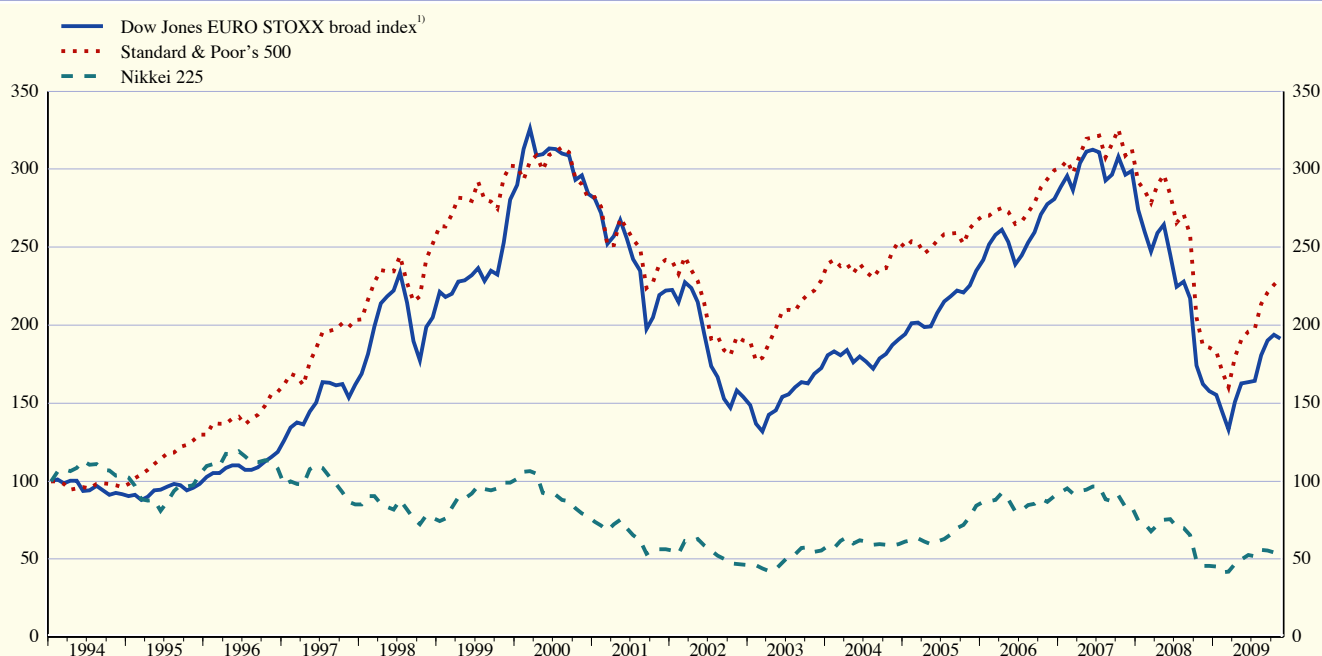
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices <sup>1)</sup>												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2008 Q3	309.7	3,278.8	506.0	162.2	282.2	382.8	260.5	345.7	285.6	494.8	412.4	407.4	1,252.7	12,758.7
Q4	228.7	2,497.7	320.7	136.5	236.9	287.6	169.3	238.1	200.0	384.7	387.0	358.1	910.9	8,700.4
2009 Q1	200.2	2,166.4	293.6	131.6	207.9	272.5	126.3	223.0	175.7	340.6	367.2	345.7	810.1	7,968.8
Q2	220.5	2,376.6	326.9	136.6	229.5	287.3	158.6	251.0	201.1	337.7	351.5	343.8	892.0	9,274.8
Q3	247.2	2,660.6	369.0	142.0	257.1	296.8	192.7	286.0	211.3	361.1	386.0	365.1	994.2	10,117.3
2008 Nov.	225.0	2,452.9	315.2	136.2	237.6	294.8	159.0	229.5	197.7	393.6	386.0	361.7	883.3	8,502.7
Dec.	219.0	2,407.0	304.0	137.8	224.2	281.0	152.5	238.7	189.4	369.2	396.6	349.4	877.2	8,492.1
2009 Jan.	215.5	2,344.9	309.7	136.8	220.8	280.5	143.4	236.4	188.1	376.5	384.1	364.8	866.6	8,402.5
Feb.	200.4	2,159.8	299.2	132.7	208.0	280.9	123.3	226.1	175.7	341.0	361.7	354.1	806.3	7,707.3
Mar.	184.6	1,993.9	272.5	125.3	194.9	256.9	111.8	206.8	163.5	304.2	355.2	319.1	757.1	7,772.8
Apr.	209.3	2,256.3	308.4	134.6	219.0	268.1	145.0	237.9	196.0	323.2	356.8	327.7	848.5	8,755.5
May	225.7	2,426.7	331.6	140.1	233.8	296.0	164.5	259.8	203.1	346.3	348.0	346.7	901.7	9,257.7
June	226.7	2,449.0	341.0	135.3	235.9	298.3	166.8	255.5	204.3	343.8	349.6	357.0	926.1	9,810.3
July	228.0	2,462.1	337.9	134.8	243.7	288.6	170.6	256.8	198.8	334.7	364.8	352.9	934.1	9,678.3
Aug.	250.7	2,702.7	377.6	142.1	261.8	293.2	198.6	290.3	208.5	365.7	387.2	364.1	1,009.7	10,430.4
Sep.	264.0	2,827.9	393.3	149.5	266.5	308.7	210.2	312.5	227.2	384.4	407.0	378.8	1,044.6	10,302.9
Oct.	268.7	2,865.5	403.7	150.1	277.5	314.2	216.0	318.4	221.3	375.4	415.0	393.6	1,067.7	10,066.2
Nov.	265.4	2,843.8	415.4	149.5	280.0	315.3	208.7	313.6	209.9	369.8	414.5	391.5	1,088.1	9,641.0

### C28 Dow Jones EURO STOXX broad index, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

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

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices<sup>1)</sup>

	Total					Total (s.a.; percentage change vis-à-vis previous period)						Memo item: Administered prices <sup>2)</sup>	
	Index: 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total excl. unprocessed food and energy											
% of total <sup>3)</sup>	100.0	100.0	83.0	58.6	41.4	100.0	11.9	7.5	29.7	9.6	41.4	89.3	10.7
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.7
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.1
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.3	3.0
2008 Q3	108.4	3.8	2.5	4.7	2.6	0.8	0.8	1.1	0.2	2.1	0.7	3.9	3.3
Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.3	0.2	0.3	-8.7	0.5	2.1	3.4
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.3	-0.1	0.3	0.0	-4.9	0.4	0.7	2.9
Q2	108.3	0.2	1.5	-1.2	2.2	0.2	0.1	-0.9	0.2	0.7	0.4	0.0	1.7
Q3	108.0	-0.4	1.2	-1.9	1.8	0.2	0.4	-0.9	0.0	0.8	0.4	-0.6	1.1
2009 June	108.5	-0.1	1.3	-1.6	2.0	0.3	0.3	-0.3	0.0	2.5	0.1	-0.4	1.6
July	107.8	-0.7	1.2	-2.4	1.9	-0.1	0.1	-0.5	0.0	-1.8	0.1	-0.9	1.2
Aug.	108.1	-0.2	1.2	-1.5	1.8	0.3	0.1	-0.2	0.1	1.8	0.2	-0.3	1.1
Sep.	108.2	-0.3	1.1	-1.8	1.8	-0.1	0.0	0.1	0.0	-1.2	0.1	-0.5	1.0
Oct.	108.4	-0.1	1.0	-1.4	1.8	0.1	-0.1	-0.1	0.0	-0.2	0.2	-0.2	0.8
Nov. <sup>4)</sup>	.	0.6	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous	
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						
% of total <sup>3)</sup>	19.3	11.9	7.5	39.3	29.7	9.6	10.1	6.0	6.3	3.2	14.9	6.8
	14	15	16	17	18	19	20	21	22	23	24	25
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2008 Q3	5.6	6.7	3.9	4.2	0.7	15.1	2.3	1.9	4.4	-2.4	3.4	2.3
Q4	3.8	4.3	3.0	1.2	0.9	2.1	2.2	1.9	4.5	-2.0	3.3	2.2
2009 Q1	2.4	2.1	2.8	-1.1	0.7	-6.1	2.0	1.7	3.6	-1.7	2.7	2.1
Q2	1.0	1.1	0.8	-2.3	0.7	-10.7	2.1	1.8	3.1	-1.2	2.7	2.0
Q3	-0.1	0.6	-1.2	-2.8	0.5	-11.9	2.0	1.8	2.5	-0.6	1.8	2.1
2009 May	0.9	1.0	0.7	-2.5	0.8	-11.6	2.1	1.8	3.1	-1.0	2.4	2.0
June	0.7	1.1	0.0	-2.7	0.6	-11.7	2.1	1.8	2.7	-0.9	2.2	1.9
July	0.0	0.8	-1.1	-3.6	0.5	-14.4	2.1	1.8	2.6	-0.8	1.9	2.0
Aug.	-0.1	0.6	-1.2	-2.3	0.6	-10.2	2.0	1.8	2.5	-0.7	1.8	2.0
Sep.	-0.2	0.5	-1.3	-2.6	0.5	-11.0	2.0	1.8	2.3	-0.3	1.7	2.1
Oct.	-0.4	0.3	-1.6	-2.0	0.3	-8.5	1.9	1.6	2.6	-0.3	1.6	2.1

Sources: Eurostat and ECB calculations.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
- 2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration, since changes in administered prices cannot be fully isolated from other influences. Please refer to <http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html> for a note explaining the methodology used in the compilation of this indicator.
- 3) Weighting used in 2009.
- 4) Estimate based on provisional national releases, which usually cover around 95% of the euro area, as well as on early information on energy prices.

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 2. Industry, construction and residential property prices

	Industrial producer prices excluding construction										Construction <sup>1)</sup>	Residential property prices <sup>2)</sup>
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
		Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable	Non-durable				
% of total <sup>3)</sup>	100.0	100.0	83.0	75.8	30.1	21.9	23.7	2.7	21.0	24.2		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	100.0	4.1	3.1	1.9	2.8	1.2	0.9	1.3	0.8	13.5	3.4	7.5
2006	105.1	5.1	3.5	2.8	4.6	1.6	1.5	1.4	1.5	13.4	4.7	6.5
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.1	1.2	4.2	4.4
2008	114.4	6.1	4.8	3.5	4.0	2.1	3.9	2.8	4.1	14.1	3.7	1.7
2008 Q3	117.2	8.4	6.7	4.2	5.4	2.3	4.2	2.7	4.4	21.5	5.0	-
Q4	113.7	3.4	0.7	2.4	2.6	2.5	2.0	2.6	1.9	6.7	3.4	0.6 <sup>4)</sup>
2009 Q1	109.8	-2.0	-4.3	-1.1	-2.7	1.8	-1.0	1.9	-1.4	-4.1	2.2	-
Q2	108.3	-5.7	-6.8	-3.0	-5.7	0.6	-2.0	1.5	-2.5	-13.2	-0.4	-
Q3	108.0	-7.8	-7.4	-4.2	-7.4	-0.2	-2.6	1.0	-3.1	-18.0	-	-
2009 May	108.1	-5.9	-7.1	-3.0	-5.7	0.5	-2.0	1.4	-2.5	-13.7	-	-
June	108.5	-6.5	-7.3	-3.5	-6.4	0.3	-2.3	1.6	-2.9	-14.8	-	-
July	107.8	-8.4	-8.2	-4.1	-7.5	0.0	-2.5	1.2	-3.0	-19.8	-	-
Aug.	108.3	-7.5	-7.0	-4.2	-7.4	-0.2	-2.6	1.2	-3.1	-16.7	-	-
Sep.	108.0	-7.6	-6.9	-4.2	-7.3	-0.5	-2.7	0.7	-3.2	-17.3	-	-
Oct.	108.2	-6.7	-5.2	-3.9	-6.4	-0.7	-2.8	0.4	-3.3	-14.4	-	-

### 3. Commodity prices and gross domestic product deflators<sup>1)</sup>

	Oil prices <sup>5)</sup> (EUR per barrel)	Non-energy commodity prices						Total (s.a.; index: 2000 = 100)	GDP deflators					Exports <sup>8)</sup>	Imports <sup>8)</sup>
		Import-weighted <sup>6)</sup>			Use-weighted <sup>7)</sup>				Total	Domestic demand					
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump- tion	Government consump- tion	Gross fixed capital formation		
% of total	100.0	35.0	65.0	100.0	44.3	55.7									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2005	44.6	11.9	0.9	17.9	9.0	2.5	14.4	111.6	2.0	2.3	2.1	2.3	2.5	2.4	3.4
2006	52.9	27.5	5.8	37.6	24.4	5.9	38.1	113.8	1.9	2.4	2.2	2.0	2.9	2.6	3.8
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.5	2.4	2.3	2.3	1.7	2.6	1.6	1.4
2008	65.9	2.0	18.2	-4.3	-1.7	9.6	-8.5	119.0	2.2	2.7	2.9	2.8	2.2	2.5	3.7
2008 Q3	77.6	6.8	16.2	2.8	0.6	4.3	-1.9	119.3	2.2	3.1	3.4	2.8	2.6	3.5	5.6
Q4	43.5	-10.1	-7.8	-11.2	-14.6	-13.1	-15.8	120.0	2.4	2.0	2.0	2.2	1.7	1.4	0.5
2009 Q1	35.1	-29.2	-15.0	-36.0	-28.7	-17.7	-36.8	120.1	1.8	1.2	0.4	2.8	0.3	-2.5	-4.5
Q2	43.8	-24.5	-11.2	-31.0	-22.5	-10.0	-31.4	120.2	1.1	0.0	-0.3	1.7	-1.0	-4.1	-6.8
Q3	48.1	-18.7	-12.3	-21.7	-18.9	-15.2	-21.4	120.4	0.9	-0.3	-0.7	2.2	-1.7	-5.0	-8.0
2009 June	49.5	-23.6	-13.3	-28.8	-21.9	-12.3	-28.9	-	-	-	-	-	-	-	-
July	46.5	-22.9	-15.3	-26.6	-21.6	-14.3	-26.8	-	-	-	-	-	-	-	-
Aug.	51.1	-16.2	-10.3	-19.1	-17.5	-16.0	-18.7	-	-	-	-	-	-	-	-
Sep.	46.9	-16.8	-11.2	-19.4	-17.3	-15.3	-18.7	-	-	-	-	-	-	-	-
Oct.	49.8	-6.1	-0.7	-8.5	-8.1	-10.4	-6.6	-	-	-	-	-	-	-	-
Nov.	52.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

1) Input prices for residential buildings.

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

3) In 2005.

4) The quarterly data for the second and fourth quarters refer to biannual averages for the first and second halves of the year respectively. Since some national data are only available annually, the biannual estimate is partially derived from annual results; consequently, the accuracy of biannual data is lower than the accuracy of annual data.

5) Brent Blend (for one-month forward delivery).

6) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.

7) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see <http://www.ecb.int/stats/intro/html/experiment.en.html> for details).

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

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index: 2000 = 100)	Total	By economic activity					Public administration, education, health and other services
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs <sup>1)</sup>								
2005	109.0	1.2	8.5	-0.6	3.2	0.7	2.1	2.1
2006	110.0	0.9	1.5	-0.6	3.3	0.5	2.0	2.1
2007	111.7	1.5	2.2	0.7	4.5	0.5	2.2	1.7
2008	115.3	3.2	-0.4	3.5	2.1	3.3	3.1	3.1
2008 Q2	114.7	2.8	-1.4	1.2	2.0	2.3	2.8	4.4
Q3	115.6	3.6	-1.2	3.9	2.3	4.5	3.5	2.6
Q4	118.1	4.7	-0.6	9.8	1.9	5.3	2.4	3.2
2009 Q1	120.1	5.8	1.0	16.6	1.6	6.9	0.3	3.3
Q2	120.2	4.8	1.3	14.5	0.4	6.2	1.4	1.8
Compensation per employee								
2005	112.3	2.0	2.5	1.9	2.2	1.9	2.4	1.9
2006	114.9	2.3	3.3	3.4	3.5	1.6	2.3	1.7
2007	117.7	2.5	3.6	2.7	2.8	1.9	2.4	2.5
2008	121.4	3.1	2.8	3.0	3.8	2.8	2.5	3.6
2008 Q2	121.1	3.1	2.2	2.7	3.6	2.1	2.4	4.5
Q3	121.9	3.5	3.2	3.1	4.2	4.1	3.0	3.4
Q4	122.5	2.9	2.7	2.7	3.8	2.9	2.0	3.4
2009 Q1	122.5	1.8	3.3	0.4	2.6	2.3	0.5	3.1
Q2	123.0	1.6	3.6	-0.5	3.4	2.5	2.0	1.9
Labour productivity <sup>2)</sup>								
2005	103.1	0.8	-5.5	2.5	-1.0	1.2	0.2	-0.2
2006	104.5	1.4	1.8	3.9	0.2	1.1	0.3	-0.4
2007	105.5	0.9	1.4	2.0	-1.6	1.4	0.2	0.7
2008	105.3	-0.1	3.2	-0.5	1.6	-0.4	-0.6	0.5
2008 Q2	105.6	0.3	3.7	1.5	1.5	-0.2	-0.4	0.1
Q3	105.5	-0.1	4.5	-0.8	1.9	-0.4	-0.5	0.8
Q4	103.8	-1.7	3.3	-6.5	1.9	-2.2	-0.4	0.3
2009 Q1	102.0	-3.8	2.2	-13.8	0.9	-4.3	0.2	-0.1
Q2	102.3	-3.1	2.3	-13.1	3.0	-3.4	0.6	0.2

### 5. Hourly labour costs<sup>3)</sup>

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: indicator of negotiated wages <sup>4)</sup>
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>5)</sup>	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2005	92.2	2.2	2.3	2.0	2.1	1.6	2.3	2.1
2006	94.3	2.3	2.4	2.3	3.3	1.4	1.9	2.3
2007	96.7	2.5	2.9	1.5	2.2	2.6	2.7	2.1
2008	99.9	3.4	3.4	3.3	3.9	4.1	3.1	3.2
2008 Q3	100.4	3.6	3.6	3.5	3.1	3.7	3.8	3.4
Q4	101.4	4.2	4.1	4.6	6.0	4.7	3.2	3.6
2009 Q1	102.3	3.6	3.4	4.1	5.6	3.0	2.5	3.2
Q2	103.3	4.0	3.9	4.2	5.3	4.5	3.2	2.8
Q3	.	.	.	.	.	.	.	2.3

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1 and column 7 in Table 5 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

- 1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
- 2) Value added (volumes) per person employed.
- 3) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
- 4) Experimental data (see <http://www.ecb.int/stats/intro/html/experiment.en.html> for further details).
- 5) In 2008.

## 5.2 Output and demand

### 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>1)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>2)</sup>	Total	Exports <sup>1)</sup>	Imports <sup>1)</sup>
1	2	3	4	5	6	7	8	9	
	<i>Current prices (EUR billions; seasonally adjusted)</i>								
2005	8,141.2	8,021.5	4,660.9	1,668.6	1,682.4	6.3	119.7	3,094.4	2,974.7
2006	8,560.5	8,462.2	4,864.3	1,739.1	1,831.2	23.7	98.2	3,452.0	3,353.7
2007	9,005.8	8,863.9	5,056.6	1,808.7	1,968.4	27.5	142.0	3,733.6	3,591.7
2008	9,259.4	9,157.4	5,222.1	1,898.6	2,001.8	41.5	101.9	3,861.1	3,759.2
2008 Q3	2,325.2	2,306.9	1,315.1	476.1	503.1	16.3	18.3	986.2	967.9
Q4	2,294.4	2,279.8	1,303.1	482.5	482.5	14.0	14.6	901.6	887.0
2009 Q1	2,239.5	2,232.0	1,286.6	489.8	454.8	3.5	7.5	799.8	792.3
Q2	2,238.0	2,216.5	1,290.1	495.4	445.6	-13.3	21.4	783.3	761.8
Q3	2,251.7	2,227.0	1,291.6	498.8	443.3	.	24.7	807.0	782.3
	<i>percentage of GDP</i>								
2008	100.0	98.9	56.4	20.5	21.6	0.4	1.1	-	-
	<i>Chain-linked volumes (prices for the previous year; seasonally adjusted<sup>3)</sup>)</i>								
	<i>quarter-on-quarter percentage changes</i>								
2008 Q3	-0.4	0.1	0.0	0.5	-1.4	-	-	-1.3	-0.1
Q4	-1.9	-0.8	-0.5	0.6	-3.8	-	-	-7.2	-4.8
2009 Q1	-2.4	-1.9	-0.5	0.6	-4.9	-	-	-8.7	-7.4
Q2	-0.2	-0.8	0.0	0.6	-1.7	-	-	-1.3	-2.9
Q3	0.4	0.2	-0.2	0.5	-0.4	-	-	2.9	2.6
	<i>annual percentage changes</i>								
2005	1.7	1.9	1.8	1.6	3.3	-	-	5.2	5.9
2006	3.0	2.9	2.0	2.1	5.5	-	-	8.5	8.5
2007	2.7	2.4	1.6	2.3	4.7	-	-	6.2	5.5
2008	0.6	0.6	0.4	2.1	-0.3	-	-	1.0	0.9
2008 Q3	0.4	0.3	0.0	2.2	-0.8	-	-	1.0	0.7
Q4	-1.8	-0.6	-0.7	2.4	-5.5	-	-	-6.9	-4.1
2009 Q1	-5.0	-3.2	-1.3	2.5	-10.9	-	-	-16.8	-12.8
Q2	-4.8	-3.4	-0.9	2.4	-11.3	-	-	-17.4	-14.4
Q3	-4.1	-3.2	-1.1	2.5	-10.4	-	-	-13.9	-12.1
	<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>								
2008 Q3	-0.4	0.1	0.0	0.1	-0.3	0.3	-0.5	-	-
Q4	-1.9	-0.8	-0.3	0.1	-0.8	0.2	-1.1	-	-
2009 Q1	-2.4	-1.9	-0.3	0.1	-1.0	-0.7	-0.5	-	-
Q2	-0.2	-0.8	0.0	0.1	-0.3	-0.6	0.6	-	-
Q3	0.4	0.2	-0.1	0.1	-0.1	0.3	0.1	-	-
	<i>contributions to annual percentage changes in GDP; percentage points</i>								
2005	1.7	1.9	1.1	0.3	0.7	-0.2	-0.1	-	-
2006	3.0	2.9	1.2	0.4	1.1	0.1	0.1	-	-
2007	2.7	2.4	0.9	0.5	1.0	0.0	0.4	-	-
2008	0.6	0.6	0.2	0.4	0.0	0.0	0.1	-	-
2008 Q3	0.4	0.3	0.0	0.4	-0.2	0.0	0.1	-	-
Q4	-1.8	-0.6	-0.4	0.5	-1.2	0.6	-1.3	-	-
2009 Q1	-5.0	-3.1	-0.7	0.5	-2.4	-0.5	-1.9	-	-
Q2	-4.8	-3.3	-0.5	0.5	-2.5	-0.8	-1.5	-	-
Q3	-4.1	-3.2	-0.6	0.5	-2.2	-0.8	-0.9	-	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions; seasonally adjusted)							
2005	7,296.5	143.7	1,481.8	439.8	1,541.5	2,018.5	1,671.2	844.8
2006	7,646.6	141.3	1,564.3	476.4	1,598.2	2,134.6	1,731.7	913.9
2007	8,046.9	151.3	1,638.6	509.4	1,673.0	2,271.3	1,803.3	959.0
2008	8,313.4	146.5	1,659.7	533.2	1,726.7	2,365.0	1,882.3	946.0
2008 Q3	2,087.9	35.9	417.9	134.6	434.0	594.2	471.2	237.3
Q4	2,064.1	34.9	395.4	132.0	428.6	594.9	478.3	230.3
2009 Q1	2,016.2	34.6	359.4	130.3	417.9	589.3	484.7	223.3
Q2	2,016.1	33.6	353.1	129.3	418.4	592.3	489.4	221.8
Q3	2,030.7	32.6	361.5	128.6	420.8	594.7	492.4	221.0
	<i>percentage of value added</i>							
2008	100.0	1.8	20.0	6.4	20.8	28.4	22.6	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted <sup>1)</sup> )							
	<i>quarter-on-quarter percentage changes</i>							
2008 Q3	-0.5	0.3	-1.9	-1.5	-0.4	0.0	0.5	-0.1
Q4	-1.9	0.5	-6.4	-1.6	-1.9	-0.5	0.2	-2.0
2009 Q1	-2.4	-0.5	-8.2	-1.1	-2.8	-0.8	0.1	-2.6
Q2	-0.2	0.2	-1.5	-0.6	-0.2	0.1	0.6	0.2
Q3	0.4	0.2	2.0	-1.0	0.2	-0.1	0.1	0.6
	<i>annual percentage changes</i>							
2005	1.7	-6.1	1.4	1.6	2.0	2.7	1.3	1.9
2006	3.0	0.1	3.6	2.9	2.8	4.1	1.4	3.3
2007	3.0	-0.1	2.3	2.3	3.4	4.3	2.0	0.9
2008	0.9	1.7	-0.6	-0.6	0.8	1.7	1.6	-1.2
2008 Q3	0.6	2.9	-1.0	-1.0	0.4	1.3	1.7	-1.5
Q4	-1.7	2.5	-7.7	-3.4	-2.0	0.3	1.6	-2.6
2009 Q1	-4.9	0.2	-16.5	-6.0	-5.5	-1.0	1.2	-5.6
Q2	-4.9	0.5	-17.0	-4.7	-5.2	-1.3	1.5	-4.5
Q3	-4.1	0.5	-13.6	-4.3	-4.6	-1.4	1.1	-3.8
	<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>							
2008 Q3	-0.5	0.0	-0.4	-0.1	-0.1	0.0	0.1	-
Q4	-1.9	0.0	-1.3	-0.1	-0.4	-0.1	0.0	-
2009 Q1	-2.4	0.0	-1.6	-0.1	-0.6	-0.2	0.0	-
Q2	-0.2	0.0	-0.3	0.0	0.0	0.0	0.1	-
Q3	0.4	0.0	0.4	-0.1	0.0	0.0	0.0	-
	<i>contributions to annual percentage changes in value added; percentage points</i>							
2005	1.7	-0.1	0.3	0.1	0.4	0.7	0.3	-
2006	3.0	0.0	0.7	0.2	0.6	1.1	0.3	-
2007	3.0	0.0	0.5	0.1	0.7	1.2	0.4	-
2008	0.9	0.0	-0.1	0.0	0.2	0.5	0.4	-
2008 Q3	0.6	0.1	-0.2	-0.1	0.1	0.4	0.4	-
Q4	-1.7	0.0	-1.6	-0.2	-0.4	0.1	0.4	-
2009 Q1	-4.9	0.0	-3.4	-0.4	-1.1	-0.3	0.3	-
Q2	-4.9	0.0	-3.5	-0.3	-1.1	-0.4	0.3	-
Q3	-4.1	0.0	-2.7	-0.3	-0.9	-0.4	0.2	-

Sources: Eurostat and ECB calculations.

1) Annual data are not working day-adjusted.

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production

	Total		Industry excluding construction									Construction
	Total (s.a.; index: 2005 = 100)	Total	Industry excluding construction and energy						Energy	Total		
			Manu- facturing	Total	Interme- diate goods	Capital goods	Consumer goods					
							Total	Durable			Non-durable	
% of total <sup>1)</sup>	100.0	78.0	78.0	69.4	68.8	28.2	22.1	18.5	2.6	15.9	9.1	22.0
	1	2	3	4	5	6	7	8	9	10	11	12
2006	3.9	104.3	4.2	4.6	4.7	4.9	6.0	2.9	4.4	2.7	0.6	3.1
2007	3.3	108.2	3.7	4.1	4.3	3.7	6.7	2.3	1.3	2.5	-0.9	1.6
2008	-2.3	106.3	-1.7	-1.8	-1.9	-3.3	-0.2	-2.0	-5.7	-1.4	0.3	-4.5
2008 Q4	-8.9	98.6	-9.0	-9.2	-9.5	-13.3	-8.6	-4.7	-11.9	-3.5	-4.1	-8.2
2009 Q1	-16.9	90.2	-18.5	-20.2	-20.7	-25.3	-23.9	-7.4	-19.9	-5.4	-4.4	-10.3
Q2	-16.7	89.2	-18.6	-19.5	-19.9	-24.2	-24.2	-6.0	-21.5	-3.3	-8.9	-7.5
Q3	-14.0	91.1	-14.6	-15.4	-15.9	-18.3	-21.3	-4.1	-19.0	-1.9	-6.5	-9.9
2009 Apr.	-18.7	88.3	-21.4	-22.0	-22.7	-27.2	-27.4	-7.4	-20.9	-5.0	-12.5	-5.7
May	-16.1	89.3	-17.7	-18.7	-18.9	-23.4	-23.0	-5.3	-20.0	-2.8	-7.6	-8.7
June	-15.2	90.1	-16.7	-17.8	-18.3	-22.2	-22.2	-5.3	-23.7	-2.3	-6.4	-8.0
July	-15.1	90.4	-15.9	-16.9	-17.7	-20.0	-23.5	-4.0	-20.7	-1.3	-6.0	-10.4
Aug.	-14.7	91.4	-15.1	-16.2	-16.0	-19.1	-22.1	-5.5	-20.0	-3.8	-6.2	-11.0
Sep.	-12.3	91.6	-13.0	-13.4	-14.0	-15.8	-18.7	-3.1	-16.8	-1.0	-7.4	-8.5
<i>month-on-month percentage changes (s.a.)</i>												
2009 Apr.	-1.1	-	-0.4	-0.7	-1.3	-0.2	-1.4	0.4	0.7	0.4	-1.4	0.0
May	0.2	-	1.1	0.5	0.9	1.6	1.1	0.3	-2.1	0.7	1.7	-2.0
June	-0.2	-	0.9	-0.2	-0.3	0.7	0.1	-0.2	-3.6	0.2	1.7	-0.3
July	-0.5	-	0.3	-0.1	-0.3	1.5	-1.4	0.4	0.6	0.4	0.4	-1.7
Aug.	-0.3	-	1.2	0.2	0.9	1.0	1.3	-0.5	5.2	-1.1	0.5	-0.1
Sep.	0.2	-	0.2	0.2	-0.3	0.8	1.4	0.1	-5.5	0.8	-1.5	-1.0

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing <sup>2)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) <sup>3)</sup>	Total
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	42.9	57.1	9.9	13.9	12	13	
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	110.7	10.3	108.3	8.0	3.4	102.5	2.5	1.0	3.7	3.1	5.4	975	2.4
2007	120.0	8.7	115.0	6.5	2.8	104.5	2.0	0.1	3.4	4.0	3.1	968	-0.5
2008	113.5	-5.2	116.9	1.9	1.7	103.8	-0.7	-1.8	-0.1	-1.8	-2.0	896	-7.0
2008 Q4	94.6	-22.3	107.1	-7.5	-0.3	102.9	-1.6	-2.2	-1.2	-3.1	-2.7	825	-17.4
2009 Q1	83.1	-31.8	95.1	-21.6	-2.6	102.3	-2.5	-3.6	-1.6	-0.4	-6.0	828	-12.6
Q2	84.5	-30.6	94.1	-23.2	-2.7	102.1	-1.7	-1.5	-1.9	-2.1	-5.3	934	-0.2
Q3	91.1	-21.5	96.0	-18.7	-3.3	101.6	-1.9	-1.4	-2.3	-2.8	-2.9	960	9.6
2009 May	84.2	-30.4	94.5	-23.4	-3.5	101.9	-2.4	-2.2	-2.6	-4.5	-6.0	912	0.0
June	86.5	-25.8	93.6	-20.4	-2.7	101.9	-1.6	-1.5	-1.3	-1.6	-4.5	975	11.6
July	90.3	-25.0	94.9	-20.7	-2.9	101.8	-1.4	-1.7	-1.5	0.2	-3.3	976	6.7
Aug.	90.8	-23.3	96.8	-18.8	-3.1	101.8	-1.7	-0.7	-2.5	-4.1	-2.9	934	14.4
Sep.	92.3	-16.5	96.2	-16.8	-4.0	101.3	-2.6	-1.9	-3.1	-4.8	-2.5	972	9.7
Oct.	-	-	-	-	-	-	-	-	-	-	-	983	10.9
<i>month-on-month percentage changes (s.a.)</i>													
2009 June	-	2.8	-	-0.9	-0.1	-	0.0	-0.2	0.0	0.5	0.3	-	6.8
July	-	4.4	-	1.4	-0.2	-	-0.1	-0.4	-0.1	1.0	0.2	-	0.2
Aug.	-	0.5	-	1.9	0.0	-	0.0	0.7	-0.4	-2.4	-0.1	-	-4.3
Sep.	-	1.6	-	-0.6	-0.6	-	-0.5	-0.7	-0.3	0.2	0.0	-	4.1
Oct.	-	-	-	-	-	-	-	-	-	-	-	-	1.1

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).

1) In 2005.

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

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

## 5.2 Output and demand

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

### 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation <sup>3)</sup> (percentages)	Total <sup>4)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>4)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2005	98.2	-7	-16	11	6	81.1	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.1	-9	-3	-9	15	-9
2007	108.9	4	5	5	13	84.1	-5	-2	-4	5	-8
2008	91.1	-9	-15	11	-2	81.8	-18	-10	-25	23	-14
2008 Q3	89.9	-10	-15	12	-2	82.2	-19	-12	-28	23	-14
Q4	75.6	-25	-36	18	-22	78.1	-27	-11	-34	49	-14
2009 Q1	65.7	-36	-56	20	-31	72.5	-33	-11	-41	64	-14
Q2	70.2	-33	-62	18	-21	70.0	-28	-9	-34	59	-11
Q3	79.9	-26	-58	12	-9	70.1	-21	-5	-20	51	-9
2009 June	73.2	-32	-63	16	-16	-	-25	-7	-29	55	-9
July	76.0	-30	-61	14	-13	69.6	-23	-6	-23	53	-10
Aug.	80.8	-25	-56	13	-8	-	-22	-5	-21	53	-9
Sep.	82.8	-24	-56	10	-7	-	-19	-4	-15	48	-10
Oct.	86.1	-21	-53	8	-2	70.7	-18	-3	-12	48	-8
Nov.	88.8	-19	-51	7	2	-	-17	-3	-10	50	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>4)</sup>	Order books	Employment expectations	Total <sup>4)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>4)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-8	7	1	4	15	12	19	16	19	23
2008	-14	-20	-7	-7	-6	16	1	2	-5	4	7
2008 Q3	-14	-21	-7	-9	-9	17	-1	1	-7	3	6
Q4	-23	-31	-16	-15	-16	17	-13	-12	-20	-9	-6
2009 Q1	-31	-36	-26	-19	-21	15	-20	-24	-33	-21	-18
Q2	-34	-42	-25	-17	-23	9	-19	-22	-29	-23	-15
Q3	-32	-41	-22	-14	-19	10	-13	-12	-19	-13	-5
2009 June	-33	-42	-24	-17	-24	9	-17	-20	-26	-22	-11
July	-33	-41	-25	-13	-16	10	-14	-18	-24	-19	-9
Aug.	-32	-40	-23	-14	-20	10	-12	-11	-16	-10	-5
Sep.	-30	-42	-19	-15	-21	11	-14	-9	-15	-10	-2
Oct.	-29	-42	-16	-15	-24	10	-12	-7	-10	-10	0
Nov.	-26	-39	-14	-11	-19	10	-4	-4	-7	-8	4

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

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.
- 3) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 4) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.



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

(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 <sup>2)</sup>	100.0	100.0	85.2	14.8	3.9	17.1	7.5	25.6	15.9	30.0
	1	2	3	4	5	6	7	8	9	10
2005	141.846	1.0	1.0	0.5	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.148	1.6	1.8	0.7	-1.8	-0.3	2.7	1.7	3.9	1.8
2007	146.712	1.8	2.0	0.8	-1.5	0.3	3.9	2.0	4.1	1.2
2008	147.821	0.8	0.9	-0.3	-1.4	-0.2	-2.2	1.3	2.2	1.1
2008 Q2	148.164	1.1	1.3	-0.2	-1.8	0.3	-1.4	1.6	2.6	1.4
Q3	147.743	0.5	0.8	-0.9	-1.7	-0.1	-2.7	0.9	1.8	1.0
Q4	147.304	0.0	0.1	-0.8	-1.0	-1.2	-5.0	0.4	0.7	1.4
2009 Q1	146.215	-1.2	-1.0	-2.3	-2.0	-3.0	-7.1	-1.2	-1.2	1.4
Q2	145.526	-1.8	-1.7	-2.2	-1.9	-4.6	-7.6	-1.9	-1.9	1.4
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2008 Q2	0.089	0.1	0.2	-0.5	-1.1	-0.1	-0.9	0.1	0.0	0.6
Q3	-0.421	-0.3	-0.2	-0.6	-0.6	-0.6	-2.0	-0.2	0.0	0.1
Q4	-0.439	-0.3	-0.3	-0.4	0.3	-1.0	-2.1	-0.4	-0.4	0.6
2009 Q1	-1.089	-0.7	-0.7	-0.9	-0.7	-1.5	-2.1	-0.8	-0.8	0.1
Q2	-0.689	-0.5	-0.5	-0.5	-0.8	-1.5	-1.5	-0.5	-0.6	0.5

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		77.9		22.1		50.4		49.6	
	1	2	3	4	5	6	7	8	9	10
2005	13.710	9.0	10.668	7.9	3.042	17.5	6.915	8.1	6.796	10.0
2006	12.876	8.3	10.054	7.3	2.823	16.4	6.387	7.5	6.490	9.4
2007	11.672	7.5	9.123	6.6	2.549	14.9	5.734	6.7	5.938	8.5
2008	11.892	7.6	9.265	6.6	2.627	15.4	5.998	6.9	5.895	8.3
2008 Q3	11.951	7.6	9.304	6.6	2.646	15.6	6.065	7.0	5.886	8.3
Q4	12.687	8.0	9.873	7.0	2.813	16.6	6.547	7.6	6.139	8.6
2009 Q1	13.857	8.8	10.786	7.6	3.071	18.2	7.323	8.5	6.534	9.2
Q2	14.704	9.3	11.465	8.1	3.239	19.4	7.883	9.1	6.821	9.5
Q3	15.228	9.6	11.904	8.4	3.324	20.1	8.198	9.5	7.030	9.8
2009 May	14.685	9.3	11.437	8.1	3.248	19.4	7.885	9.1	6.800	9.5
June	14.894	9.4	11.650	8.2	3.244	19.5	7.989	9.2	6.905	9.6
July	15.052	9.5	11.771	8.3	3.280	19.8	8.089	9.4	6.963	9.7
Aug.	15.199	9.6	11.882	8.4	3.318	20.0	8.178	9.5	7.021	9.8
Sep.	15.433	9.8	12.058	8.5	3.375	20.3	8.328	9.6	7.105	9.9
Oct.	15.567	9.8	12.136	8.6	3.431	20.6	8.393	9.7	7.174	10.0

Source: Eurostat.

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.

2) In 2008.

3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.

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

# GOVERNMENT FINANCE

## 6.1 Revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo item: Fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions	Social contributions		Sales	Capital taxes	13			
			Households	Corporations			Employers	Employees						
2000	46.5	46.2	12.6	9.6	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.4	12.2	9.4	2.7	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.4	11.5	8.8	2.6	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.5
2007	45.5	45.2	12.4	9.1	3.1	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.6
2008	44.9	44.7	12.2	9.3	2.7	13.3	0.3	15.3	8.1	4.4	2.1	0.2	0.3	41.0

### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo item: Primary expenditure <sup>3)</sup>		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions	
														4
2000	46.6	43.8	10.4	4.8	3.9	24.7	21.6	2.0	0.5	2.8	2.5	1.3	0.0	42.7
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.3	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.4	43.5	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.4
2006	46.7	42.8	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.1	42.3	10.0	5.0	3.0	24.4	21.6	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	46.9	43.0	10.1	5.1	3.0	24.8	22.0	1.6	0.4	3.9	2.5	1.3	0.0	43.9

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
2000	-0.1	-0.5	-0.1	0.1	0.5	3.8	19.7	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.8	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.8	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.1	1.9	2.2	8.2	12.3
2006	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.6	-1.2	0.0	0.0	0.5	2.4	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-2.0	-2.0	-0.2	-0.2	0.4	1.0	20.4	10.1	5.1	5.3	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	-2.7	-3.3	1.7	-5.2	1.0	-2.9	-4.3	-2.4	0.0	-2.9	-0.3	-1.6	-6.1	-1.4	-2.8	2.8
2006	0.3	-1.6	3.0	-2.9	2.0	-2.3	-3.3	-1.2	1.3	-2.6	0.5	-1.6	-3.9	-1.3	-3.5	4.0
2007	-0.2	0.2	0.3	-3.7	1.9	-2.7	-1.5	3.4	3.7	-2.2	0.2	-0.6	-2.6	0.0	-1.9	5.2
2008	-1.2	0.0	-7.2	-7.7	-4.1	-3.4	-2.7	0.9	2.5	-4.7	0.7	-0.4	-2.7	-1.8	-2.3	4.5

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

1) Data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.

2) The fiscal burden comprises taxes and social contributions.

3) Comprises total expenditure minus interest expenditure.

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

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

## 6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				Other creditors <sup>3)</sup>
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1999	72.0	2.9	14.5	4.3	50.4	48.7	25.4	13.7	9.7	23.3
2000	69.2	2.7	13.2	3.7	49.6	44.0	22.1	12.3	9.6	25.2
2001	68.2	2.8	12.4	4.0	49.0	41.8	20.6	11.0	10.2	26.4
2002	68.0	2.7	11.8	4.6	48.9	40.0	19.4	10.6	10.0	28.0
2003	69.1	2.1	12.4	5.0	49.6	39.3	19.6	11.0	8.6	29.8
2004	69.5	2.2	12.0	5.0	50.3	37.5	18.5	10.7	8.3	31.9
2005	70.0	2.4	11.8	4.7	51.2	35.5	17.2	11.1	7.1	34.6
2006	68.2	2.4	11.4	4.1	50.2	33.8	17.4	9.4	7.0	34.4
2007	65.9	2.2	10.8	4.2	48.8	32.1	16.8	8.6	6.7	33.9
2008	69.3	2.3	10.9	6.7	49.4	32.5	17.2	8.2	7.1	36.8

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

	Total	Issued by: <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
1999	72.0	60.5	6.0	5.1	0.4	7.3	64.6	7.0	13.5	27.8	30.6	69.9	2.0
2000	69.2	58.1	5.8	4.9	0.4	6.5	62.7	6.2	13.4	27.8	28.1	67.4	1.8
2001	68.2	57.0	6.0	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.7	1.5
2002	68.0	56.7	6.2	4.7	0.4	7.6	60.4	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	57.0	6.5	5.0	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.5	57.4	6.6	5.1	0.4	7.8	61.6	4.7	14.8	26.2	28.5	68.6	0.9
2005	70.0	57.6	6.7	5.2	0.5	7.9	62.2	4.6	14.8	25.6	29.7	69.1	1.0
2006	68.2	55.9	6.5	5.3	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.7	0.6
2007	65.9	54.0	6.2	5.2	0.5	7.4	58.5	4.3	14.2	22.7	29.1	65.4	0.5
2008	69.3	57.1	6.6	5.2	0.4	10.2	59.1	4.5	17.8	22.2	29.3	68.6	0.7

### 3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	92.1	68.0	27.6	100.0	43.0	66.4	105.8	69.1	6.1	70.2	51.8	63.9	63.6	27.0	34.2	41.8
2006	88.1	67.6	25.0	97.1	39.6	63.7	106.5	64.6	6.6	63.6	47.4	62.2	64.7	26.7	30.5	39.3
2007	84.2	65.0	25.1	95.6	36.1	63.8	103.5	58.3	6.6	62.0	45.5	59.5	63.6	23.3	29.3	35.2
2008	89.8	65.9	44.1	99.2	39.7	67.4	105.8	48.4	13.5	63.8	58.2	62.6	66.3	22.5	27.7	34.1

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

- 1) Data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
- 2) Holders resident in the country whose government has issued the debt.
- 3) Includes residents of euro area countries other than the country whose government has issued the debt.
- 4) Excludes debt held by general government in the country whose government has issued it.

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

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

	Total	Source of change			Financial instruments				Holders			Other creditors <sup>6)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>5)</sup>	MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12
2000	1.1	1.2	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.2
2001	1.9	1.9	-0.1	0.1	0.2	-0.2	0.5	1.5	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	-0.4	-0.5	-0.1	2.5
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.5	0.8	0.8	2.6
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	-0.2	-0.3	0.1	3.3
2005	3.1	3.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.7	-0.6	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.2	0.2	-0.4	1.5	0.0	1.0	-1.2	1.5
2007	1.1	1.1	0.0	0.0	-0.1	-0.1	0.3	1.0	0.0	0.2	-0.3	1.1
2008	5.2	5.1	0.1	0.0	0.1	0.4	2.6	2.0	1.3	0.9	-0.2	3.8

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

	Change in debt	Deficit (-) / surplus (+) <sup>7)</sup>	Deficit-debt adjustment <sup>8)</sup>											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>9)</sup>
				Total	Currency and deposits	Loans	Securities <sup>10)</sup>	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	1.1	-0.1	1.0	1.0	0.7	0.1	0.2	0.0	-0.3	0.2	0.0	0.1	-0.1	0.1
2001	1.9	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.0	0.1
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.6	0.5	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2006	1.5	-1.3	0.2	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.6	0.5	0.6	0.3	0.0	0.3	0.1	-0.2	0.2	0.0	0.0	0.0	-0.1
2008	5.2	-2.0	3.2	3.1	0.8	0.7	0.7	0.8	-0.1	0.7	0.1	0.0	0.0	0.0

Source: ECB.

- 1) Data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) Holders resident in the country whose government has issued the debt.
- 6) Includes residents of euro area countries other than the country whose government has issued the debt.
- 7) Including proceeds from sales of UMTS licences.
- 8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 10) Excluding financial derivatives.

## 6.4 Quarterly revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo item: Fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
2003 Q2	45.8	44.3	11.9	12.7	15.7	2.0	1.4	1.4	1.2	41.4
Q3	42.7	42.2	10.8	12.6	15.5	1.9	0.6	0.5	0.2	39.1
Q4	49.2	48.2	13.1	14.1	16.2	2.9	0.8	1.0	0.3	43.7
2004 Q1	41.4	40.9	9.6	12.9	15.3	1.7	0.6	0.4	0.3	38.1
Q2	44.8	44.0	12.0	12.9	15.3	2.0	1.1	0.8	0.6	40.7
Q3	42.8	42.3	10.6	12.8	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.0	48.0	12.9	14.2	16.2	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	9.9	13.0	15.2	1.7	0.6	0.5	0.3	38.4
Q2	44.4	43.8	11.7	13.2	15.1	2.0	1.1	0.6	0.3	40.2
Q3	43.4	42.7	11.0	13.0	15.2	1.9	0.7	0.7	0.3	39.5
Q4	49.1	48.3	13.4	14.2	16.1	2.9	0.8	0.7	0.3	43.9
2006 Q1	42.4	41.9	10.2	13.4	15.1	1.6	0.8	0.4	0.3	38.9
Q2	45.5	45.0	12.4	13.5	15.1	1.9	1.3	0.5	0.3	41.2
Q3	43.7	43.2	11.5	13.0	15.2	2.0	0.8	0.5	0.3	39.9
Q4	49.4	48.8	14.0	14.2	15.8	2.9	0.9	0.6	0.3	44.4
2007 Q1	42.2	41.8	10.3	13.5	14.8	1.7	0.8	0.4	0.3	38.8
Q2	45.8	45.4	12.8	13.5	15.0	1.9	1.5	0.4	0.3	41.5
Q3	43.7	43.2	12.0	12.8	14.9	1.9	0.8	0.5	0.3	40.0
Q4	49.7	49.2	14.4	14.2	15.8	3.0	0.9	0.5	0.3	44.6
2008 Q1	42.2	41.9	10.6	12.9	14.8	1.7	1.0	0.3	0.2	38.6
Q2	45.1	44.7	12.8	12.8	15.0	1.9	1.5	0.4	0.3	40.9
Q3	43.1	42.7	11.8	12.4	15.1	1.9	0.8	0.4	0.3	39.5
Q4	48.8	48.3	13.6	13.6	16.2	3.0	1.0	0.5	0.3	43.6
2009 Q1	42.2	42.0	10.5	12.4	15.5	1.8	1.0	0.2	0.2	38.7
Q2	44.6	44.0	11.7	12.5	15.6	2.0	1.4	0.6	0.5	40.3

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
2003 Q2	47.1	43.6	10.4	4.7	3.4	25.1	21.6	1.3	3.5	2.3	1.2	-1.3	2.1
Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.4	-1.1
Q4	51.0	46.2	11.1	5.7	3.1	26.4	22.8	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.2	24.9	21.3	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.6	43.2	10.4	4.8	3.3	24.7	21.4	1.3	3.4	2.3	1.1	-1.8	1.5
Q3	46.1	42.7	9.9	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.3	-0.1
Q4	50.9	45.6	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.1	10.2	4.6	3.1	25.1	21.3	1.2	3.7	1.9	1.8	-4.9	-1.7
Q2	46.1	42.7	10.2	4.9	3.2	24.4	21.3	1.1	3.4	2.3	1.1	-1.7	1.5
Q3	45.8	42.3	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.4	0.6
Q4	50.5	45.7	11.1	5.8	2.7	26.1	22.5	1.3	4.8	3.1	1.7	-1.5	1.3
2006 Q1	45.3	42.1	10.0	4.5	2.9	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.0
Q2	45.4	42.2	10.2	4.9	3.1	24.0	21.0	1.1	3.2	2.3	1.0	0.0	3.1
Q3	45.3	41.9	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.4	1.0	-1.6	1.3
Q4	50.3	45.0	10.7	5.7	2.7	25.9	22.2	1.4	5.3	3.2	2.2	-1.0	1.7
2007 Q1	44.3	41.2	9.8	4.5	2.9	23.9	20.5	1.2	3.2	2.0	1.2	-2.1	0.8
Q2	44.6	41.4	9.9	4.8	3.2	23.5	20.5	1.1	3.2	2.3	0.8	1.2	4.3
Q3	44.6	41.2	9.6	4.7	3.0	23.9	20.7	1.2	3.4	2.5	0.9	-0.9	2.0
Q4	50.3	45.2	10.7	5.8	2.8	26.0	22.2	1.5	5.1	3.4	1.8	-0.6	2.2
2008 Q1	44.7	41.5	9.8	4.6	2.9	24.2	20.5	1.2	3.2	2.0	1.2	-2.5	0.5
Q2	45.3	41.9	10.1	4.9	3.1	23.7	20.6	1.1	3.4	2.3	1.1	-0.2	3.0
Q3	45.4	41.9	9.7	4.8	3.0	24.4	21.2	1.2	3.5	2.5	1.1	-2.3	0.7
Q4	51.8	46.7	11.0	6.1	2.8	26.9	23.0	1.4	5.1	3.4	1.7	-3.0	-0.2
2009 Q1	48.3	44.9	10.6	5.2	2.9	26.2	22.3	1.3	3.4	2.1	1.2	-6.1	-3.1
Q2	49.7	45.9	10.8	5.5	3.2	26.4	23.0	1.3	3.9	2.6	1.2	-5.1	-2.0

Source: ECB calculations based on Eurostat and national data.

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

## 6.5 Quarterly debt and change in debt

(as a percentage of GDP)

### 1. Euro area – Maastricht debt by financial instrument <sup>1)</sup>

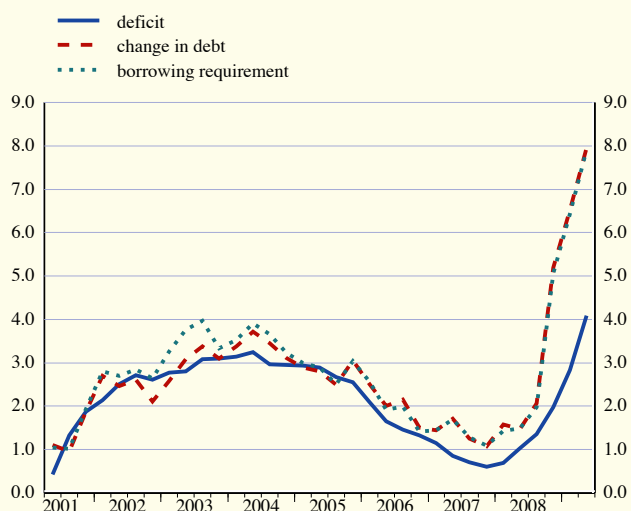
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2006 Q4	68.2	2.4	11.4	4.1	50.2
2007 Q1	68.4	2.4	11.5	4.7	49.9
2007 Q2	68.6	2.2	11.2	5.1	50.2
2007 Q3	67.6	2.1	11.0	5.1	49.4
2007 Q4	65.9	2.2	10.8	4.2	48.8
2008 Q1	66.9	2.1	11.1	5.0	48.7
2008 Q2	67.2	2.1	11.0	4.9	49.1
2008 Q3	67.1	2.1	10.8	5.5	48.6
2008 Q4	69.3	2.3	10.9	6.7	49.4
2009 Q1	72.7	2.3	11.0	7.9	51.5
2009 Q2	75.8	2.3	11.5	8.4	53.5

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

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo item: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7				Shares and other equity 8
2006 Q3	1.2	-1.6	-0.4	-0.9	-0.7	-0.2	0.2	-0.2	0.3	0.2	0.9
2006 Q4	-2.9	-1.0	-3.9	-2.4	-1.5	-0.5	-0.2	-0.2	-0.2	-1.3	-2.8
2007 Q1	4.4	-2.1	2.3	2.0	1.0	0.0	0.6	0.2	-0.7	1.0	5.1
2007 Q2	4.2	1.2	5.3	5.0	4.1	0.0	0.6	0.4	0.6	-0.3	3.5
2007 Q3	-0.6	-0.9	-1.5	-1.5	-2.1	0.1	0.4	0.0	0.1	-0.1	-0.7
2007 Q4	-3.4	-0.6	-3.9	-2.8	-1.9	-0.2	-0.6	-0.2	0.0	-1.0	-3.3
2008 Q1	6.3	-2.5	3.8	3.1	1.9	0.0	0.9	0.3	-0.1	0.7	6.3
2008 Q2	3.7	-0.2	3.5	3.4	1.8	0.3	1.1	0.1	0.0	0.0	3.7
2008 Q3	1.9	-2.3	-0.5	-0.9	-1.6	0.0	0.1	0.6	0.5	0.0	1.4
2008 Q4	8.9	-3.0	5.9	6.5	1.1	2.6	0.8	2.0	0.1	-0.7	8.8
2009 Q1	11.9	-6.1	5.8	5.4	4.8	-0.1	-0.2	0.9	-0.3	0.7	12.2
2009 Q2	9.3	-5.1	4.2	3.4	1.9	-0.8	1.0	1.2	-0.2	1.0	9.6

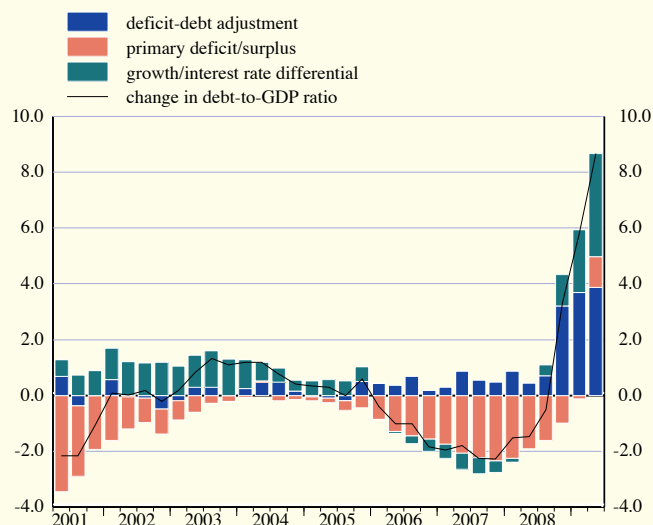
### C29 Deficit, borrowing requirement and change in debt

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



### C30 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

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



## EXTERNAL TRANSACTIONS AND POSITIONS

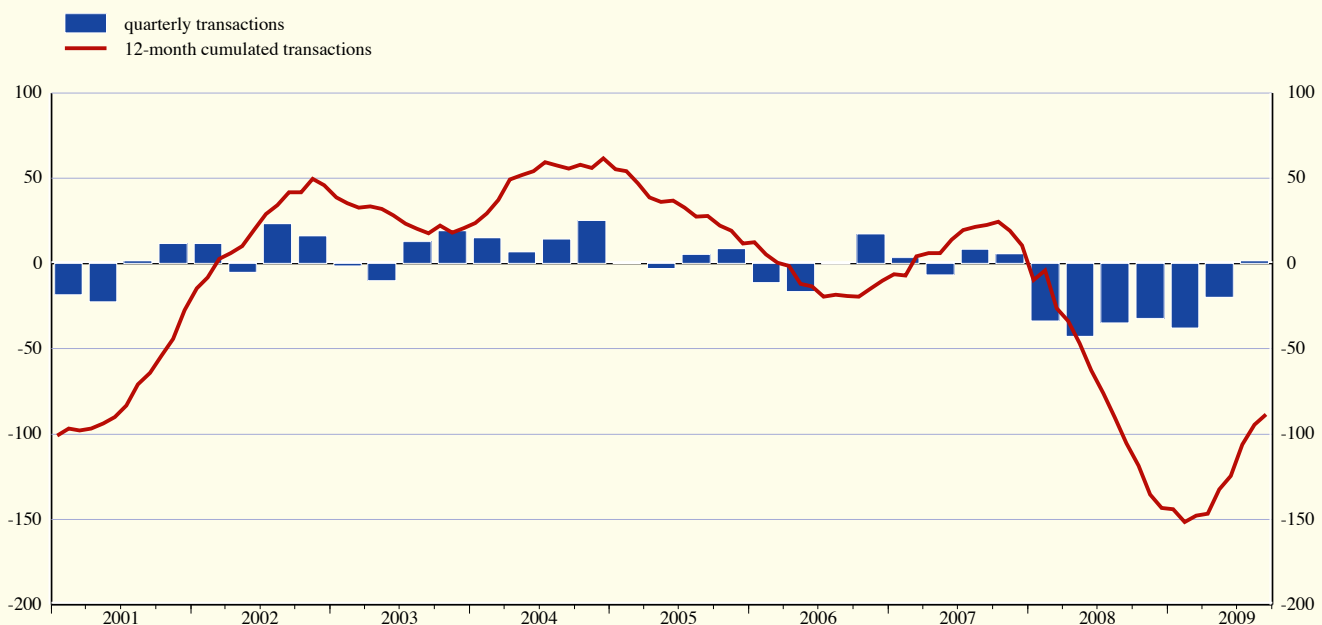
### 7.1 Summary balance of payments <sup>1)</sup>

(EUR billions; net transactions)

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	-10.2	10.7	41.6	17.3	-79.8	9.1	-1.1	-9.1	-160.2	188.7	-0.6	-35.7	-1.3	10.2
2007	10.6	46.0	48.3	2.8	-86.4	5.0	15.7	-1.2	-72.9	151.3	-64.6	-9.9	-5.1	-14.4
2008	-143.3	-11.4	40.6	-74.4	-98.1	10.0	-133.3	163.9	-189.0	350.5	-65.7	72.1	-3.9	-30.7
2008 Q3	-34.7	-10.4	12.9	-12.8	-24.4	1.7	-32.9	58.3	-23.6	114.7	-8.2	-26.1	1.6	-25.4
2008 Q4	-32.2	-1.9	7.1	-11.7	-25.7	1.7	-30.5	41.5	-61.1	152.7	-13.3	-36.1	-0.5	-11.0
2009 Q1	-38.0	-7.7	0.5	-2.3	-28.4	1.4	-36.6	55.8	-58.8	129.9	-5.3	-15.7	5.7	-19.1
2009 Q2	-19.8	12.5	7.4	-24.7	-15.0	2.4	-17.4	10.2	-0.6	98.1	20.3	-105.3	-2.4	7.3
2009 Q3	1.6	13.7	10.7	-1.1	-21.6	1.4	2.9	-5.2	-14.4	96.8	-0.1	-87.3	-0.2	2.3
2008 Sep.	-11.0	-2.5	4.0	-4.4	-8.0	0.4	-10.6	23.9	-21.6	84.6	3.3	-44.0	1.6	-13.3
2008 Oct.	-9.1	3.2	1.4	-2.7	-11.0	0.2	-9.0	12.8	-4.8	101.1	0.6	-76.2	-8.0	-3.8
2008 Nov.	-17.4	-4.8	1.9	-5.3	-9.2	1.6	-15.8	12.7	-53.5	50.2	-10.3	26.7	-0.4	3.2
2008 Dec.	-5.7	-0.2	3.8	-3.8	-5.5	-0.1	-5.7	16.1	-2.8	1.4	-3.7	13.4	7.9	-10.3
2009 Jan.	-24.0	-10.6	0.2	-3.2	-10.4	0.2	-23.8	31.8	-22.8	-6.4	3.4	52.4	5.3	-8.0
2009 Feb.	-5.4	-0.1	0.4	0.0	-5.6	0.5	-4.9	11.2	-11.7	67.3	-1.3	-44.3	1.2	-6.3
2009 Mar.	-8.6	3.0	-0.2	0.9	-12.3	0.7	-7.9	12.7	-24.3	69.0	-7.3	-23.8	-0.8	-4.9
2009 Apr.	-10.2	4.0	1.8	-7.8	-8.1	1.9	-8.2	16.1	4.8	18.2	8.9	-16.0	0.1	-7.9
2009 May	-13.2	2.0	3.1	-12.2	-6.1	0.2	-13.0	5.3	6.0	37.9	9.2	-45.5	-2.2	7.7
2009 June	3.5	6.5	2.5	-4.7	-0.8	0.2	3.8	-11.2	-11.4	42.0	2.3	-43.8	-0.4	7.5
2009 July	10.1	12.6	4.4	-0.4	-6.6	0.6	10.7	-9.7	8.5	-3.0	7.7	-19.9	-3.0	-1.0
2009 Aug.	-3.5	-1.0	3.2	2.0	-7.7	0.7	-2.8	-5.5	2.8	46.1	-6.1	-48.5	0.2	8.4
2009 Sep.	-5.0	2.1	3.0	-2.8	-7.3	0.1	-4.9	10.1	-25.7	53.7	-1.7	-18.9	2.6	-5.1
	<i>12-month cumulated transactions</i>													
2009 Sep.	-88.5	16.6	25.6	-39.9	-90.7	6.8	-81.7	102.3	-134.9	477.5	1.5	-244.3	2.5	-20.7

### C31 B.o.p. current account balance

(EUR billions)



Source: ECB.

1) The sign convention is explained in the General Notes.

## 7.2 Current and capital accounts

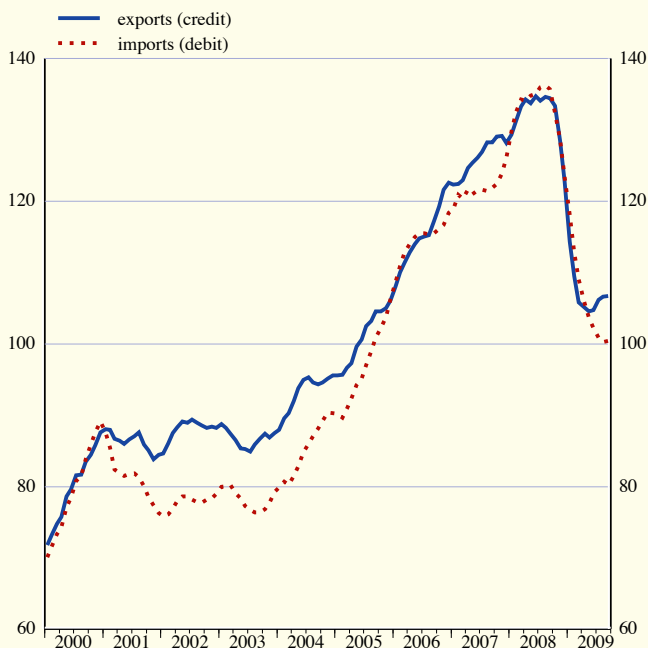
(EUR billions; transactions)

### 1. Summary current and capital accounts

	Current account												Capital account		
	Total			Goods		Services		Income		Current transfers			Credit	Debit	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
	1	2	3	4	5	6	7	8	9	10	Workers' remittances 11	Workers' remittances 12	13	14	15
2006	2,429.1	2,439.3	-10.2	1,396.4	1,385.7	441.2	399.6	499.9	482.7	91.6	5.4	171.4	17.4	23.8	14.7
2007	2,697.0	2,686.3	10.6	1,516.5	1,470.5	491.8	443.5	597.4	594.7	91.3	6.4	177.7	20.6	25.7	20.7
2008	2,744.9	2,888.1	-143.3	1,581.0	1,592.4	509.9	469.2	565.1	639.6	88.8	6.7	186.9	21.4	24.2	14.2
2008 Q3	692.4	727.0	-34.7	403.0	413.4	137.2	124.2	138.2	150.9	14.0	1.8	38.4	5.4	4.9	3.2
Q4	674.0	706.2	-32.2	379.5	381.3	128.0	120.9	139.6	151.3	27.0	1.8	52.7	5.6	5.3	3.7
2009 Q1	561.1	599.1	-38.0	307.8	315.6	108.8	108.3	118.8	121.1	25.7	1.4	54.1	5.0	4.1	2.7
Q2	560.1	579.9	-19.8	312.3	299.7	113.3	106.0	113.7	138.4	20.8	1.5	35.8	5.4	4.8	2.5
Q3	565.2	563.6	1.6	323.3	309.6	124.8	114.2	103.5	104.7	13.6	.	35.2	.	3.8	2.4
2009 July	199.6	189.5	10.1	117.3	104.8	42.7	38.3	35.2	35.6	4.3	.	10.9	.	1.4	0.8
Aug.	173.4	176.9	-3.5	93.7	94.8	41.0	37.8	33.8	31.7	4.9	.	12.6	.	1.4	0.7
Sep.	192.2	197.2	-5.0	112.2	110.1	41.1	38.1	34.5	37.3	4.4	.	11.7	.	1.0	0.9
	Seasonally adjusted														
2008 Q3	692.1	729.6	-37.5	403.4	407.0	127.1	118.4	141.1	160.9	20.4	.	43.3	.	.	.
Q4	650.5	693.2	-42.8	368.4	370.2	125.7	118.1	134.7	156.5	21.7	.	48.4	.	.	.
2009 Q1	581.5	618.9	-37.4	317.6	327.2	119.4	113.7	123.1	132.2	21.5	.	45.8	.	.	.
Q2	564.7	576.5	-11.8	314.2	306.6	115.1	109.5	112.4	118.0	23.1	.	42.4	.	.	.
Q3	560.8	560.5	0.3	320.1	301.2	115.2	108.5	105.6	111.2	19.9	.	39.6	.	.	.
2009 Apr.	187.7	195.0	-7.3	104.0	102.9	39.3	36.8	36.9	40.4	7.5	.	14.8	.	.	.
May	188.2	191.5	-3.3	104.0	101.8	38.8	36.3	38.5	39.2	6.9	.	14.3	.	.	.
June	188.8	189.9	-1.2	106.1	101.9	37.0	36.4	37.0	38.4	8.7	.	13.3	.	.	.
July	189.5	184.4	5.1	108.4	99.0	38.1	35.0	36.5	37.6	6.6	.	12.8	.	.	.
Aug.	186.6	186.0	0.6	105.3	99.8	38.6	38.6	35.9	36.2	6.9	.	13.8	.	.	.
Sep.	184.7	190.0	-5.4	106.5	102.4	38.5	37.3	33.3	37.4	6.4	.	12.9	.	.	.

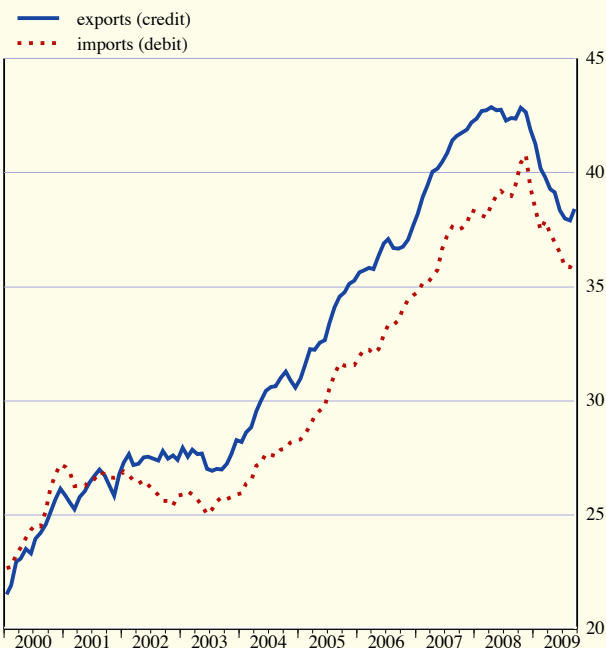
### C32 B.o.p. goods

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



### C33 B.o.p. services

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



Source: ECB.



## 7.2 Current and capital accounts

(EUR billions)

### 2. Income account

(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity			Debt			Equity		Debt		Credit	Debit
	Credit	Debit			Reinv. earnings	Debit	Credit	Debit	Credit	Debit	Credit	Debit				
			1	2									3	4	5	6
2006	17.4	9.8	482.5	472.8	184.3	40.3	114.5	37.5	20.6	20.2	39.2	96.3	103.6	91.5	134.9	150.4
2007	18.8	10.2	578.6	584.5	208.8	72.7	139.1	46.1	26.4	24.9	45.4	113.2	118.8	110.9	179.3	196.4
2008	19.1	10.5	546.0	629.1	163.6	30.5	153.8	58.2	30.3	25.5	42.9	120.5	123.9	127.8	185.3	201.4
2008 Q2	4.7	2.6	140.7	184.4	42.9	2.2	39.4	7.7	7.6	6.9	14.5	56.6	30.4	31.3	45.3	50.3
Q3	4.6	3.1	133.5	147.8	39.0	10.7	37.7	20.3	7.1	6.2	10.2	23.2	32.1	31.0	45.1	49.8
Q4	4.9	2.7	134.7	148.6	38.4	2.9	38.4	12.8	8.7	6.4	8.3	20.2	30.8	33.6	48.4	50.0
2009 Q1	4.7	2.0	114.1	119.1	37.9	12.1	28.4	17.2	5.5	5.9	6.5	13.0	25.8	36.3	38.3	35.6
Q2	4.6	2.7	109.1	135.7	35.9	2.7	28.4	5.8	5.7	5.8	8.7	36.5	24.2	35.5	34.5	29.6

### 3. Geographical breakdown

(cumulated transactions)

	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2008 Q3 to 2009 Q2	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>Credits</b>																
<b>Current account</b>	2,487.5	883.2	53.3	73.3	446.9	252.2	57.7	37.2	33.0	82.4	28.8	51.5	85.9	176.0	356.4	753.0
Goods	1,402.6	472.0	32.0	45.3	201.4	193.2	0.0	20.4	17.1	64.1	21.6	30.7	64.7	87.4	172.3	452.3
Services	487.2	162.0	11.8	12.6	104.6	27.5	5.4	7.3	6.6	14.1	5.4	10.8	12.7	48.4	75.9	144.1
Income	510.2	186.6	8.7	13.8	128.7	28.4	7.0	9.3	8.6	3.9	1.7	9.7	8.1	33.5	101.9	147.0
Investment income	491.4	180.1	8.6	13.7	127.0	27.7	3.1	9.2	8.5	3.8	1.7	9.7	8.0	26.5	100.0	143.7
Current transfers	87.5	62.7	0.7	1.5	12.1	3.1	45.2	0.2	0.7	0.3	0.1	0.4	0.4	6.8	6.4	9.7
<b>Capital account</b>	19.1	17.0	0.0	0.0	1.1	0.1	15.7	0.0	0.0	0.0	0.0	0.1	0.4	0.5	1.1	
<b>Debits</b>																
<b>Current account</b>	2,612.2	826.0	44.2	75.8	392.9	214.2	99.0	-	28.5	-	-	91.5	-	168.3	370.1	-
Goods	1,410.1	387.2	28.4	42.2	152.3	164.3	0.0	24.6	12.7	172.1	19.7	47.7	90.0	76.5	135.0	444.6
Services	459.4	140.0	7.9	11.5	87.2	33.2	0.2	5.4	6.2	11.0	4.5	7.9	8.5	38.3	99.8	137.9
Income	561.8	189.3	7.0	21.0	141.3	12.1	7.9	-	7.9	-	-	35.3	-	47.8	128.3	-
Investment income	551.2	183.1	6.9	20.9	139.7	7.6	7.9	-	7.8	-	-	35.2	-	47.2	127.4	-
Current transfers	181.0	109.7	0.9	1.1	12.1	4.6	90.8	1.5	1.8	2.8	0.7	0.6	0.5	5.8	6.9	50.8
<b>Capital account</b>	12.0	2.3	0.0	0.1	1.1	0.2	0.9	0.1	0.1	0.1	0.2	0.1	0.1	0.5	0.8	7.6
<b>Net</b>																
<b>Current account</b>	-124.7	57.2	9.1	-2.5	53.9	38.0	-41.3	-	4.5	-	-	-40.0	-	7.7	-13.6	-
Goods	-7.5	84.8	3.6	3.1	49.2	28.9	0.0	-4.2	4.4	-108.0	1.9	-17.1	-25.3	10.9	37.3	7.7
Services	27.8	22.0	3.9	1.2	17.4	-5.7	5.2	1.9	0.5	3.0	1.0	2.9	4.2	10.1	-23.9	6.2
Income	-51.6	-2.7	1.7	-7.1	-12.7	16.3	-0.9	-	0.7	-	-	-25.6	-	-14.3	-26.5	-
Investment income	-59.9	-3.0	1.7	-7.2	-12.7	20.1	-4.8	-	0.8	-	-	-25.5	-	-20.7	-27.4	-
Current transfers	-93.4	-47.0	-0.2	0.3	0.0	-1.5	-45.6	-1.2	-1.1	-2.5	-0.6	-0.2	-0.1	1.0	-0.6	-41.1
<b>Capital account</b>	7.2	14.7	0.0	-0.1	0.0	0.0	14.8	-0.1	-0.1	-0.1	-0.2	-0.1	0.0	-0.2	-0.3	-6.5

Source: ECB.

**7.3 Financial account**

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

**1. Summary financial account**

	Total <sup>1)</sup>			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Outstanding amounts (international investment position)</b>														
2005	10,838.5	11,554.1	-715.6	133.0	141.8	-8.8	2,790.8	2,444.3	3,887.5	5,057.8	-21.4	3,861.5	4,052.0	320.1
2006	12,384.0	13,399.8	-1,015.8	144.7	156.6	-11.9	3,153.4	2,729.4	4,372.1	5,950.0	-20.8	4,553.4	4,720.4	325.8
2007	13,906.9	15,155.8	-1,248.9	154.5	168.4	-13.9	3,572.8	3,130.7	4,631.6	6,556.5	-26.0	5,381.3	5,468.6	347.2
2008	13,312.5	14,949.2	-1,636.7	143.7	161.3	-17.7	3,744.4	3,217.0	3,763.9	6,078.6	-36.2	5,466.1	5,653.6	374.2
2009 Q1	13,110.5	14,763.2	-1,652.8	142.7	160.7	-18.0	3,837.7	3,237.8	3,638.4	6,015.7	-50.7	5,289.4	5,509.8	395.7
Q2	13,248.6	14,820.6	-1,572.0	145.9	163.2	-17.3	3,958.1	3,318.5	3,859.5	6,300.3	-57.9	5,107.3	5,201.8	381.5
<b>Changes to outstanding amounts</b>														
2005	2,209.7	2,070.3	139.3	27.1	25.4	1.7	522.1	209.0	842.5	1,012.3	16.0	790.0	849.1	39.1
2006	1,545.5	1,845.7	-300.2	18.1	21.6	-3.5	362.6	285.1	484.6	892.2	0.6	691.9	668.4	5.7
2007	1,522.9	1,756.0	-233.1	16.9	19.5	-2.6	419.4	401.3	259.5	606.5	-5.2	827.9	748.1	21.4
2008	-594.4	-206.6	-387.8	-6.4	-2.2	-4.2	171.7	86.3	-867.7	-478.0	-10.2	84.8	185.1	27.0
2009 Q1	-202.0	-186.0	-16.1	-9.2	-8.5	-0.7	93.2	20.7	-125.5	-62.9	-14.5	-176.8	-143.8	21.6
Q2	138.1	57.3	80.8	6.2	2.6	3.6	120.5	80.7	221.1	284.6	-7.2	-182.0	-308.0	-14.2
<b>Transactions</b>														
2005	1,358.3	1,320.7	37.6	16.7	16.2	0.5	358.4	152.4	416.2	524.5	17.3	584.3	643.7	-18.0
2006	1,728.3	1,719.1	9.1	20.2	20.1	0.1	417.6	257.4	519.8	708.5	0.6	788.9	753.2	1.3
2007	1,940.9	1,939.7	1.2	21.6	21.5	0.0	481.2	408.3	436.7	587.9	64.6	953.4	943.4	5.1
2008	480.6	644.5	-163.9	5.2	7.0	-1.8	326.5	137.5	-9.0	341.5	65.7	93.4	165.5	3.9
2009 Q1	-204.1	-148.4	-55.8	-9.3	-6.8	-2.5	100.1	41.3	-71.2	58.7	5.3	-232.7	-248.4	-5.7
Q2	-23.2	-13.0	-10.2	-1.0	-0.6	-0.5	92.8	92.3	41.1	139.2	-20.3	-139.2	-244.5	2.4
Q3	-40.0	-45.2	5.2	-1.8	-2.0	0.2	56.8	42.5	4.3	101.1	0.1	-101.5	-188.8	0.2
2009 May	-124.2	-118.8	-5.3	.	.	.	13.0	19.0	22.0	59.8	-9.2	-152.2	-197.7	2.2
June	-5.5	-16.7	11.2	.	.	.	15.2	3.8	14.8	56.8	-2.3	-33.5	-77.3	0.4
July	-35.3	-45.0	9.7	.	.	.	9.5	18.0	6.5	3.5	-7.7	-46.7	-66.6	3.0
Aug.	25.5	19.9	5.5	.	.	.	16.7	19.5	31.6	77.7	6.1	-28.8	-77.3	-0.2
Sep.	-30.1	-20.1	-10.1	.	.	.	30.6	4.9	-33.8	19.9	1.7	-26.0	-44.9	-2.6
<b>Other changes</b>														
2005	851.4	749.6	101.7	10.5	9.2	1.2	163.7	56.5	426.3	487.7	-1.4	205.7	205.4	57.1
2006	-182.7	126.6	-309.3	-2.1	1.5	-3.6	-55.0	27.7	-35.2	183.7	0.0	-97.0	-84.8	4.4
2007	-418.0	-183.7	-234.3	-4.6	-2.0	-2.6	-61.8	-7.0	-177.2	18.6	-69.8	-125.5	-195.3	16.3
2008	-1,075.0	-851.1	-223.9	-11.6	-9.2	-2.4	-154.9	-51.2	-858.7	-819.5	-75.9	-8.6	19.6	23.1
<b>Other changes due to exchange rate changes</b>														
2005	394.2	245.0	149.2	4.8	3.0	1.8	89.8	5.7	158.3	101.4	.	129.2	137.9	17.0
2006	-343.3	-227.3	-116.0	-4.0	-2.7	-1.4	-72.1	-4.2	-151.7	-99.9	.	-105.7	-123.2	-13.9
2007	-533.1	-293.0	-240.1	-5.9	-3.3	-2.7	-113.3	-5.9	-221.2	-107.5	.	-185.0	-179.5	-13.7
2008	-43.6	64.7	-108.2	-0.5	0.7	-1.2	-17.3	-0.2	-1.5	47.4	.	-34.0	17.5	9.2
<b>Other changes due to price changes</b>														
2005	284.5	430.3	-145.8	3.5	5.3	-1.8	45.0	40.8	199.0	389.5	-1.4	.	.	41.9
2006	288.6	298.4	-9.8	3.4	3.5	-0.1	45.4	33.5	226.0	264.9	0.0	.	.	17.1
2007	82.4	124.7	-42.4	0.9	1.4	-0.5	46.5	12.5	75.0	112.2	-69.8	.	.	30.7
2008	-1,013.8	-1,102.1	88.3	-10.9	-11.9	1.0	-155.6	-138.4	-803.6	-963.7	-75.9	.	.	21.2
<b>Other changes due to other adjustments</b>														
2005	172.7	74.3	98.3	2.1	0.9	1.2	29.0	10.0	69.0	-3.1	.	76.5	67.4	-1.8
2006	-128.0	55.5	-183.5	-1.5	0.6	-2.1	-28.3	-1.6	-109.6	18.6	.	8.7	38.4	1.2
2007	32.7	-15.4	48.1	0.4	-0.2	0.5	5.0	-13.6	-31.0	13.9	.	59.5	-15.7	-0.8
2008	-17.6	186.3	-203.9	-0.2	2.0	-2.2	18.0	87.4	-53.6	96.8	.	25.4	2.1	-7.3
<b>Growth rates of outstanding amounts</b>														
2005	15.2	13.4	-	.	.	.	15.2	6.8	13.1	12.1	.	18.5	19.5	-5.9
2006	16.1	14.8	-	.	.	.	15.0	10.5	13.6	13.7	.	20.5	18.7	0.3
2007	15.7	14.4	-	.	.	.	15.3	14.9	10.0	9.8	.	21.0	20.0	1.6
2008	3.4	4.3	-	.	.	.	9.2	4.4	-0.5	5.4	.	1.7	3.1	1.1
2009 Q1	-2.3	-0.8	-	.	.	.	7.7	2.8	-4.4	3.8	.	-7.8	-7.5	-1.8
Q2	-3.1	-1.7	-	.	.	.	9.3	6.1	-6.1	3.8	.	-8.9	-11.5	-1.2
Q3	-4.3	-3.3	-	.	.	.	8.0	5.0	-4.5	4.7	.	-12.3	-15.9	-0.7

Source: ECB.

1) Net financial derivatives are included in assets.

## 7.3 Financial account

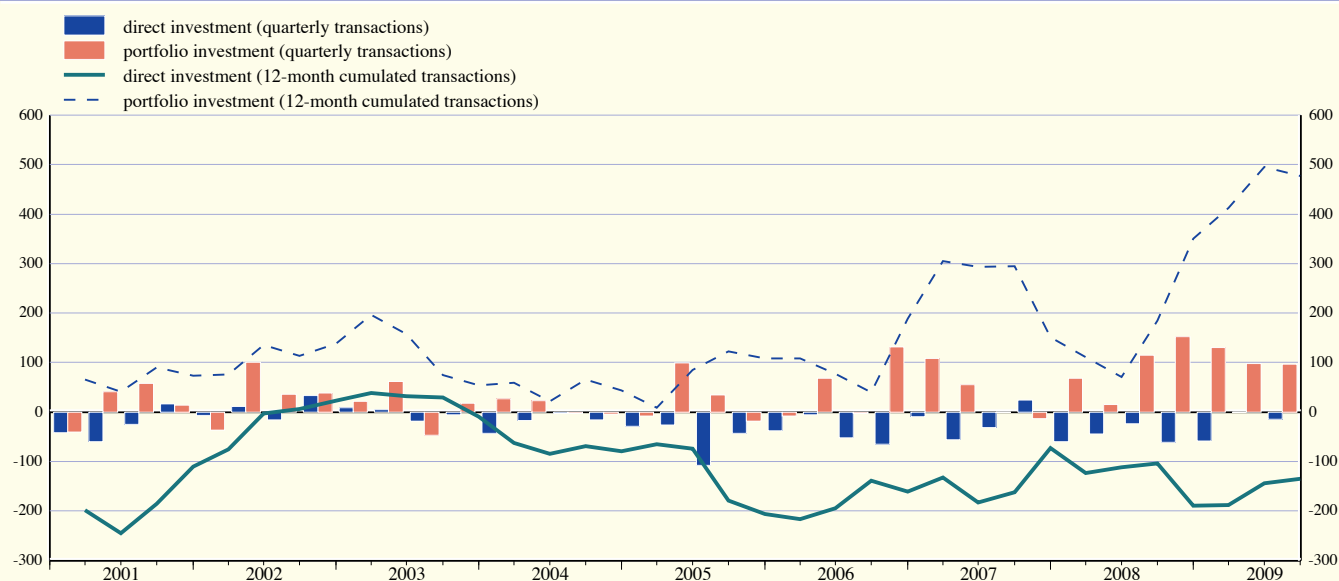
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

### 2. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	in MFIs	in non-MFIs	Total	to MFIs	to non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Outstanding amounts (international investment position)														
2007	3,572.8	2,886.7	240.8	2,645.9	686.1	6.4	679.7	3,130.7	2,401.0	69.5	2,331.5	729.8	15.4	714.4
2008	3,744.4	2,946.9	234.8	2,712.1	797.5	9.3	788.2	3,217.0	2,405.5	77.0	2,328.5	811.6	16.4	795.1
2009 Q1	3,837.7	2,988.9	253.9	2,735.1	848.7	10.6	838.1	3,237.8	2,427.6	78.7	2,348.9	810.1	16.8	793.4
Q2	3,958.1	3,092.0	266.5	2,825.5	866.1	10.4	855.7	3,318.5	2,492.7	80.9	2,411.9	825.8	16.6	809.1
Transactions														
2007	481.2	373.0	25.5	347.4	108.2	-0.1	108.4	408.3	310.5	5.1	305.4	97.8	1.4	96.4
2008	326.5	198.1	2.2	195.9	128.4	-0.2	128.6	137.5	91.3	-1.0	92.2	46.2	1.6	44.6
2009 Q1	100.1	55.6	20.4	35.2	44.6	0.9	43.7	41.3	44.0	1.2	42.8	-2.7	0.1	-2.8
Q2	92.8	75.4	9.5	65.9	17.4	0.6	16.8	92.3	71.0	1.3	69.7	21.2	0.4	20.8
Q3	56.8	21.0	1.8	19.1	35.9	0.2	35.7	42.5	32.1	0.5	31.6	10.4	0.1	10.3
2009 May	13.0	7.0	0.4	6.6	6.1	0.1	6.0	19.0	6.3	2.2	4.1	12.8	-0.6	13.4
June	15.2	14.2	2.8	11.4	1.0	-1.1	2.0	3.8	5.1	0.0	5.1	-1.3	0.9	-2.2
July	9.5	2.3	3.0	-0.7	7.3	-0.1	7.3	18.0	14.1	0.3	13.8	3.9	0.9	3.1
Aug.	16.7	11.7	2.2	9.5	5.0	0.3	4.8	19.5	13.7	0.3	13.3	5.9	-0.6	6.5
Sep.	30.6	7.0	-3.3	10.3	23.6	0.0	23.6	4.9	4.4	-0.1	4.4	0.5	-0.2	0.8
Growth rates														
2007	15.3	14.6	11.3	14.9	18.5	-55.0	18.7	14.9	14.8	8.3	15.0	15.3	6.3	15.5
2008	9.2	6.9	0.8	7.5	18.8	-1.6	19.1	4.4	3.8	-1.4	4.0	6.4	9.9	6.3
2009 Q1	7.7	5.4	5.9	5.3	16.8	-20.9	17.3	2.8	4.1	-0.1	4.2	-0.8	9.8	-1.1
Q2	9.3	7.9	7.8	7.9	14.5	5.7	14.6	6.1	7.4	4.6	7.5	2.1	4.9	2.1
Q3	8.0	6.1	12.8	5.5	15.1	14.0	15.1	5.0	7.0	4.1	7.1	-0.7	2.9	-0.8

## C34 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.3 Financial account

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

## 3. Portfolio investment assets

	Total		Equity				Debt instruments									
	1	2	MFIs		Non-MFIs		Bonds and notes			Money market instruments			15	16		
			3	4	5	6	7	MFIs		10	11	12			MFIs	
								8	9						13	14
Euro-system		General government		Euro-system		General government		Euro-system		General government						
Outstanding amounts (international investment position)																
2007	4,631.6	1,961.8	136.7	2.8	1,825.1	44.6	2,279.7	990.2	16.4	1,289.5	17.2	390.1	297.3	34.6	92.8	0.5
2008	3,763.9	1,162.7	68.4	3.0	1,094.3	27.3	2,179.1	970.9	19.9	1,208.2	18.4	422.1	353.3	61.6	68.8	1.3
2009 Q1	3,638.4	1,068.8	60.8	2.9	1,008.0	27.3	2,139.5	946.9	17.1	1,192.6	17.4	430.1	360.5	58.9	69.6	1.7
Q2	3,859.5	1,209.2	66.7	3.0	1,142.4	29.2	2,220.2	927.7	17.3	1,292.5	18.2	430.2	353.1	55.3	77.0	1.5
Transactions																
2007	436.7	64.2	26.7	0.0	37.5	8.2	291.5	148.3	4.9	143.2	3.3	81.0	63.4	26.3	17.6	0.8
2008	-9.0	-101.8	-37.9	0.6	-63.9	0.1	95.4	43.9	3.3	51.5	2.6	-2.5	26.8	15.1	-29.4	0.4
2009 Q1	-71.2	-38.1	-5.7	0.0	-32.4	0.1	-56.1	-49.1	-2.4	-7.0	-1.2	23.0	21.6	-0.5	1.4	0.4
Q2	41.1	9.4	-0.4	0.0	9.8	0.3	11.7	-34.9	0.1	46.6	0.2	20.1	12.5	-1.8	7.6	-0.3
Q3	4.3	-13.1	3.3	0.0	-16.4	.	14.3	-13.6	-0.7	27.9	.	3.1	8.7	-3.9	-5.6	.
2009 May	22.0	2.0	0.2	0.0	1.8	.	7.3	-20.9	-0.1	28.2	.	12.7	7.3	-1.0	5.4	.
June	14.8	12.5	-0.5	0.0	13.1	.	-2.7	3.6	-0.3	-6.3	.	5.0	5.1	-1.5	-0.1	.
July	6.5	6.4	1.1	0.0	5.3	.	-0.3	-10.6	0.7	10.2	.	0.4	-1.4	0.8	1.8	.
Aug.	31.6	4.0	1.2	0.0	2.8	.	21.9	12.0	-0.2	9.8	.	5.8	4.1	-3.0	1.7	.
Sep.	-33.8	-23.5	0.9	0.0	-24.4	.	-7.2	-15.1	-1.2	7.8	.	-3.1	6.0	-1.8	-9.0	.
Growth rates																
2007	10.0	3.3	22.2	-0.5	2.0	21.3	14.0	16.7	38.9	12.0	23.3	23.1	23.7	272.7	25.8	277.4
2008	-0.5	-6.1	-29.7	24.6	-4.4	0.2	4.3	4.5	20.4	4.0	15.6	-0.5	9.1	41.9	-32.1	70.8
2009 Q1	-4.4	-7.9	-22.0	18.8	-7.0	1.3	-0.9	-3.8	14.4	1.5	5.3	-10.5	-2.3	43.6	-38.8	36.6
Q2	-6.1	-8.5	-15.5	14.9	-8.1	-0.9	-4.0	-10.4	-12.9	1.3	-3.1	-10.4	-7.0	-18.6	-24.2	39.2
Q3	-4.5	-7.0	-9.0	12.5	-6.8	.	-4.0	-11.4	-19.6	1.9	.	-1.1	5.5	-18.4	-26.0	.

## 4. Portfolio investment liabilities

	Total		Equity				Debt instruments								
	1	2	MFIs		Non-MFIs		Bonds and notes			Money market instruments			15	16	
			3	4	5	6	7	MFIs		10	11	12			
								8	9						General government
Euro-system		General government		Euro-system		General government		Euro-system		General government					
Outstanding amounts (international investment position)															
2007	6,556.5	3,272.5	594.6	2,677.9	3,041.1	1,143.5	1,897.6	1,118.5	243.0	141.5	101.5	76.1	272.9		
2008	6,078.6	2,168.7	640.7	1,528.0	3,466.5	1,263.8	2,202.8	1,357.1	443.3	108.9	334.4	272.9			
2009 Q1	6,015.7	1,986.4	649.7	1,336.8	3,557.5	1,248.9	2,308.5	1,402.3	471.8	91.9	379.9	320.4			
Q2	6,300.3	2,231.5	680.2	1,551.2	3,558.6	1,212.7	2,345.9	1,430.9	510.2	81.3	428.9	359.8			
Transactions															
2007	587.9	157.9	24.3	133.6	367.1	156.5	210.6	141.7	62.9	52.9	10.0	20.4			
2008	341.5	-124.8	93.4	-218.2	250.0	31.5	218.6	199.2	216.3	-2.5	218.9	185.7			
2009 Q1	58.7	-51.3	-4.4	-46.8	90.4	-11.0	101.4	67.6	19.6	-11.4	31.0	51.6			
Q2	139.2	49.2	4.8	44.4	38.4	-7.5	45.8	56.9	51.7	-0.1	51.8	51.0			
Q3	101.1	41.3	25.4	15.9	4.2	15.5	-11.3	.	55.6	-3.2	58.8	.			
2009 May	59.8	30.9	2.0	28.9	29.0	-0.4	29.4	.	0.0	-0.8	0.7	.			
June	56.8	37.9	0.5	37.4	8.8	-16.1	24.9	.	10.1	12.4	-2.2	.			
July	3.5	33.8	12.3	21.6	-45.5	3.8	-49.3	.	15.2	-16.5	31.7	.			
Aug.	77.7	35.6	18.3	17.3	22.9	14.8	8.1	.	19.3	4.7	14.6	.			
Sep.	19.9	-28.1	-5.1	-23.0	26.8	-3.1	29.9	.	21.1	8.7	12.5	.			
Growth rates															
2007	9.8	5.2	4.4	5.3	13.5	15.9	12.2	14.2	31.2	54.5	13.7	33.2			
2008	5.4	-5.4	16.0	-10.5	8.3	2.8	11.5	17.8	88.3	-2.0	202.0	246.5			
2009 Q1	3.8	-10.0	2.1	-13.6	9.0	1.1	13.6	18.5	83.0	-18.5	208.0	250.6			
Q2	3.8	-7.0	-0.2	-9.0	4.6	-5.0	10.4	17.7	99.0	-17.9	230.7	297.0			
Q3	4.7	-2.1	6.4	-4.9	3.1	-3.9	7.2	.	66.0	-20.9	117.9	.			

Source: ECB.

## 7.3 Financial account

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

### 5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/currency and deposits	Other assets	Total	Loans/currency and deposits	Other assets	Trade credits	Loans/currency and deposits		Trade credits	Loans/currency and deposits	Currency and deposits		
									Currency and deposits	Currency and deposits					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Outstanding amounts (international investment position)															
2007	5,381.3	36.9	35.6	1.4	3,354.4	3,283.2	71.2	107.8	12.7	48.8	13.7	1,882.1	196.2	1,518.5	476.5
2008	5,466.1	28.8	27.7	1.0	3,280.7	3,221.6	59.1	101.0	12.1	40.9	7.2	2,055.6	186.1	1,644.9	474.5
2009 Q1	5,289.4	21.7	21.4	0.3	3,094.0	3,037.2	56.8	108.3	12.2	46.9	16.3	2,065.4	185.5	1,647.2	458.1
Q2	5,107.3	27.9	27.7	0.3	2,972.6	2,936.8	35.9	103.1	12.1	42.1	11.2	2,003.7	189.3	1,575.9	437.7
Transactions															
2007	953.4	22.0	22.0	0.0	546.8	539.6	7.2	-7.7	-1.4	-7.2	-5.5	392.2	14.1	335.3	55.3
2008	93.4	-9.4	-9.4	0.0	-50.2	-65.5	15.3	-6.6	-1.1	-6.8	-5.8	159.6	2.5	97.6	-31.9
2009 Q1	-232.7	-8.2	-8.2	0.0	-236.4	-234.6	-1.8	6.5	0.0	5.8	9.1	5.3	-3.5	8.7	1.1
Q2	-139.2	7.0	7.0	0.0	-82.8	-69.2	-13.6	-3.8	0.0	-4.5	-5.1	-59.6	5.7	-69.5	-19.2
Q3	-101.5	-4.1	.	.	-90.1	.	.	-5.0	.	.	-4.0	-2.3	.	11.7	12.0
2009 May	-152.2	0.0	.	.	-68.2	.	.	4.0	.	.	3.8	-88.0	.	.	-23.0
June	-33.5	5.3	.	.	-53.1	.	.	2.0	.	.	1.3	12.2	.	.	4.2
July	-46.7	-2.2	.	.	-35.4	.	.	-4.5	.	.	-4.4	-4.6	.	.	1.2
Aug.	-28.8	-0.1	.	.	-31.9	.	.	1.3	.	.	2.2	1.9	.	.	16.2
Sep.	-26.0	-1.8	.	.	-22.9	.	.	-1.7	.	.	-1.8	0.4	.	.	-5.3
Growth rates															
2007	21.0	157.3	173.7	-1.7	18.6	18.8	11.4	-6.4	-9.8	-12.4	-28.6	26.6	7.5	28.8	14.0
2008	1.7	-26.2	-26.9	5.0	-1.5	-2.0	21.6	-6.2	-8.9	-14.0	-44.4	8.6	1.2	6.5	-6.9
2009 Q1	-7.8	-57.3	-58.7	6.0	-14.1	-14.6	11.2	4.6	-6.7	9.2	39.1	4.3	-3.1	3.6	-11.3
Q2	-8.9	-28.7	-30.3	5.6	-13.8	-13.9	-16.5	-4.9	-3.2	-13.2	-35.7	0.0	-4.6	-1.0	-3.8
Q3	-12.3	-35.5	.	.	-18.3	.	.	-2.2	.	.	-21.3	-1.9	.	-1.3	-0.9

### 6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government			Other sectors				
		Total	Loans/currency and deposits	Other liabilities	Total	Loans/currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Outstanding amounts (international investment position)															
2007	5,468.6	201.7	201.4	0.2	3,935.1	3,872.6	62.5	52.3	0.0	46.9	5.4	1,279.5	156.9	1,009.7	112.8
2008	5,653.6	482.3	481.9	0.4	3,751.8	3,698.1	53.6	61.9	0.0	58.0	3.9	1,357.6	170.2	1,069.6	117.8
2009 Q1	5,509.8	404.2	400.9	3.3	3,702.6	3,649.0	53.6	58.7	0.0	55.5	3.2	1,344.3	180.5	1,043.6	120.2
Q2	5,201.8	313.5	308.4	5.1	3,579.1	3,542.7	36.4	56.6	0.0	53.3	3.2	1,252.6	182.6	953.7	116.3
Transactions															
2007	943.4	91.4	91.4	0.0	625.3	620.5	4.8	-1.0	0.0	-2.0	1.0	227.8	10.0	218.9	-1.1
2008	165.5	280.7	280.6	0.1	-181.0	-191.9	10.9	9.5	0.0	11.0	-1.5	56.3	10.5	46.1	-0.3
2009 Q1	-248.4	-82.2	-85.1	2.9	-112.7	-111.4	-1.3	-3.7	0.0	-2.7	-0.9	-49.9	-5.1	-40.2	-4.6
Q2	-244.5	-89.3	-91.1	1.8	-82.2	-70.9	-11.4	-2.6	0.0	-3.1	0.5	-70.3	4.7	-74.5	-0.5
Q3	-188.8	-46.6	.	.	-80.3	.	.	1.4	.	.	.	-63.2	.	.	.
2009 May	-197.7	-20.1	.	.	-67.5	.	.	0.3	.	.	.	-110.4	.	.	.
June	-77.3	-40.2	.	.	-52.4	.	.	-2.4	.	.	.	17.8	.	.	.
July	-66.6	-15.7	.	.	-30.8	.	.	-0.4	.	.	.	-19.6	.	.	.
Aug.	-77.3	-10.0	.	.	-43.3	.	.	0.4	.	.	.	-24.4	.	.	.
Sep.	-44.9	-21.0	.	.	-6.1	.	.	1.4	.	.	.	-19.1	.	.	.
Growth rates															
2007	20.0	79.2	79.4	-6.9	18.0	18.2	9.5	-1.9	27.4	-4.1	20.7	20.7	6.8	26.2	0.5
2008	3.1	141.3	141.4	20.8	-4.6	-4.9	17.3	18.3	-20.1	23.6	-27.9	4.3	6.6	4.5	-0.8
2009 Q1	-7.5	82.4	81.3	439.8	-13.5	-13.9	10.3	12.5	-11.4	14.2	-12.6	-4.1	-0.4	-4.4	-7.7
Q2	-11.5	19.1	17.3	1,123.2	-15.0	-15.1	-9.6	10.1	41.1	11.3	-6.0	-7.7	-3.3	-9.2	-1.5
Q3	-15.9	-28.5	.	.	-16.4	.	.	7.8	.	.	.	-11.7	.	.	.

Source: ECB.

### 7.3 Financial account

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

#### 7. Reserve assets

	Reserve assets													Memo items		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Other foreign currency assets	Predetermined short-term net drains on 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	
<b>Outstanding amounts (international investment position)</b>																
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5
2008 Q4	374.2	217.0	349.190	4.7	7.3	145.1	7.6	8.0	129.5	0.6	111.3	17.6	0.0	0.1	262.8	-245.7
2009 Q1	395.7	240.4	349.059	4.8	8.4	142.1	8.4	3.7	129.9	0.6	108.6	20.7	0.1	0.1	155.4	-141.4
Q2	381.5	229.8	347.546	4.2	11.3	136.1	9.5	6.5	119.9	0.5	99.3	20.0	0.2	0.1	77.6	-65.6
2009 Aug.	428.0	232.7	347.515	45.2	11.6	138.6	11.2	8.3	119.0	-	-	-	0.1	0.0	62.7	-55.0
Sep.	430.8	236.1	347.200	49.8	11.7	133.2	12.7	7.1	113.2	-	-	-	0.1	0.0	56.7	-42.4
Oct.	437.9	244.0	347.197	49.5	11.6	132.8	11.7	9.1	111.7	-	-	-	0.2	0.0	43.4	-36.0
<b>Transactions</b>																
2006	1.3	-4.2	-	0.5	-5.2	10.2	-6.1	2.7	13.7	0.0	19.4	-5.7	0.0	0.0	-	-
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-
2008	3.9	-2.1	-	-0.1	3.8	2.3	5.0	-15.8	11.8	0.1	15.8	-4.1	1.3	0.1	-	-
2009 Q1	-5.7	-0.9	-	0.0	0.9	-5.7	2.2	-4.9	-3.7	0.0	-6.6	2.9	0.6	0.0	-	-
Q2	2.4	0.1	-	-0.5	3.3	-0.5	-0.4	2.9	-3.2	0.0	-2.0	-1.2	0.2	0.0	-	-
Q3	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Growth rates</b>																
2006	0.3	-2.4	-	11.6	-49.0	7.7	-48.4	12.7	13.4	0.0	29.2	-15.3	-	-	-	-
2007	1.6	-1.7	-	7.3	-18.3	6.3	14.9	6.4	5.7	1.1	18.6	-27.6	-	-	-	-
2008	1.1	-1.0	-	-2.6	105.3	1.7	67.7	-69.1	10.8	28.0	17.9	-20.6	-	-	-	-
2009 Q1	-1.8	-1.1	-	4.6	135.1	-6.3	142.1	-90.5	6.7	2.6	3.7	25.5	-	-	-	-
Q2	-1.2	-0.9	-	-6.6	174.2	-6.5	106.0	-80.8	2.1	2.6	0.0	15.5	-	-	-	-
Q3	-0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

## 7.3 Financial account

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

### 8. Geographical breakdown

	Total	EU Member States outside the euro area						Canada	China	Japan	Switzerland	United States	Offshore financial centres	International organisations	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>2008</b>	Outstanding amounts (international investment position)														
<b>Direct investment</b>	527.4	-93.0	-2.1	-30.2	-293.9	233.6	-0.3	41.1	35.2	-9.5	126.2	-68.7	-7.1	-0.2	503.3
Abroad	3,744.4	1,255.3	34.9	93.9	865.7	260.8	0.0	104.1	38.8	71.7	384.5	734.6	418.5	0.1	736.8
Equity/reinvested earnings	2,946.9	967.5	30.1	60.3	660.1	216.9	0.0	83.3	32.0	53.6	335.3	551.3	386.7	0.0	537.4
Other capital	797.5	287.9	4.8	33.6	205.7	43.8	0.0	20.7	6.9	18.1	49.2	183.4	31.9	0.0	199.4
In the euro area	3,217.0	1,348.3	37.0	124.1	1,159.7	27.1	0.3	63.0	3.6	81.2	258.3	803.3	425.6	0.3	233.4
Equity/reinvested earnings	2,405.5	1,096.8	28.3	97.4	956.9	13.9	0.2	50.6	0.8	68.7	191.1	590.8	284.1	0.1	122.5
Other capital	811.6	251.5	8.7	26.7	202.8	13.2	0.1	12.4	2.9	12.5	67.2	212.5	141.6	0.2	110.9
<b>Portfolio investment assets</b>	3,763.9	1,242.2	63.7	122.4	895.5	80.7	80.0	82.8	25.6	213.4	95.4	1,225.8	458.4	30.5	389.8
Equity	1,162.7	228.7	6.4	19.9	191.7	9.8	0.9	18.2	22.8	84.5	81.3	378.8	197.8	2.0	148.6
Debt instruments	2,601.3	1,013.6	57.3	102.5	703.7	71.0	79.1	64.6	2.9	128.8	14.1	847.0	260.6	28.5	241.3
Bonds and notes	2,179.1	849.1	50.3	81.5	569.1	70.3	77.8	61.6	2.3	61.7	12.6	705.4	238.2	28.4	219.9
Money market instruments	422.1	164.5	6.9	21.0	134.6	0.6	1.3	3.0	0.6	67.1	1.5	141.5	22.4	0.1	21.4
<b>Other investment</b>	-187.5	-91.1	51.1	28.0	-110.4	108.8	-168.6	-6.2	-16.0	-10.2	-131.2	-286.3	2.1	1.8	349.6
Assets	5,466.1	2,419.7	100.9	83.3	2,020.2	201.8	13.4	25.7	34.0	109.4	276.5	852.5	640.7	58.7	1,048.8
General government	101.0	15.0	0.7	0.4	3.6	0.7	9.7	0.0	1.8	0.2	0.1	3.4	1.4	40.1	39.1
MFIs	3,309.5	1,731.1	83.9	58.3	1,419.1	167.9	1.9	16.8	14.5	79.0	164.5	418.9	367.7	18.2	498.8
Other sectors	2,055.6	673.5	16.4	24.6	597.5	33.3	1.8	8.9	17.7	30.3	111.9	430.2	271.7	0.5	510.9
Liabilities	5,653.6	2,510.8	49.8	55.3	2,130.6	93.0	182.0	32.0	50.0	119.5	407.7	1,138.8	638.6	57.0	699.1
General government	61.9	32.5	0.0	0.1	2.5	0.0	29.7	0.0	0.0	0.6	0.5	7.0	0.3	17.7	3.3
MFIs	4,234.1	1,907.6	38.9	33.5	1,664.9	70.0	100.2	24.4	32.1	91.2	328.7	751.1	535.1	36.8	527.2
Other sectors	1,357.6	570.8	10.8	21.7	463.2	23.0	52.0	7.5	17.9	27.8	78.6	380.8	103.2	2.5	168.7
<b>2008 Q3 to 2009 Q2</b>	Cumulated transactions														
<b>Direct investment</b>	144.1	73.8	-0.2	8.6	50.9	14.4	0.0	-2.3	1.8	-4.7	-34.3	31.6	64.5	0.0	13.6
Abroad	337.2	132.7	1.8	23.7	98.1	9.2	0.0	6.8	2.3	0.7	-11.3	91.6	67.2	0.0	47.2
Equity/reinvested earnings	227.5	76.7	1.1	12.9	57.8	4.9	0.0	6.9	3.1	1.8	-5.7	62.7	48.0	0.0	34.0
Other capital	109.7	56.0	0.7	10.8	40.3	4.4	0.0	-0.2	-0.7	-1.1	-5.6	28.9	19.2	0.0	13.2
In the euro area	193.1	58.9	1.9	15.0	47.2	-5.2	0.0	9.0	0.5	5.4	23.0	60.0	2.8	0.0	33.5
Equity/reinvested earnings	176.1	50.7	1.0	12.7	35.0	2.0	0.0	9.9	0.2	2.5	12.9	63.9	12.7	0.0	23.2
Other capital	16.9	8.2	1.0	2.3	12.1	-7.2	0.0	-0.9	0.3	2.8	10.1	-3.9	-9.9	0.0	10.3
<b>Portfolio investment assets</b>	-265.6	9.1	4.4	12.3	-18.8	-6.9	18.2	14.9	2.7	-45.9	4.4	-107.6	-103.3	-1.1	-38.9
Equity	-128.4	-22.8	0.3	-0.7	-21.8	-0.5	0.0	7.4	3.7	-19.4	4.0	-41.5	-40.8	0.0	-19.0
Debt instruments	-137.2	31.9	4.1	13.0	3.0	-6.4	18.2	7.5	-1.0	-26.4	0.4	-66.1	-62.5	-1.1	-19.9
Bonds and notes	-90.8	46.7	3.7	10.8	24.6	-6.7	14.2	2.5	-0.5	-17.9	-0.1	-47.6	-55.4	-1.5	-17.0
Money market instruments	-46.4	-14.7	0.4	2.2	-21.6	0.2	4.0	5.0	-0.5	-8.5	0.4	-18.5	-7.1	0.4	-2.9
<b>Other investment</b>	183.2	-258.8	-2.9	-17.7	-268.7	46.6	-16.1	-5.4	-5.3	69.9	54.8	64.6	179.0	11.1	73.3
Assets	-499.0	-294.5	-17.1	-12.7	-305.5	39.4	1.4	0.7	-8.3	-4.4	-62.9	-140.9	34.6	-6.7	-16.4
General government	-5.2	-5.8	-0.2	-0.1	-5.8	-0.4	0.7	0.0	0.0	0.0	0.1	0.1	0.0	1.2	-0.9
MFIs	-492.1	-280.8	-14.3	-11.6	-291.9	36.3	0.7	0.0	-9.9	1.7	-58.1	-53.5	-18.4	-7.9	-65.3
Other sectors	-1.7	-7.9	-2.6	-1.0	-7.8	3.4	0.0	0.6	1.7	-6.1	-5.0	-87.5	52.9	0.0	49.7
Liabilities	-682.2	-35.7	-14.3	5.0	-36.8	-7.2	17.5	6.1	-3.0	-74.4	-117.8	-205.4	-144.4	-17.8	-89.8
General government	5.0	2.0	0.0	-0.1	0.6	0.0	1.4	0.0	0.0	-0.1	0.0	0.3	0.0	3.0	-0.2
MFIs	-582.1	-22.5	-14.0	6.9	-18.2	-5.1	7.9	3.0	-3.2	-76.4	-102.1	-95.5	-151.8	-20.6	-112.8
Other sectors	-105.1	-15.2	-0.2	-1.8	-19.2	-2.1	8.1	3.0	0.2	2.2	-15.6	-110.2	7.4	-0.2	23.3

Source: ECB.

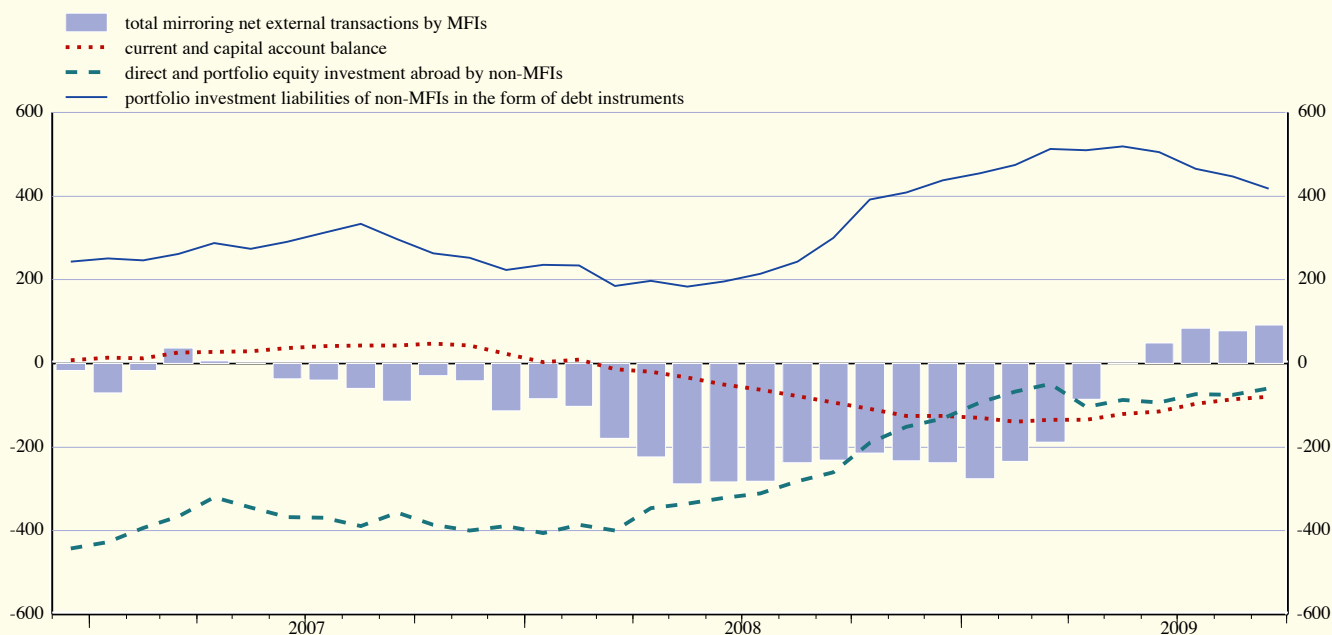
## 7.4 Monetary presentation of the balance of payments <sup>1)</sup>

(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
	1	2	By resident units abroad 3	By non-resident units in euro area 4	Assets		Liabilities		Assets 9	Liabilities 10	11	12
					Equity 5	Debt instruments 6	Equity 7	Debt instruments 8				
2006	-17.6	8.0	-391.6	256.4	-136.2	-135.5	151.6	243.3	-256.5	229.9	-0.3	13.3
2007	-112.5	22.8	-457.6	401.0	-38.3	-160.9	134.4	223.0	-384.8	226.8	-64.8	-14.1
2008	-237.6	-126.2	-325.0	136.6	63.8	-21.6	-218.5	438.0	-153.7	66.4	-65.6	-31.7
2008 Q3	-48.1	-31.2	-107.4	72.5	43.3	-16.1	-74.3	134.1	-27.3	-8.1	-8.3	-25.3
Q4	52.7	-28.9	-48.9	-14.7	50.0	73.2	-111.9	140.8	-18.1	34.8	-13.2	-10.4
2009 Q1	-41.7	-36.6	-78.8	40.0	32.4	5.6	-46.8	132.4	-11.8	-53.5	-5.3	-19.1
Q2	86.5	-17.4	-82.7	90.5	-9.8	-54.1	44.4	97.6	63.4	-72.9	20.3	7.3
Q3	-5.0	2.9	-54.8	41.9	16.4	-22.3	15.9	47.5	7.3	-61.8	-0.1	2.3
2008 Sep.	-26.7	-9.9	-48.2	27.5	23.4	-0.2	-40.6	70.0	-25.8	-12.7	3.2	-13.3
Oct.	64.7	-8.4	-5.9	1.0	35.3	39.6	-66.1	85.6	-59.3	46.4	0.6	-4.2
Nov.	10.5	-15.4	-35.0	-18.5	6.4	10.0	-8.6	55.5	12.2	9.3	-10.4	4.9
Dec.	-22.5	-5.1	-8.0	2.8	8.3	23.6	-37.2	-0.3	28.9	-20.9	-3.4	-11.2
2009 Jan.	-74.5	-23.8	-21.1	9.3	2.4	-5.6	-35.1	51.6	-3.7	-43.7	3.4	-8.0
Feb.	31.0	-4.9	-19.5	12.4	18.8	0.8	3.4	38.1	6.8	-17.3	-1.3	-6.3
Mar.	1.8	-7.9	-38.2	18.3	11.3	10.4	-15.2	42.7	-15.0	7.6	-7.3	-4.9
Apr.	22.7	-8.2	-56.8	70.2	5.1	-26.9	-21.9	44.9	-6.4	21.8	8.9	-7.9
May	6.3	-13.0	-12.5	17.5	-1.8	-33.6	28.9	30.1	84.0	-110.1	9.2	7.7
June	57.5	3.8	-13.5	2.9	-13.1	6.4	37.4	22.6	-14.2	15.4	2.3	7.5
July	3.3	10.7	-6.6	16.9	-5.3	-12.0	21.6	-17.6	9.1	-20.0	7.7	-1.0
Aug.	3.5	-2.8	-14.3	19.8	-2.8	-11.5	17.3	22.7	-3.2	-24.0	-6.1	8.4
Sep.	-11.8	-4.9	-33.9	5.2	24.4	1.2	-23.0	42.4	1.4	-17.8	-1.7	-5.1
<i>12-month cumulated transactions</i>												
2009 Sep.	92.5	-80.0	-265.3	157.7	89.0	2.4	-98.4	418.3	40.7	-153.5	1.7	-20.1

## C35 Main b.o.p. items mirroring developments in MFI net external transactions <sup>1)</sup>

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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



## 7.5 Trade in goods

### 1. Values and volumes by product group<sup>1)</sup>

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo item: Manufacturing	Total			Memo items:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufacturing	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2007	11.0	8.4	1,507.8	739.3	326.6	401.3	1,282.6	1,491.6	913.8	234.4	323.2	1,019.7	227.5
2008	3.6	8.1	1,559.5	767.7	337.3	412.3	1,300.4	1,602.4	1,019.9	233.0	333.0	1,018.8	293.7
2008 Q4	-5.0	-2.1	366.4	174.1	81.8	95.7	303.1	374.0	228.9	56.3	81.8	239.0	55.4
2009 Q1	-21.0	-20.8	310.7	149.0	65.5	86.3	258.9	321.4	181.3	49.4	78.7	214.4	35.6
Q2	-23.4	-27.3	308.7	149.7	63.3	84.9	254.1	305.5	169.9	47.5	76.1	202.6	41.3
Q3	-19.1	-26.5	320.2	.	.	.	258.8	305.6	.	.	.	200.2	.
2009 Apr.	-26.3	-27.6	103.6	50.9	21.1	28.4	86.4	103.3	57.5	16.2	25.5	68.6	13.0
May	-22.7	-27.8	102.1	49.0	21.1	28.0	84.6	100.8	55.7	15.7	25.1	67.5	13.7
June	-21.0	-26.5	103.0	49.8	21.1	28.4	83.2	101.4	56.7	15.7	25.4	66.4	14.7
July	-18.1	-29.0	107.8	52.2	22.5	29.5	89.3	102.1	57.7	15.6	25.8	67.1	15.8
Aug.	-21.1	-26.0	103.4	.	.	.	83.6	101.2	.	.	.	66.1	.
Sep.	-18.4	-24.5	109.0	.	.	.	85.9	102.2	.	.	.	67.0	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2007	8.6	6.8	144.4	141.3	153.1	144.6	142.1	129.1	123.2	143.3	141.5	134.7	107.7
2008	1.2	0.4	146.0	141.3	157.6	146.9	142.6	128.9	122.5	143.7	143.2	133.1	108.4
2008 Q4	-7.5	-4.6	136.3	127.1	150.7	136.6	130.7	122.9	115.8	134.9	137.1	121.3	108.0
2009 Q1	-20.9	-14.7	117.5	112.1	120.1	124.4	112.0	113.7	104.5	117.6	130.9	110.1	99.3
Q2	-22.2	-19.4	118.0	114.5	117.0	122.5	111.6	109.0	97.9	113.8	130.4	106.5	97.1
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2009 Apr.	-25.2	-20.9	119.2	116.5	117.5	124.1	114.0	111.2	100.1	116.0	131.9	107.9	99.7
May	-21.8	-20.4	117.4	112.8	117.3	120.9	111.4	107.9	96.6	112.4	128.7	106.3	97.9
June	-19.5	-16.9	117.6	114.3	116.4	122.3	109.3	107.8	96.9	113.0	130.6	105.2	93.7
July	-16.2	-18.3	122.6	119.5	123.9	125.7	116.9	107.9	97.7	114.6	131.2	106.0	98.2
Aug.	-19.6	-14.0	118.0	.	.	.	110.1	108.7	.	.	.	106.0	.
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) <sup>3)</sup>							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total				Memo item: Manufacturing	Total (index: 2005 = 100)	Total				Memo item: Manufacturing		
		Intermediate goods	Capital goods	Consumer goods	Energy			Intermediate goods	Capital goods	Consumer goods	Energy			
% of total	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	100.0	100.0	32.2	46.3	17.7	3.8	99.4	100.0	100.0	28.4	27.9	22.1	21.6	81.1
2007	101.8	0.4	2.7	-0.5	0.9	1.8	0.4	105.9	0.1	2.3	-3.5	0.5	1.6	-0.3
2008	103.5	1.6	1.5	-0.4	2.4	2.5	1.5	112.7	6.5	0.2	-3.4	2.4	28.2	0.8
2009 Q1	101.2	-1.3	-1.1	1.3	1.4	-32.3	-1.4	101.4	-8.4	-4.0	-0.3	2.7	-27.9	-2.4
Q2	100.9	-2.8	-3.9	1.5	0.9	-36.4	-2.7	101.5	-12.4	-6.5	0.1	1.4	-35.3	-4.2
Q3	100.9	-4.0	-6.1	0.7	0.4	-34.0	-3.8	102.3	-13.0	-7.8	-0.9	-0.4	-33.8	-5.2
2009 May	100.8	-3.0	-3.9	1.4	0.9	-37.8	-2.9	101.1	-13.1	-6.8	0.1	1.3	-37.1	-4.5
June	101.1	-3.3	-4.9	1.4	0.7	-35.4	-3.2	102.8	-13.1	-7.3	-0.2	0.6	-35.0	-5.0
July	100.8	-4.0	-5.7	1.3	0.5	-38.9	-3.8	101.6	-15.0	-8.1	-0.6	0.7	-39.2	-5.4
Aug.	101.2	-3.6	-6.1	0.8	0.7	-30.1	-3.5	103.3	-12.2	-7.6	-1.0	-0.4	-31.4	-4.9
Sep.	100.6	-4.3	-6.6	-0.1	0.0	-32.7	-4.2	101.9	-11.8	-7.9	-1.3	-1.4	-30.1	-5.3
Oct.	100.8	-3.3	-6.1	-1.0	-1.0	.	-3.1	.	.	.	.	.	.	.

Source: Eurostat.

- Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.
- Product groups as classified in the Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1), mainly because those deflators include all goods and services and cover cross-border trade within the euro area.
- Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

### 3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
	1	Denmark	Sweden	United Kingdom	Other EU countries	6	7	8	9	China	Japan	12	13	14	15
<b>Exports (f.o.b.)</b>															
2007	1,507.8	34.1	55.6	230.9	216.3	67.9	82.3	41.5	195.9	295.9	60.6	34.3	87.6	61.7	138.0
2008	1,559.5	35.0	53.6	220.1	232.2	78.4	86.5	42.8	187.4	307.9	65.7	33.6	100.5	68.1	147.0
2008 Q2	398.0	9.1	14.3	57.9	60.6	20.2	22.2	11.4	47.4	77.6	16.8	8.5	24.8	16.9	35.7
Q3	397.6	9.1	14.0	55.8	60.1	20.8	21.8	10.8	46.6	76.9	16.0	8.2	26.7	17.5	37.5
Q4	366.4	8.0	11.5	49.3	52.1	17.7	21.2	8.3	43.9	74.5	15.7	8.1	24.9	17.4	37.7
2009 Q1	310.7	7.3	10.0	42.4	43.6	12.6	20.0	7.7	40.0	65.1	15.4	7.1	23.4	12.8	25.9
Q2	308.7	6.4	9.6	42.4	42.1	12.1	19.2	8.3	37.6	70.2	16.7	7.0	22.7	12.5	25.7
Q3	320.2	.	.	.	.	12.1	19.6	8.9	35.8	71.2	17.0	7.2	22.2	14.0	.
2009 Apr.	103.6	2.3	3.2	14.1	14.2	4.2	6.4	2.7	12.7	23.1	5.6	2.4	7.6	4.2	8.7
May	102.1	2.2	3.1	13.9	14.0	3.8	6.4	2.8	12.5	23.4	5.6	2.3	7.5	4.2	8.5
June	103.0	2.0	3.3	14.4	13.9	4.1	6.4	2.8	12.4	23.7	5.5	2.4	7.5	4.1	8.5
July	107.8	2.3	3.6	14.9	14.8	4.2	6.5	3.1	12.5	24.0	5.7	2.6	7.5	4.9	9.5
Aug.	103.4	2.3	3.4	14.2	14.6	3.8	6.5	3.0	11.4	23.5	5.6	2.2	7.3	4.4	9.0
Sep.	109.0	.	.	.	.	4.1	6.6	2.9	11.8	23.7	5.7	2.4	7.4	4.7	.
<i>% share of total exports</i>															
2008	100.0	2.2	3.4	14.1	14.9	5.0	5.6	2.7	12.0	19.8	4.2	2.2	6.5	4.4	9.5
<b>Imports (c.i.f.)</b>															
2007	1,491.6	28.8	52.2	169.5	169.5	102.2	67.2	32.4	131.7	455.6	172.7	59.1	113.4	75.2	93.9
2008	1,602.4	30.6	52.0	164.2	184.3	122.0	69.9	32.4	137.7	481.4	184.3	56.9	141.0	81.7	105.0
2008 Q2	410.3	8.0	13.6	42.6	47.6	32.3	17.7	8.6	33.7	121.9	45.1	14.6	37.4	20.3	26.6
Q3	413.8	7.9	13.2	41.6	47.3	34.3	17.9	8.2	35.5	124.3	48.0	14.0	37.8	21.1	24.6
Q4	374.0	7.3	11.5	36.3	43.2	24.8	17.4	7.1	33.8	113.2	46.5	13.5	30.8	19.8	29.0
2009 Q1	321.4	6.9	9.4	31.6	39.3	17.8	16.7	6.7	33.1	98.8	42.1	11.4	23.9	14.9	22.4
Q2	305.5	6.2	8.9	30.3	38.4	18.1	16.1	6.3	28.2	92.8	39.9	10.3	23.0	14.2	22.9
Q3	305.6	.	.	.	.	21.6	16.2	6.5	26.6	92.2	38.1	10.1	22.1	14.5	.
2009 Apr.	103.3	2.1	3.0	10.1	13.0	5.8	5.5	2.0	9.3	31.7	13.8	3.4	7.9	4.8	8.2
May	100.8	2.1	2.9	10.1	12.8	5.9	5.3	2.1	9.8	30.6	13.1	3.4	7.3	4.6	7.2
June	101.4	2.0	3.0	10.1	12.7	6.4	5.3	2.1	9.1	30.5	13.0	3.4	7.8	4.8	7.6
July	102.1	2.3	3.3	10.3	13.1	6.8	5.3	2.2	9.0	30.5	12.6	3.4	7.6	5.0	6.7
Aug.	101.2	2.3	3.2	10.3	13.4	6.6	5.4	2.1	8.6	30.5	12.6	3.3	7.2	4.7	6.9
Sep.	102.2	.	.	.	.	8.3	5.4	2.2	9.0	31.1	12.9	3.4	7.3	4.8	.
<i>% share of total imports</i>															
2008	100.0	1.9	3.2	10.2	11.5	7.6	4.4	2.0	8.6	30.1	11.5	3.6	8.8	5.1	6.6
<b>Balance</b>															
2007	16.1	5.4	3.4	61.3	46.8	-34.2	15.1	9.0	64.2	-159.7	-112.1	-24.8	-25.8	-13.5	44.1
2008	-42.9	4.3	1.6	56.0	47.9	-43.7	16.7	10.3	49.7	-173.5	-118.7	-23.4	-40.5	-13.7	42.0
2008 Q2	-12.3	1.1	0.7	15.3	12.9	-12.2	4.5	2.8	13.7	-44.3	-28.3	-6.1	-12.6	-3.4	9.1
Q3	-16.2	1.2	0.7	14.2	12.8	-13.5	3.9	2.6	11.1	-47.4	-32.0	-5.9	-11.1	-3.6	12.9
Q4	-7.6	0.7	0.0	13.0	9.0	-7.1	3.8	1.3	10.1	-38.7	-30.8	-5.4	-5.9	-2.4	8.7
2009 Q1	-10.6	0.5	0.6	10.8	4.3	-5.2	3.3	1.1	6.9	-33.7	-26.7	-4.4	-0.5	-2.1	3.4
Q2	3.2	0.2	0.7	12.1	3.6	-6.0	3.1	2.0	9.3	-22.6	-23.1	-3.2	-0.4	-1.7	2.8
Q3	14.7	.	.	.	.	-9.5	3.5	2.4	9.2	-21.0	-21.1	-2.9	0.2	-0.5	.
2009 Apr.	0.2	0.1	0.3	4.1	1.2	-1.6	0.9	0.7	3.4	-8.5	-8.2	-1.1	-0.3	-0.6	0.6
May	1.3	0.0	0.1	3.8	1.2	-2.1	1.0	0.7	2.7	-7.2	-7.5	-1.2	0.2	-0.4	1.3
June	1.6	0.0	0.3	4.3	1.2	-2.3	1.2	0.6	3.3	-6.9	-7.4	-1.0	-0.3	-0.7	0.9
July	5.6	0.0	0.2	4.6	1.7	-2.6	1.2	0.9	3.5	-6.5	-6.9	-0.8	-0.1	-0.1	2.9
Aug.	2.2	0.0	0.2	3.9	1.2	-2.8	1.1	0.9	2.9	-7.1	-7.1	-1.1	0.1	-0.3	2.1
Sep.	6.8	.	.	.	.	-4.2	1.2	0.7	2.8	-7.4	-7.2	-1.0	0.1	-0.1	.

Source: Eurostat.



## EXCHANGE RATES

### 8.1 Effective exchange rates <sup>1)</sup>

(period averages; index: 1999 Q1=100)

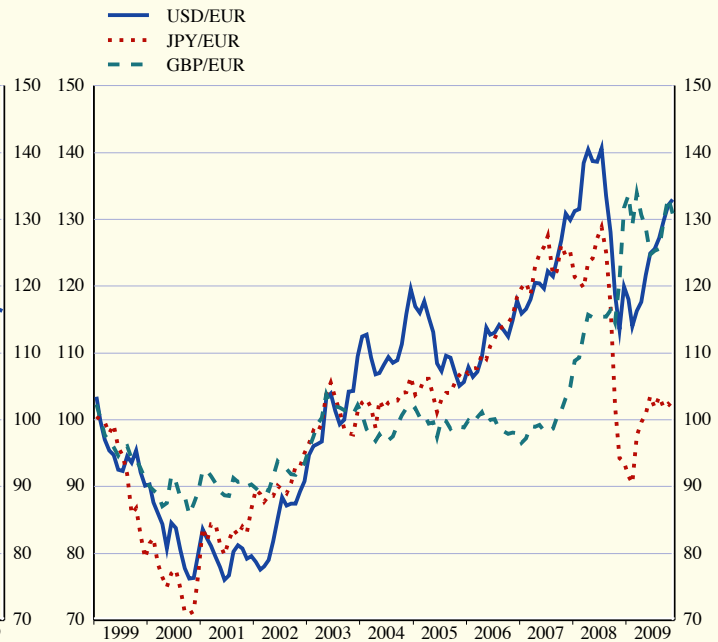
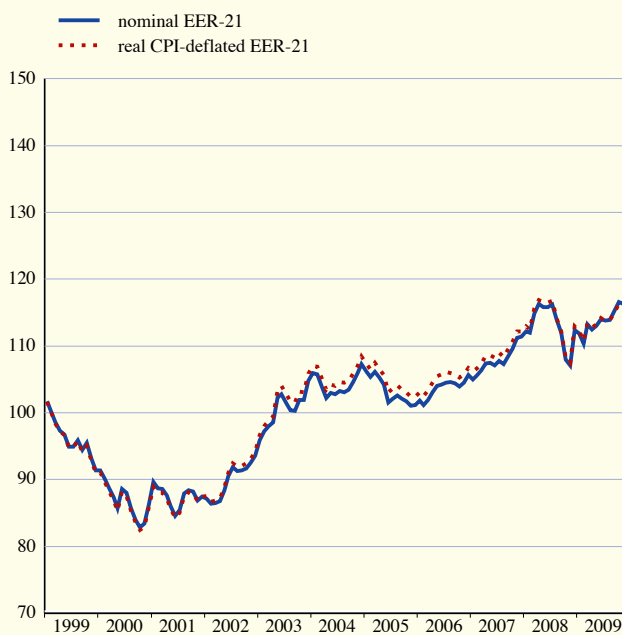
	EER-21						EER-41	
	Nominal 1	Real CPI 2	Real PPI 3	Real GDP deflator 4	Real ULCM 5	Real ULCT 6	Nominal 7	Real CPI 8
2006	103.7	105.0	103.3	102.4	105.2	100.7	110.1	103.9
2007	107.9	109.0	107.2	105.8	109.7	103.8	114.3	107.2
2008	113.0	113.6	110.3	110.4	116.8	109.2	120.0	111.1
2008 Q3	114.1	114.4	110.6	111.5	118.3	110.0	120.8	111.6
Q4	109.1	109.6	105.8	106.7	115.4	105.7	116.7	107.7
2009 Q1	111.9	112.2	107.2	109.3	121.5	109.3	120.1	110.4
Q2	113.2	113.4	107.8	110.4	127.6	110.1	121.1	111.2
Q3	114.3	114.2	108.7	.	.	.	122.4	112.0
2008 Nov.	107.1	107.5	103.8	-	-	-	114.5	105.6
Dec.	112.4	112.9	108.7	-	-	-	120.3	111.0
2009 Jan.	111.9	112.3	107.5	-	-	-	119.9	110.4
Feb.	110.4	110.7	105.7	-	-	-	118.6	109.1
Mar.	113.3	113.4	108.1	-	-	-	121.6	111.7
Apr.	112.5	112.8	107.2	-	-	-	120.5	110.6
May	113.0	113.2	107.7	-	-	-	120.9	110.9
June	114.0	114.2	108.4	-	-	-	122.0	112.0
July	113.8	113.7	108.1	-	-	-	121.9	111.5
Aug.	113.9	113.9	108.4	-	-	-	122.0	111.7
Sep.	115.2	115.0	109.4	-	-	-	123.5	112.7
Oct.	116.6	116.3	110.5	-	-	-	124.6	113.6
Nov.	116.3	116.0	110.0	-	-	-	124.5	113.4
	<i>% change versus previous month</i>							
2009 Nov.	-0.2	-0.3	-0.4	-	-	-	-0.1	-0.2
	<i>% change versus previous year</i>							
2009 Nov.	8.6	7.9	6.0	-	-	-	8.7	7.4

### C36 Effective exchange rates

(monthly averages; index: 1999 Q1=100)

### C37 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

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

## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2009 Q1	7.4514	10.9410	0.90878	1.3029	122.04	1.4977	1,847.59	10.1016	1.9709	1.6223	8.9472	1.9648
Q2	7.4471	10.7806	0.87883	1.3632	132.59	1.5138	1,747.10	10.5657	2.0050	1.5883	8.8431	1.7917
Q3	7.4442	10.4241	0.87161	1.4303	133.82	1.5195	1,772.14	11.0854	2.0570	1.5704	8.7397	1.7169
2009 May	7.4468	10.5820	0.88445	1.3650	131.85	1.5118	1,710.18	10.5807	1.9939	1.5712	8.7943	1.7831
June	7.4457	10.8713	0.85670	1.4016	135.39	1.5148	1,768.80	10.8638	2.0357	1.5761	8.9388	1.7463
July	7.4458	10.8262	0.86092	1.4088	133.09	1.5202	1,778.43	10.9182	2.0421	1.5824	8.9494	1.7504
Aug.	7.4440	10.2210	0.86265	1.4268	135.31	1.5236	1,768.99	11.0587	2.0577	1.5522	8.6602	1.7081
Sep.	7.4428	10.1976	0.89135	1.4562	133.14	1.5148	1,768.58	11.2858	2.0720	1.5752	8.5964	1.6903
Oct.	7.4438	10.3102	0.91557	1.4816	133.91	1.5138	1,739.94	11.4828	2.0714	1.5619	8.3596	1.6341
Nov.	7.4415	10.3331	0.89892	1.4914	132.97	1.5105	1,735.17	11.5588	2.0711	1.5805	8.4143	1.6223
	<i>% change versus previous month</i>											
2009 Nov.	0.0	0.2	-1.8	0.7	-0.7	-0.2	-0.3	0.7	0.0	1.2	0.7	-0.7
	<i>% change versus previous year</i>											
2009 Nov.	-0.1	2.0	8.2	17.1	7.9	-0.4	-2.7	17.1	8.0	1.9	-4.5	-16.3
	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Roma- nian leu	Croatian kuna	New Turkish lira		
	13	14	15	16	17	18	19	20	21	22		
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	1.9558	3.5258	7.3247	1.8090		
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865		
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064		
2009 Q1	27.601	15.6466	0.7061	3.4528	294.19	4.4988	1.9558	4.2682	7.4116	2.1635		
Q2	26.679	15.6466	0.7065	3.4528	285.71	4.4523	1.9558	4.1963	7.3528	2.1410		
Q3	25.597	15.6466	0.7019	3.4528	271.35	4.1978	1.9558	4.2263	7.3232	2.1444		
2009 May	26.731	15.6466	0.7092	3.4528	281.93	4.4103	1.9558	4.1700	7.3515	2.1251		
June	26.545	15.6466	0.7015	3.4528	280.46	4.5084	1.9558	4.2131	7.2954	2.1675		
July	25.793	15.6466	0.7006	3.4528	272.06	4.2965	1.9558	4.2184	7.3307	2.1378		
Aug.	25.646	15.6466	0.7013	3.4528	270.05	4.1311	1.9558	4.2183	7.3287	2.1236		
Sep.	25.346	15.6466	0.7039	3.4528	271.84	4.1584	1.9558	4.2420	7.3102	2.1711		
Oct.	25.861	15.6466	0.7088	3.4528	268.49	4.2146	1.9558	4.2871	7.2419	2.1823		
Nov.	25.812	15.6466	0.7088	3.4528	270.92	4.1646	1.9558	4.2896	7.2952	2.2262		
	<i>% change versus previous month</i>											
2009 Nov.	-0.2	0.0	0.0	0.0	0.9	-1.2	0.0	0.1	0.7	2.0		
	<i>% change versus previous year</i>											
2009 Nov.	2.5	0.0	-0.1	0.0	2.1	11.6	0.0	13.4	2.2	9.4		
	Brazilian real <sup>1)</sup>	Chinese yuan renminbi	Icelandic krona <sup>2)</sup>	Indian rupee <sup>3)</sup>	Indonesian rupiah	Malaysian ringgit	Mexican peso <sup>1)</sup>	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2006	2.7333	10.0096	87.76	56.8435	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	56.4186	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.6143	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2009 Q1	3.0168	8.9066	-	64.7948	15,174.96	4.7259	18.7267	2.4498	62.133	44.4165	12.9740	46.038
Q2	2.8245	9.3107	-	66.3982	14,334.53	4.8340	18.1648	2.2565	65.097	43.7716	11.5242	47.294
Q3	2.6699	9.7702	-	69.1909	14,285.93	5.0333	18.9695	2.1232	68.815	44.7703	11.1618	48.575
2009 May	2.8232	9.3157	-	66.1762	14,137.45	4.8057	17.9969	2.2663	64.600	43.5678	11.4475	47.241
June	2.7391	9.5786	-	66.9191	14,315.40	4.9305	18.6813	2.1967	67.036	43.5553	11.2718	47.844
July	2.7221	9.6246	-	68.2333	14,241.51	4.9963	18.8143	2.1873	67.724	44.3881	11.2007	47.969
Aug.	2.6314	9.7485	-	68.9570	14,270.78	5.0185	18.5571	2.1097	68.803	45.1972	11.3415	48.543
Sep.	2.6520	9.9431	-	70.4154	14,346.84	5.0862	19.5255	2.0691	69.967	44.7624	10.9495	49.239
Oct.	2.5771	10.1152	-	69.2160	14,057.25	5.0425	19.5856	2.0065	69.419	43.6188	11.0938	49.504
Nov.	2.5777	10.1827	-	69.4421	14,115.45	5.0553	19.5478	2.0450	70.165	43.1835	11.2134	49.634
	<i>% change versus previous month</i>											
2009 Nov.	0.0	0.7	-	0.3	0.4	0.3	-0.2	1.9	1.1	-1.0	1.1	0.3
	<i>% change versus previous year</i>											
2009 Nov.	-11.0	17.1	-	11.7	-5.8	10.7	17.2	-9.3	12.3	24.1	-12.9	11.1

Source: ECB.

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

2) The most recent rate for the Icelandic krona refers to 3 December 2008.

3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
<b>HICP</b>											
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.7	2.3
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2009 Q1	5.1	1.5	1.7	3.7	9.0	8.4	2.7	3.6	6.8	2.1	3.0
Q2	3.1	1.0	1.1	0.2	4.4	4.9	3.6	4.3	6.1	1.7	2.1
Q3	0.8	-0.1	0.6	-0.9	1.2	2.4	4.9	4.3	5.0	1.7	1.5
2009 June	2.6	0.8	0.9	-0.5	3.1	3.9	3.7	4.2	5.9	1.6	1.8
July	1.0	-0.1	0.7	-0.4	2.1	2.6	4.9	4.5	5.0	1.8	1.8
Aug.	1.3	0.0	0.7	-0.7	1.5	2.2	5.0	4.3	4.9	1.9	1.6
Sep.	0.2	-0.3	0.5	-1.7	0.1	2.3	4.8	4.0	4.9	1.4	1.1
Oct.	0.3	-0.6	0.6	-2.1	-1.2	1.0	4.2	3.8	4.3	1.8	1.5
<b>General government deficit (-)/surplus (+) as a % of GDP</b>											
2006	3.0	-2.6	5.2	2.3	-0.5	-0.4	-9.3	-3.6	-2.2	2.5	-2.7
2007	0.1	-0.7	4.5	2.6	-0.3	-1.0	-5.0	-1.9	-2.5	3.8	-2.7
2008	1.8	-2.1	3.4	-2.7	-4.1	-3.2	-3.8	-3.6	-5.5	2.5	-5.0
<b>General government gross debt as a % of GDP</b>											
2006	22.7	29.4	31.3	4.5	10.7	18.0	65.6	47.7	12.4	45.9	43.2
2007	18.2	29.0	26.8	3.8	9.0	16.9	65.9	45.0	12.6	40.5	44.2
2008	14.1	30.0	33.5	4.6	19.5	15.6	72.9	47.2	13.6	38.0	52.0
<b>Long-term government bond yield as a % per annum; period average</b>											
2009 May	7.08	5.06	3.62	-	11.09	14.50	10.01	6.31	8.32	3.57	3.41
June	7.30	5.45	3.76	-	12.75	14.50	10.15	6.34	11.26	3.62	3.52
July	7.56	5.41	3.74	-	12.75	14.50	8.81	6.19	11.46	3.37	3.55
Aug.	7.77	5.09	3.60	-	12.81	14.50	8.40	6.08	11.46	3.45	3.45
Sep.	7.45	5.01	3.65	-	13.27	14.50	7.91	6.17	11.00	3.38	3.42
Oct.	7.08	4.50	3.60	-	13.51	14.50	7.45	6.15	9.13	3.25	3.34
<b>3-month interest rate as a % per annum; period average</b>											
2009 May	5.98	2.30	2.67	6.27	13.41	6.81	11.30	4.52	11.23	0.95	1.36
June	5.94	2.17	2.35	6.20	21.25	8.14	-	4.60	10.22	0.97	1.24
July	5.69	2.09	2.06	6.16	16.94	8.41	9.99	4.26	9.21	0.67	1.00
Aug.	5.30	1.92	1.94	5.85	13.06	7.98	9.02	4.16	9.06	0.62	0.78
Sep.	5.11	1.88	1.76	5.58	11.58	7.07	8.78	4.18	9.05	0.55	0.61
Oct.	4.84	1.87	1.58	5.44	13.49	6.59	7.34	4.18	10.03	0.50	0.57
<b>Real GDP</b>											
2007	6.2	6.1	1.6	7.2	10.0	9.8	1.0	6.8	6.2	2.5	2.6
2008	6.0	2.7	-1.2	-3.6	-4.6	2.8	0.6	5.0	7.1	-0.2	0.6
2009 Q1	-3.5	-4.5	-3.6	-15.0	-18.6	-13.1	-5.6	1.5	-6.2	-6.3	-5.0
Q2	-4.9	-5.5	-7.0	-16.1	-17.4	-19.7	-7.2	1.3	-8.7	-5.8	-5.5
Q3	.	.	.	.	.	-14.2	-8.0	1.0	.	-5.2	-5.1
<b>Current and capital account balance as a % of GDP</b>											
2007	-27.2	-2.6	1.5	-16.8	-20.4	-12.8	-6.1	-3.6	-12.9	8.7	-2.5
2008	-24.6	-2.2	2.2	-8.4	-11.5	-10.1	-6.0	-3.9	-11.3	6.1	-1.4
2009 Q1	-17.2	4.5	1.1	0.8	4.2	4.7	0.1	2.6	-4.1	7.6	-1.0
Q2	-12.2	-2.7	4.8	6.3	16.8	2.4	4.5	-0.2	-5.6	8.7	-2.8
Q3	.	.	.	.	.	6.4	.	-0.1	.	5.4	.
<b>Unit labour costs</b>											
2007	14.2	2.9	4.2	17.3	27.3	6.5	5.4	2.6	15.2	4.7	3.0
2008	16.2	5.0	7.1	14.1	21.1	9.3	4.5	6.4	.	2.8	2.5
2009 Q1	16.1	5.8	6.2	10.0	8.2	14.2	-	6.0	-	8.2	3.1
Q2	14.2	4.9	9.9	3.4	-1.7	10.8	-	2.3	-	7.0	.
Q3	.	.	.	.	.	.	-	.	-	5.0	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>											
2007	6.9	5.3	3.8	4.6	6.0	4.3	7.4	9.6	6.4	6.2	5.3
2008	5.6	4.4	3.4	5.6	7.5	5.9	7.8	7.2	5.8	6.2	5.6
2009 Q1	5.9	5.5	4.7	11.0	13.2	11.0	9.2	7.7	6.2	7.5	7.0
Q2	6.3	6.3	5.9	13.3	16.5	13.8	9.7	8.0	6.4	8.1	7.7
Q3	7.2	6.9	6.2	15.2	18.7	.	9.6	8.1	.	8.6	.
2009 June	6.5	6.5	6.1	-	17.2	13.8	9.6	8.0	6.4	8.3	7.8
July	6.8	6.7	6.0	-	17.8	.	9.5	8.1	.	8.5	7.8
Aug.	7.2	6.9	6.0	-	18.6	.	9.6	8.1	.	8.6	7.8
Sep.	7.6	7.0	6.5	-	19.7	.	9.7	8.2	.	8.7	.
Oct.	7.9	7.1	6.9	-	20.9	.	9.9	8.4	.	8.8	.

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

## 9.2 In the United States and Japan

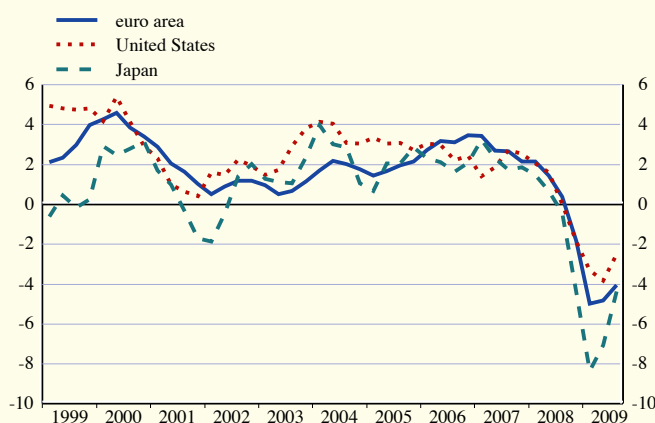
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup>	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup>	10-year zero coupon government bond yield <sup>3)</sup> ; end of period	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2005	3.4	2.3	3.1	4.2	5.1	4.2	3.57	5.05	1.2441	-3.3	48.2
2006	3.2	2.8	2.7	2.7	4.6	5.0	5.20	5.26	1.2556	-2.2	47.7
2007	2.9	2.3	2.1	1.6	4.6	5.8	5.30	4.81	1.3705	-2.8	48.3
2008	3.8	1.0	0.4	-3.1	5.8	6.9	2.93	2.70	1.4708	-6.5	56.0
2008 Q3	5.3	1.8	0.0	-3.9	6.1	6.1	2.91	4.61	1.5050	-6.4	52.0
Q4	1.6	1.7	-1.9	-8.7	6.9	8.3	2.77	2.70	1.3180	-8.1	56.0
2009 Q1	0.0	-0.1	-3.3	-13.9	8.1	9.4	1.24	2.96	1.3029	-9.9	59.7
Q2	-1.2	-1.3	-3.8	-14.6	9.3	8.6	0.84	3.95	1.3632	-11.8	62.7
Q3	-1.6	-3.6	-2.5	-10.7	9.6	7.6	0.41	3.61	1.4303	.	.
2009 July	-2.1	-	-	-13.4	9.4	8.2	0.52	3.90	1.4088	-	-
Aug.	-1.5	-	-	-11.4	9.7	7.9	0.42	3.77	1.4268	-	-
Sep.	-1.3	-	-	-7.0	9.8	6.7	0.30	3.61	1.4562	-	-
Oct.	-0.2	-	-	-7.6	10.2	5.4	0.28	3.71	1.4816	-	-
Nov.	.	-	-	.	.	.	0.27	3.44	1.4914	-	-
Japan											
2005	-0.3	-2.2	1.9	1.4	4.4	1.8	0.06	1.66	136.85	-6.7	163.2
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.85	146.02	-1.6	160.0
2007	0.1	-1.0	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.5	156.1
2008	1.4	1.6	-0.7	-3.4	4.0	2.1	0.93	1.21	152.45	.	.
2008 Q3	2.2	1.1	-0.4	-1.4	4.0	2.2	0.90	1.72	161.83	.	.
Q4	1.0	3.9	-4.4	-14.6	4.0	1.8	0.96	1.21	126.71	.	.
2009 Q1	-0.1	3.9	-8.4	-34.6	4.5	2.1	0.67	1.33	122.04	.	.
Q2	-1.0	2.5	-7.1	-27.9	5.2	2.6	0.53	1.41	132.59	.	.
Q3	-2.2	.	-4.4	-20.1	5.5	2.8	0.40	1.45	133.82	.	.
2009 July	-2.2	-	-	-22.7	5.7	2.7	0.43	1.51	133.09	-	-
Aug.	-2.2	-	-	-19.0	5.5	2.8	0.40	1.44	135.31	-	-
Sep.	-2.2	-	-	-18.4	5.3	3.0	0.36	1.45	133.14	-	-
Oct.	-2.5	-	-	-15.1	5.1	3.4	0.33	1.58	133.91	-	-
Nov.	.	-	-	.	.	.	0.31	1.41	132.97	-	-

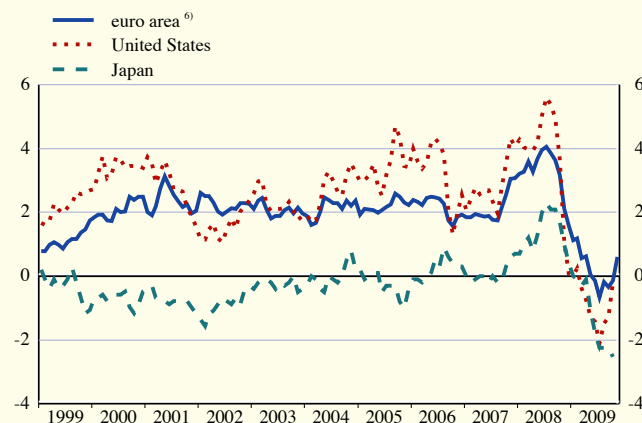
### C38 Real gross domestic product

(annual percentage changes; quarterly data)



### C39 Consumer price indices

(annual percentage changes; monthly data)



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

- 1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
- 2) Period averages; M2 for the United States, M2+CDs for Japan.
- 3) Percentages per annum. For further information on three-month interbank deposit rate, see Section 4.6.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).
- 6) Data refer to the changing composition of the euro area. For further information, see the General Notes.



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## TECHNICAL NOTES

### EURO AREA OVERVIEW

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website ([www.ecb.europa.eu](http://www.ecb.europa.eu)) in the "Monetary and financial statistics" sub-section of the "Statistics" section.

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

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

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

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



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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

The approach used is based on multiplicative decomposition using X-12-ARIMA.<sup>2</sup> The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.<sup>3</sup> The resulting estimates of seasonal factors are then applied to the levels and to the

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

#### SECTIONS 3.1 TO 3.5

#### EQUALITY OF USES AND RESOURCES

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

#### CALCULATION OF BALANCING ITEMS

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

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

1 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Monetary and financial statistics” sub-section of the “Statistics” section of the ECB’s website ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M. and Chen, B. C. (1998), “New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program”, *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or “X-12-ARIMA Reference Manual”, Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details of TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), “Programs TRAMO and SEATS: Instructions for the User”, Banco de España, Working Paper No 9628, Madrid.

3 It follows that for the seasonally adjusted series, the level of the index for the base period (i.e. December 2001) generally differs from 100, reflecting the seasonality of that month.

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

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

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

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

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

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

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

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

## SECTIONS 4.3 AND 4.4

### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

As a base, the index is set equal to 100 in December 2001. The growth rate  $a_t$  for month  $t$ , corresponding to the change in the 12 months ending in month  $t$ , can be calculated using either of the following two formulae:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used instead of an “F”. This is to show that the method used to obtain “net issues” for securities issues statistics differs from that used to calculate equivalent “transactions” for the monetary aggregates.

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values, and the calculations are based on financial transactions, which exclude reclassifications, revaluations and any other changes that do not arise from transactions. Exchange rate variations are not included, as all quoted shares covered are denominated in euro.

#### SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS <sup>4</sup>

The approach used is based on multiplicative decomposition using X-12-ARIMA. The

seasonal adjustment of total securities issues is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae k) and l), the growth rate  $a_t$  for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

#### TABLE I IN SECTION 5.1

#### SEASONAL ADJUSTMENT OF THE HICP <sup>4</sup>

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial 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.

<sup>4</sup> For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Monetary and financial statistics” sub-section of the “Statistics” section of the ECB’s website ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

**TABLE 2 IN SECTION 7.1****SEASONAL ADJUSTMENT OF THE BALANCE OF  
PAYMENTS CURRENT ACCOUNT**

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are preadjusted to take a working day effect into account. The working day adjustment in goods and services is corrected for national public holidays. The seasonal adjustment of these items is carried out using these preadjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at biannual intervals or as required.

**SECTION 7.3****CALCULATION OF GROWTH RATES FOR THE  
QUARTERLY AND ANNUAL SERIES**

The annual growth rate for quarter  $t$  is calculated on the basis of quarterly transactions ( $F_t$ ) and positions ( $L_t$ ) as follows:

$$a_t = \left( \prod_{i=t-3}^t \left( 1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.





## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.europa.eu](http://www.ecb.europa.eu)). This allows user-friendly access to data via the ECB’s Statistical Data Warehouse (<http://sdw.ecb.europa.eu>), which includes search and download facilities. Further services available in the “Data services” sub-section include subscriptions to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.europa.eu](mailto:statistics@ecb.europa.eu).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council of the ECB. For this issue, the cut-off date was 2 December 2009.

Unless otherwise indicated, all data series including observations for 2009 relate to the Euro 16 (the euro area including Slovakia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), the statistical series refer to the changing composition of the euro area. Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for the respective year of entry into the euro area of Greece (2001), Slovenia (2007), Cyprus (2008), Malta (2008) and Slovakia (2009), calculated from bases covering the year prior to the year of entry, use a series in which the impact of these countries’ joining the euro area is taken into account. Historical data referring to the euro area before the entry of Slovakia are available on the ECB’s website at: <http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html>.

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to

the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia. Data for 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta, and data as of 2009 refer to the Euro 16, i.e. the Euro 15 plus Slovakia.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, pre-1999 data<sup>1</sup> are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group “Other EU Member States” comprises Bulgaria, the Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System

<sup>1</sup> Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB’s website (<http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html>) and in the SDW (<http://sdw.ecb.europa.eu/browse.do?node=2018811>).

of Accounts 1995 and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs and other changes.

In the tables, the wording “up to (x) years” means “up to and including (x) years”.

## OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

## MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. Liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the reserve ratios for the corresponding categories of liability to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). Current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. Deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirements. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. Credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and credit institutions' current account holdings (column 11).

## MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions of MFIs in the euro area. Owing to a small amount of heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading day effects. The external liabilities item in Sections 2.1 and 2.2 shows the holdings by non-euro area residents of: (i) shares/units issued by money market funds located in the euro area; and (ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down by sector and instrument, of deposits held with

the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, broken down by type of issuer.

Sections 2.2 to 2.6 include data on transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7 shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007). The publication "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the monetary financial institutions sector,<sup>2</sup> as last amended by Regulation ECB/2003/10<sup>3</sup>.

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

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of euro area investment funds (other than money market funds). The balance sheet is aggregated, and so the liabilities include 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

<sup>2</sup> OJ L 356, 30.12.1998, p. 7.

<sup>3</sup> OJ L 250, 2.10.2003, p. 19.



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, with data broken down by investment policy and type of investor.

### EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. Non-seasonally adjusted data on current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole; the balancing item of the primary income account is national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net

lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the "non-financial accounts" of the euro area (i.e. accounts (1) to (5) above), also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing and investment decisions of households, while respecting the accounting identities presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits from and loans to euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. “Short-term” means securities with an original maturity of one year or less (in exceptional cases, two years or less). Securities with (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) indefinite maturity dates are classified as “long-term”. Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issue. Variable rate issues comprise all issues where the coupon is periodically refixed with reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. The euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the index of notional stocks, from which the seasonal effects have been removed. See the Technical Notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of Table 1 in Section 4.2 are broadly comparable with the data on debt securities issued on the liabilities side of the aggregated MFI balance sheet in column 8 of Table 2 in Section 2.1. The total net issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in Table 1 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-seasonally adjusted growth rates for debt

securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical Notes for details.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet; quoted shares).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model<sup>4</sup>. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: <http://www.ecb.europa.eu/stats/money/yc/html/index.en.html>. Daily data can also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro

<sup>4</sup> Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.

area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are working day-adjusted.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>5</sup>. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,<sup>6</sup> has been applied in the production of short-term statistics. The breakdown by end-use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007<sup>7</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial

production reflects the value added of the industries concerned.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or “use”, taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>8</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003<sup>9</sup>. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers’ social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

5 OJ L 162, 5.6.1998, p. 1.

6 OJ L 393, 30.12.2006, p. 1.

7 OJ L 155, 15.6.2007, p. 3.

8 OJ L 69, 13.3.2003, p. 1.

9 OJ L 169, 8.7.2003, p. 37.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are derived from the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars. The euro area series excludes Cyprus and Malta.

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

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

## GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB on the basis of harmonised data

provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>10</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance within the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Council Regulation (EC) No 479/2009 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government<sup>11</sup>. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

<sup>10</sup> OJ L 172, 12.7.2000, p. 3.

<sup>11</sup> OJ L 179, 9.7.2002, p. 1.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)<sup>12</sup> and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)<sup>13</sup>. Additional information regarding the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (May 2007) and in the reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB’s website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB’s website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related

growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9

<sup>12</sup> OJ L 354, 30.11.2004, p. 34.

<sup>13</sup> OJ L 159, 20.6.2007, p. 48.

in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into “loans” and “currency and deposits” is based on the sector of the non-resident counterpart – i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts for the Eurosystem’s international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency

liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 27 September 2009. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date methodological note on the monetary presentation of the euro area balance of payments is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance

and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

## EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the selected trading

partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the chain linking of indices at the beginning of each period on the basis of the weights of the two consecutive periods. The base period of the resulting EER index is the first quarter of 1999. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group comprises the EER-21 plus the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see the relevant methodological note and ECB Occasional Paper No 2 (“The effective exchange rates of the euro” by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB’s website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as data relating to the euro area. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.





## ANNEXES

# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>



### 11 JANUARY AND 8 FEBRUARY 2007

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

### 8 MARCH 2007

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

### 12 APRIL AND 10 MAY 2007

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

### 6 JUNE 2007

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

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

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

### 3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

### 7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 5.25% and 3.25% respectively.

### 8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

<sup>1</sup> The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

#### **15 OCTOBER 2008**

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

#### **6 NOVEMBER 2008**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

#### **4 DECEMBER 2008**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing

operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

#### **18 DECEMBER 2008**

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be re-widened symmetrically to 200 basis points.

#### **15 JANUARY 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

#### **5 FEBRUARY 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

**5 MARCH 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

**2 APRIL 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

**7 MAY 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%.

In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedure with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

**4 JUNE 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

**2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER,  
5 NOVEMBER AND 3 DECEMBER 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.





## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2008

This list is designed to inform readers about selected documents published by the European Central Bank since January 2008. For Working Papers, which as of January 2009 (from Working Paper No 989 onwards) are available online only, the list only refers to publications released between September and November 2009. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting [info@ecb.europa.eu](mailto:info@ecb.europa.eu).

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“Annual Report 2008”, April 2009.

### CONVERGENCE REPORT

“Convergence Report May 2008”.

### MONTHLY BULLETIN SPECIAL EDITION

“10th anniversary of the ECB 1998-2008”, May 2008.

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## GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website ([www.ecb.europa.eu/home/glossary/html/index.en.html](http://www.ecb.europa.eu/home/glossary/html/index.en.html)).

**Autonomous liquidity factors:** liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

**Balance of payments (b.o.p.):** a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

**Bank lending survey (BLS):** a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

**Borrowing requirement (general government):** net incurrence of debt by the general government.

**Capital account:** a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

**Capital accounts:** part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

**Central parity (or central rate):** the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

**Compensation per employee or per hour worked:** the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees or by the total number of employees' hours worked.

**Consolidated balance sheet of the MFI sector:** a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. the general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

**Current account:** a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

**Debt (financial accounts):** loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period.

**Debt (general government):** the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

**Debt security:** a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Debt-to-GDP ratio (general government):** the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

**Deficit (general government):** the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

**Deficit-debt adjustment (general government):** the difference between the general government deficit and the change in general government debt.

**Deficit ratio (general government):** the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

**Deflation:** a decline in the general price level, e.g. in the consumer price index.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

**Direct investment:** cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

**Effective exchange rates (EERs) of the euro (nominal/real):** weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The nominal EER indices for the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

**EONIA (euro overnight index average):** a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

**Equities:** securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**Euro area:** the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

**European Commission surveys:** harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

**Eurosystem:** the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

**Eurozone Purchasing Managers' Surveys:** surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

**External trade in goods:** exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

**Financial account:** a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

**Financial accounts:** part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

**Fixed rate tender:** a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.



**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Harmonised Index of Consumer Prices (HICP):** a measure of the development of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

**Implied volatility:** the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** the gross value added created by industry at constant prices.

**Inflation:** an increase in the general price level, e.g. in the consumer price index.

**Inflation-indexed government bonds:** debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

**International reserves:** external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

**Investment funds (except money market funds):** financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also **MFIs**.

**Job vacancies:** a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has recently taken active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the rates at the main refinancing operations, on the marginal lending facility and on the deposit facility.

**Labour force:** the sum total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP (volume) divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

**Minimum bid rate:** the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

**Other investment:** an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Purchasing power parity (PPP):** the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem over a predefined maintenance period. Compliance with the requirement

is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP (volume) per person employed).

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Write-down:** a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

**Write-off:** the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

**Yield curve:** a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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