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EUROPEAN CENTRAL BANK

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01|2009

02|2009

MONTHLY BULLETIN
MARCH

03|2009

04|2009

05|2009

06|2009

07|2009

08|2009

09|2009

10|2009

11|2009

12|2009

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In 2009 all ECB publications feature a motif taken from the €200 banknote.

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CONTENTS

ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 5 March 2009, on the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the key ECB interest rates by a further 50 basis points. The interest rate on the main refinancing operations of the Eurosystem was lowered to 1.50% and the interest rates on the marginal lending facility and on the deposit facility were decreased to 2.50% and 0.50% respectively, with effect from 11 March 2009. This decision brings the total reduction in the key ECB interest rates since 8 October 2008 to 275 basis points. Overall, inflation rates have decreased significantly and are now expected to remain well below 2% over 2009 and 2010. This outlook for inflation is due to the fall in commodity prices and diminishing domestic price and cost pressures, reflecting the severe downturn in economic activity. Indeed, recent economic data releases and survey information add further evidence to the Governing Council's assessment that both global and euro area demand are likely to be very weak in 2009. Over the course of 2010, the economy is expected to gradually recover. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation at rates of below, but close to, 2% over the medium term. A cross-check with the outcome of the monetary analysis confirms that inflationary pressure has been diminishing. After its decision on 5 March, the Governing Council expects price stability to be maintained over the medium term, supporting the purchasing power of euro area households. The Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations, which supports sustainable growth and employment and contributes to financial stability. Accordingly, the Governing Council will monitor very closely all developments over the period ahead.

As regards the economic analysis, the world economy has weakened substantially in recent months reflecting the impact of the financial market turmoil, affecting increasingly also emerging market economies. In a climate of heightened uncertainty, a severe fall in world trade volumes has been accompanied by a pronounced decline in domestic demand in the euro area. As a consequence, euro area real GDP contracted markedly in the fourth quarter of 2008, by 1.5% on a quarterly basis, according to Eurostat's first estimate. Available data and survey indicators suggest that economic activity in the euro area remained weak in early 2009.

Looking ahead, the Governing Council expects that both global and domestic demand will decline in 2009 but thereafter recover gradually. This assessment is also reflected in the March 2009 ECB staff macroeconomic projections for the euro area, which place annual real GDP growth in a range of -3.2% to -2.2% in 2009, and between -0.7% and +0.7% in 2010. These ranges represent a downward revision of the December 2008 Eurosystem staff macroeconomic projections. In both 2009 and 2010, the annual GDP growth rate will be significantly reduced by negative carry-over effects from the previous year. The projected gradual recovery in 2010 reflects the effects of the substantial macroeconomic stimulus under way as well as of the extensive policy measures that have been introduced to restore the functioning of the financial system, both inside and outside the euro area. In addition, the fall in commodity prices is expected to support real disposable income and consumption in the period ahead.

The outlook for the economy continues to be surrounded by uncertainty. In the view of the Governing Council, the risks to the economic outlook now appear to be more balanced. On the one hand, there may be stronger than anticipated positive effects, also on confidence, stemming from the extensive macroeconomic stimulus under way and reflecting other policy measures taken. On the other hand, concerns relate mainly to the potential for a stronger impact on the real economy of the turmoil in financial markets, as well as to the emergence and intensification of protectionist pressures and to possible adverse developments in the world economy stemming from a disorderly correction of global imbalances.

With regard to price developments, annual HICP inflation has been steadily declining since the middle of 2008, when it reached a peak of 4.0%. In February 2009 it was 1.2%, according to Eurostat's flash estimate, broadly unchanged from 1.1% in January. The decline in inflation since last summer primarily reflects the sharp falls in global commodity prices over this period. However, signs of a more broad-based reduction in inflationary risks are also increasingly emerging.

Reflecting these trends, the March 2009 ECB staff inflation projections constitute a significant downward revision compared with the previous projections and foresee annual HICP inflation at between 0.1% and 0.7% in 2009. Owing mainly to base effects stemming from the past behaviour of energy prices, headline annual inflation rates are projected to decline further in the coming months, possibly temporarily reaching negative levels around mid-year. Thereafter, annual inflation is expected to increase again, also owing to base effects stemming from past energy price developments. Accordingly, it is likely that HICP inflation rates will fluctuate noticeably during 2009. Such short-term volatility is, however, not relevant from a monetary policy perspective.

For 2010, ECB staff project HICP inflation at between 0.6% and 1.4%. This range also represents a substantial downward revision compared with the December 2008 Eurosystem staff macroeconomic projections, mainly reflecting the change in the economic growth outlook. Available forecasts from international organisations have also been revised downwards and broadly confirm an outlook of moderate inflation rates in 2010.

As in the case of growth, a considerable degree of uncertainty surrounds the inflation projections. Risks to these projections are broadly balanced. They relate in particular to the risks to the outlook for economic activity as well as to risks to commodity prices.

Turning to the monetary analysis, the latest data and estimates provide further evidence of an ongoing deceleration in the underlying pace of monetary expansion in the euro area. This implies a further reduction in inflationary risks in the medium term.

The further deceleration in underlying monetary dynamics has contrasted with the high month-to-month volatility of developments in M3 and its components which has been observed since the financial turmoil intensified in September 2008. This relates in particular to marketable instruments, but also to the significant substitution that is taking place between different categories of deposits included in M3. While annual M3 growth declined further, to 5.9%, in January 2009, the annual growth rate of the narrow aggregate M1, which includes the most liquid assets, rose to 5.2%.

Volatility also characterised the flow of MFI loans to the private sector around the turn of the year, with a monthly contraction in the outstanding amount in December followed by a significantly positive flow in January. However, discounting a possible turn-of-the-year effect and looking beyond these latest developments confirms the decline in the growth of bank credit to households and non-financial corporations observed in 2008. At the same time, it appears that the substantial past reduction in the key ECB interest rates is increasingly being passed through to bank lending rates, indicating that, despite the tensions in financial markets, the transmission mechanism of monetary policy is not significantly hampered in the euro area. Still, more data and analysis are needed to firmly assess the outlook for credit in the period ahead.

To sum up, inflation rates have decreased significantly and are now expected to remain well below 2% over 2009 and 2010. Recent economic data releases and survey information add further evidence to the Governing Council's assessment that both global and euro area demand are likely to be very weak in 2009. Over the course of 2010, the economy is expected to gradually recover. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation at rates of below, but close to, 2% over the medium term. A cross-check with the outcome of the monetary analysis confirms that inflationary pressure has been diminishing. After its decision on 5 March, the Governing Council expects price stability to be maintained over the medium term, supporting the purchasing power of euro area households. The Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations, which supports sustainable growth and employment and contributes to financial stability. Accordingly, the Governing Council will monitor very closely all developments over the period ahead.

Regarding the fiscal policy responses to the economic downturn, the euro area countries' updated stability programmes and recent addenda confirm the prospect of a sharp and broad-based deterioration in euro area public finances. A credible commitment to a path of consolidation in order to return to sound fiscal positions, respecting fully the provisions of the Stability and Growth Pact, is necessary to maintain the public's trust in the sustainability of public finances, which is important both for the economy to recover and for supporting long-term growth. In this respect, the Governing Council supports the Commission's intention to initiate excessive deficit procedures for several countries. This is crucial to preserve the credibility of the EU fiscal surveillance framework. It is important that clear deadlines are set for correction of the excessive deficits and that consolidation plans are based on firm and well-specified structural measures.

As regards structural policies, it remains important to pursue economic policies in line with the principle of an open market economy with free competition. In this respect, it is essential that government support measures do not distort competition and delay necessary structural adjustment, and it is of the utmost importance to avoid protectionist measures. Refraining from protectionism will be key to allowing the global economy to overcome the current crisis more rapidly. The successful completion of the Doha round of trade negotiations would also be a milestone towards a more integrated and open world economy for the benefit of all.

ECONOMIC AND MONETARY DEVELOPMENTS

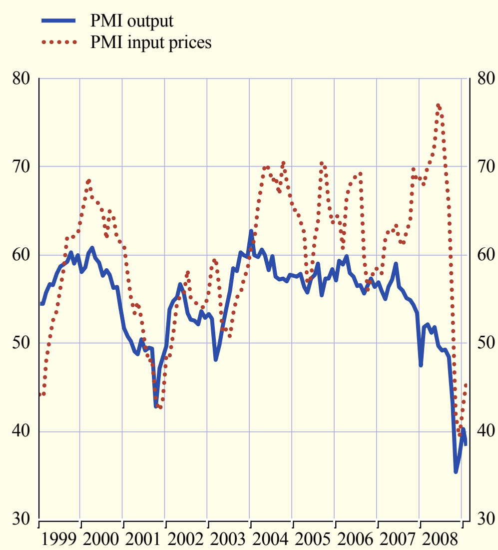
1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Over the past quarter, the global economic downturn has deepened as the financial turmoil has amplified and its repercussions spread throughout the globe. Emerging markets – a main pillar of global growth in recent years – also appear to be increasingly affected by the worsening global economic conditions. Global inflationary pressures have eased owing to the sharp decline in commodity prices and decelerating global demand. At the same time, volatility in many markets has soared, and global economic prospects are currently subject to a high degree of uncertainty.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Chart 1 Global Purchasing Managers' Index (PMI)

(monthly data; manufacturing and services; diffusion index)



Source: Markit.

The world economy is experiencing its most severe downturn in many decades, notwithstanding decisive policy measures across the globe in response to the financial turmoil and its adverse consequences. Indicators released over the past three months signal a deeper and more synchronised downturn in the global economy. This is evidenced by the sharp and broad-based fall in the global manufacturing Purchasing Managers' Index (PMI) to levels well below its contraction-expansion threshold, suggesting that global industries have continued to scale back activity. Notwithstanding a modest rebound in January, the index remained at very low levels in February. Overall, the proper functioning of financial markets is still impaired, and consumer and business confidence are at historical lows. The decline in household net wealth, together with the high level of uncertainty, has led households and firms to cut spending, lowering demand for consumer and capital goods worldwide. Falling demand and the drop in global industrial production were the main factors behind the sharp decline in international trade, which caused the downturn to spread more rapidly from advanced economies to emerging markets. The plunge in global trade in the fourth quarter of 2008 was exacerbated by increased difficulties in obtaining trade credit (see also Box 1). In line with the worsening economic conditions worldwide, the external environment of the euro area has further deteriorated.

At the same time, global inflationary pressures have diminished rapidly over recent months as evidenced by the decline in the global PMI input price index, which has fallen to levels consistent with a marked reduction in average input costs. The decline in inflationary pressures is mainly attributable to base effects stemming from lower commodity prices, as well as sluggish global demand and weaker labour market conditions. The large and rapid fall in oil prices – caused by the sharp weakening of the global economic outlook and the associated fall in demand for oil – contributed strongly to the decline in annual headline consumer price inflation. The overall global economic downturn is intensifying these downward pressures, consistent with historical evidence that episodes of slower global growth – combined with rising output gaps and unemployment rates – are associated with a deceleration in consumer price inflation worldwide. The latest data show that global inflation is now on a downward trajectory in all major regions. Headline consumer price inflation in the OECD countries stood at 1.3% in the year to January 2009, compared with 1.5% in the previous month. Excluding food and energy, consumer prices rose by 1.9% in the year to January, compared with 2.0% in December.

Box 1

THE RECENT SHARP CONTRACTION IN WORLD TRADE FROM A HISTORICAL PERSPECTIVE

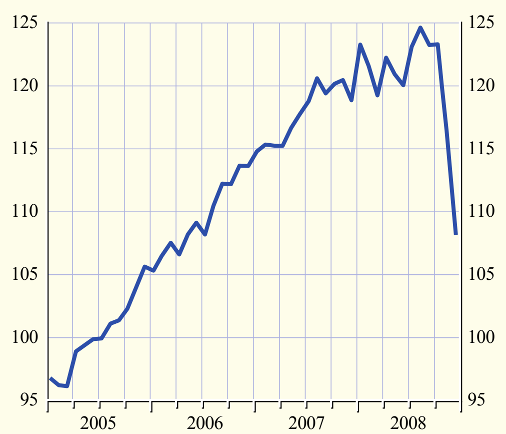
The spreading repercussions of the financial turmoil have recently precipitated a downturn in international trade transactions across the globe. According to the latest data release [1], world trade volumes of goods contracted markedly in November and December 2008, by 5.3% and 7.0% month on month respectively. Overall, world trade declined by 6.0% quarter on quarter in the fourth quarter of 2008. According to this latest information, at the end of 2008 world trade had reverted to mid-2006 levels (Chart A). Moreover, a further contraction is expected, as the February global PMI export orders index remained below its expansion-contraction threshold for the sixth consecutive month. This box considers the recent contraction in world trade from a historical perspective in order to shed light on trade prospects for the medium term.

Following a period of strong growth, world trade was gradually affected by the general slowdown in global activity that began with the US recession at the end of 2007. After the failure of Lehman Brothers, the strong adverse feedback loop between the financial turmoil and real activity

1 Monthly data for world trade in goods are provided by the CPB Netherlands Bureau for Economic Policy Analysis (http://www.cpb.nl/eng/research/sector2/data/trademonitor.html).

Chart A World trade volumes in goods

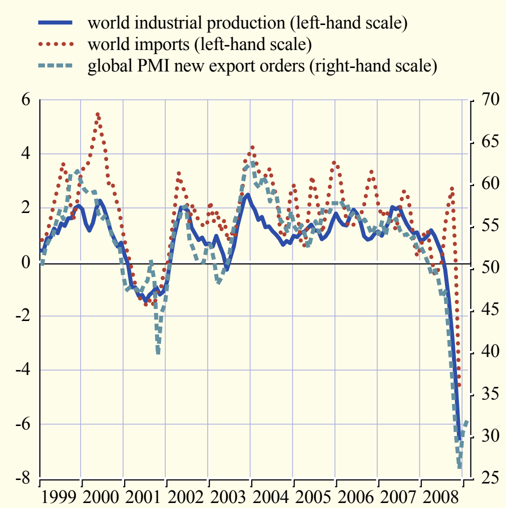
(index 2005 = 100; monthly data)



Source: CPB.

Chart B World import volumes, world industrial production and global PMI new orders

(index; percentage changes)



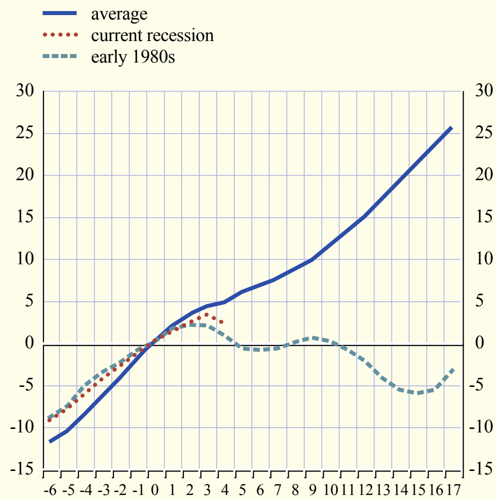
Sources: CPB, World Bank and ECB calculations.
Note: Figures for world industrial production and world import volumes refer to three-month-on-three-month percentage changes.

led to a sharp decline in world trade. The impact of the financial turmoil on wealth and confidence, together with the associated high level of uncertainty, prompted firms and households to reduce or postpone expenditures, as shown, for instance, by the sharp fall in the global manufacturing PMI new orders index. The decline in demand for capital and consumer goods – especially durable goods – which have a relatively high import content, caused world output and trade to plummet in the final months of 2008 (Chart B).

The difficulties surrounding access to trade credit have exacerbated the trade downturn. While the evidence relating to problems in trade financing remains somewhat anecdotal, it would seem that the cost of trade financing has risen across the globe and that the volume of trade credit provided by banks has fallen, especially in emerging markets (and particularly in Asia).[2]

Chart C Developments in world import volumes during US recessions

(cumulative changes; percentages; four-quarter moving average; quarterly data)



Sources: IMF and ECB calculations; latest data obtained from CPB.
Notes: Quarter "0" refers to the start of the US recession. Average is based on eight US recessions since 1957.

From a historical perspective, the link between the US business cycle and global economic developments remains strong, and US recessions have often been associated with downturns in world trade. Although this relationship does not necessarily imply any causality, it provides a useful benchmark for gauging current developments. Based on data collected since the late 1950s, Chart C shows the average pattern of the change in world import volumes of goods and services during US recessions (with quarter "0" corresponding to the start of the US recession as dated by the National Bureau of Economic Research). In general, US economic recessions have been accompanied by a slowdown in the pace of expansion of world trade (on average, the rate of increase in world trade declines for around eight quarters after the start of a US recession). While the change in world import volumes in the current recession (quarter "0" corresponding to the fourth quarter of 2007) rather closely follows the average pattern up to the third quarter of 2008, the sharp contraction in the fourth quarter of 2008 implies a significant deviation from the average.

Looking at the past US recessions individually, the recession in the early 1980s shows similarities with the current cycle. Both are characterised by significant adverse impacts on consumption, residential investment and imports. In addition, the recession in the early 1980s was associated with difficulties in the banking sector, as is the present cycle. The impacts of that recession on world trade were particularly strong, with trade remaining below its pre-recession levels for the next four years (Chart C). Developments in the current downturn in trade have so far been relatively similar to those in the early 1980s. Therefore, using the latter as a rough benchmark, it seems legitimate to expect some further weakness in world trade for a period of time. Moreover, features particular to the current episode may give rise to downside risks to world trade prospects,

2 See, for instance, "Trade and Development Quarterly", International Trade Department (PRMTR), The World Bank, 17th edition, January 2009. (http://siteresources.worldbank.org/INTRANETTRADE/Resources/239054-1090532971789/Trade_Quarterly_17th_edition_Jan_22_09.pdf)

such as limited access to trade credit or the emergence of global production chains that could intensify the synchronous decline in trade across the globe. However, these risks could be somewhat mitigated by the recent fall in oil prices, as the resulting decline in transportation costs might support a recovery in international trade activity.

Overall, the recent slump in world trade predominantly reflects the synchronised and severe downturn in global demand. Going forward, as policy-makers around the world take action to alleviate restrictions on the supply of credit in general, one might expect some improvement in trade financing over the course of this year. However, with little sign as yet of any material recovery in activity, it is unlikely that either global demand or trade will rebound in the near term, especially if the global economic recovery is driven mainly by fiscal expansion, which typically has a relatively low trade-intensity.

Against this background, the increasing risk of protectionism is a matter of growing concern. The Great Depression provides evidence of the fact that intensifying protectionist measures can delay recovery in world trade and aggravate the length and extent of the downturn worldwide. While the risk of Great Depression-style protectionism remains very limited, other kinds of protectionism (e.g. industrial policy leading to economic nationalism or financial protectionist measures) could prove damaging to world trade and growth. Therefore, it is in the interest of all parts of the world economy to resist any pressure to adopt protectionist measures.

UNITED STATES

In the United States, real GDP increased at a rate of 1.1% in 2008, signalling a marked deceleration compared with the average pace of growth in previous years. While there was positive growth in the first half of the year, intensifying financial market strains, restrictive credit conditions and weaker foreign demand all contributed to an outright contraction in output throughout the second half of 2008. According to preliminary estimates by the US Bureau of Economic Analysis, real GDP contracted by 6.2% in annualised terms in the fourth quarter of 2008, compared with a contraction of 0.5% in the third quarter. Personal consumption and private fixed investment represented major drags on GDP growth. The positive effect of foreign trade, a major contributor to growth in previous quarters, faded towards the end of the year as a sharp economic slowdown across a number of US trading partners weighed on foreign demand and exports.

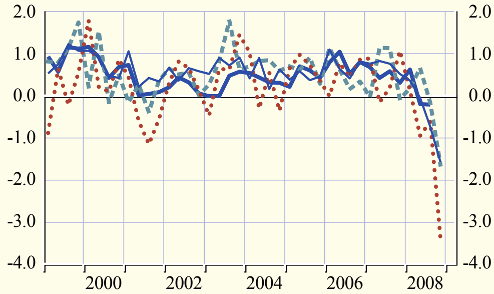
As regards price developments, the average annual rate of change in the CPI for 2008 was 3.8%, up from 2.9% in 2007. Over the past year, headline inflation oscillated within a wider than usual range, reflecting volatility in oil and other commodity prices. Headline inflation fell markedly towards the end of 2008 and declined further to 0.0% in January 2009. This recent disinflation was driven by rapid declines in commodity prices, as well as increasing slack in US product and labour markets owing to the deepening economic downturn. Excluding food and energy, annual CPI inflation slowed to 1.7% in January 2009, down from an average of 2.3% in 2008.

Looking ahead, the outlook for US economic activity remains clouded by the ongoing financial market turmoil and its negative impact on the real economy. The resulting declines in household wealth, restricted credit availability and a downward adjustment in expectations about future economic conditions are likely to restrain household and business spending in the period ahead. The need to correct previous imbalances and repair balance sheets is likely to come about through further deleveraging by financial institutions and the reduction of households' debt burden to more

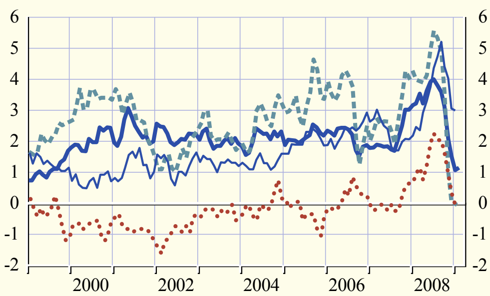
Chart 2 Main developments in major industrialised economies

euro area
United States
Japan
United Kingdom

Output growth [1]
(quarter-on-quarter percentage changes; quarterly data)



Inflation rates [2]
(consumer prices; annual percentage changes; monthly data)



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.

sustainable levels. Against this background, a sizeable policy stimulus package should provide some support to economic activity in coming quarters. As regards price developments, inflation is likely to remain at low levels owing to a sizeable output gap and base effects related to past developments in commodity prices.

On 28 January 2009 the US Federal Open Market Committee (FOMC) decided to keep the target for the federal funds rate unchanged at a range of 0% to 0.25%. With the policy rate being so close to its zero lower bound, the Federal Reserve has used non-conventional policies in order to support the functioning of financial markets and stimulate the economy.

JAPAN

In Japan, the recession has deepened further over the past quarter, reflecting the strong downturn in external demand and weakening domestic demand. According to the first preliminary estimate by Japan's Cabinet Office, real GDP declined by 3.3% quarter on quarter in the fourth quarter of 2008. This was the third consecutive negative quarter and, as a result, GDP growth for the whole year was also negative, at -0.7%. The fourth-quarter contraction was mainly attributable to net exports. Although exports have been the main factor driving Japanese expansion over the past few years, a sharp fall of -13.9% in the fourth quarter resulted in a negative contribution to GDP growth of -3 percentage points. In addition, the fall in corporate investment deepened (-5.3%) and private consumption growth slipped into negative territory (-0.4%).

Consumer price inflation continued to fall in January 2009. Driven by the widening output gap, annual CPI inflation fell to 0.0%, from 0.4% in December. Excluding food and energy, annual CPI inflation turned negative, to -0.2%, in January 2009. For 2008 as a whole, CPI inflation was 1.4%.

Looking ahead, economic activity is expected to remain subdued in the near term, as exports are likely to remain weak owing to contracting external demand, while private consumption is expected to stay low as employment conditions worsen.

After lowering its target for the uncollateralised overnight call rate cumulatively by 40 basis points to 0.1% at its meetings on 31 October and 19 December 2008, the Bank of Japan decided to leave it unchanged at its meeting on 19 February 2009. Instead, the Bank of Japan has begun to use non-conventional monetary policy measures to stimulate the economy.

UNITED KINGDOM

In the United Kingdom, real GDP contracted in recent quarters, while inflation decreased. Real GDP contracted at a quarter-on-quarter rate of 1.5% in the fourth quarter of 2008, with the decline in real GDP being fairly broad based. Investment spending declined rapidly as businesses facing weaker demand and tighter financing conditions cut back on production and employment. The unemployment rate has increased noticeably, reaching 6.3% in the fourth quarter of 2008. Most business and consumer confidence indicators continued to decline in February 2009, remaining far below their long-term averages. The economy is expected to experience a pronounced recession in 2009. The general trend in house prices still points downwards. Annual HICP inflation has been moderating in recent months, standing at 3.0% in January, and it is expected to continue to decline in the coming months. The Bank of England's Monetary Policy Committee decreased its main policy rate by a cumulative 100 basis points on 8 January 2009 and 5 February 2009, to 1%.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries signs of weakening economic activity in recent quarters have been accompanied by decreasing inflation.

In Sweden, quarterly GDP contracted by 2.4% in the fourth quarter of 2008, owing to tighter financial conditions, weaker external demand and increasingly cautious households. These factors are also dampening economic activity in Denmark, where output contracted by 0.4% during the third quarter. Short-term activity indicators point to further weakness of economic activity in both countries. HICP inflation continued to decline in both countries, after reaching a peak in the late summer of last year. In Sweden, HICP inflation fell to 2% in January 2009, whereas in Denmark it eased to 1.7%. On 15 January 2009 Danmarks Nationalbank lowered its main policy rates by 75 basis points to 2.75%. On 9 February Sveriges Riksbank decided to cut its main policy rate by 100 basis points to 1%.

In the largest central and eastern European EU countries, economic activity has weakened noticeably in recent months. In Hungary, the economy contracted by 1% quarter on quarter in the fourth quarter of 2008, following a decline of 0.1% in the third quarter. Real GDP growth decelerated slightly in the third quarter in the Czech Republic and Poland, to 0.9% and 1.2% respectively. Short-term indicators point to a very significant weakening of economic activity in both countries. In Romania, real GDP growth was still strong in the third quarter of 2008, partly driven by good harvests in the agricultural sector, but short-term indicators suggest a marked deceleration in recent months. The growth outlook has worsened markedly over the past few months in all four countries as a result of increased risk aversion towards the region, tighter financing conditions and weakening international trade. Inflation rates have decreased in recent months, reaching 2.4% in Hungary, 1.4% in the Czech Republic and 3.1% in Poland in January 2009. Inflation has also been moderating in Romania, reaching 6.4% in December 2008, followed by an increase to 6.8% in January 2009. The moderation in HICP inflation in these countries in recent months mainly reflected the fading effects of former rises in food and energy prices, as well as weaker economic activity. Higher inflation in January 2009 in Romania was mainly attributable to the recent substantial weakening of the currency, as a weaker leu translates into a simultaneous rise in local prices of items which are traditionally gauged in euro and paid for in leu. All central banks in the region lowered their policy rates in early 2009. On 19 January Magyar Nemzeti Bank decreased its main policy rate by 50 basis points to 9.5%. On 27 January Narodowy Bank Polski decided to lower its key policy interest rate by 75 basis points to 4.25%. On 6 February Česká národní banka decreased its main policy rate by 50 basis points to 1.75%. On 4 February Banca Naţională a României decided to decrease its main policy rate by 25 basis points to 10%.

In the smaller non-euro area EU countries, growth patterns have been mixed in recent quarters. While economic activity in Bulgaria has remained relatively strong, all three Baltic economies are currently experiencing a recession. Available activity and confidence indicators suggest that GDP growth will decelerate also in Bulgaria. Annual HICP has been on a declining trend in all four countries, ranging between 4.7% in Estonia and 9.7% in Latvia in January 2009.

In Russia, real GDP growth moderated in the third quarter of 2008 to 6.2% year on year, from 7.5% in the second quarter. Preliminary data suggest a marked slowdown in the fourth quarter, with a negative quarter-on-quarter growth rate. Continued tensions in the financial sector and a significant retrenchment in net capital inflows are expected to further dampen economic activity. Consumer price inflation, at 13.4% year on year in January 2009, has declined only to a limited extent from its peak of around 15% observed in mid-2008.

EMERGING ASIA

In emerging Asia, economic activity decelerated sharply in the fourth quarter of 2008. The small open economies in particular were hit very hard by the rapid decline in world trade. Domestic private consumption has been weak in several countries owing to a drop in consumer confidence, increasing unemployment, tight financing conditions and a sluggish property market. In addition, weak export prospects have contributed to slower investment growth. Consumer price inflation has declined to relatively low levels in most countries, thereby giving central banks scope to loosen monetary policy.

In China, growth slowed considerably in the final months of 2008. Real GDP grew at an annual rate of 6.8% in the last quarter of 2008, a considerable drop from 9% in the previous quarter. While the available indicators suggest that private consumption has remained relatively resilient so far, real investment growth has slowed down, owing mainly to a decline in construction activities. Exports declined by 4% year on year in the last quarter of 2008. The trade surplus, however, continued to grow as imports decreased even further on account of factors such as lower raw material prices, the high import content of exports and weakening domestic demand. As a result, the trade surplus increased to USD 114 billion in the last quarter of 2008, 50% higher than in the same quarter of the previous year. Consumer price inflation has declined sharply, and in January 2009 consumer prices were only 1% higher than a year earlier. Inflation figures are expected to turn negative in the coming months, also owing to base effects. The Chinese authorities have launched a wide range of policy measures to sustain economic growth. The loosened monetary policy and the fiscal package announced in November are already reflected in rapid credit growth. In January 2009 the loan stock was 21.3% higher than a year earlier, as compared with an annual rise of 14.6% in November.

In Korea, real GDP contracted at an annual rate of -3.4% in the last quarter of 2008. Annual CPI inflation moderated to 3.7% in January, from 4.1% the month before, mainly owing to lower commodity prices. In India, economic activity slowed, with GDP growing by 5.3% year on year in the fourth quarter, down from 7.6% in the third quarter. Wholesale price inflation, the Reserve Bank of India's main inflation measure, decreased rapidly from a peak of 12.5% in July 2008 to 4.4% in January 2009.

Overall, the Asian emerging economies are decelerating considerably because of the collapse in external demand and a number of factors hampering domestic demand. The larger and less open economies are expected to be less severely affected, in relative terms, by the global economic downturn. Looking ahead, relatively low activity is expected for the region as a whole, although fiscal and monetary measures are likely to provide some stimulus to economic growth.

LATIN AMERICA

In Latin America, the pace of economic activity slowed down sharply in the fourth quarter of 2008, while inflationary pressures remained somewhat elevated. In Mexico, annual real GDP growth was -1.6% in the fourth quarter of 2008, after 1.7% in the third quarter. Annual price inflation averaged 6.2% in the fourth quarter, up from 5.5% in the third quarter of 2008. In Argentina, economic activity contracted by 0.3% in the fourth quarter of 2008 compared with the third quarter, but still grew by 4.4% compared with a year earlier. Annual CPI inflation averaged 7.8% in the final quarter of 2008, down from 8.9% in the third quarter. In Brazil, high frequency indicators suggest that growth in both domestic and external demand fell in the fourth quarter, with retail sales increasing on average by 6.1% (year on year) in the final quarter of 2008, down from 9.9% in the third quarter. Industrial production in turn fell by 6.6% in the fourth quarter, after increasing by 6.8% in the third quarter.

Overall, output growth is expected to remain weak owing to the collapse in external demand, low commodity prices and tight financing conditions, despite the fact that several central banks in the region have lowered the policy rate and taken a range of measures to improve liquidity conditions in their domestic economy.

1.2 COMMODITY MARKETS

Oil prices have broadly stabilised over the last three months amid a reduction in volatility. Prices stood at USD 43.8 per barrel on 3 March 2009, around 18% lower than at end-November 2008 (in euro terms, the decrease was around 17%). Over the medium term, market participants still expect higher prices, with futures for December 2010 trading at around USD 55.

On the demand side, the global economic slowdown is adversely affecting demand prospects in both OECD and developing economies. The International Energy Agency has again slashed its oil demand projections for 2009 by an additional 0.5 million barrels per day, implying the largest demand contraction since 1982. On the supply side, OPEC members have shown their commitment to the cuts agreed in December, with a supply contraction of nearly 1 million barrels per day in January 2009. This has more than offset the downward revisions to demand and seems to have thereby supported prices.

Chart 3 Main developments in commodity markets

Sources: Bloomberg and HWWI.

Prices of non-energy commodities also stabilised somewhat. Metal prices remained weak amid concerns about the magnitude of the global economic downturn, but showed some signs of stabilising. Movements in food commodity prices were mixed, recovering in early January owing to adverse weather conditions in South America, which affected crop prospects. Towards the end of February the price index for non-energy commodities (denominated in US dollars) was, in aggregate terms, approximately 3% lower than at the end of November 2008.

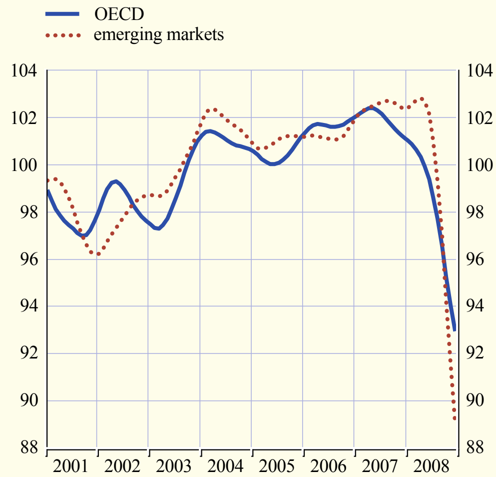
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

In view of the global economic downturn and the associated sharp decline in global trade, the outlook for euro area foreign demand remains gloomy. A disquieting element of the synchronised fall in world trade in the fourth quarter concerns the double-digit declines in the trade of countries in emerging Asia. This was largely driven by the synchronised drop in global industrial production, but the speed of deterioration increased after the failure of Lehman Brothers, which had a rapid adverse impact on global confidence. As regards the outlook for economic activity, the OECD composite leading indicator (CLI) for December was at its lowest level since the oil price shocks of the 1970s, confirming the sharp deterioration in the economic outlook for all major industrialised economies and major non-OECD economies such as China, India and Russia (see Chart 4). The unfavourable global economic situation is broadly borne out by evidence from the February Ifo World Economic Climate indicator, which recorded a further decline to new historical lows. However, the component of the indicator tracking expectations for the six-month period ahead has improved slightly.

Global economic prospects remain subject to exceptionally high uncertainty, but the overall balance of risks to global activity now appears to be more balanced. On the one hand, there may be stronger than anticipated positive effects, including on confidence, stemming from the extensive macroeconomic stimulus under way and reflecting other policy measures taken. On the other hand, concerns relate mainly to the potential for the turmoil in financial markets to have a stronger impact on the real economy, as well as to the emergence and intensification of protectionist pressures and to possible adverse developments in the world economy resulting from a disorderly correction of global imbalances.

Chart 4 OECD composite leading indicator

(monthly data; amplitude-adjusted)



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

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

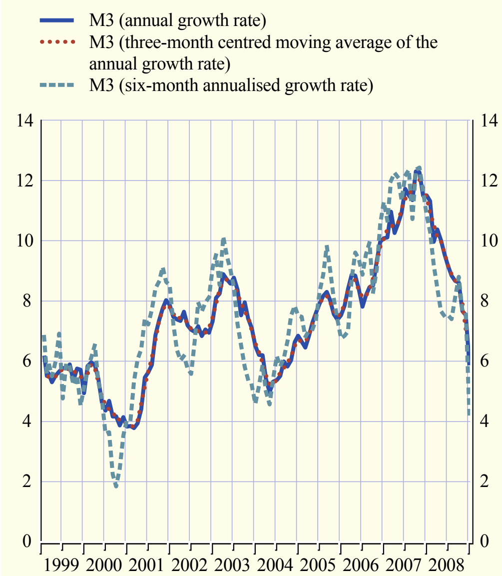
The latest monetary data confirm the deceleration in M3 dynamics and support the view that inflationary pressures are diminishing. Specific items on the MFI balance sheet continue to be strongly affected by the intensification of the financial market turmoil, with significant shifts being observed, for instance, between M1 and other components of M3. At the same time, the flow of loans to the non-financial private sector remains subdued. However, looking beyond the year-end effect, with flows being negative in December before turning positive again in January, recent data do not point to bank lending suddenly ceasing to be available. At the same time, banks' deleveraging seems to be continuing mainly via external assets.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 declined significantly further in January 2009, standing at 5.9% in that month, down from 8.1% in the fourth quarter of 2008 and 9.0% in the third quarter (see Chart 5). The deceleration observed in recent quarters in the annual growth of broad money and credit aggregates reflects tighter financing conditions and slower economic growth.

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The decline in short-term growth rates was even stronger, with the six-month annualised rate of growth reaching 4.2% in January, the lowest level since the beginning of 2001. This reflected a month-on-month growth rate of -0.8% in January. This month-on-month figure should be interpreted with caution, however, given the possible impact of accounting considerations relating to the turn of the year.

The increased stress observed in the financial system since mid-September has had a visible impact on several components and counterparts of M3. For instance, it should be recognised that portfolio shifts into liquid assets covered by a government guarantee and out of marketable instruments not subject to such a guarantee had an upward effect on the deposit holdings of households in the fourth quarter of 2008. This was outweighed by a significant decline in the M3 holdings of non-financial corporations and non-monetary financial intermediaries, probably linked to the deterioration in the economic situation and outlook.

MAIN COMPONENTS OF M3

The shifts observed in the components of M3 in the fourth quarter of 2008 continued in January 2009. The sustained deceleration observed in annual M3 growth in the fourth quarter of 2008 and January 2009 was driven mainly by declines in the contributions of marketable instruments (i.e. M3-M2) and short-term deposits other than overnight deposits (i.e. M2-M1), while the contribution of M1 increased (see Table 1).

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3[1)]	Annual growth rates					
		2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 Dec.	2009 Jan.
M1	**43.6**	**3.8**	**2.3**	**0.6**	**2.7**	**3.3**	**5.2**
Currency in circulation	7.6	7.8	7.8	7.5	12.4	13.4	13.7
Overnight deposits	36.0	3.0	1.2	-0.7	0.8	1.4	3.6
M2 - M1 (= other short-term deposits)	42.4	18.4	19.3	18.9	15.7	13.6	9.7
Deposits with an agreed maturity of up to two years	25.4	41.4	40.4	37.6	29.1	23.3	14.3
Deposits redeemable at notice of up to three months	17.0	-3.3	-2.3	-2.0	-0.8	1.0	3.7
M2	**86.0**	**10.3**	**10.0**	**9.1**	**8.9**	**8.2**	**7.4**
M3 - M2 (= marketable instruments)	14.0	16.3	10.3	8.9	4.1	3.7	-2.4
M3	**100.0**	**11.2**	**10.1**	**9.0**	**8.1**	**7.5**	**5.9**
Credit to euro area residents		**10.0**	**9.6**	**9.1**	**7.3**	**6.2**	**6.0**
Credit to general government		-2.5	-1.2	0.6	1.7	3.1	5.2
Loans to general government		-0.9	0.8	2.2	2.9	1.3	2.4
Credit to the private sector		12.7	11.9	10.8	8.4	6.8	6.1
Loans to the private sector		11.1	10.5	9.1	7.3	5.8	5.0
Loans to the private sector adjusted for sales and securitisation		12.0	11.5	10.2	8.6	7.3	6.7
Longer-term financial liabilities (excluding capital and reserves)		**6.8**	**4.5**	**3.3**	**1.0**	**-0.5**	**0.4**

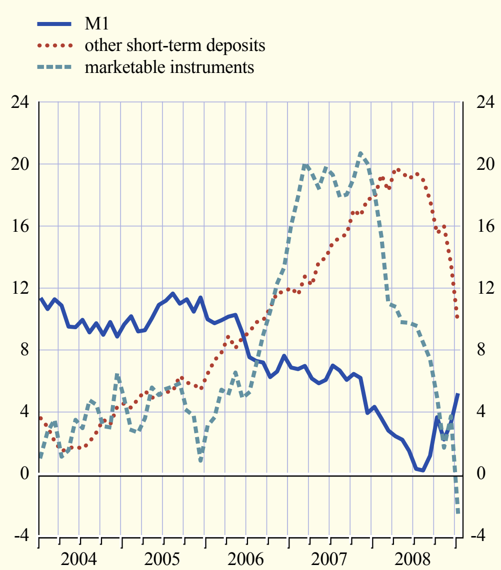
Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.

In the fourth quarter of 2008 the annual growth rate of M1 increased to 2.7%, up from 0.6% in the third quarter. In January 2009 it increased further to 5.2% (see Chart 6). The stronger growth observed for M1 in the fourth quarter reflected developments in both components. The annual rate of growth of currency in circulation remained elevated at 13.7% in January, following an increase to 12.4% in the fourth quarter of 2008, up from 7.5% in the previous quarter. September and October saw exceptional demand for currency, part of which is likely to have stemmed from non-residents. At the same time, the annual growth rate of overnight deposits rose to 3.6% in January, up from 0.8% in the fourth quarter and -0.7% in the third quarter. The stronger demand observed for overnight deposits was supported by the declines in the opportunity costs of holding them, which led to shifts from short-term deposits into overnight deposits. Moreover, the deterioration in consumer confidence and the increasing earnings yield mean that investors tend now to have a stronger preference for liquidity. In such a situation, overnight deposits may be used to park funds on a temporary basis when transferring them between other asset classes. However, it should be borne in mind that the year-end effect may have increased the volatility of the growth rate of overnight deposits.

Short-term deposits other than overnight deposits remained the largest contributor to annual M3 growth. However, the annual growth rate of these deposits declined further to stand at 9.7% in January, down from 15.7% in the fourth quarter and 18.9% in the third quarter. These developments largely reflect a decline in the annual growth rate of demand for deposits with an agreed maturity of up to two years (i.e. short-term time deposits), which fell to 14.3% in January, down from 29.1% in the fourth quarter and 37.6% in the third quarter. By contrast, holdings of deposits redeemable at notice of up to three months (i.e. short-term savings deposits) grew at an annual rate of 3.7% in January, up from -0.8% in the fourth quarter and -2.0% in the third quarter.

Chart 6 Main components of M3

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



Source: ECB.

The divergent developments observed for the various types of short-term deposit presumably reflect the increased stress in the financial system, as well as remuneration considerations. According to data on interest rates available up to December, the remuneration of short-term time deposits fell considerably in November and December and the spreads vis-à-vis the interest rates paid on overnight deposits and short-term savings deposits narrowed significantly.

The annual growth rate of marketable instruments included in M3 continued to decline in January, falling to -2.4%, down from 4.1% and 8.9% in the fourth and third quarters respectively. This was a result of the marked declines observed in the annual growth rates of debt securities with a maturity of up to two years and repurchase agreements. By contrast, the growth rate of money market fund shares/units, the largest sub-component, remained basically unchanged when looking at quarterly averages. However, this conceals volatile monthly flows into and out of this instrument. Indeed, significant outflows were recorded for money market fund shares/units in September and October in the aftermath of Lehman Brothers' default. This reflected investors' concerns regarding the quality of some of the assets in money market funds' portfolios and thus the capital certainty of their investments. Between November and January, despite the fact that the enhanced deposit guarantee schemes announced did not include this instrument, inflows were again recorded for such funds. This suggests that euro area residents' temporary fears regarding the quality of this instrument have been fading away.

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 – fell to 9.2% in the fourth quarter, down from 10.2% in the third quarter. This moderation continued in January, with the annual growth rate falling to 7.4% in that month, down from 8.3% in December.

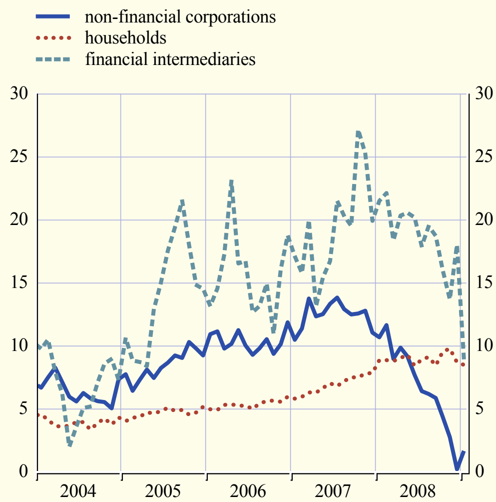
The annual growth rate of households' M3 deposits, which make the largest contribution to total M3 deposit growth, increased to 9.5% in the fourth quarter of 2008, up from 9.0% in the third quarter. However, looking at monthly figures, the annual growth rate of households' M3 deposit holdings declined in January to stand at 8.7%, down from 8.9% in December (see Chart 7).

The annual growth rate of M3 deposits held by non-financial corporations declined further to reach 3.5% in the fourth quarter of 2008 (down from 6.7% in the previous quarter). Looking at monthly figures, however, it increased again in January to stand at 1.9% in that month, up from 0.4% in December. Looking beyond those monthly developments, the deceleration observed in the accumulation of liquid holdings is likely to reflect the continued moderation seen in the earnings growth of non-financial corporations. However, this may also be related to the deteriorating financing conditions, which may have led firms – mainly smaller companies – to use retained earnings and deposit holdings in order to finance fixed investment and working capital, rather than having recourse to potentially less easily accessible bank loans.

The annual growth rate of M3 deposits held by non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs) decreased both in the fourth quarter of 2008 and in January 2009. Despite this moderation, the annual growth rate of the M3 deposits of this sector remains significantly stronger than those observed in other sectors, probably reflecting investment funds' increased need to maintain cash buffers in order to prepare for possible redemptions in the current market environment. At the same time, developments in December and January may also reflect accounting considerations relating to the turn of the year.

Chart 7 Short-term deposits and repurchase agreements

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



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

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents continued to decline in the fourth quarter of 2008, falling to 7.3%, down from 9.1% in the third quarter, before decreasing further to stand at 6.0% in January 2009 (see Table 1). This reflected the significant deceleration observed for MFI credit to the private sector, which was partly offset by a marked increase in credit extended to general government.

The annual growth rate of MFI credit to general government rose to 1.7% in the fourth quarter, up from 0.6% in the third quarter. It then increased further to stand at 5.2% in January. These increases mainly reflect the robust inflows observed for the MFI sector's holdings of government securities between November and January, following outflows in September and October.

The annual growth rate of MFI credit to the private sector continued to decline in the fourth quarter of 2008, falling to 8.4%, down from 10.8% in the third quarter, before declining further to stand at 6.1% in January. This decline reflects developments in all sub-components. The annual growth rate of MFIs' holdings of private sector securities other than shares declined from 36.6% in the third quarter to 30.6% in the fourth quarter, before falling further to stand at 29.8% in January. This decline is mainly due to a base effect that conceals significant inflows in the final months of 2008 – when MFIs purchased securities issued by non-monetary financial intermediaries other than insurance corporations and pension funds – and a weak monthly inflow in January.

The annual growth rate of MFIs' holdings of shares and other equity declined from 6.0% in the third quarter of 2008 to -1.2% in the fourth quarter, before falling further to stand at -7.2% in January. This significant decline in MFIs' holdings of such instruments is probably related to banks' need to deleverage as a result of the mounting pressures on their balance sheets given the intensification of the financial market tensions. Hence, MFIs' ability to reduce their holdings of securities has meant that the growth rate of bank loans to the private sector has not fallen as strongly as would otherwise have been the case given the impact that the rising financial tensions have had on banks' funding conditions.

The annual growth rate of MFI loans to the private sector – the largest component of credit to the private sector – continued to decline, falling to 7.3% in the fourth quarter of 2008, down from 9.1% in the third quarter, before declining further to stand at 5.0% in January (see Table 1). The level of loan growth is being distorted downwards by the impact of true-sale securitisation, which has been very strong in recent months. Correcting for this effect, the annual growth rate of loans to the private sector was 6.7% in January, more than 1½ percentage points higher than the unadjusted figure.

The recent decline in the annual growth rate of loans to the private sector has been broadly based across borrowing sectors. For non-monetary financial intermediaries other than insurance corporations and pension funds, this growth rate fell to 14.3% in the fourth quarter of 2008, down from 22.1% in the third quarter, and stood at 7.7% in January. This may, in part, be related to the overall decline in financial intermediation, which may be affecting non-monetary financial intermediaries more than banks.

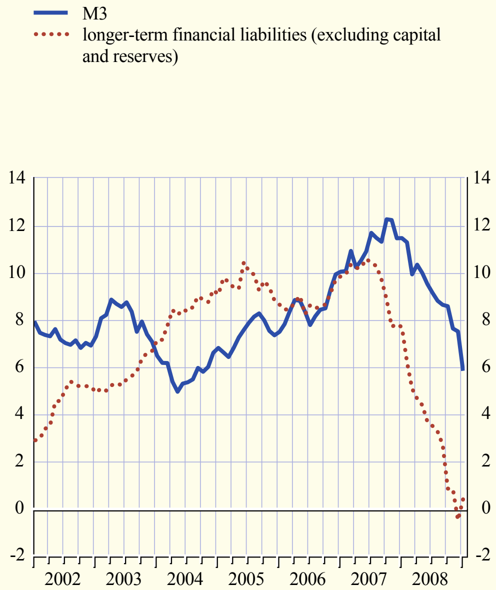
The annual growth rate of loans to non-financial corporations fell to 11.3% in the fourth quarter, down from 12.8% in the third quarter, before declining further to stand at 8.8% in January. However, the three-month annualised growth rate, an indication of short-term dynamics, declined more sharply to stand at around 4% in December and 3% in January, down from 10% in September. At the same time, while the loan flow was negative in December, it turned positive again in January. Looking beyond the developments around the turn of the year provides confirmation that loan flows have declined, but does not suggest that bank loans suddenly ceased to be available following the intensification of the financial turmoil in mid-September. In this respect, the decline in loan flows to non-financial corporations is primarily associated with the deteriorating economic outlook in the euro area. That worsening outlook is leading firms to demand fewer loans, but is also influencing credit institutions' assessment of borrowers' risk profiles and hence the credit conditions they are offering. The annual growth rate of loans to households stood at 2.9% in the fourth quarter and 1.2% in January, down from 4.0% in the third quarter (see Sections 2.6 and 2.7 for more details on sectoral loan developments).

Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) has fallen further in recent quarters (see Chart 8), reaching 1.0% in the fourth quarter and 0.4% in January, down from 3.3% in the third quarter. This decline reflects the slower growth of both deposits with an agreed maturity of over two years and debt securities with a maturity of over two years. In particular, the intensification of the financial market tensions may have encouraged shifts from long-term deposits into more liquid shorter-term deposits and made the private sector reluctant to hold debt securities issued by MFIs. However, in January a large flow was recorded into debt securities with a maturity of over two years, indicating that it may now be less difficult to obtain funding through this source from outside the MFI sector, probably owing to government guarantees for some of the securities in question.

The annual growth rate of capital and reserves increased in both the fourth quarter of 2008 and January 2009, with the quarterly average flow standing at its highest level since 2004, reflecting, to varying degrees, the public and private capital injections observed for credit institutions in the past few months.

Chart 8 M3 and MFI longer-term financial liabilities

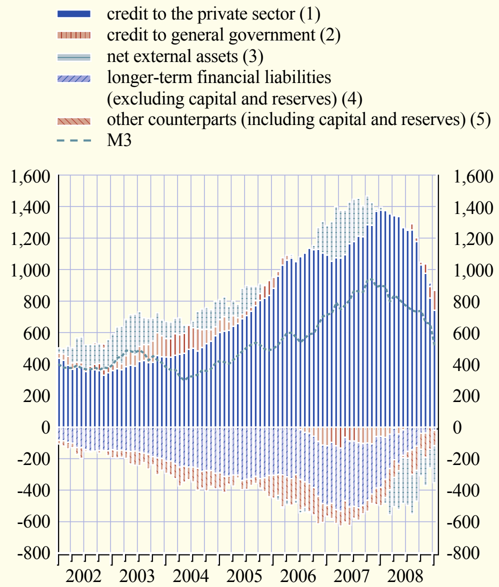
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 9 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.

Finally, MFIs' net external asset position recorded a significant monthly outflow of €117 billion in January, following five months of inflows. This reflects the fact that external assets continued to decrease in that month, while external liabilities increased. As a result of this net monthly outflow, the annual outflow in MFIs' net external asset position increased to €235 billion in January, up from €119 billion in December (see Chart 9). The developments in external assets support the view that the MFI sector's business activities with non-euro area residents are declining, thereby contributing to the deleveraging of credit institutions.

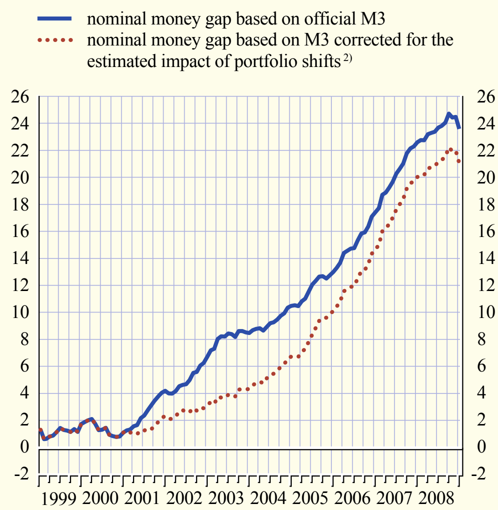
To sum up, there is no clear evidence to date that supply constraints have cut off access to credit. However, the possibility that supply factors will play a more important role in the future – as suggested, for instance, by the recent tightening of credit standards owing to banks' funding conditions – cannot be ruled out.

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

On the basis of developments in the nominal money gap, the accumulation of monetary liquidity in the euro area began to decrease slightly in the fourth quarter of 2008 and continued to decline in January 2009. At the same time, the real money gap increased further in the fourth quarter of 2008, but showed signs of a decline in January (see Charts 10 and 11). 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. 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

Chart 10 Estimates of the nominal money gap[1]

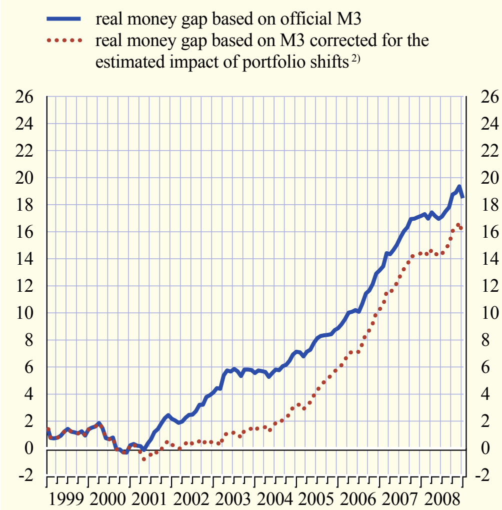
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



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 11 Estimates of the real money gap[1]

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



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.

notwithstanding, the evidence points, overall, to a clear accumulation of monetary liquidity in recent years.

Summing up, the most recent data confirm the decline in the growth rate of monetary expansion in the euro area and suggest that this trend may have strengthened around the turn of the year. Monetary trends therefore support the view that inflationary pressures are diminishing. In the shorter term, the accumulated monetary liquidity is currently unlikely to be used for excessive spending, thereby giving rise to inflationary pressures. Over longer horizons, however, risks to price stability will depend on the extent to which the accumulated liquidity is absorbed by a deleveraging process. However, more data are required in order to assess whether the stronger moderation observed recently in monetary expansion or the reduction seen in loan flows mark a watershed in money and credit developments following the intensification of the financial turmoil in mid-September.

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

In the third quarter of 2008 the annual growth rate of total financial investment by the non-financial sectors decreased further. This decline masks divergent developments in the household, non-financial corporate and government sectors. Annual outflows from investment funds increased strongly in the third quarter, driven by sizeable withdrawals, mainly from equity funds. The annual growth rate of financial investment by insurance corporations and pension funds remained basically unchanged in the third quarter of 2008.

NON-FINANCIAL SECTORS

In the third quarter of 2008 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors moderated further, standing at 3.2%, down from 3.4% in the previous quarter (see Table 2). This moderation masks divergent dynamics for the various investment instruments, namely increases in the growth rates of both debt securities and currency and deposits, and decreases in the growth rates of insurance technical reserves and "other" financial instruments (which includes items such as derivatives and trade credit). At the same time, the annual growth rates of both mutual fund shares and shares and other equity remained basically unchanged.

The moderation observed in the growth rate of total financial investment in the third quarter of 2008 also masks divergent developments across the various sectors (see Chart 12). The annual growth rate of financial investment by general government increased slightly, although it remained close to zero. In contrast, the annual growth rate of financial investment by non-financial corporations decreased further (although by less than in previous quarters) to stand at 4.1%, while the annual growth rate of financial investment by households also continued to decline, standing at 2.9%. Both

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

	Outstanding amount as a percentage of financial assets[1]	Annual growth rates									
		2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
Financial investment	**100**	**5.0**	**4.8**	**4.9**	**5.0**	**5.3**	**5.0**	**4.6**	**4.1**	**3.4**	**3.2**
Currency and deposits	24	6.4	7.1	6.9	7.3	7.9	7.3	6.8	6.6	5.5	5.7
Debt securities, excluding financial derivatives	6	2.0	4.3	6.7	5.5	4.1	2.9	3.4	2.4	1.0	1.4
of which: short-term	1	4.6	7.4	17.8	14.0	15.9	27.5	33.1	26.0	6.7	-3.9
of which: long-term	5	1.8	4.0	5.8	4.6	3.0	0.5	0.7	0.0	0.4	2.0
Shares and other equity, excluding mutual fund shares	30	3.0	2.2	2.0	2.1	2.4	2.9	3.3	3.6	3.5	3.4
of which: quoted shares	7	-0.1	0.6	-0.2	1.0	1.6	1.8	3.1	3.8	4.2	4.9
of which: unquoted shares and other equity	22	4.1	2.8	2.8	2.6	2.7	3.4	3.3	3.5	3.3	2.8
Mutual fund shares	6	2.2	0.3	-0.1	0.3	0.4	-1.7	-3.5	-4.9	-6.3	-6.2
Insurance technical reserves	16	7.4	7.2	6.6	6.3	6.2	5.9	5.5	5.1	4.9	4.6
Other[2]	19	6.9	6.8	7.5	8.5	8.6	8.7	6.9	5.0	3.8	2.5
M3[3]		8.4	8.5	10.0	11.0	10.9	11.4	11.5	10.0	9.6	8.7

Source: ECB.
1) As at the end of the last quarter available. Figures may not add up due to rounding.
2) Other financial assets comprise loans, financial derivatives and other accounts receivable, which in turn include 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.

annual growth rates were at their lowest level since the start of Stage Three of EMU. For more detailed information concerning developments in financial investment by the private sector, see Sections 2.6 and 2.7.

INSTITUTIONAL INVESTORS

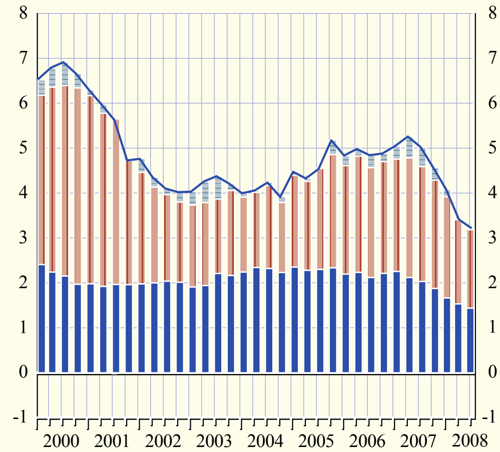
The value of the total assets of euro area investment funds (excluding money market funds) continued to decline strongly in the third quarter of 2008, falling by 20.0% year on year (compared with a decline of 16.3% year on year in the second quarter). That year-on-year decline resulted mainly from a decline in the value of investment funds' holdings of shares and other equity, but also, albeit to a lesser extent, from a fall in the value of their holdings of shares in investment funds. Data on transactions point to net annual outflows from investment funds, but also suggest that most of the year-on-year decline observed in the total value of investment funds' assets in the third quarter of 2008 can be ascribed to valuation effects.

Data provided by EFAMA[1] for the net sales of different types of investment fund in the third quarter of 2008 point to a continuation of the large net annual outflows observed from bond funds and equity funds. However, in the case of bond funds, the outflows were slightly smaller than in the previous quarter (see Chart 13). Marginal outflows were recorded for mixed/balanced funds in the third quarter, following significant inflows in the first quarter of that year. The annual inflow for money market funds increased slightly by comparison with the previous quarter. Overall, these recent developments imply that the unwinding of the relatively strong inflows observed for investment funds in 2005 and 2006 continued in 2008.

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area remained basically unchanged at 4.5% in the third quarter

Chart 12 Financial investment of non-financial sectors

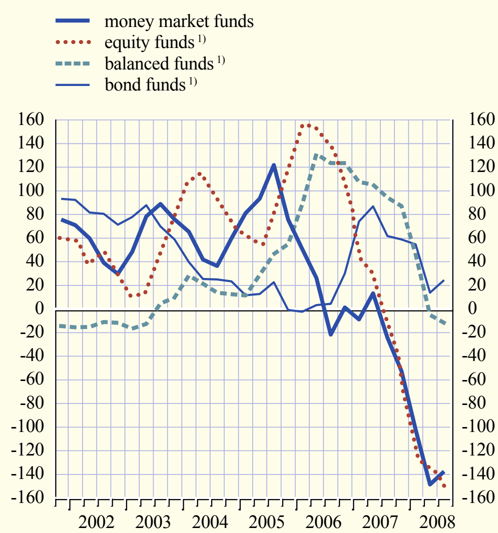
(annual percentage changes; contributions in percentage points)



Source: ECB.

Chart 13 Net annual flows into investment funds (by category)

(EUR billions)



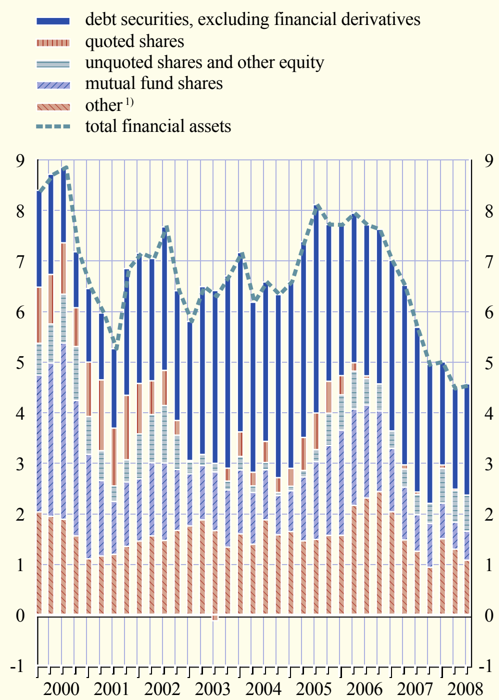
Sources: ECB and EFAMA.
1) ECB calculations based on national data provided by EFAMA.

1 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity 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.

of 2008 (see Chart 14). However, this conceals divergent dynamics for the various investment instruments. The contributions of debt securities, unquoted shares and other equity and mutual fund shares increased, while those of quoted shares and "other" financial investment decreased. Overall, these figures confirm the weakening growth of financial investment by insurance corporations and pension funds in line with declining investment in insurance and pension products by the non-financial sector.

Chart 14 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)



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

2.3 MONEY MARKET INTEREST RATES

Over the last three months money market rates have continued to decline substantially from the peaks observed in the early part of the fourth quarter of 2008 following the intensification and broadening of the financial turmoil in the wake of the collapse of Lehman Brothers in September. More specifically, both secured and unsecured market rates have fallen sharply across all maturities, in line with expectations of lower key ECB interest rates and in view of governments' sizeable financial rescue packages. Overall, the money market yield curve has remained flat since December 2008. At the same time, the spread between secured and unsecured market rates has gradually declined, but remains at a relatively elevated level. The liquidity management of the Eurosystem contributed to a smooth turn of the year in the financial markets.

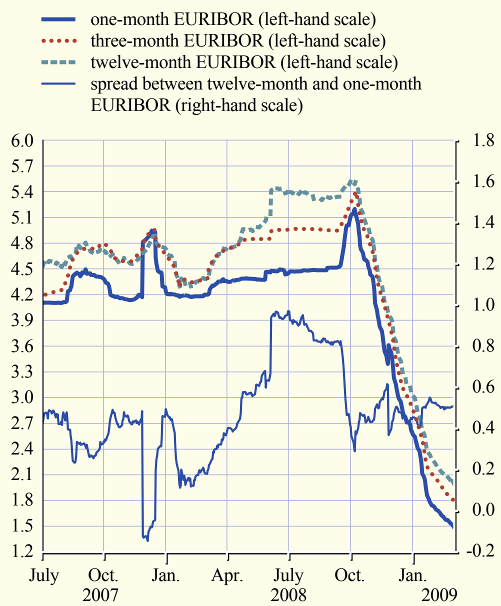
Unsecured money market interest rates continued to decline across all maturities in the first two months of 2009. The pace of this decline, which began in mid-October, was relatively constant throughout this period. This development is consistent with and largely reflects market expectations of further cuts in key ECB interest rates in the coming months. On 4 March 2009 the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 1.48%, 1.78%, 1.88% and 1.99% respectively, i.e. 175, 179, 174 and 171 basis points lower than the levels observed on 5 December 2008 (see Chart 15).

The spread between the twelve-month and one-month EURIBOR rates stood at 52 basis points on 4 March, compared with 47 basis points in early December (see Chart 15). Overall, the slope of the money market yield curve has remained broadly stable since December.

The spread between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) has gradually decreased since December. At the three-month maturity, that spread stood at 91 basis points on 4 March, a sharp decline by comparison with the 184 basis points seen when it peaked at the end of October. Nevertheless,

Chart 15 Money market interest rates

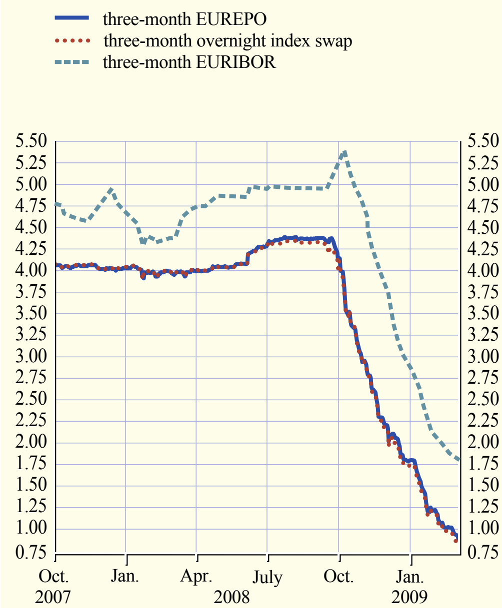
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 16 Three-month EUREPO, EURIBOR and overnight index swap

(percentages per annum; daily data)



Sources: ECB, Bloomberg and Reuters.

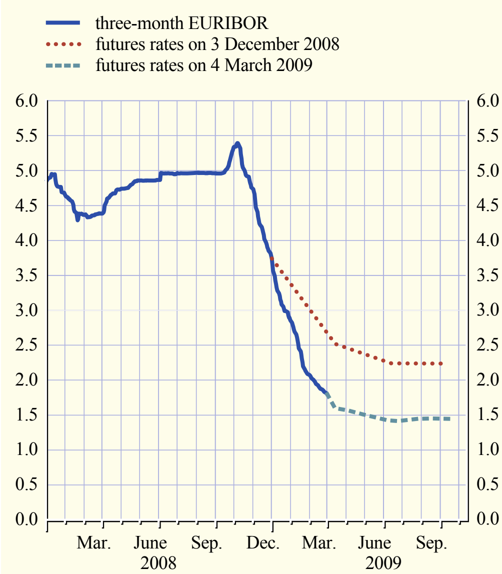
it remains significantly higher than the 59 basis points observed on 3 September 2008 and, indeed, exceeds the levels observed earlier in this period of financial turmoil (see Chart 16).

On 4 March the interest rates implied by the prices of three-month EURIBOR futures maturing in March, June and September 2009 stood at 1.595%, 1.415% and 1.450% respectively, representing declines of 108, 102 and 100 basis points by comparison with the levels observed on 5 December (see Chart 17). The implied volatility derived from options on three-month EURIBOR futures remained broadly unchanged overall – albeit with some fluctuations, with peaks observed in mid-January (see Chart 18).

As regards very short-term interest rates, the EONIA has fallen significantly since October 2008. The decline observed in the EONIA since December 2008 largely reflects the Governing Council's

Chart 17 Three-month interest rates and futures rates in the euro area

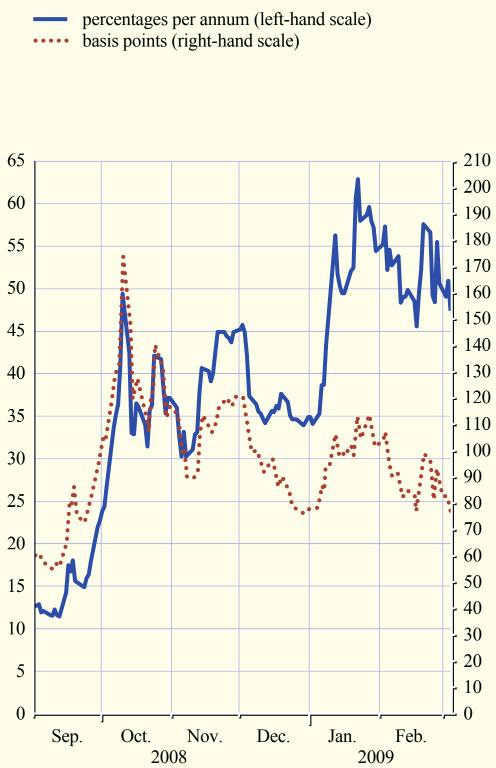
(percentages per annum; daily data)



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

Chart 18 Implied volatility derived from options on three-month EURIBOR futures maturing in March 2009

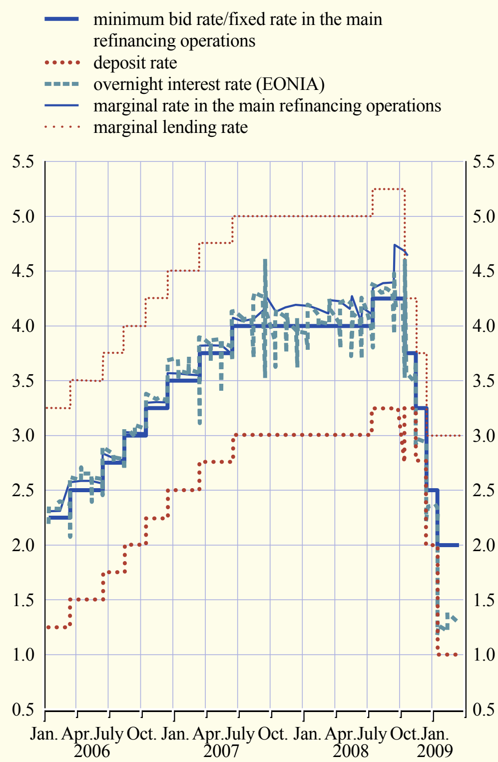
(percentages per annum; basis points; daily data)



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).

Chart 19 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

decision to cut ECB interest rates by 75 basis points on 4 December and 50 basis points on 15 January. It also reflects the provision of abundant amounts of liquidity in the Eurosystem's liquidity operations, especially after the regular weekly main refinancing operations had been switched to fixed rate tender procedures with full allotment as of 15 October. This proved successful in managing in a smooth manner banks' increased need for liquidity towards the end of the year (for more details of these developments and the liquidity operations conducted by the ECB, see Box 2). Moreover, the fact that the corridor around the main refinancing rate was widened again to 200 basis points with effect from 21 January has also contributed to the steep decline observed in the EONIA. Overall, the EONIA stood at 1.283% on 4 March, down from 2.894% on 5 December (see Chart 19).

Box 2

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 12 NOVEMBER 2008 TO 10 FEBRUARY 2009

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 9 December 2008, 20 January 2009 and 10 February 2009. During this period the ECB continued to apply most of the measures introduced in October 2008 in response to the intensification of the financial market turmoil.

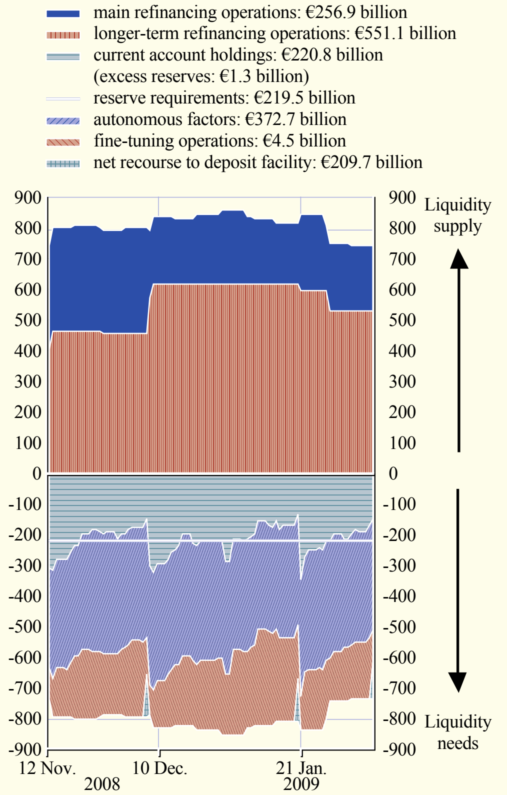
In particular, all refinancing operations in euro and US dollars continued to be conducted with a fixed rate (equal to the ECB's policy rate in the case of operations in euro) and full allotment (i.e. all bids were satisfied). In addition, a broader range of collateral was accepted, on a temporary basis, for Eurosystem open market operations. Until the end of 2009 the expanded list of eligible collateral will include, for example, a number of debt instruments denominated in foreign currency and will be based on a rating threshold of BBB+ instead of A-. In December 2008, in cooperation with other central banks, the ECB extended its provision of US dollars to counterparties through the US Federal Reserve's Term Auction Facility (initially via both repos and swaps) until the end of the first quarter of 2009. The ECB also extended its provision of Swiss francs (via swap operations) until the end of April 2009. Owing to low levels of demand, the US dollar swap operations were discontinued at the end of January 2009, with US dollar refinancing offered only through repo operations thereafter.

In October 2008, when the money market was particularly impaired, the Governing Council of the ECB temporarily reduced the width of the standing facilities corridor around the main policy rate to 100 basis points. In December 2008, seeking primarily to revive the interbank market, the Governing Council decided to widen the corridor again, returning it to 200 basis points as of 21 January 2009.

The euro money market showed some signs of improvement during the period under review. This is evident, for instance, from the steady declines observed in the spreads between unsecured (e.g. EURIBOR) and secured (e.g. EUREPO) lending rates.

Chart A Liquidity needs of the banking system and liquidity supply

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



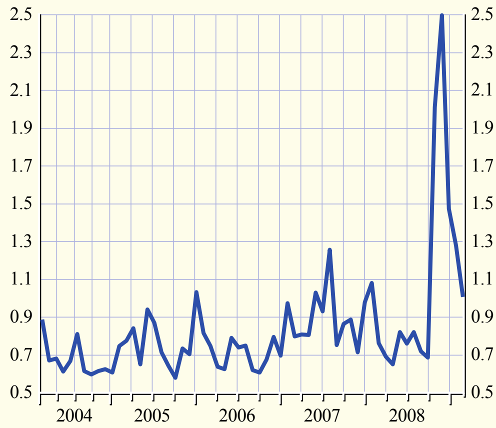
Source: ECB.

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) – were €593.5 billion, an increase of €97.8 billion by comparison with the average for the previous three periods. Between 12 November 2008 and 10 February 2009 average daily liquidity needs resulting from reserve requirements totalled €219.5 billion and those resulting from autonomous factors totalled €372.7 billion (see Chart A). As in previous maintenance periods, autonomous factors also included the euro liquidity effect of the foreign exchange swap operations being conducted in cooperation with other central banks. Average autonomous factors were €93.6 billion higher than in the previous three maintenance periods, mainly reflecting increases in government deposits and banknotes in circulation, while average reserve requirements were €4.7 billion higher and average excess reserves were €0.5 billion lower at €1.3 billion (see Chart B).

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

(EUR billions; average level in each maintenance period)



Source: ECB.

Despite the signs of improvement in the money market, many banks continued to have difficulty obtaining funding in the interbank market during the three reserve maintenance periods under review. As a result, they continued to cover their liquidity needs via Eurosystem refinancing operations. The policy of full allotment led to large amounts of excess liquidity in the banking system at the aggregate level, resulting in significant use of the deposit facility. Average daily net recourse to the deposit facility stood at €220.6 billion during the maintenance periods ending on 9 December 2008 and 20 January 2009, considerably higher than in any other period. In the maintenance period beginning on 21 January 2009, when the standing facilities corridor was widened again, the use of the deposit facility declined somewhat, averaging €173.4 billion per day (see Chart A).

Liquidity supply and interest rates

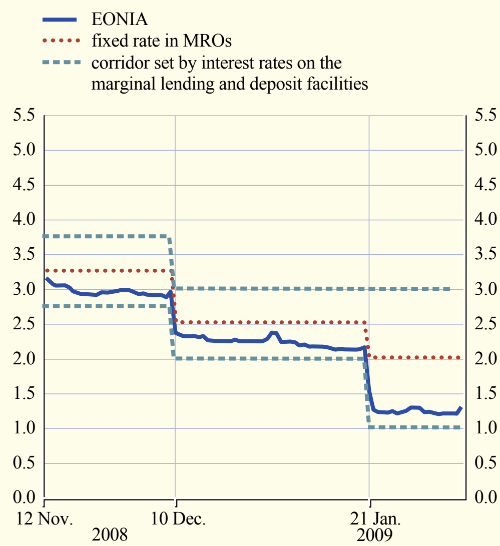
As a result of the exceptional measures adopted in October 2008, the volume of outstanding open market operations continued to rise until early January 2009 and then declined slightly. The total amount of outstanding refinancing peaked at the end of the year, reaching a historic high of €857 billion. In the maintenance period ending on 20 January 2009 main refinancing operations accounted for 25% of total outstanding refinancing, a marked decline from the 40% observed between August and November 2008. Once the standing facilities corridor had been widened again on 21 January 2009, the level of outstanding longer-term refinancing operations decreased somewhat, leaving total outstanding open market operations averaging around €770 billion during the maintenance period ending on 10 February 2009 (see Chart A).

As a result of the significant amounts of liquidity being demanded by counterparties on account of the dysfunctional state of the money market, the EONIA remained between the main refinancing rate (i.e. the policy rate) and the rate on the deposit facility in the three maintenance periods under review (see Chart C). Once the remuneration rate on the deposit facility had been reduced to 100 basis points below the main refinancing rate, the spread between the EONIA and the rate on the deposit facility stabilised at around 20 basis points, in line with the average for the preceding maintenance period.

The EONIA displayed seasonal effects throughout the period under review. It stood at an elevated level on the last day of each month and around the end of the year. It was also higher at the beginning of each maintenance period, as well as on the last day of the maintenance period, when the ECB carried out liquidity-absorbing fine-tuning operations.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

2.4 BOND MARKETS

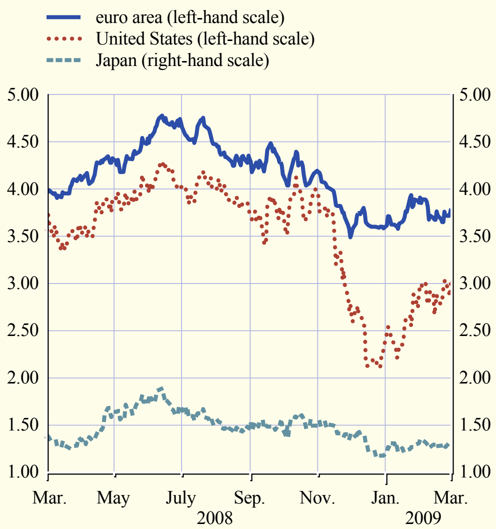
Over the last three months, global bond markets have been highly volatile amid renewed tensions in financial markets and increasing concerns about the global macroeconomic outlook. Compared with their end-November levels, long-term government bond yields in the euro area and in the United States were broadly unchanged, and slightly lower in Japan, but exhibited very strong intra-period swings. Implied market volatility also increased in the major bond markets. The higher level of long-term break-even inflation rates in the euro area, as compared with end-November, mainly reflected a partial normalisation in inflation-linked bond markets. Corporate bond spreads for the euro area declined somewhat, but remained at very high levels by historical standards, reflecting the ongoing re-appraisal of credit risk.

Between the end of November 2008 and 4 March 2009, the level of ten-year government bond yields in the euro area rose slightly to around 3.8%, although there were marked intra-period swings (see Chart 20). Long-term government bond yields in the United States exhibited even stronger swings over the review period, but still remained close to their end-November level, at about 3.0% on 4 March. Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds remained broadly unchanged at –80 basis points. In Japan, the ten-year government bond yield declined slightly, standing at 1.3% on 4 March.

Market participants' uncertainty about short-term developments in bond yields, as measured by implied bond market volatility, increased significantly across the major markets in the first months of 2009, partially reversing the declines from the historical peaks reached in November 2008. The

Chart 20 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.

marked intra-period swings in long-term bond yields, and the rebound in implied volatility, reflect the considerable uncertainty inherent in, and opposing factors affecting, bond investors' sentiment.

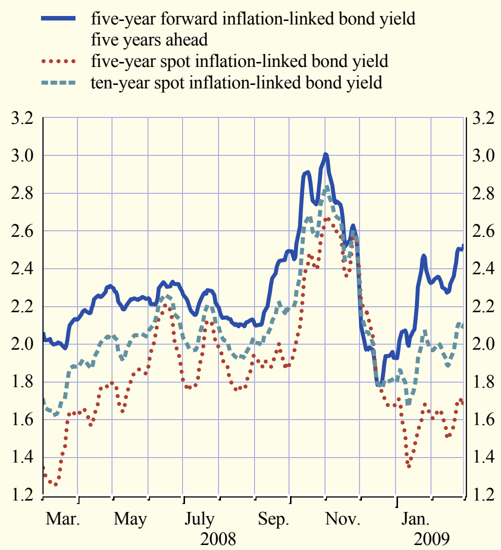
At the beginning of the period under review, long-term government bond yields in the United States declined sharply, mainly on account of the unprecedented decision of the Federal Reserve System's Federal Open Market Committee to lower the target range for the federal funds rate to 0-0.25% on 16 December. Since the beginning of 2009, developments in long-term bond yields in the United States have been heavily influenced by the bleak prospects for economic activity portrayed by incoming data releases, on the one hand, and by market reactions to the policy measures announced by the new US Administration (the New Financial Stability Plan and the Economic Stimulus package), on the other. Market concerns about the likely impact of the proposed stimulus measures on financing needs and the evolving uncertainty regarding their effectiveness led to significant increases in the risk compensation requested by bond investors, and put upward pressure on long-term government bond yields. Credit default swaps (CDSs) for ten-year US Treasuries, for instance, have risen by about 25 basis points since the beginning of 2009. At the same time, the worsening domestic and global macroeconomic conditions and renewed concerns about the health of some US financial institutions depressed global stock markets and triggered renewed flight-to-safety flows that appeared to attenuate the upward pressure on long-term bond yields.

The weakening of economic activity, increasing concerns about the financing needs of sovereign issuers and heightened risk aversion have also been the key factors weighing on euro area long-term bond yields over the period under review, especially since the beginning of 2009. Negative incoming data releases triggered further concerns about the euro area macroeconomic outlook. At the same time, the rising financing burdens implied by the economic stimulus plans and the financial sector guarantees pledged by euro area governments appeared to lead to an increase in the yield compensation demanded by investors in euro area government bond markets. Moreover, intra-euro area sovereign bond spreads widened considerably over the review period, particularly in late January after the downgrading of several sovereign issuers. Box 3 below investigates how governments' bank rescue packages have affected investors' perceptions of credit risk. However, as in the case of the United States, flight-to-safety flows have contributed to curbing the increases in long-term bonds yields, particularly since mid-February.

In early March 2009 the yields on long-term inflation-linked government bonds in the euro area were well below the levels recorded at the end of November 2008, but the latter had been unusually high as a result of severe dislocations in the inflation-linked bond market since mid-2008 (see Chart 21). The normalisation of such dislocations has still not been completed, which may explain why inflation-linked bond yields, for example, have risen since the beginning of 2009

Chart 21 Real bond yields

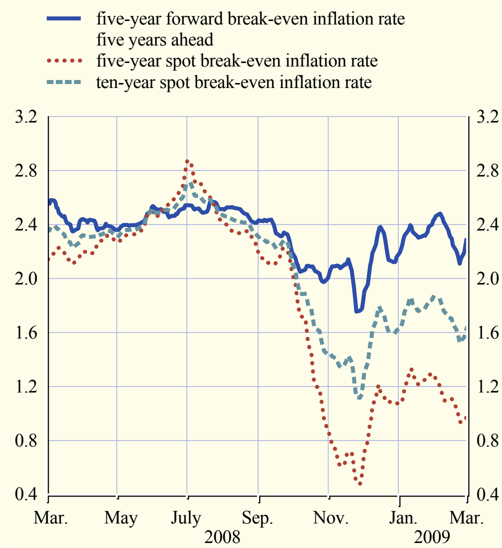
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Reuters and ECB calculations.

Chart 22 Euro area zero coupon break-even inflation rates

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



Sources: Reuters and ECB calculations.

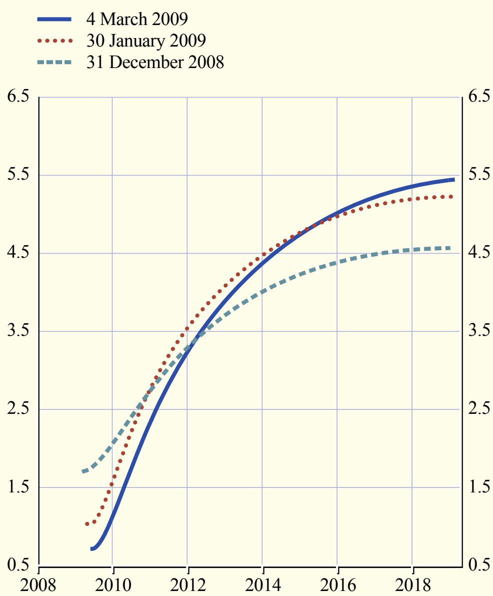
despite the deterioration in economic conditions. In addition, the aforementioned demand for higher yield compensation by investors may have a disproportionate effect in a market with relatively poor liquidity. On 4 March the euro area ten-year inflation-linked bond yield stood at about 2.1%, i.e. about 40 basis points lower than at the end of November 2008. The decline in shorter-term real yields was even sharper, so that the euro area real yield curve steepened considerably.

Euro area break-even inflation rates at medium to long-term horizons have exhibited significant volatility over the past three months, most likely reflecting the aforementioned ongoing tensions in inflation-linked bond markets (see Chart 22). At the end of the period under review, five and ten-year spot break-even inflation rates stood at around 1% and 1.7% respectively, about 50 basis points higher than in late November 2008, and indicate that the break-even inflation curve remains quite steep. The five-year implied forward break-even inflation rate five years ahead – a rather reliable indicator of market participants' long-term inflation expectations and associated risk premia in normal conditions – was 2.4% on 4 March, about 70 basis points higher than at end-November. Caution is warranted, however, when interpreting these indicators as stress in inflation-linked bond markets persists despite signs of some ongoing normalisation. In this regard, the sizable gap observed during most of the review period between comparable long-term forward break-even inflation rates in the bond and swap markets continues to suggest the presence of poor market liquidity, as well as supply and demand imbalances, in the euro area inflation-linked bond market.

Between end-November 2008 and 4 March 2009, the implied forward overnight interest rate curve for euro area government bonds generally steepened (see Chart 23). The downward shift at short to medium-term horizons reflects the Governing Council's decisions to lower policy rates in early December 2008 and January 2009, and – more generally – the anticipation of a slowdown in economic activity, as well as changes in investors' expectations regarding the path of short-term interest rates

Chart 23 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

over short to medium-term horizons. In turn, the higher compensation for risk demanded by investors seems to have put upward pressure on forward rates at the long end of the yield curve.

The sharp widening of euro area corporate bond spreads that started in September 2008 has levelled off somewhat since the beginning of 2009. As the re-appraisal of credit risk continued over the last few months, however, the development of bond spreads diverged for financial and non-financial corporations, as well as across rating classes in those sectors. With the exception of the high-yield segment, non-financial corporate bond spreads for all rating categories eased somewhat over the review period. As regards financial corporations, the spreads for bonds with high ratings (AAA and AA) eased slightly, but those for bonds with lower ratings (A and BBB) widened significantly. Overall, however, corporate bond spreads remain at very high levels: spreads on BBB-rated bonds of non-financial corporations stood at about 415 basis points, while those for bonds of financial corporations were around 2,700 basis points. That reflects sustained concerns among investors about the health of both non-financial and financial corporations.

Box 3

HOW HAVE GOVERNMENTS' BANK RESCUE PACKAGES AFFECTED INVESTORS' PERCEPTIONS OF CREDIT RISK?

The insolvency of Lehman Brothers in mid-September 2008 prompted a re-evaluation of the risks embedded in the financial system. It also became increasingly evident that the financial market turbulence would have substantial fallout effects on the real economy. The risk of a melt-down of financial institutions and a sudden transformation of the "financial market turbulence" into an outright "financial and economic crisis" caused governments to embark on bank rescue packages, which played a central role within a broader set of policy measures aimed at supporting financial and economic stability. Between late September and mid-October 2008, several countries in the euro area made available substantial amounts of capital and guarantees in support of their banks.

The purpose of this box is to examine two dimensions of the financial market response to these events. First, the box compares how the announcement of broad-based bank rescue packages affected investors' perceptions of public sector and private sector credit risk. Second, the box shows that, for many euro area countries, the long-term government bond yield spreads (over Germany) have increased since September last year. It is reasonable to assume that the capital injections and guarantees provided by governments to the financial sector, coupled with the adverse effects of the economic downturn on their fiscal positions, prompted investors to discriminate among sovereign borrowers on the basis of the soundness of their public finances.

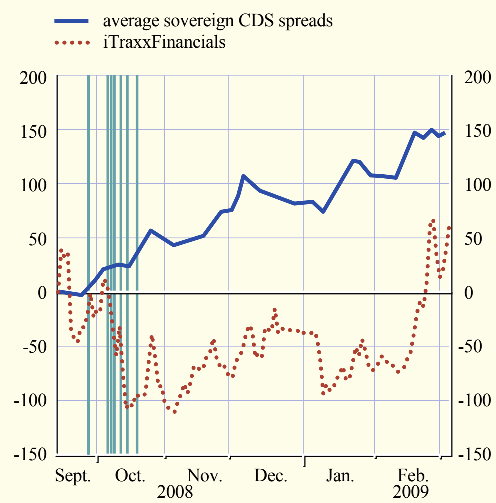
Investors' credit risk perceptions

In order to gauge changes in investors' credit risk perceptions, developments in credit default swap (CDS) spreads are commonly used. A CDS is a contract in which a "protection buyer" pays a periodic premium to a "protection seller" and, in exchange, receives a payoff if the reference entity (a firm or a government issuer) experiences a "credit event", for example, a failure to make scheduled interest or redemption payments on debt instruments (typically bonds or loans).

In order to assess the extent to which the bank rescue packages announced by various euro area countries have altered the market's perception of the credit risks for the parties involved, Chart A depicts the movements in sovereign CDS spreads and CDS spreads for iTraxx financials, the latter representing the CDS spreads of large European financial institutions. The vertical bars in the chart indicate the dates on which major rescue packages were put in place by ten euro area countries (between 29 September and 20 October). As can be seen from the chart, the packages led to sharp declines in euro area banks' CDS spreads (as approximated by the iTraxx financial spread). At the same time, the rescue packages resulted in a higher risk of sovereign default. Taking a longer perspective, the iTraxx financials CDS spreads stood, at the end of February, at levels somewhat below those recorded before the rescue packages were announced, while sovereign spreads continued to widen. This suggests that, all in all, the broad-based rescue packages have alleviated some credit risk in the banking sector and have brought about an immediate and lasting transfer of credit risk from the private to the public sector.

Chart A Cumulative changes in euro area sovereign CDS spreads and iTraxx financial CDS spreads since 15 September 2008

(basis points)



Sources: Datastream and ECB calculations.
Note: The vertical bars indicate the dates in the autumn of 2008 on which major bank rescue packages were announced in the euro area countries, namely 29 September (Ireland), 7 October (Spain), 8 October (Italy), 9 October (the Netherlands), 12 October (Portugal), 13 October (Austria, Germany and France), 15 October (Greece) and 20 October (Finland).

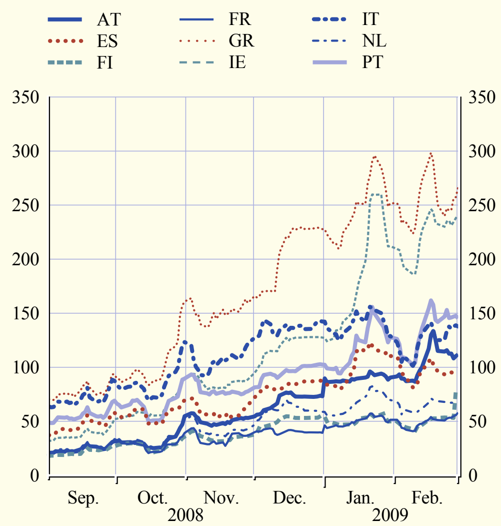
Increase in long-term government bond yield spreads

In the wake of the difficulties experienced in the financial sector as from mid-September 2008, economic activity has deteriorated further. This contributed to a sharp and broad-based worsening of fiscal positions across euro area countries, also because many euro area governments set large fiscal stimulus packages in motion to counter the fall in economic activity. This is reflected in higher forecast debt and deficit ratios across euro area countries. According to the latest information available (the European Commission's January 2009

Interim Forecasts), budget deficits above the reference value of 3% of GDP are expected for several euro area countries in 2009 and in many cases this situation will not be reversed in 2010. Likewise, the debt-to-GDP ratio is forecast to also increase, reflecting in particular the governments' interventions in support of the banking sector (e.g. bank recapitalisations).

Chart B Ten-year government bond yield spreads vis-à-vis Germany

(basis points)



Sources: Datastream and ECB calculations.

The deteriorating fiscal outlook, together with lower growth prospects, may signal to investors that there is a potential need for additional sovereign borrowing and put upward pressure on long-term interest rates.[1] Chart B depicts the developments in the ten-year government bond spread of the euro area countries given in Chart A vis-à-vis Germany as from September 2008. Countries that have experienced the largest increase in their sovereign bond spreads seem to be those that have entered the crisis from an unfavourable fiscal position and those whose situation is expected to deteriorate sharply in the near future. In fact, investors seem to discriminate among sovereign borrowers, partly on the basis of the soundness of the country's public finances. It should also be noted that sovereign bond yield spreads are also affected by other factors, for example, by downgrades of a country's credit rating and differences in the liquidity of the underlying bonds.

This box has shown that – in the eyes of investors – euro area countries' bank rescue packages, as announced in September and October 2008, have resulted in a transfer of credit risk from the private to the public sector. Furthermore, together with weakening fiscal positions in the wake of the economic crisis, the bank rescue packages seem to have contributed to a sharp widening of intra-euro area government bond spreads, in particular for member countries with weaker fiscal positions. Looking ahead, it is important that governments return to sound fiscal positions as soon as possible in order to maintain the public's trust in the sustainability of public finances.

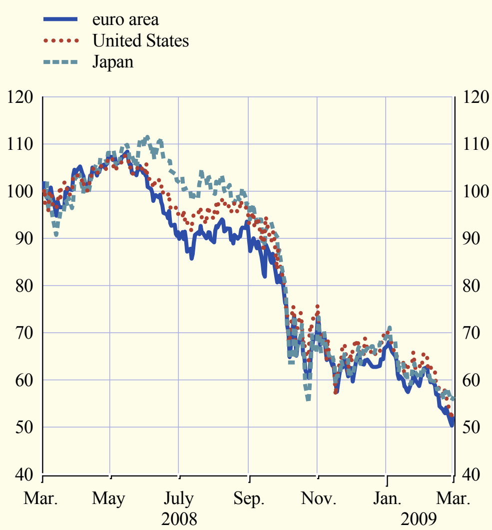
1 See Box 2, entitled "Recent widening in euro area sovereign bond yield spread", in the November 2008 issue of the Monthly Bulletin.

2.5 EQUITY MARKETS

Over the last three months, major stock markets around the world continued their downward trends. Broad equity price indices in the euro area, the United States and Japan lost about 15 to 20% in comparison with their end-November 2008 levels. Heightened risk aversion among investors was triggered by bleak prospects for the global economy, as well as by renewed concerns about the health of the banking sector. Against this background, stock market uncertainty, as measured by implied volatility, rebounded in the first two months of 2009, although it remained below the historical peak reached in the autumn of 2008.

Chart 24 Stock price indices

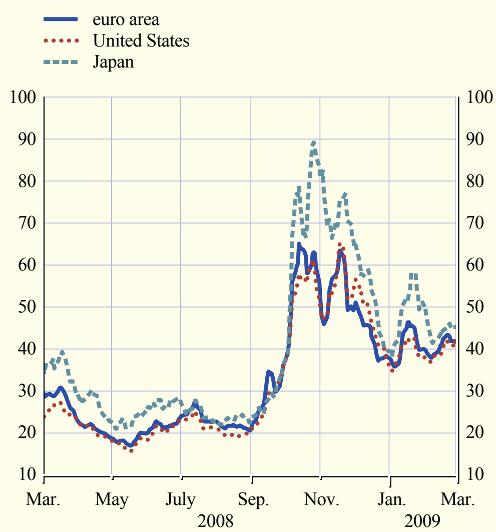
(index: 4 March 2008 = 100; daily data)



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 25 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 correction that has been seen in global stock markets since mid-2007 continued over the last three months (see Chart 24). Between end-November 2008 and 4 March 2009, broad-based stock price indices in the euro area and the United States, as measured by the Dow Jones EURO STOXX and the Standard and Poor's 500 respectively, declined by about 20%, and Japanese stock prices, as measured by the Nikkei 225 index, fell by about 15%.

Against a background of high market uncertainty, as reflected in the implied volatility extracted from stock options (see Chart 25), movements in stock prices in the last three months continued being driven by changes in market sentiment in response to incoming information about the economic and financial situation. After a relative decline from the peaks recorded in early autumn of 2008, stock market volatility rebounded sharply in late February, and has remained at elevated levels since then, which points to the presence of significant risk aversion and heightened equity risk premia throughout the period under review.

Market sentiment appeared to be strongly influenced by incoming data that pointed towards very weak prospects for the global economy and a rapid deterioration of labour markets in major economic areas, by significant uncertainty about the effects of the economic stimulus plans in major economies and by renewed concerns about the stability of the financial system. In the United States, the lack of detail in the presentation of the New Financial Stability Plan was negatively received by the markets. Subsequent concerns about potential further interventions in financial institutions as part of the Capital Assistance Program (CAP) raised uncertainty about the health of the financial system among investors, and pushed stock prices down to their 1997 levels. Similar concerns

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-communi-cations	Utility
Share of sector in market capitalisation *(end-of-period data)*	100.0	7.9	7.6	12.3	9.1	19.9	4.8	11.9	4.7	10.6	11.2
Price changes *(end-of-period data)*											
Q4 2007	-1.2	-1.2	-3.3	-1.6	-1.8	-4.9	2.1	0.1	-7.8	7.1	8.5
Q1 2008	-16.4	-9.1	-16.2	-13.7	-15.2	-16.6	-17.9	-18.1	-22.2	-20.8	-16.5
Q2 2008	-7.3	7.9	-13.9	-14.7	12.7	-14.8	-0.2	-7.0	-10.7	-5.8	0.6
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
January 09	-7.0	-7.1	-3.7	-6.1	0.3	-10.4	-0.3	-8.1	-4.4	-9.5	-8.3
February 09	-11.0	-7.3	-4.5	-9.5	-5.4	-20.5	-7.7	-10.4	-15.2	1.3	-14.0
End-Nov. 08-04 Mar. 09	-18.6	-12.2	-8.4	-14.7	-13.0	-33.5	-7.0	-13.6	-19.2	-9.1	-21.7

Sources: Thomson Financial Datastream and ECB calculations.

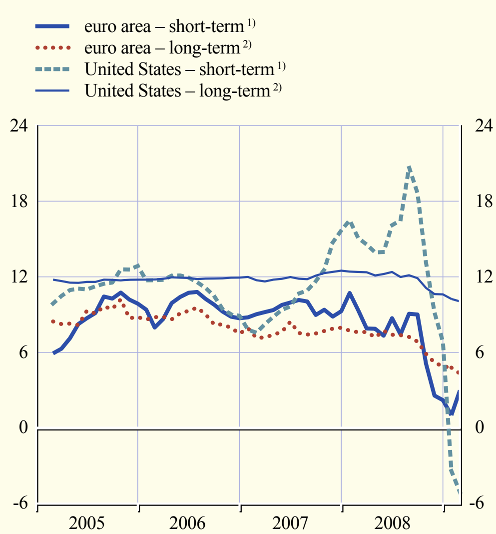
regarding the announcement of potential measures to safeguard the financial system by European governments also weighed on stock prices in the euro area.

In the euro area, as in other major markets, the most severe losses were suffered by financial stocks, but – given that the declines were fairly widespread across all sectors – these developments pointed to a general surge in risk aversion among investors amid heightened concerns about the economic outlook. Since end-November 2008, financial sector stock prices have declined by a further 33% in the euro area. The losses in share prices of the non-financial sector, while more limited, were also in the double-digit range, namely 14%. In particular, only shares in the telecommunications, consumer services and healthcare sectors recorded losses within the one-digit range over the last three months, while losses in the other sectors ranged between around 12% and 22% (see Table 3).

The deterioration of the economic situation and the bleak macroeconomic outlook were already reflected in the development of earnings during the past three months, which also weighed on stock valuations on both sides of the Atlantic (see Chart 26). For companies listed in the Standard & Poor's 500 index, data for February showed a very sharp downward revision to annual earnings growth expectations 12 months ahead, which had turned negative in January 2009. Longer-term earnings expectations for US companies were also revised downwards,

Chart 26 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



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

reaching their lowest level for the last four years in February 2009. As regards the outlook for the earnings of euro area companies, computed in terms of the annual growth in earnings per share of companies included in the Dow Jones EURO STOXX index, both expectations for the next 12 months and longer-term expectations, at 2% and 4% respectively, were significantly lower than at the beginning of the last quarter of 2008. The slight upward revision to the earnings per share 12 months ahead of euro area companies in February may reflect the sharp downward revision to actual annual earnings growth, which fell to -26% in February.

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

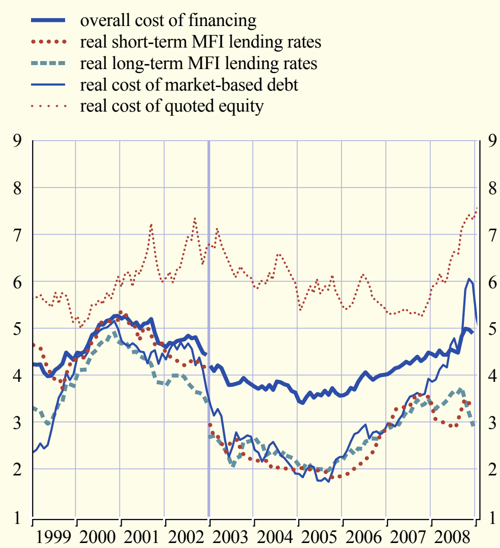
The real cost of financing for euro area non-financial firms remained broadly unchanged in the last quarter of 2008. Firms' profitability worsened as the financial market turmoil spread to the real economy. Firms' debt security issuance continued to increase, while the share of bank financing decreased. This pattern points to possible substitution effects as some companies may have experienced difficulties in obtaining sufficient funds via banks and secured their financing directly in financial markets instead.

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 amounts outstanding, corrected for valuation effects[2] – remained broadly stable at a level of 4.9% in the fourth quarter of 2008 (see Chart 27). The generally stable real financing costs mask some heterogeneity among the components. MFIs' real short-term interest rates increased by 15 basis points over the last quarter of 2008, mainly on account of a sharp drop in near-term inflation expectations. At the same time, the decline in key ECB interest rates contributed to curbing the overall increase in real short-term MFI interest rates. MFIs' real long-term rates dropped sharply, by 80 basis points, over the same period. Reflecting growing concerns about the economic outlook, the cost of market-based debt and equity finance rose in the course of the fourth quarter of 2008. In particular, the cost of market-based debt finance increased by 120 basis points over the last three months of 2008, while that of equity increased less markedly, namely by 20 basis points.

Chart 27 Real cost of the external financing of euro area non-financial corporations

(percentages per annum)



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

2 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 December 2008 [1]		
	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Nov.	2008 Dec.	2007 Sep.	2008 Sep.	2008 Nov.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	6.62	6.56	6.67	6.92	6.67	6.26	-23	-66	-41
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	6.08	5.91	6.16	6.34	6.04	5.38	-55	-96	-66
with an initial rate fixation of over five years	5.30	5.23	5.43	5.64	5.41	5.32	9	-32	-9
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	5.35	5.19	5.35	5.62	4.86	4.29	-91	-133	-57
with an initial rate fixation of over five years	5.48	5.34	5.52	5.63	4.96	4.76	-65	-87	-20
Memo items									
Three-month money market interest rate	4.85	4.60	4.94	5.02	4.24	3.29	-145	-173	-95
Two-year government bond yield	4.06	3.54	4.72	4.09	2.80	2.62	-148	-147	-18
Five-year government bond yield	4.14	3.65	4.75	4.21	3.44	3.29	-90	-92	-15

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

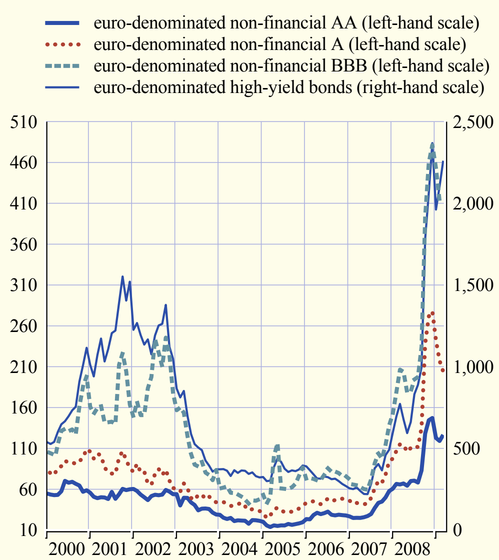
Taking a longer perspective, the increase in the real overall cost of financing for non-financial corporations in the euro area, as compared with the situation before the outbreak of the financial turmoil in June 2007, amounts to around 60 basis points.

In order to enable the monetary policy transmission to work effectively, it is important that changes in policy rates influence bank lending rates for households and corporations. Table 4 depicts movements in retail bank interest rates and three-month money market interest rates (EURIBOR), as well as in two and five-year government bond yields. Developments in banks' short-term funding costs are, in normal times, affected primarily by movements in the three-month EURIBOR, while banks' longer-term lending rates normally reflect movements in government bond yields. As seen in the table, bank lending rates at shorter maturities decreased by 55 and 91 basis points respectively, depending on the size of the loans, between September and December 2008. At the same time, short-term money market rates dropped by 145 basis points. This incomplete pass-through suggests that banks margins widened over the same period. Higher margins – on both average and riskier loans – are also confirmed by the January 2009 bank lending survey, covering the fourth quarter of 2008.

During the same period, yields on both two and five-year government bonds decreased sharply, by 148 and 90 basis points respectively, in the

Chart 28 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 the AAA government bond yields.

context of both declining market concerns about the inflation outlook and flight-to-quality portfolio shifts on the part of investors. Corresponding movements in long-term bank lending rates were less pronounced. While the interest rates on long-term loans of up to €1 million remained broadly unchanged, bank lending rates on loans to non-financial corporations of over €1 million dropped by 65 basis points in the last quarter of 2008. However, the January 2009 bank lending survey revealed that the net percentage of banks reporting a tightening of credit standards for loans to enterprises – which decreased only marginally to 64% in the fourth quarter of 2008 compared with the previous quarter - was as large for large enterprises as for small and medium-sized enterprises (SMEs).

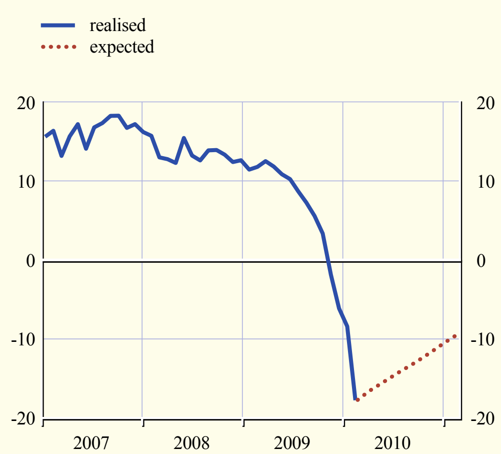
Euro area corporations' market-based debt financing conditions can be assessed on the basis of corresponding corporate bonds spreads (measured as the difference between the yields on corporate bonds and the yields offered on government bonds). This spread represents the risk premium corporations pay investors to compensate them for a number of risks associated with holding corporate rather than government debt (mainly generally higher default and liquidity risk). In the fourth quarter of 2008, spreads increased across all rating classes, but stabilised in the first two months of 2009. The overall increases during this period were more pronounced for bonds with low credit ratings. Euro area BBB-rated bonds, for instance, surged by 180 basis points, while AA-rated bonds increased less markedly, namely by 35 basis points, see Chart 28.

FINANCIAL FLOWS

Most indicators of euro area firms' profitability point toward a continued deterioration in the fourth quarter of 2008, suggesting that the financial market turmoil has had a negatively influence on corporate profitability. As can be seen in Chart 29, the annual growth rates of earnings per share for listed non-financial corporations in the euro area declined from 5.5% at the end of the third quarter 2008 to -17.7% in February 2009.

Chart 29 Earnings per share of listed non-financial corporations in the euro area

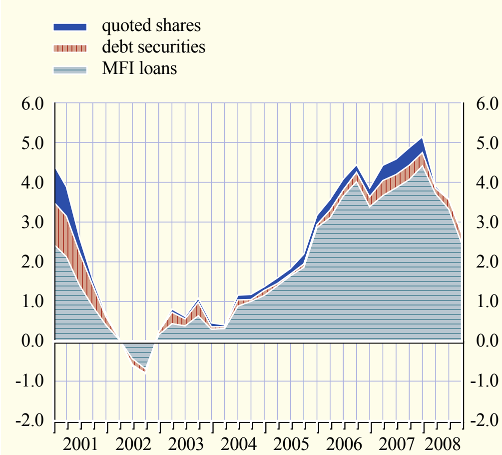
(percentages per annum)



Source: Thomson Financial Datastream.

Chart 30 Breakdown of the real annual growth rate of external financing to non-financial corporations [1)]

(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.

Looking ahead, available data on earnings expectations provided by financial market analysts suggest that non-financial firms' earnings per share will remain in negative territory over the next 12 months. The analysts' negative outlook for corporate earnings is confirmed by the latest readings of various indicators of euro area business confidence.

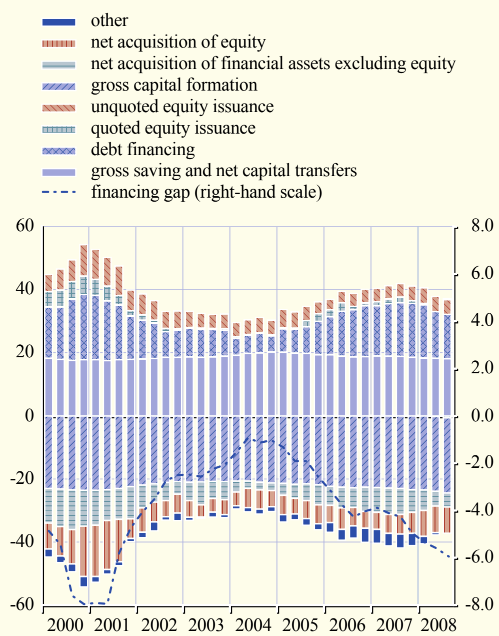
The real annual rate of growth of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) declined to stand at around 2.7% in the fourth quarter, compared with 3.6% in the preceding quarter (see Chart 30). As usual, the contribution from MFI loans made up the bulk of the external financing, recording an annual growth rate of 2.4% in the fourth quarter of 2008, which was 0.9 percentage points lower than in the previous quarter. The contribution of the issuance of quoted shares declined slightly, falling to around -0.03 percentage point, while the contribution of financing via debt securities remained broadly unchanged at 0.3 percentage point.

Chart 31 illustrates the components that make up euro area firms' saving, financing and investment as reported in the euro area accounts, which are available up to the third quarter of 2008. This broad measure shows that euro area firms have had significantly more outlays, on aggregate, for real and financial investments than could be covered by funds generated internally. This net figure is generally referred to as the "financing gap", and has broadly increased in magnitude since mid-2004. In the third quarter of 2008, the financing gap stood at 5.9% of the total value added in the non-financial sector. As evidenced by the chart, most of the internal and external funds were used to finance real investment (gross fixed capital formation), whereas financial investments represented a smaller component. The acquisition of financial assets, including equity, declined in the third quarter of 2008, driven by a drawing-down of liquid assets (debt securities and mutual fund units), and a slower accumulation of deposits, while investment in quoted shares remained strong up to the third quarter. The negative financing gap, together with heightened difficulties for firms tapping the banking system for funds, points to some vulnerability in the non-financial corporate sector in the face of the intensification of the financial crisis in late September, which may have prompted a sharp reversal in such firms' investment plans going forward.

Although still showing robust growth rates, bank loan growth has declined steadily since the first quarter of 2008 (see Table 5). Most recent available monthly data show that the decline in credit growth continued in early 2009. In January the growth rate fell further to 8.8%. The decline was broad-based across all maturities. As regards the maturity structure of MFI lending, the annual growth rates for loans with maturities

Chart 31 Saving, financing and investment of non-financial corporations

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



Source: Euro area accounts.
Notes: Debt includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable 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.

Table 5 Financing of non-financial corporations

	Annual growth rates (percentage changes; end of quarter)				
	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
MFI loans	**14.5**	**15.0**	**13.7**	**12.2**	**9.4**
Up to one year	12.7	14.1	11.9	9.8	7.4
Over one and up to five years	22.0	22.3	20.0	17.6	13.2
Over five years	12.8	12.9	12.4	11.5	9.2
Debt securities issued	**8.0**	**7.1**	**3.2**	**5.7**	**6.6**
Short-term	26.9	22.3	9.4	14.3	16.2
Long-term, *of which:* [1]	5.3	4.5	2.0	4.2	4.9
Fixed rate	4.4	3.1	2.3	4.8	6.1
Variable rate	11.1	12.6	2.8	4.6	1.9
Quoted shares issued	**1.2**	**1.0**	**0.1**	**0.0**	**0.0**
Memo items [2]					
Total financing	**4.7**	**4.1**	**3.9**	**2.5**	**-**
Loans to non-financial corporations	10.8	9.6	8.7	5.6	-
Insurance technical reserves [3]	0.1	0.4	0.5	0.2	-

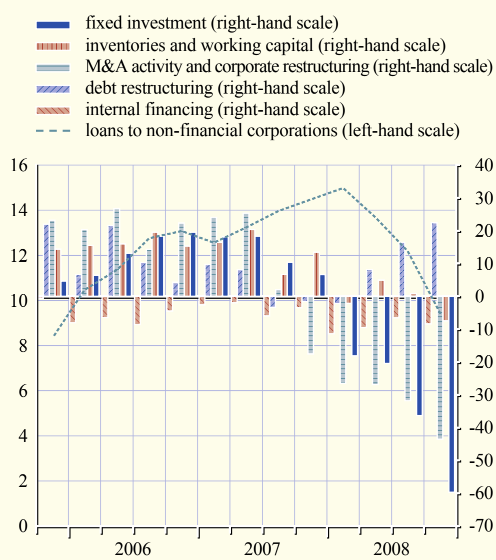
Sources: ECB, Eurostat and ECB calculations.
Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as a 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 payble and financial derivatives.
3) Includes pension fund reserves.

of up to one year, over one and up to five years and over five years in January were 6%, 13.3% and 8.7% respectively. Broader aggregates included in the euro area accounts also suggest a slower growth of external financing in the latter part of 2008.

Looking forward, credit growth can be expected to continue to slow down further. This is consistent with the slowdown in economic growth and the gradual tightening of financing conditions reported in the recent issues of the ECB bank lending survey. According to empirical evidence, the dynamics of loan growth typically respond to a change in credit standards with a lag in the order of three to four quarters. In addition, low activity in mergers and acquisitions (M&As) and the fact that euro area firms' leverage stands at relatively high levels should put further downward pressure on firms' need to borrow. Furthermore, part of the resilience of bank lending to non-financial corporations in recent months is related to the drawing-down of credit facilities by firms that had been

Chart 32 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 January 2009 bank lending survey.

negotiated in more benign market conditions and that may now be subject to renegotiations under far less favourable terms.

The bank lending survey also asks banks which factors contribute to non-financial firms' demand for loans. As can be seen in Chart 32, two factors, namely fixed investments and M&A activities, were the main contributors to lower demand for loans.

In addition to financing via MFI loans, firms can also tap financial markets directly as a source of funding. Recent data on the issuance of debt securities by non-financial corporations show an increase in market-based debt financing, with the annual growth rate standing at 6.6% in the fourth quarter of 2008, compared with rates of 5.7% and 3.2% in the third and second quarters of 2008 respectively. The trend towards higher debt security issuance and the slowdown in bank financing point to possible substitution effects as some companies may have experienced difficulties in obtaining sufficient funding via banks and, instead, secured financing directly in financial markets.

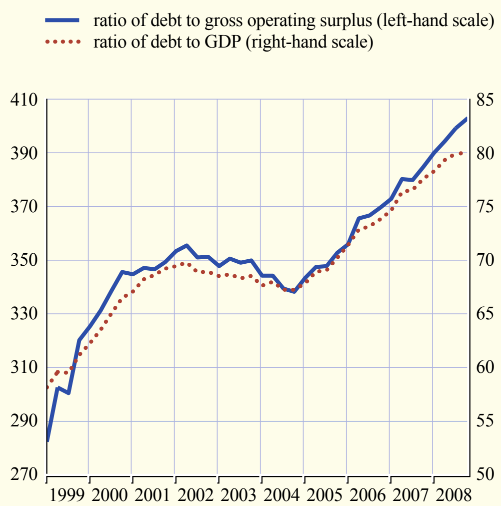
The annual rate of growth of quoted equity issued by non-financial corporations remained flat in the fourth quarter of 2008, standing at 0%. Deteriorating investors' confidence and the negative performance of stock markets weighed on the issuance of quoted shares by non-financial corporations.

FINANCIAL POSITION

The continued expansion of debt financing by non-financial corporations resulted in a further slight increase in companies' ratios of debt to GDP and debt to gross operating surplus in the fourth quarter of 2008 (see Chart 33). However, partly on account of the reduction of ECB policy rates, the interest burden of non-financial corporations fell slightly in the fourth quarter of 2008

Chart 33 Debt ratios of non-financial corporations

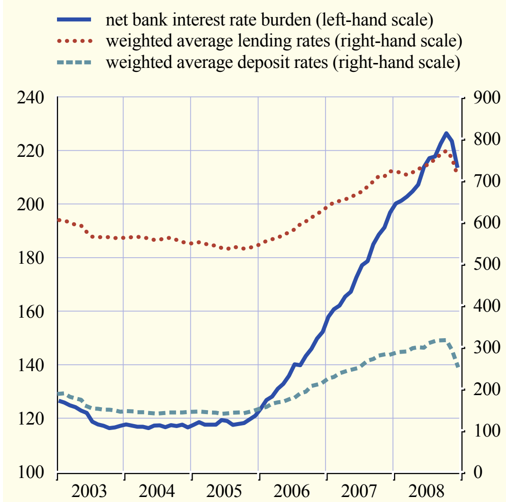
(percentages)



Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. Included is information up to the fourth quarter of 2008.

Chart 34 Net bank interest rate burden of non-financial corporations

(basis points)



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

(see Chart 34). Overall, the high level of debt and the associated high interest burden make non-financial firms' vulnerable to future shocks.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

In the fourth quarter of 2008 the financing conditions facing households were characterised by a slight decrease in bank lending rates and stronger net tightening of credit standards for loans. The dynamics of household borrowing continued to moderate in the fourth quarter and household indebtedness declined somewhat. This further slowdown in household borrowing mainly reflects the weaker economic and housing market conditions, but the latest bank lending survey suggests that supply-side factors may also be having an impact.

FINANCING CONDITIONS

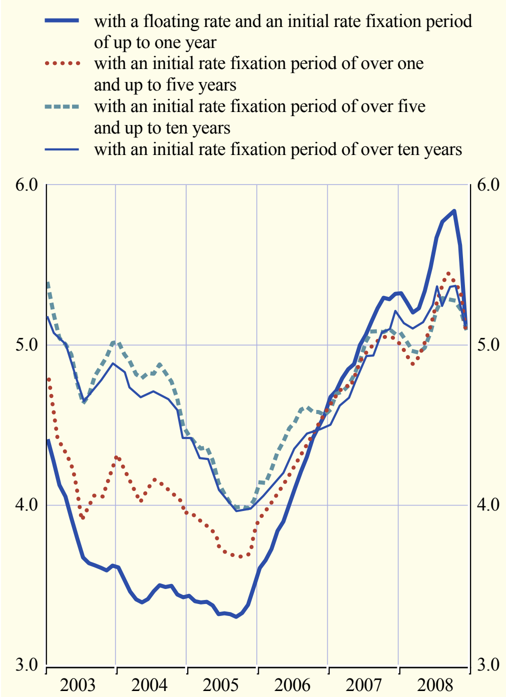
Average MFI interest rates on loans to households for house purchase decreased somewhat in the fourth quarter of 2008 by comparison with the third quarter (see Chart 35). This reflects the significant declines observed in lending rates in November and December. The decrease in lending rates was broadly based across the maturity spectrum, although it was larger for loans with initial rate fixation periods of up to one year. Consequently, the term structure of interest rates on loans for house purchase remained somewhat inverted in the fourth quarter, with the average quarterly spread between the rates on loans with long (i.e. over ten years) and short (i.e. up to one year) periods of initial rate fixation declining to approximately -26 basis points. Looking at monthly figures, however, the spread turned positive in December.

Average MFI rates on consumer credit in the fourth quarter of 2008 were broadly unchanged from the previous quarter, while a significant decline was observed in December. This decline was observed across the maturity spectrum, but was most pronounced for loans with initial rate fixation periods of up to one year. As a result, the average spread between the rates on loans with long (i.e. over five years) and short (i.e. up to one year) periods of initial rate fixation decreased in absolute terms, but remained negative in the fourth quarter of 2008. In December, however, it turned positive.

The spread between lending rates on loans for house purchase and a market benchmark with a comparable maturity (the ten-year government bond yield) increased in the fourth quarter by comparison with the third quarter. Similarly, the spread between lending rates on consumer credit and a relevant market benchmark with

Chart 35 MFI interest rates on loans to households for house purchase

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



Source: ECB.

a comparable maturity (the 12-month money market rate) increased, reflecting the fact that the benchmark rate decreased more strongly than the lending rate.

In the January 2009 bank lending survey, the net percentage of banks reporting a tightening of credit standards applied in the approval of loans for house purchase was somewhat higher than in the October 2008 survey, while the net percentage of banks tightening the conditions applied to consumer credit increased significantly. For consumer credit, the further tightening reported in the fourth quarter was implemented via the widening of margins on average loans, while for loans for house purchase, it was implemented via margins on both average and riskier loans. Non-price terms and conditions such as loan-to-value ratios and collateral requirements were also tightened further and maturities were shortened. As in the previous survey, the deterioration in expectations regarding general economic activity was an important factor in the further tightening of credit standards for both loans for house purchase and consumer credit. For loans for house purchase, this was supported not only by the worsening housing market prospects, but also by increases in banks' funding costs and balance sheet constraints. In the case of consumer credit, it was supported by the deterioration observed in the creditworthiness of borrowers and the risk on collateral demanded.

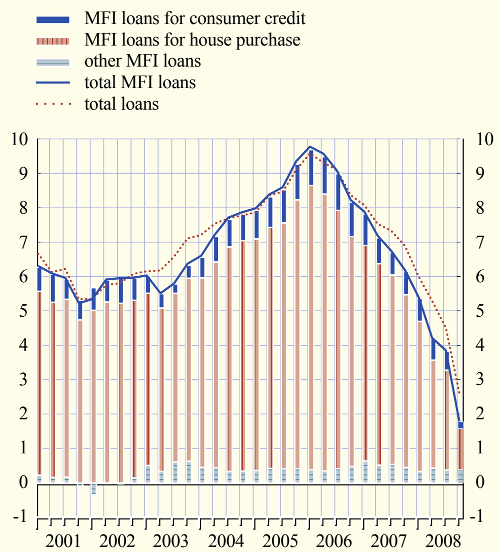
FINANCIAL FLOWS

The annual growth rate of total loans granted to households declined to 4.5% in the third quarter of 2008 (the most recent quarter for which data from the euro area integrated accounts are available), down from 5.0% in the previous quarter. Within this aggregate, the annual growth rate of loans from non-MFIs was higher than that of loans from MFIs, despite decreasing markedly to stand at 9.8%, down from 14.2% in the previous quarter. These differences between loans from MFIs and non-MFIs in terms of the respective growth rates partly reflect the impact of true-sale securitisation activities, where loans are derecognised and thereby removed from MFI balance sheets, subsequently being recorded as loans from OFIs. The available data on MFI loans suggest that the downward trend in the annual growth rate of total loans to households continued in the fourth quarter (see Chart 36).

The annual growth rate of MFI loans to households declined to 1.2% in January 2009, down from 2.9% and 4.0% in the fourth and third quarters respectively. The decline seen in the growth rate of MFI loans to households over the past few months is in line with the downward trend observed since early 2006, largely reflecting the impact of generally tighter financing conditions, the ongoing moderation in housing market dynamics and weakening economic conditions and prospects. The short-term dynamics measured by the three-month annualised growth rate moderated significantly in January, with a negative growth rate being observed. However, this should be interpreted

Chart 36 Total loans granted to households

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



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

with caution, as it reflects the changes observed over the past few months in the extent to which loans are derecognised owing to securitisation (which in the euro area mainly concerns loans for house purchase). Taking this into account, monthly net loan flows to households continued to decrease in the period under review, but remained positive.

The moderating annual growth of MFI loans to households is attributable primarily to the declining growth rate of borrowing for house purchase, which is the largest sub-component of loans to households, but also, to a lesser extent, to the declining growth rate of consumer credit. The annual growth rate of loans for house purchase declined to 1.0% in January, down from 2.9% and 4.2% in the fourth and third quarters respectively. The annual growth rate of consumer credit declined to 1.3% in January, down from 3.1% and 4.4% in the third and second quarters respectively.

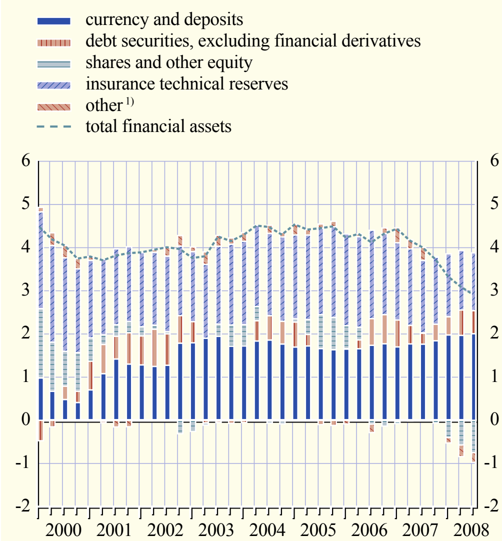
As regards the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment declined further to stand at 2.9% in the third quarter, down from 3.1% in the previous quarter (see Chart 37). This decline was driven mainly by the more negative contribution of investment in shares and other equity. This reduced contribution more than offset the increased contribution of investment in debt securities. The contribution of investment in currency and deposits remained strong, reflecting banks' increased efforts to attract funds in the context of the financial turmoil. This investment category accounted for two-thirds of the total growth rate of households' financial investment.

FINANCIAL POSITION

Reflecting the slowdown in household borrowing, the level of household indebtedness has decreased somewhat in recent quarters. Households' debt-to-disposable income ratio, which stood at 93% in the second and third quarters, is estimated to have decreased to 92% in the fourth quarter (see Chart 38). Households' debt-to-GDP ratio has also decreased slightly,

Chart 37 Financial investment of households

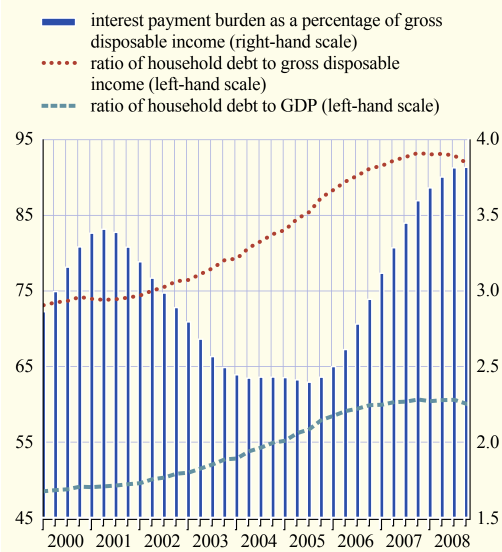
(annual percentage changes; contributions in percentage points)



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

Chart 38 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.

standing at around 60% in the fourth quarter, down from 61% in the second and third quarters. Households' interest payment burden increased to 3.8% of disposable income in the third quarter of 2008 and is estimated to have remained at this level in the fourth quarter, reflecting the decreasing level of indebtedness. The decline in interest rates in the fourth quarter could also have contributed to the stabilisation of the interest payment burden.

3 PRICES AND COSTS

Euro area HICP inflation has fallen steeply in recent months reaching its lowest level in almost a decade. According to Eurostat's flash estimate, euro area annual HICP inflation was 1.2% in February 2009, broadly unchanged from 1.1% in January and well below the rate of 4.0% registered in the middle of 2008. The decline in inflation since last summer primarily reflects the sharp fall in global commodity prices over this period. However, signs of a broader-based reduction in inflationary risks are also increasingly emerging. While euro area labour costs appear to have accelerated in 2008, it is to be expected that the slowdown in activity will dampen domestic inflationary pressures in the period ahead.

According to the latest ECB staff macroeconomic projections, average annual HICP inflation is projected to lie between 0.1% and 0.7% in 2009 and between 0.6% and 1.4% in 2010. Owing mainly to base effects stemming from the past behaviour of energy prices, headline annual inflation rates are projected to decline further in the coming months, possibly temporarily reaching negative levels around mid-year. Thereafter, annual inflation is expected to increase again, also owing to base effects stemming from past energy price developments. Accordingly, it is likely that HICP inflation rates will fluctuate noticeably during 2009. Risks to this outlook are broadly balanced. They relate in particular to the risks to the outlook for economic activity as well as to risks to commodity prices.

3.1 CONSUMER PRICES

Euro area HICP inflation has fallen steeply in recent months reaching its lowest level in almost a decade. According to Eurostat's flash estimate, euro area HICP inflation was 1.2% in February 2009, well below the elevated 4.0% readings registered in June and July 2008 (see Table 6). Strong movements in the prices of global commodities – mainly oil and food – have been the main factor underlying the rapid decline in euro area HICP inflation over the last months. This rapid easing in global commodity prices follows an unprecedented increase in external price pressures which brought HICP inflation to peak in the middle of last year. At the same time, there are increasing indications of a broader-based reduction in inflationary pressures in recent months.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2007	2008	2008 Sep.	2008 Oct.	2008 Nov.	2008 Dec.	2009 Jan.	2009 Feb.
HICP and its components								
Overall index [1]	2.1	3.3	3.6	3.2	2.1	1.6	1.1	*1.2*
Energy	2.6	10.3	13.5	9.6	0.7	-3.7	-5.3	.
Unprocessed food	3.0	3.5	3.6	3.4	2.8	2.8	2.6	.
Processed food	2.8	6.1	6.2	5.1	4.2	3.5	2.7	.
Non-energy industrial goods	1.0	0.8	0.9	1.0	0.9	0.8	0.5	.
Services	2.5	2.6	2.6	2.6	2.6	2.6	2.4	.
Other price indicators								
Industrial producer prices	2.8	6.2	7.9	6.3	3.3	1.6	.	.
Oil prices (EUR per barrel)	52.8	65.9	70.0	55.2	43.1	32.1	34.3	34.6
Non-energy commodity prices	9.2	4.4	5.5	-7.4	-7.7	-17.1	-20.7	-24.5

Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream data.
Note: Data on industrial producer prices refer to the euro area including Slovakia.
1) HICP inflation in February 2009 refers to Eurostat's flash estimate.

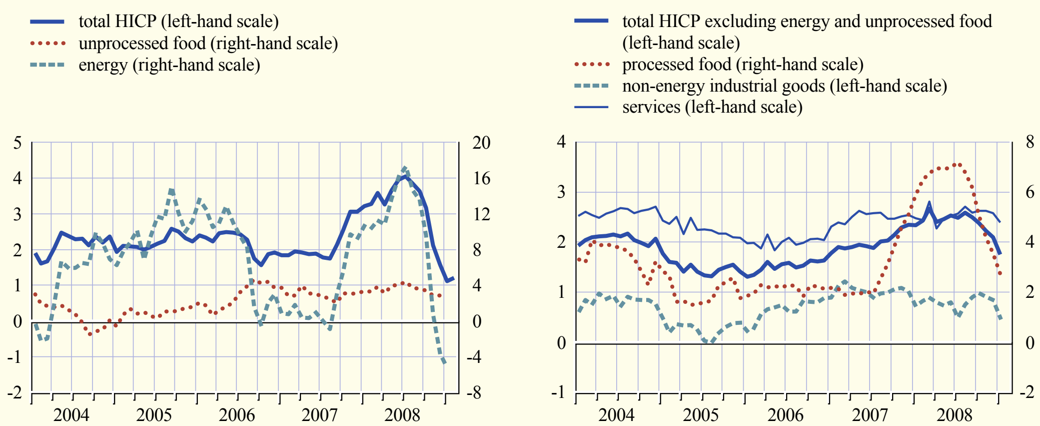
At the sectoral level, volatility in the energy and food components of euro area HICP inflation has been closely linked to volatility in prices for globally traded energy and food commodities. In particular, there was a very sharp fall in the annual rate of change in the energy component of the HICP over the last months, from growth of over 17% in July 2008 to a contraction amounting to 5.3% in January 2009. Abrupt movements in oil energy prices such as petrol, diesel and heating fuel accounted for much of this change. Developments in these components of the HICP tend to closely correspond to those in global crude oil prices, though some movement in refining margins of diesel fuel, reflecting in part changing demand and supply conditions, exacerbated the movement in the energy component of the euro area HICP somewhat. At the same time, non-oil energy HICP components, such as electricity and gas prices, also displayed some volatility though with a somewhat lagged response to crude oil prices.

The annual growth rate of the processed food component of the euro area HICP displayed a remarkably similar profile to the energy component, reaching historically high rates of growth in the middle of 2008 and falling strongly thereafter. Much of the easing in the annual growth rate of processed food prices in recent months relates to components which are strongly affected by global agricultural commodity prices, such as bread and cereals, dairy products, and oil and fats. Unprocessed food prices have also followed a similar pattern of general easing since the middle of last year, though from a peak in the annual growth rate which was far less elevated than the rate seen in processed food prices.

Once excluding all food and energy items, which account for 30% of the HICP basket, HICP inflation has also recently exhibited some downward movement after generally having remained relatively stable over much of 2008 – despite the marked movements in the energy and food HICP components over the period (see Chart 39). The services component of euro area HICP varied little between the beginning of 2007 and the end of 2008, despite significant changes in the macroeconomic environment as well as changes in the rate of indirect taxes in some euro area countries. This general stability would suggest that, while indirect effects relating to past increases in global commodity prices had a persistent and strong impact on some services components (such as transport services and restaurants, cafés and canteens), this was counterbalanced, to a large extent, by the price dynamics of other services components (such as housing, communication

Chart 39 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

and miscellaneous services). On the one hand, the contribution from the personal and recreational services component of the HICP to total services price dynamics, along with transport services, was sizeable in 2008. This reflected strong price dynamics in restaurants, cafés and canteens, as well as package holidays. On the other hand, annual growth rates in the housing price components of HICP may have been influenced by an easing dynamic in residential property price growth. In particular, there were some signs of moderating price dynamics in services related to dwellings, such as maintenance and repair services as well as actual rents. Moreover, the annual rate of change in communication prices has remained very low, possibly reflecting the continued impact of the deregulation and liberalisation of the communications sector in some euro area countries, along with a dampening impact on prices related to technological progress. However, more recently first signs of a slowdown in services price inflation have appeared. This slowdown is mainly driven by two items, passenger transport by air and restaurants, and reflects the sharp fall in oil and food commodity prices, as well as base effects.

The annual growth rate of non-energy industrial goods prices declined to 0.5% in January 2009 from the rate of 1.0% reached in October 2008. Inflation in non-energy industrial goods displayed somewhat higher variability than in services over the last year or so. This could reflect at least four factors. First, indirect effects resulting from movements in the prices of oil and of some raw materials (metals, woods and precious metals such as gold) had an impact on input cost pressures of manufactured consumer goods, such as furniture, jewellery and spare parts for cars. Second, developments in the euro exchange rate could help to explain some of the movement in the annual growth rate of non-energy industrial goods prices. Third, relatively stronger competitive forces associated with a generalised deterioration in economic activity may have led to a stronger need to maintain price competitiveness. This factor may have contributed to the developments seen in certain goods prices, such as textiles, where extraordinary seasonal discounting is likely to have derived, to some extent, from deteriorating demand conditions. Finally, the rapid decline in economic activity observed in the last months may have contributed to falling demand for durable goods, particularly those requiring long-term financing. In this respect, the annual growth rate of car prices (which account for 15% of the non-energy industrial goods component) has fallen considerably since the beginning of 2008 in a context of rapid retrenchment in the purchase of motor vehicles.

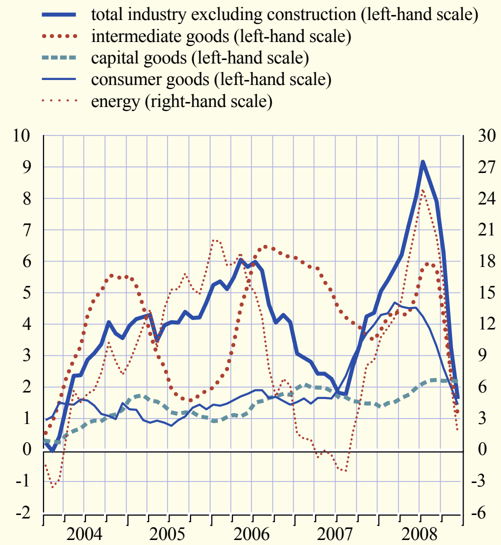
3.2 INDUSTRIAL PRODUCER PRICES

Supply chain price pressures have receded very strongly since reaching their highest level in nearly three decades in the summer of last year. The latest reading for industrial producer prices (excluding construction) indicated annual inflation of 1.6% in December 2008, well below its highest peak in over 25 years of 9.2% only five months earlier (see Chart 40). Similarly, annual producer price inflation excluding energy (and construction) declined to 1.4% from 4.4% in July 2008.

The steep fall in annual producer price inflation was mainly driven by developments in raw material prices. Indeed, marked movements in global commodity prices have been strongly influencing a variety of components of producer prices, ranging from the direct impact on the energy and food components to indirect effects of the prices of inputs along the production chain. There has been a particularly marked impact on producer prices at the very early stage of the production chain, implying marked movements in intermediate goods prices over the last months. At the same time, the annual growth rate of producer prices at a later stage of the production chain, such as capital goods and consumer goods (once excluding food and tobacco), has remained relatively stable.

Chart 40 Breakdown of industrial producer prices

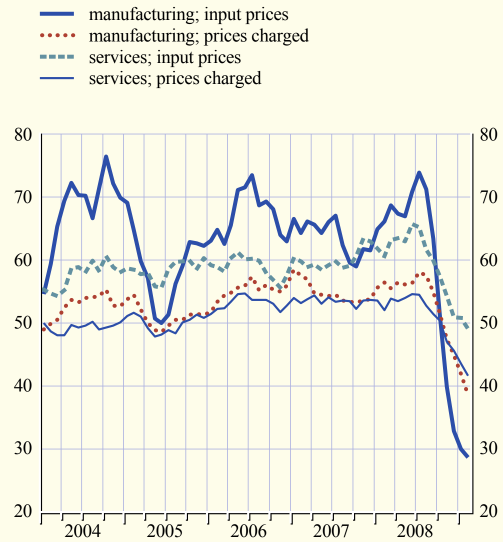
(annual percentage changes; monthly data)



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

Chart 41 Producer input and output price surveys

(diffusion indices; monthly data)



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

Along with the influence of raw material prices on producer costs, the general decline in euro area activity over recent months may have led firms to revise pricing strategies, given a need to focus more strongly on price competitiveness at various stages of the production chain. More recent information from surveys suggests that input and output price indices exhibited a further marked easing in the first few months of 2009, bringing price pressures at the producer level to historical lows (see Chart 41). According to the latest Purchasing Managers' Index, following the sharp fall in indices for input prices and selling prices, most indicators of price pressures in manufacturing and services sectors reached historical lows in February 2009 – far below the elevated readings in the middle of last year.

3.3 LABOUR COST INDICATORS

By contrast with the rapid retrenchment in inflation indicators at the consumer and producer levels over the last months, available statistical indicators suggest that labour costs accelerated in 2008. Specifically, annual growth in hourly labour costs and compensation per employee remained elevated in the third quarter of 2008, while strong annual growth in negotiated wages continued into the fourth quarter (see Chart 42 and Table 7).

Persistently elevated wage growth was likely influenced by past labour market tightness as well as by second-round effects in some euro area countries stemming from indexation to temporarily high inflation outcomes in the past. Hourly labour costs looked like they were actually accelerating in the third quarter, rising by 4.0% on an annual basis. The high reading in hourly labour cost growth, broadly based across all sectors (see Chart 43), may have also, to some extent, derived from developments in hours worked, given both an adjustment in hours worked in response to

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2007	2008	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Negotiated wages	2.1	3.2	2.1	2.8	2.9	3.4	3.5
Total hourly labour costs	2.6	.	2.9	3.5	2.8	4.0	.
Compensation per employee	2.5	.	2.9	3.1	3.4	3.5	.
Memo items:							
Labour productivity	0.8	.	0.4	0.5	0.2	-0.1	.
Unit labour costs	1.7	.	2.5	2.6	3.2	3.6	.

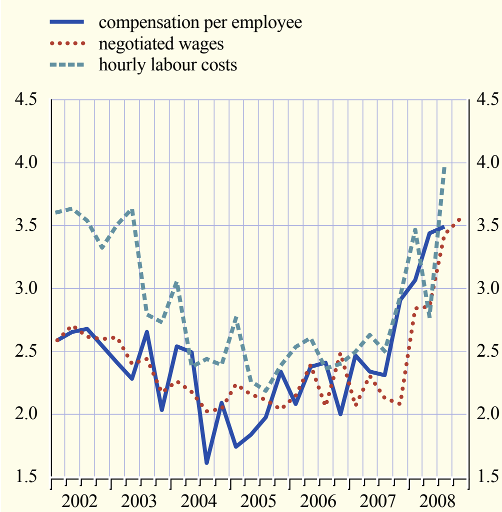
Sources: Eurostat, national data and ECB calculations.

weakening demand, as well as a correction in hours worked from the early timing of Easter in 2008 (which distorted hours worked in the second quarter). The annual growth rate of compensation per employee also remained high in the third quarter, at 3.5%. In the last quarter of 2008, euro area annual negotiated wage growth increased to 3.5%, up from 3.4% a quarter earlier. While negotiated wage growth in the last quarter of 2008 was boosted, to some extent, by one-off payments in a large euro area country, it would appear that even excluding this factor little moderation took place in collectively agreed wages in the second half of 2008, despite the marked slowing in economic activity. In the context of this strong wage growth, given the contraction in euro area productivity, annual growth in unit labour costs in the third quarter of 2008 remained at its most elevated level in over a decade.

Notwithstanding this strong growth in labour costs, it appears very likely that wage pressures will fall, in the future, in view of the weak euro area growth outlook. While labour market dynamics tend to generally lag behind movements in economic activity, the extremely rapid pace of deterioration in economic activity witnessed over the last months may have implied a particularly strong delay in the realignment of wage pressures to falling output demand at the current juncture. Indeed, anecdotal evidence from various sources indicates that firms are currently actively seeking means to rationalise labour costs, leading to likely negative "wage drift". The latter is the part of compensation per employee growth which is not explained by growth in negotiated wages and salaries and/or social security contributions (for details, see Box 6 of the October 2006 Monthly Bulletin entitled "Recent developments in euro area wage drift"). Adjustment in labour costs to reflect deteriorated demand conditions may, however, ensue from either adjusting compensation per employee, or the input of labour in the form of a lower number of employees or hours per employee. In this context, there is a risk that only slowly abating labour cost growth implies unnecessarily higher job losses in a context of protracted weakness in economic activity.

Chart 42 Selected labour cost indicators

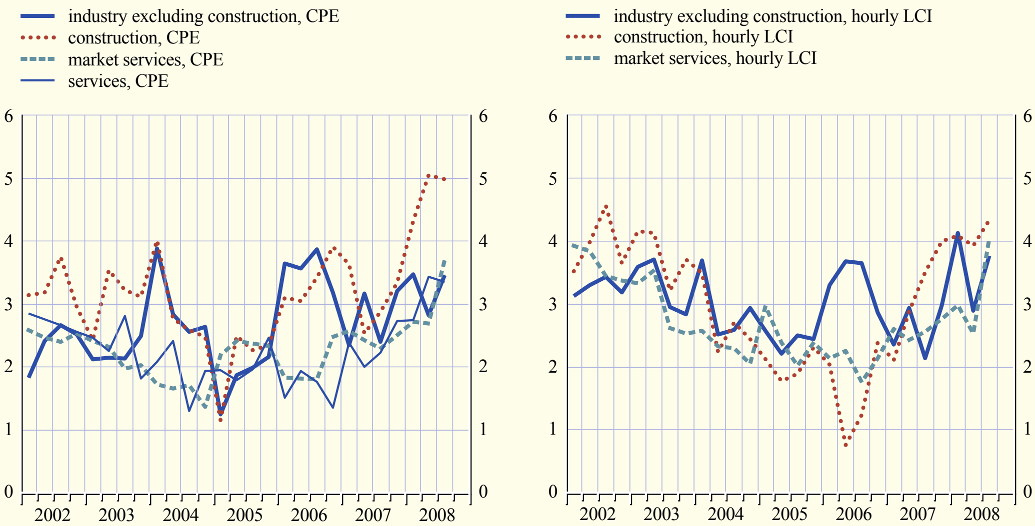
(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.
Note: Data refer to the euro area including Slovakia.

Chart 43 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Notes: Data refer to the euro area including Slovakia. CPE stands for "compensation per employee" and LCI stands for "labour cost index".

3.4 CORPORATE PROFIT DEVELOPMENTS

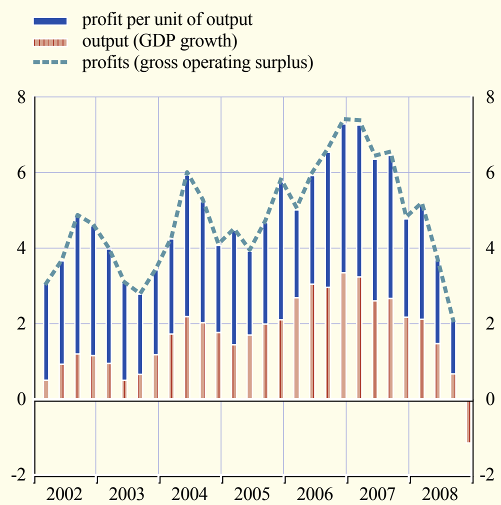
Corporate profit growth appears to have declined considerably over the course of 2008. According to national accounts data, the annual growth in euro area profits decreased further in the third quarter of 2008 and stood at about 2%, the lowest level since mid-1999. This fall is explained by a combination of lower growth in activity (volume) and lower growth in unit profits (margin) – see Chart 44. Both domestic and external economic factors were at play behind the further slowdown in profit margins. Unit labour cost growth in the third quarter of 2008 was, at 3.6%, the highest rate recorded since 1993, thus compressing margins per unit of output. External price pressures came mainly from earlier high levels of commodity prices pushing up non-labour input costs.

The observed decline in profit growth is more marked in industry than in market services owing to a sharper contraction in activity and its higher exposure to external price pressures (see Chart 45). A year-on-year fall in profits in the industry was observed for the last time in the middle of 2003. The growth rate of profits in the market services branch, albeit positive, was at a historically low level. It was the first time since the mid-1990s – when data on euro area profit developments were first available by branch of activity – that this figure fell below 3%.

Looking further ahead of the available national accounts data, the further weakening of economic activity – as observed in the last quarter of 2008 and early 2009 – is likely to put further downward pressure on profits. A counteracting factor, to some extent, is the very substantial fall in commodity prices since the middle of 2008. However, in view of the magnitude of the expected slowdown in activity, profits may be expected to decline substantially in 2009, which will have negative repercussions for the investment and employment outlook.

Chart 44 Breakdown of euro area profit growth into output and profit per unit of output

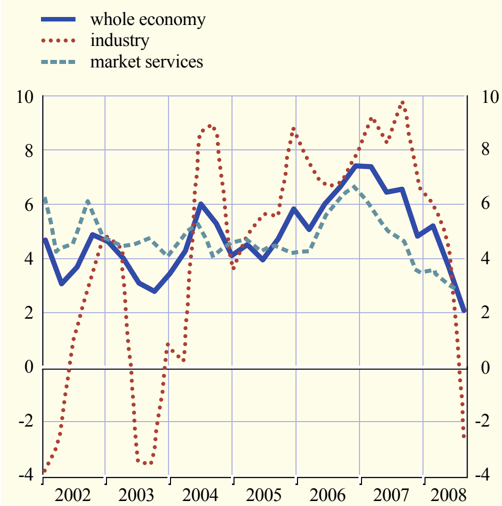
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Chart 45 Euro area profit growth by main branches of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

According to Eurostat's flash estimate, euro area annual HICP inflation was 1.2% in February 2009, broadly unchanged from 1.1% in January and well below the rate of 4.0% registered in June and July 2008. The decline in inflation since last summer primarily reflects the sharp fall in global commodity prices over this period. However, signs of a broader-based reduction in inflationary risks are also increasingly emerging. While euro area labour costs appear to have accelerated in 2008, it is to be expected that the slowdown in activity will dampen domestic inflationary pressures in the period ahead.

Past volatility in energy prices is expected to lead to marked movements in euro area annual HICP inflation over the coming months. As discussed in Box 4, much of these marked movements can be linked to transitory factors – such as base effects of previous volatility in food and energy prices – which will subsequently unwind and contribute to rising inflation later in the year. Indeed, strong base effects from past volatility in commodity prices will contribute to both temporarily deeper downside movements in HICP inflation around the middle of 2009 and increasing inflation rates in the second half of the year, implying the strong likelihood of sharp fluctuations in HICP inflation rates during 2009.

According to the latest ECB staff macroeconomic projections, average annual HICP inflation is projected to lie between 0.1% and 0.7% in 2009 and between 0.6% and 1.4% in 2010. Risks to this outlook are broadly balanced. They relate, in particular, to the risks to the outlook for economic activity as well as to risks to commodity prices.

Box 4

THE CURRENT PERIOD OF DISINFLATION IN THE EURO AREA

Overall annual HICP inflation in the euro area declined rapidly in the second half of 2008 and in early 2009, mainly on account of a sharp fall in commodity prices. Inflation is expected to post a further sharp fall in the coming months, mainly owing to favourable base effects, as past increases in energy and food prices drop out of the annual inflation rate. There is a strong likelihood that annual HICP inflation will turn negative in mid-2009, but this will most probably be only a temporary phenomenon, as base effects stemming from the fall in oil prices since August 2008 will push up HICP inflation in the course of the second half of 2009.[1] Such a process of rapid disinflation, reflecting strong but temporary movements in relative prices, should not be confused with outright deflation. This box clarifies the differences between these two concepts and puts the current inflation developments into perspective.

Conceptual issues: price stability, disinflation and deflation

To start with, it is useful to recall the quantitative definition of the ECB's primary objective of price stability. The Governing Council of the ECB adopted this definition in 1998, stating that "price stability shall be defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". In addition, following a thorough evaluation of the monetary policy strategy in 2003, the Governing Council clarified that, within this definition, it aims to keep HICP inflation "below, but close to, 2%". The quantitative definition of price stability was designed in such a way as to provide a clear yardstick against which the public can hold the ECB accountable and with a view to anchoring longer-term inflation expectations. It is geared towards the medium term, given that it is impossible for a central bank to maintain a specific pre-defined inflation rate at all times, or to restore it to a desired level within a very short period of time, whereas it is possible and desirable to achieve this over the medium term. The medium-term orientation of the ECB's monetary policy strategy also provides a clear framework for distinguishing temporary downward deviations of headline inflation from levels consistent with price stability, which may be associated with disinflation, from persistent downward risks to price stability, which, if inflation expectations become unanchored, may result in deflation.

Disinflation is a process of declining inflation rates (i.e. a slower rate of increase in the general price level) which could even result temporarily in negative inflation rates. It often stems from cost-saving developments on the supply side. Examples include strong improvements in overall productivity not matched by a proportional increase in wages, tariff cuts, competition-enhancing regulatory reforms and terms of trade improvements triggered, for example, by a decline in oil prices. Such factors support economic activity by strengthening real incomes. Disinflation can be associated with sharp short-term fluctuations in annual inflation rates owing to so-called base effects discussed in detail below. Such short-term volatility in annual inflation rates is, however, not relevant from a monetary policy perspective. The medium-term orientation of the ECB's monetary policy strategy aims to ensure that short-term volatility in inflation does not lead to volatility in longer-term inflation expectations.

1 See the box entitled "ECB staff macroeconomic projections for the euro area" in this issue of the Monthly Bulletin.

A deflationary process is a persistent and self-reinforcing decline in a very broad set of prices. This spiral is propagated by the anticipation that prices will decline further in the future, i.e. inflation expectations becoming unanchored and falling below levels consistent with price stability. Expectations of falling prices may, for example, lead investors and consumers to postpone purchases, reinforcing downward pressures on prices. Deflation is more likely when inflation expectations are strongly influenced by past inflation outcomes. In this respect, it is more likely to take hold in economies in which the central bank does not have a clear quantitative objective that would help to anchor private sector expectations for the medium term. In the euro area, the aim of the Governing Council of the ECB of keeping inflation below, but close to, 2% strongly anchors inflation expectations – as evidenced by the unresponsiveness of inflation expectations to past inflation outcomes[2] – and thereby helps to protect against deflation.

Factors driving the current process of disinflation in the euro area

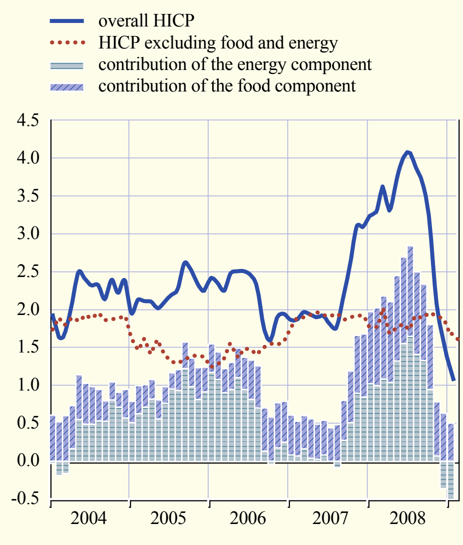
The current process of disinflation in the euro area is mainly due to a sharp fall in oil and other commodity prices, particularly food. Chart A shows the evolution of overall HICP inflation in the euro area alongside the contributions from energy prices and (unprocessed and processed) food prices. It demonstrates that these two components, but particularly energy, were the main drivers of the increase in headline inflation in the period to mid-2008. Likewise, the decline in their contributions, which reflects a significant slowdown in their annual rates of change, is the sole reason for the fall in overall inflation, which amounted to 2.9 percentage points in the period from July 2008 to January 2009.[3] Excluding these two components, which account for about

2 See L. Benati, "Investigating Inflation Persistence Across Monetary Regimes", *Quarterly Journal of Economics*, Vol. 123, No. 3, 2008, pp. 1005-1060.

3 As no detailed breakdown of the HICP in February 2009 is available yet, the last period included in the calculation is January.

Chart A Contributions from energy and food prices to overall HICP inflation in the euro area

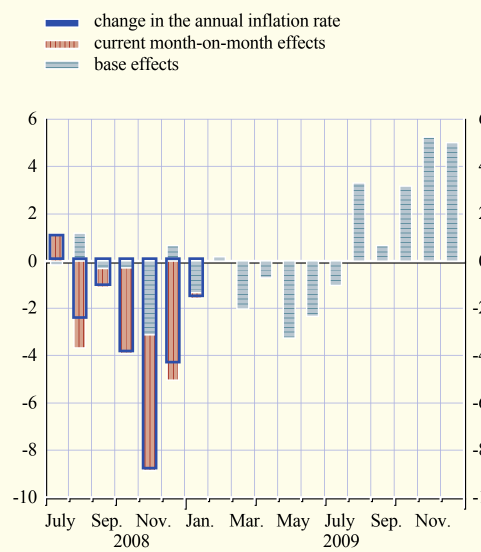
(percentage points, annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart B Developments in the HICP energy component

(percentage points)



Sources: Eurostat and ECB calculations.

30% of the HICP basket, HICP inflation remained fairly stable, at around a level of 1.8%. This suggests that so far the fall in overall inflation has not been a generalised process but is closely related to temporary relative price movements.

The sharp fall in oil prices since August 2008 triggered declines in overall energy prices on a month-on-month basis. This led to a steep fall in the annual rate of change in energy prices, but the impact was reinforced by base effects stemming from past oil price increases. This is illustrated by Chart B which shows the change in the annual rate of change in the HICP energy component in each month between July 2008 and January 2009 and its decomposition into base effects and "current" month-on-month effects. Base effects are considered as the part of the change in the annual inflation rate in a particular month that stems from a deviation of the month-on-month rate of change in the base month (i.e. the same month one year earlier) from its normal (historical) pattern, taking account of seasonal fluctuations.[4] The current month-on-month effect is the month-on-month change in a particular month adjusted by its normal pattern.

Looking ahead, owing to the large increases in energy prices in the first half of 2008, which will drop out of the year-on-year comparison, base effects will exert a further strong downward impact on the annual rate of change in energy prices in the first half of 2009. In cumulative terms, base effects on the energy component will amount to -9.2 percentage points between February and July 2009. Given that energy has a weight of about 10% in the overall HICP, this will put significant downward pressure on overall HICP inflation. Moreover, as shown in the table below, additional downward base effects arising from the food component are in the pipeline. In cumulative terms, base effects stemming from energy and food will amount to an impact of -1.1 percentage points on overall HICP inflation in the period from February to July 2009. HICP inflation may therefore be very low or indeed negative in mid-2009, although the actual inflation outcome will not only depend on the mechanical impact of base effects but also on a number of other factors, notably actual commodity price developments in the coming months and general price pressures related to economic trends. From August 2009, overall HICP inflation will be pushed up again by base effects related predominantly to the significant decline in oil prices observed in the second half of 2008. In cumulative terms, base effects will exert upward pressure on overall inflation amounting to 1.8 percentage points between August and December 2009.

Thus, even if overall HICP inflation is negative in some months in 2009, this is expected to be only a temporary phenomenon, triggered by relative price movements. This development should not be associated with the onset of a deflationary episode.

4 For a more detailed discussion of the calculation of base effects, see the box entitled "Accounting for recent and prospective movements in HICP inflation: the role of base effects" in the December 2008 issue of the Monthly Bulletin.

Impact of base effects from HICP components on overall HICP inflation

(percentage points)

	Energy	Food	HICP excluding food and energy	Total impact
February-July 2009	-0.9	-0.2	0.0	-1.1
August-December 2009	1.7	0.1	0.0	1.8

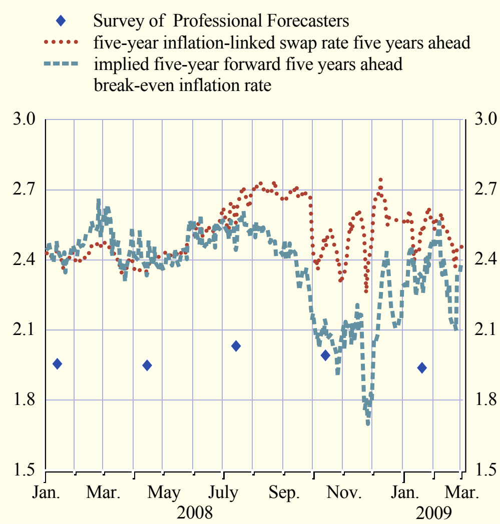
Sources: Eurostat and ECB calculations.

The anchoring of economic agents' inflation expectations will play a key role in this regard. Available information indicates that medium to longer-term inflation expectations are anchored at levels in line with the ECB's definition of price stability, as depicted in Chart C.

To sum up, the euro area is currently witnessing a process of rapid disinflation, driven in particular by a sharp decline in commodity prices, which will cause a U-shaped profile for headline inflation in the course of 2009. The large increase in commodity prices prior to mid-2008 and their subsequent rapid decline have been associated with sharp fluctuations in annual inflation rates. Such short-term volatility is, however, not relevant from a monetary policy perspective. The Governing Council of the ECB will continue to aim at maintaining medium-term inflation expectations solidly anchored in line with price stability.

Chart C Longer-term inflation expectations

(annual percentage changes)



Sources: ECB, Reuters and ECB calculations.
Note: For the Survey of Professional Forecasters (SPF), average point estimates are reported. The latest SPF observation refers to 2013.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

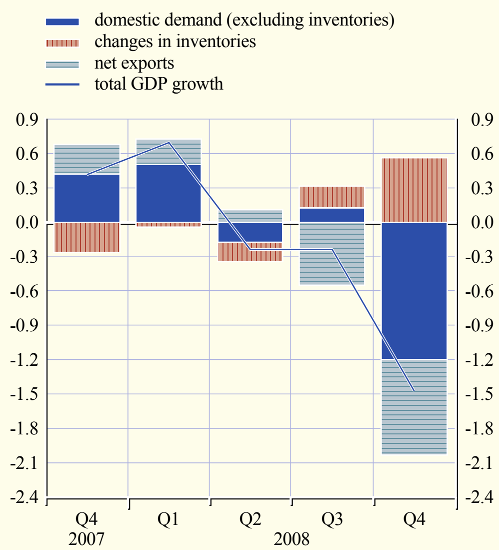
Euro area activity declined markedly towards the end of 2008 as renewed tensions in the financial sector spilled over into the real economy. Following a sharp contraction in GDP in late 2008, survey data and monthly indicators point to a further fall in output in early 2009. Weakness in economic activity in the euro area is expected to persist over the coming quarters as the structural imbalances in some economies and the financial market tensions continue to have an impact on the global and domestic economy. However, the economy is expected to gradually recover in 2010. The March 2009 ECB staff macroeconomic projections forecast average annual real GDP growth in a range of between -3.2% and -2.2% in 2009, and between -0.7% and 0.7% in 2010. In both 2009 and 2010 the annual GDP growth rate will be significantly reduced by negative carry-over effects from the previous year. The economic outlook continues to be surrounded by uncertainty. The risks to the economic outlook now appear to be more balanced. On the one hand, there may be stronger than anticipated positive effects, also on confidence, stemming from the extensive macroeconomic stimulus under way and reflecting other policy measures taken. On the other hand, concerns relate mainly to the potential for a stronger impact on the real economy of the turmoil in financial markets, as well as to the emergence and intensification of protectionist pressures and to possible adverse developments in the world economy stemming from a disorderly correction of global imbalances.

4.1 REAL GDP AND DEMAND COMPONENTS

The pace of euro area activity declined markedly towards the end of 2008 and in early 2009 as the world economy and domestic demand slowed simultaneously. Euro area real GDP, which had posted a moderate decline in the second and third quarters of 2008, contracted very sharply in the final quarter of the year, falling by 1.5% quarter on quarter (see Chart 46). Annual growth in 2008, at 0.8%, was the weakest rate seen since the early 1990s. Survey data suggest that this weakness continued in the first few months of the current year.

Chart 46 Real GDP growth and contributions

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



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

The deterioration in demand has been broad based across its components. External demand slowed as activity in advanced economies and emerging markets weakened. Domestic demand has also softened, with investment registering a significant decline and consumption moderating. The expenditure breakdown for the fourth quarter confirms this picture. Net trade made a further significant negative contribution to growth as exports fell faster than imports, while inventories made a positive contribution to growth. The following sub-sections discuss demand developments in more detail.

PRIVATE CONSUMPTION

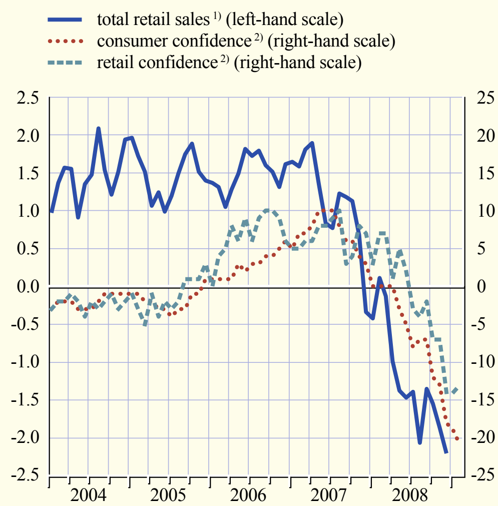
Consumer spending was broadly unchanged in the first three quarters of 2008 and fell sharply in the fourth quarter. Recent indicators suggest that spending continued to be subdued at the start of 2009. New passenger car registrations in the euro area dropped by 3.9% month on month in January.

Consumer confidence remained very low in January and February, reaching the lowest levels seen since the series of the European Commission Consumer Survey began in 1985 (see Chart 47).

A key factor in the slowdown in consumer spending over the past year was the weakness in household real disposable income. Nominal compensation remained relatively robust in 2008 as households benefited from continued strong growth in compensation (see Section 3). However, a sharp rise in inflation in the first half of the year – driven chiefly by large increases in food and energy prices – squeezed real incomes and depressed consumption. Since the summer, a substantial fall in commodity prices has begun to alleviate pressures on household income. Annual HICP inflation dropped sharply from the peak in June and July and is expected to ease further in the first half of 2009 (see Section 3). That will provide some support for income in the months ahead. However, the boost to real income is likely to be substantially offset by deteriorating labour market conditions (see Section 4.2). Unemployment increased sharply in 2008 and surveys of firms' employment intentions point to a significant moderation in employment growth over 2009, which will dampen labour income and thus consumption.

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

(monthly data)



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

Household spending decisions are also affected by expectations regarding lifetime income (i.e. permanent income) derived from returns on financial and non-financial wealth and expected future labour compensation. Since the onset of the financial turmoil, households have suffered as stock markets slumped – the Euro STOXX index fell sharply in 2008 and early 2009 (see Section 2.5). Households' assessments of their personal financial situation reached historical lows in 2008 and remained at very low levels in early 2009. Labour market conditions and the wider economic outlook have worsened abruptly since the autumn of 2008. In addition, expectations about labour market developments, which as late as September 2008 were still relatively optimistic (i.e. above the long-run averages), have deteriorated rapidly in the past five months.

Concerns about labour market developments and the financial turbulence are likely to have heightened households' uncertainty about the economic outlook and led them to reduce spending and build up savings as a buffer against possible fluctuations in future incomes. According to the euro area integrated accounts, the household saving ratio rose in the second and third quarters of 2008. Further indications of consumers' increasing caution and risk aversion are also evident in changes in financial investment patterns (see Section 2.7). Households have redeployed their financial investments into less risky assets, by increasing their holdings of currency, deposits and debt securities and reducing their holdings of riskier assets such as equities.

Overall, consumption is expected to remain subdued in the near term. Although a substantial fall in commodity prices has improved household purchasing power, which will support disposable income, household wealth has fallen and the deteriorating labour market situation is expected to dampen labour income in the coming months. Continued economic uncertainty and weak consumer confidence are likely to further depress household expenditure for some time to come.

INVESTMENT

Investment growth in the euro area deteriorated rapidly in 2008. Following relatively resilient growth in the first quarter of 2008, in part because the unusually mild winter in many parts of Europe boosted construction activity in that period, investment fell sharply in the second and third quarters of the year. In the fourth quarter it reached a rate of decline of 2.7% compared with the previous quarter.

Construction investment, which includes residential and commercial building, accounts for about half of total investment and therefore developments in property markets have a significant influence on investment. Euro area residential property price growth has moderated since 2005 (for further details, see Box 4 in the February issue of the Monthly Bulletin) and commercial property price growth has also trended downwards across most euro area countries, with several regions registering a sharp fall in prices in 2008 (see Section 2.3 of the December 2008 Financial Stability Review). Moderating or falling house prices make residential investment less profitable, which tends to depress construction investment. The number of building permits granted, which tends to lead developments in construction investment, fell very significantly in 2008, suggesting that construction investment growth is likely to be more negative in the coming quarters.

Non-construction investment has also slowed recently as weakening demand has lowered profitability, capacity pressures have waned, and tighter lending standards have reduced the availability of funding. Business investment fell in the second and third quarters of 2008. Available indicators suggest that business investment remained weak in the fourth quarter, with capital goods production declining sharply (see Section 4.2).

The recent deterioration in demand and the significantly weaker outlook for aggregate activity are major factors dampening investment growth. As demand waned in the first half of 2008, corporate profitability growth slowed (see Section 3). Stock market-based indicators of profitability point to a further decline in corporate profitability in the second half of the year (see Sections 2 and 3). In addition, most projections for growth expect a marked decline in 2009 and only a modest recovery in 2010, which is likely to further curb business investment in the near term.

Falling demand also reduces resource constraints within firms, mitigating the need for firms to expand production capacity. According to the European Commission Business Survey, as production fell, capacity utilisation in the industrial sector slumped and, in January 2009, it stood at the lowest level recorded since the series began in 1985. In addition, the proportion of firms identifying a lack of equipment or space as a factor limiting production has also decreased sharply since the peak in the third quarter of 2007.

A further factor that could be influencing capital expenditure – both business investment as well as residential and commercial building – is the cost and availability of finance. Since the start of the financial turmoil, market-based finance costs have risen as equity prices have fallen and the overall cost of financing has also increased. Conditions on bank lending have also tightened, although firms have benefited from the substantial reduction in key ECB interest rates since October 2008, which is now being passed through to lower bank lending rates (see Section 2). The flow of MFI loans to non-financial corporations, which had contracted in December for the first time since the onset of the financial turmoil, turned slightly positive in January, confirming the significant weakening trend seen in credit. The non-financial corporate sector has also reduced its deposit holdings. Anecdotal evidence from non-financial corporations suggests that tighter financing conditions are having a major impact on firms' ability to finance their current and future operations. However, despite a small increase over the past six months, the proportion of firms in the European Commission's January 2009 Business Survey that identified finance as a factor limiting production was relatively low. Overall, it remains difficult to assess the severity and scope of credit constraints and their impact on investment and real activity at this juncture.

GOVERNMENT CONSUMPTION

Relative to other components of demand, government consumption continued to expand in 2008. Following growth of 0.9% in the third quarter of the year, public consumption unexpectedly decreased by 0.6% quarter on quarter in the fourth quarter. Looking ahead, government consumption, which typically consists of expenditure on collective services such as defence, justice, health and education, and tends to be less exposed to cyclical developments than other components of demand, should continue to provide some support for domestic demand in the months ahead. Other elements of government expenditure – in particular transfers to and from other sectors – are counter-cyclical. For example, social payments such as unemployment benefits are likely to rise as economic growth slows and the labour market softens, while tax receipts from households and firms will fall. These elements should provide some cushioning for household and corporate income. The integrated euro area accounts for the third quarter of 2008 show that the growth in current tax payments of households and non-financial corporations has already moderated. In addition, other discretionary measures, like those adopted in support of the automotive industry, will also help to boost demand.

INVENTORIES

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. If they were unable to adjust production sufficiently, firms would have been left with a build-up of stocks. This would be consistent with the picture obtained from surveys of the manufacturing sector towards the end of 2008. The European Commission Business Survey to February registered that a large proportion of firms considered current stocks of finished goods to be too large, while the survey for the Purchasing Managers' Index (PMI) indicated that stocks of finished goods increased in the fourth quarter of 2008 at the fastest rate seen since the survey began in 1998. Looking ahead, companies may try to clear the stocks that they have accumulated over recent months, by reducing output at a faster pace than the fall in final demand. The PMI survey for January 2009 suggested that the stock levels of firms in the manufacturing sector fell very markedly. In February this index rose slightly, but remained below the threshold that indicates a further depletion of stocks. Euro area retailers' stocks of finished goods also continued to fall in February. According to the Bloomberg Euro Zone Retail PMI survey, this reflected deliberate destocking in the face of falling sales and a bleak economic outlook. If the information conveyed by these surveys were to be borne out in official data, it would point to a strong negative impact on GDP growth from changes in inventories early in 2009.

TRADE

The external environment has deteriorated significantly, aggravated by the financial crisis and the severe strains on banking systems and credit conditions worldwide. Falling global demand has tempered global trade. Demand in advanced economies weakened substantially in 2008, while growth in emerging markets has moderated very sharply since the autumn (see Section 1).

Trade flows have also been affected by the financial turmoil, which appears to have limited the availability of trade financing, such as letters of credit, used by firms to support cross-border transactions.

As a result, demand for euro area goods and services has slowed. Euro area exports were flat in the second and third quarters of 2008 and slumped sharply in the final quarter of the year (falling by 7.3% quarter on quarter). This was one of the factors behind the very strong decline in industrial production observed in that period (see Section 4.2). Looking ahead, export orders remain at historically very low levels and business surveys point to another sharp fall in exports in the first quarter of 2009 and later in the year. Although exports may gain some impetus from the depreciation in the nominal effective exchange rate of the euro since the turn of the year, if it is sustained (see Section 6), near-term prospects for the global economy remain bleak and it is unlikely that exports will provide strong support for euro area demand in the coming quarters.

As final domestic demand has slowed, euro area imports have also tended to moderate over the past year. Following more robust growth in the third quarter of 2008, imports fell by 5.5% in the fourth quarter. However, with exports falling faster, the contribution of net trade to GDP growth was again negative in the fourth quarter.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

A key determinant of inflationary pressure is the balance between aggregate output and potential supply. Euro area output fell in the course of 2008 and seems to have remained very weak in early 2009. As a result, the margin of spare capacity within the economy has widened. Capacity pressures within businesses have abated very quickly. Capacity utilisation within manufacturing firms slumped to the lowest level seen since the European Commission first began its survey of the industrial sector, and other measures also signal alleviating capacity pressures. PMI indices point to a further shortening of supplier delivery times in the manufacturing sector and further reductions in firms' outstanding business or backlogs of work in both the services and industrial sectors. Conditions in the labour market have also eased (see the labour market section below). Unemployment has risen since the start of 2008 and, according to the European Commission's October 2008 Business Survey, the proportion of firms signalling labour shortages has fallen.

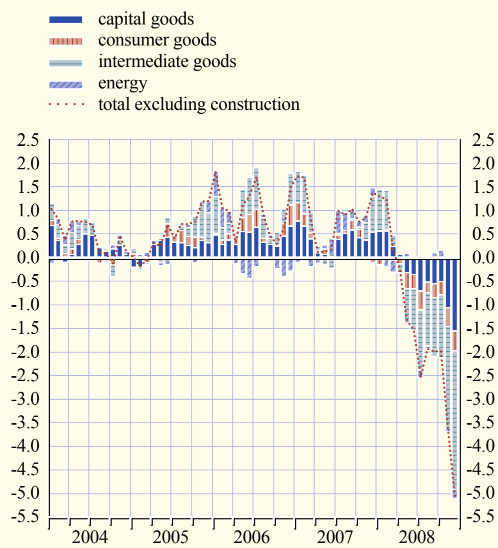
SECTORAL OUTPUT

The significant moderation in economic growth in 2008 was widespread across sectors. A sharp decline in output was recorded in both the manufacturing and construction sectors, with very large quarterly falls in the last three quarters of the year. Value added in the manufacturing sector has been hit by the sharp slowdown in domestic and external demand, with activity slowing in each of the major sub-sectors. The fall in industrial production (excluding construction) in the fourth quarter of 2008 was exceptional – being exceeded in scale only once since 1960. Construction activity has also been affected as residential and commercial property markets have cooled. Value added in this sector slowed in each of the last three quarters of 2008.

Services sector growth slowed moderately in 2008, although activity contracted in the fourth quarter of the year – the first quarter-on-quarter fall in this sector since 1995 when the series of value added by services began. Output in the financial and business services sector contributed marginally (-0.1 percentage point) to the quarter-on-quarter fall in the final quarter of 2008. As discussed in previous issues of the Monthly Bulletin, this is a large sector which encompasses a wide range

Chart 48 Industrial production growth and contributions

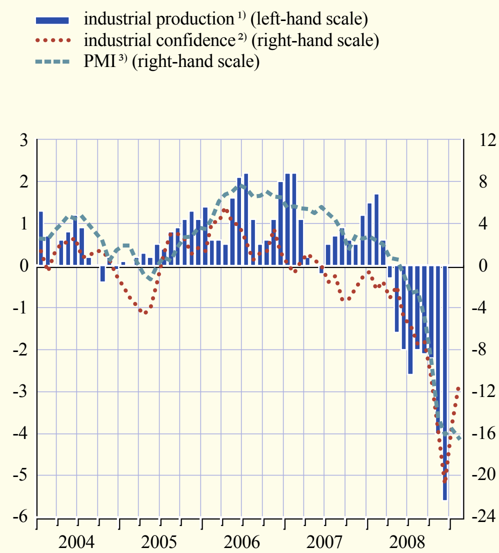
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

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.
Notes: All series refer to manufacturing. Data refer to the euro area including Slovakia.
1) Three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

of activities, including financial, real-estate, legal, accountancy and tax-related services. Timely information on the performance of sub-components is limited. However, it is likely that the financial market turbulence has had a negative impact on the output of the financial services sector, as survey information confirms a pronounced decline in confidence among firms. Value added in trade, transport and communication services also declined, falling by 1.4% in the fourth quarter compared with the third quarter – the third consecutive fall. The slowdown in household spending is likely to have affected activity in the trade and distribution services sectors.

Looking ahead, the short-term outlook for overall activity remains bleak and output is expected to contract further in the course of 2009. Indicators based on surveys of activity have also continued to be extremely weak, with PMI output indices and European Commission confidence indicators at very low levels (see Chart 49). Anecdotal evidence points to a decline in demand in early 2009, with firms highlighting the deterioration in confidence and extremely high levels of uncertainty surrounding the economic outlook. In the industrial sector new orders have collapsed, reflecting the substantial fall in domestic and external demand. Moreover, as discussed above, surveys suggest that at the beginning of the year firms started to reduce the stocks that they had accumulated in previous months. This could depress production further in the near term, as companies reduce output at a faster pace than the fall in final demand. Box 5 briefly reviews the development of projections for real GDP growth in 2009.

Box 5

THE DEVELOPMENT OF PROJECTIONS FOR EURO AREA GROWTH IN 2009

This box reviews how projections for euro area growth in 2009 have developed since the beginning of 2008. It shows how much the outlook for 2009 has deteriorated over the past year and when the largest revisions were observed.

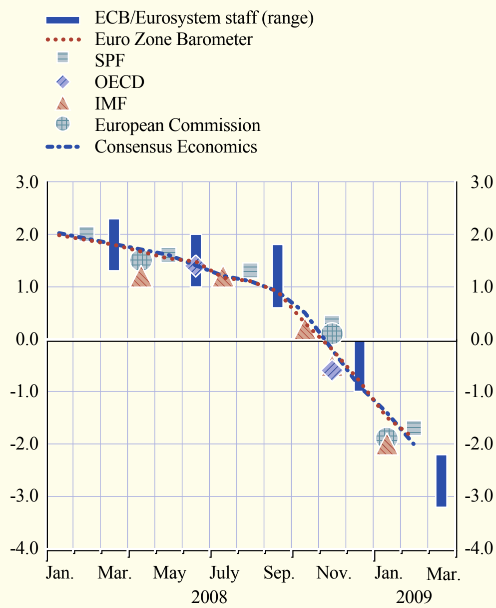
Chart A shows the development of projections for euro area growth for 2009 between the beginning of 2008 and the cut-off date for this issue of the Monthly Bulletin. It shows the projections of various institutions (namely the ECB/Eurosystem staff who produce projections that are expressed in terms of ranges, the European Commission, the IMF and the OECD) and private sector forecasters (i.e the Survey of Professional Forecasters (SPF), the Euro Zone Barometer and Consensus Economics). While the Euro Zone Barometer and the projections of Consensus Economics are issued on a monthly basis, the other projections are published less often. The ECB/Eurosystem staff macroeconomic projections for 2009 were published in March, June, September and December 2008, as well as in March 2009, while those of the SPF were available one month earlier on each occasion. The European Commission published its growth projections for 2009 in April and November 2008 and an interim forecast in January 2009. The projections of the IMF for GDP growth in 2009 were published in April, July and October 2008 and January 2009, with an exceptional forecast published in November 2008. The OECD projections for 2009 were available in June and November 2008.

Chart A shows that from early 2008 the outlook for euro area GDP growth in 2009 was revised downwards in all projections. While at the beginning of 2008 growth of around 2.0% was expected for 2009, projections in January and February 2009 ranged between -1.5% and -2.0%. The pace of the downward revisions was relatively modest in the first half of 2008, but then accelerated somewhat in October, with expected growth rates falling to zero between November and December in all projections. The timing and extent of the downward revisions partly reflect the frequency of updates and the production and publication dates of the individual forecasts.

The downward revisions to the economic outlook for 2009 clearly reflect the emergence of increasingly negative information on the economic situation. A number of factors may have played a role in the strengthening of the downward revisions from October 2008 onwards. Monthly indicators with a bearing on the current and short-term outlook for growth deteriorated markedly over 2008, particularly in the second half. Chart B shows developments

Chart A Development of projections for euro area growth in 2009

(annual percentage changes)

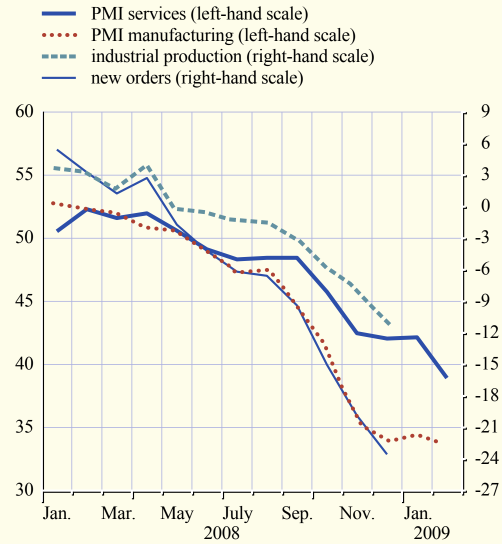


Sources: ECB, European Commission, IMF, OECD, Euro Zone Barometer and Consensus Economics.
Note: The dates on the x-axis correspond to the publication dates of the various estimates. The time span between the cut-off date for information used and the actual publication date varies across projections.

in the Purchasing Managers' Index (PMI) for manufacturing and services, along with year-on-year growth rates for industrial production and new orders. The deterioration in these indicators accelerated from September 2008 onwards, around the time of the deepening of the financial turmoil and Lehman Brothers' default.

Chart B PMI indicators, industrial production and new orders

(left-hand scale: percentage balances; right-hand scale: annual percentage changes)



Sources: Eurostat and Markit.

The revisions to the projected growth for 2009 were also partly related to the negative carry-over effect of the deteriorating outlook for the second half of 2008. This effect is defined as the impact that the pattern of growth recorded in the course of one year has on the annual average growth rate in the following year.[1] Unexpectedly weak data in the last quarter of 2008 have, therefore, also had a marked downward impact on annual growth expectations for 2009. With Eurostat estimating GDP growth of -1.5% for the fourth quarter of 2008, the carry-over effect on 2009 now amounts to -1.3 percentage points. It is worth noting here that had the estimate for the fourth quarter of 2008 been 1 percentage point higher (i.e. -0.5% rather than -1.5%), then the carry-over into 2009 would have been significantly less negative, at -0.5 percentage point rather than -1.3 percentage points, which illustrates the sensitivity of this carry-over effect to data releases late in the year.

Overall, the sharp falls in the projections for euro area GDP growth in 2009 – common across various different institutional and private forecasters – highlight the difficulty of anticipating economic developments in such an uncertain situation. Notably, the sharp falls observed in order books, trade and industrial production when the financial turmoil deepened had not been foreseen in mid-2008 and were, therefore, major contributors to the downward revisions of the different projections.

1 See also Box 8 in the March 2005 issue of the Monthly Bulletin.

LABOUR MARKET

Over the past few years euro area labour markets had improved significantly. Employment increased strongly, the participation rate rose and by early 2008 unemployment had fallen to the lowest level seen since the early 1980s. As a result, labour market conditions were tight towards the end of 2007 and wage pressures rose (see Section 3). More recently, however, labour market prospects have deteriorated significantly. The unemployment rate has increased since the start of 2008 and employment growth has moderated. Surveys of employment expectations point to a more subdued labour market outlook. With labour demand falling faster than available supply, labour market pressures are expected to ease over the coming quarters.

Table 8 Employment growth

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

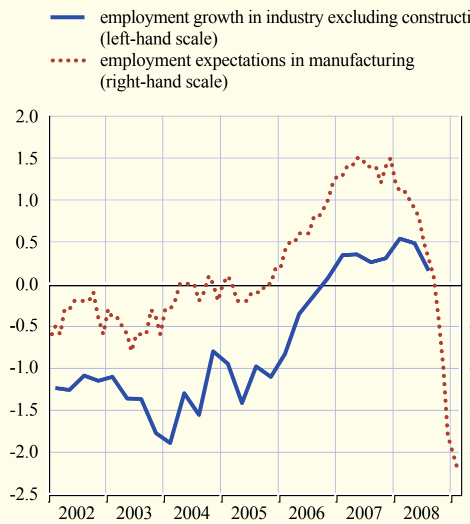
	Annual rates		Quarterly rates				
	2006	2007	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
Whole economy	1.6	1.8	0.5	0.3	0.4	0.2	0.0
of which:							
Agriculture and fishing	-1.9	-1.2	-1.0	-0.4	0.5	-1.2	-0.8
Industry	0.6	1.4	0.0	0.1	0.2	-0.3	-0.7
Excluding construction	-0.3	0.3	0.0	0.1	0.3	0.1	-0.3
Construction	2.7	3.9	-0.1	0.0	0.0	-1.2	-1.5
Services	2.2	2.1	0.7	0.4	0.4	0.4	0.2
Trade and transport	1.7	1.8	0.8	0.1	0.5	0.3	0.1
Finance and business	3.9	4.1	0.8	0.8	0.8	0.4	0.0
Public administration [1]	1.9	1.4	0.5	0.5	0.1	0.5	0.5

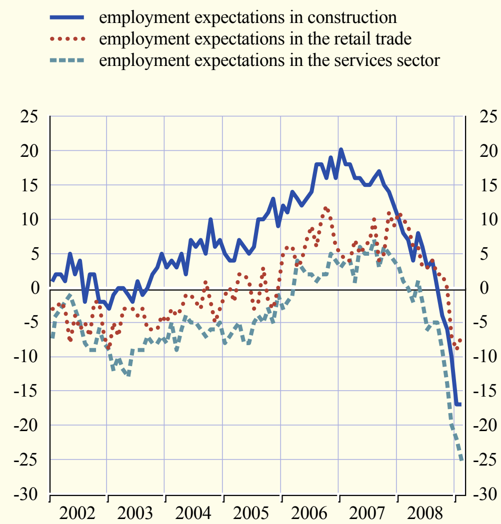
Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Slovakia.
1) Also includes education, health and other services.

Employment was broadly unchanged in the third quarter of 2008, following modest growth in the first half of the year (see Table 8). As discussed in previous issues of the Monthly Bulletin, changes in employment typically lag those in activity. Because it is expensive for firms to shed and re-hire employees, initially they may decide to wait and assess the likely course of economic developments before incurring the expense of staffing adjustments. Developments in labour demand therefore depend on how firms' assessments of economic prospects have changed as the economy has deteriorated. Early last year the downturn in the euro area was expected to be relatively mild (see Box 5). Business surveys indicated that employment expectations remained somewhat more optimistic than indicators of output in the first half of 2008. Some firms may have chosen to retain

Chart 50 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)





Sources: Eurostat and European Commission Business and Consumer Surveys.
Notes: Percentage balances are mean-adjusted. Data refer to the euro area including Slovakia.

staff on reduced workloads. Such labour hoarding is apparent in a reduction in hours worked in the euro area and a fall in productivity measured as output per employee (see Chart 51). Other firms may have chosen instead to initially reduce staff numbers by not replacing staff who leave or retire, or by cutting back on temporary workers. According to the Labour Force Survey statistics available to the third quarter of 2008, a decline in temporary employment is largely responsible for the moderation in overall employment.

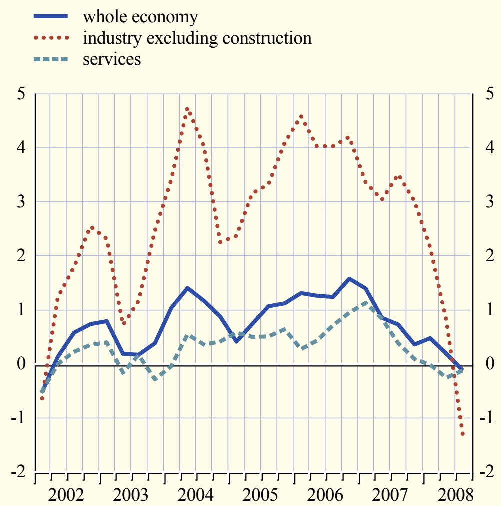
Looking ahead, however, with output contracting so abruptly towards the end of 2008 and indicators of economic activity showing a further weakening in early 2009, firms may be less inclined to hoard labour. Surveys suggest that as the slowdown has become more acute and the likelihood of a protracted period of subdued activity has increased, firms have revised their employment intentions significantly downwards. The February 2009 European Commission Business Survey showed employment intentions at similar levels to those seen during the recession in the early 1990s (see Chart 50). The outlook for labour demand has therefore worsened markedly.

The implication of the expected moderation in labour demand depends, in part, on developments in labour supply. Increases in the workforce reflect changes in the working age population and in the willingness of individuals to participate in the workforce. Growth in labour supply remained relatively sustained in the third quarter of 2008. The working age population increased steadily and the participation rate improved.

Overall, the combination of moderating labour demand and relatively sustained growth in the potential supply of workers suggests that labour market conditions have loosened. The unemployment rate in the euro area has increased since the beginning of 2008, rising to 8.2% in January 2009, which is 1 percentage point higher than in January 2008 (see Chart 52). The European Commission's October Business Survey also indicated a decline in the proportion of firms reporting

Chart 51 Labour productivity

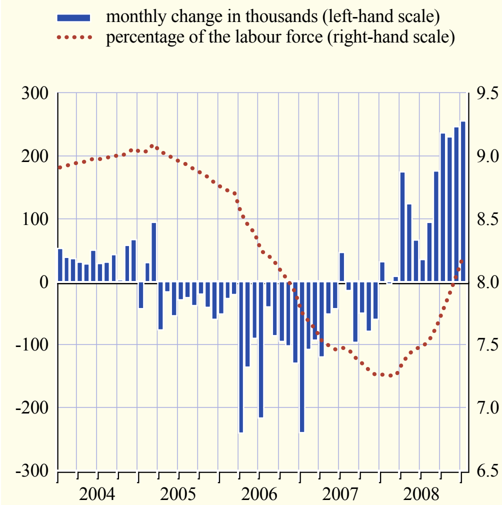
(annual percentage changes)



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

Chart 52 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.
Note: Data refer to the euro area including Slovakia.

labour market shortages as a factor limiting production. As firms pare back their labour demand, labour market pressure may be expected to continue to ease over the coming quarters.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area activity declined markedly towards the end of 2008 as renewed tensions in the financial sector spilled over into the real economy. External demand has weakened as advanced economies have slowed and emerging markets have been increasingly affected by the turmoil. Business investment has also slowed and expansion plans have been put on hold as profitability has declined, capacity pressures have waned, and tighter lending standards have reduced the availability of funding. Against this background, a process of stock reduction in a number of sectors is also contributing to the contraction of output. Residential investment has also moderated as housing markets in several euro area countries have softened, with expectations of lower future prices inhibiting current transactions. The decline in output has markedly reduced capacity pressures within businesses and conditions in the labour market have begun to ease. The unemployment rate has increased and surveys indicate that employment expectations have moderated. Finally, with falling financial wealth, tightening credit conditions and worsening labour market prospects, household spending is expected to remain muted, even though real income is being supported by the fall in commodity prices.

Following a marked contraction in GDP in late 2008, weakness in economic activity in the euro area is expected to persist over the coming quarters as the structural imbalances in some economies and financial market tensions continue to have an impact on the global and domestic economy. However, the economy is expected to gradually recover in 2010, reflecting the effects of significant macroeconomic stimulus under way as well as of the extensive policy measures that have been introduced to restore the functioning of the financial system, both inside and outside the euro area.

The March 2009 ECB staff macroeconomic projections forecast average annual real GDP growth in a range of between -3.2% and -2.2% in 2009, and between -0.7% and 0.7% in 2010 (see Box 6). In both 2009 and 2010 the annual GDP growth rate will be significantly reduced by negative carry-over effects from the previous year. The economic outlook continues to be surrounded by uncertainty. The risks to the economic outlook now appear to be more balanced. On the one hand, there may be stronger than anticipated positive effects, also on confidence, stemming from the extensive macroeconomic stimulus under way and reflecting other policy measures taken. On the other hand, concerns relate mainly to the potential for a stronger impact on the real economy of the turmoil in financial markets, as well as to the emergence and intensification of protectionist pressures and to possible adverse developments in the world economy stemming from a disorderly correction of global imbalances.

Box 6

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 23 February 2009, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Reflecting the weak outlook for global growth as well as for domestic demand, average annual real GDP growth is projected to be negative in 2009, between -3.2% and -2.2%, before increasing to between -0.7% and +0.7% in 2010. Inflation is expected to be dampened by the fall in commodity prices and the slowdown in economic activity. The average rate of increase in the overall HICP is projected to be between 0.1% and 0.7% in 2009, and between 0.6% and 1.4% in 2010.

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 13 February 2009.[2] 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 1.8% for 2009 and 2.1% for 2010. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.2% in 2009 and 4.6% in 2010. The baseline projection takes into account the current tightness of financing conditions but also includes the assumption that, over the projection horizon, bank lending rate spreads vis-à-vis the above-mentioned interest rates will narrow somewhat. Similarly, credit conditions are assumed to ease gradually over the horizon from their current tightness. 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 49.3 in 2009 and USD 57.4 in 2010. International food prices in US dollars are assumed to decline by 11.8% in 2009 and to rise by 4.9% in 2010. The prices of other (i.e. non-energy and non-food) commodities in US dollars are assumed to decrease significantly, by 29.8%, in 2009 and to rise by 6.0% in 2010.

The technical assumption is made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.29 in both 2009 and 2010, and an effective exchange rate of the euro that is, on average, 2.4% lower in 2009 than the average for 2008 and 0.1% lower in 2010 than the average for 2009.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 13 February 2009. They include all policy measures that have already been approved

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from the euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges for each variable and each horizon correspond to a model-based 75% probability interval. The method used is documented in "New procedure for constructing ECB staff projection ranges", ECB, September 2008, available on the ECB's website.

2 Oil and food price assumptions are based on futures prices up to end-2010. For other commodities, prices are assumed to follow futures until end-2009 and thereafter to develop in line with global economic activity.

by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process. In particular, the fiscal stimulus packages that have been agreed in a number of countries have been accounted for in the projections.

Assumptions with regard to the international environment

Global economic prospects deteriorated markedly in the final quarter of 2008 amid a rapid amplification of adverse feedback loops between the financial crisis and real economic activity in advanced economies and an increase in spillovers to emerging markets, particularly via the collapse of global trade. The world economy is projected to undergo its most severe and synchronised downturn in many decades. Average annual growth in world real GDP outside the euro area is projected to decline from 3.6% in 2008 to 0.2% in 2009, and to rebound moderately to 2.5% in 2010 as expansionary policy measures take hold across the globe. The main trade partners of the euro area are expected to be especially affected by the global activity slowdown. As a result, growth in the euro area's export markets, which was 4.1% in 2008, is projected to be negative in 2009, at - 5.3%, before recovering to 1.9% in 2010.

Real GDP growth projections

Real GDP growth has been negative in the euro area since the second quarter of 2008, with GDP falling 1.5% quarter on quarter in the last quarter of that year. In line with recent short-term economic indicators and surveys, GDP is expected to continue to decline in 2009, albeit to a lesser extent than at the end of 2008. This decline reflects a drop in exports coupled with decreasing domestic demand. The investment outlook is especially affected by the weak global activity and the high level of uncertainty. Residential investment in particular is projected to fall, additionally reflecting ongoing corrections in housing markets in some euro area countries. Private consumption is projected to be dampened by a deteriorating labour market and low confidence. Recent adverse developments – such as the weakening in world trade, the fall in confidence and the tightening of financing conditions – are expected to reverse only gradually over the horizon. However, benefiting from the large macroeconomic stimulus in the euro area and the rest of the world, and reflecting the measures taken to facilitate the functioning of the financial system, a recovery is projected for 2010. It is expected to be driven by exports, the assumed gradual normalisation in financial markets and a stabilisation in housing markets.

Table A Macroeconomic projections for the euro area

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

	2008	2009	2010
HICP	3.3	0.1 - 0.7	0.6 - 1.4
Real GDP	0.8	-3.2 - -2.2	-0.7 - 0.7
Private consumption	0.5	-1.2 - -0.2	-0.4 - 1.0
Government consumption	2.1	1.3 - 2.1	1.1 - 1.9
Gross fixed capital formation	0.3	-8.6 - -5.8	-4.3 - -0.3
Exports (goods and services)	1.8	-9.7 - -6.9	-0.9 - 1.9
Imports (goods and services)	1.8	-8.0 - -5.0	-1.6 - 2.6

1) The projections for real GDP and its components are based on working-day-adjusted data. The projections for exports and imports include intra-euro area trade.
2) Data for GDP refer to all 16 countries of the euro area. For the HICP, Slovakia is included as part of the euro area in the projection ranges as of 2009. The average annual percentage changes for 2009 are based on a euro area composition that includes Slovakia already in 2008.

Overall, after having grown by 0.8% in 2008, real GDP is expected to decline by between 2.2% and 3.2% in 2009, before recording rates of change between -0.7% and +0.7% in 2010.

Price and cost projections

As a result of declining commodity prices and base effects caused by past commodity price changes, and increasingly reflecting the deteriorating economic outlook, average annual HICP inflation is expected to fall to a range between 0.1% and 0.7% in 2009, from 3.3% in 2008. In 2010 inflation is projected to be between 0.6% and 1.4%. The weak economic outlook for the euro area is expected to keep domestic price pressures contained over the whole horizon. In particular, compensation per employee, which registered a strong increase in 2008, is expected to decelerate significantly, with lower wage growth in both the public and private sectors as the labour market deteriorates and inflation falls. Reductions in profit margins are projected to further dampen inflation. Finally, low global inflation is also expected to help to contain import prices.

Comparison with the December 2008 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2008 issue of the Monthly Bulletin, the ranges projected for real GDP growth in 2009 and 2010 have been adjusted substantially downwards, reflecting lower activity worldwide, declines in asset prices and weakened confidence.

The ranges projected for the annual rate of increase in the overall HICP in 2009 and 2010 are both significantly below those given in December 2008, mostly reflecting downward revisions to energy and food prices but also the impact of lower activity on wages and prices.

Table B Comparison with the December 2008 projections

(average annual percentage changes)

	2008	2009	2010
Real GDP – December 2008	0.8 - 1.2	-1.0 - 0.0	0.5 - 1.5
Real GDP – March 2009	0.8	-3.2 - -2.2	-0.7 - 0.7
HICP – December 2008	3.2 - 3.4	1.1 - 1.7	1.5 - 2.1
HICP – March 2009	3.3	0.1 - 0.7	0.6 - 1.4

5 FISCAL DEVELOPMENTS

The outlook for public finances in the euro area shows a sharp deterioration. The main underlying factors are the worsening macroeconomic environment, revenue shortfalls and the fiscal stimulus measures that have been adopted in most euro area countries in response to the severe economic downturn. According to the European Commission's January 2009 interim forecast, the euro area general government deficit is expected to increase from 1.7% of GDP in 2008 to 4.0% in 2009, and to rise to 4.4% in 2010. By 2010 the government deficit in ten out of sixteen of the euro area's member countries will likely stand above the reference value of 3% of GDP. The risks to the fiscal outlook are on the downside owing to the uncertain macroeconomic environment and to the fiscal impact of the financial crisis and the stimulus measures. To preserve confidence in the sustainability of public finances, it is essential that all parties involved fully apply the provisions of the Stability and Growth Pact and meet their commitment to return to sound fiscal positions as soon as possible.

FISCAL DEVELOPMENTS IN 2008

According to the European Commission's interim forecast of January 2009, the average general government budget balance in the euro area worsened from -0.6% of GDP in 2007 to -1.7% in 2008 (see Table 9). The deceleration in economic activity, higher primary expenditure and lower revenues – also due to fiscal stimulus measures – accounted for the deficit increase. While Eurostat has yet to finalise the statistical classification of the government interventions aimed at stabilising financial institutions, these are currently estimated to have had a negligible impact on the budget balance. Most of the interventions took the shape of financial transactions (which generally influence government debt but not deficits) or of contingent liabilities in the form of state guarantees.

Comparing the 2008 deficit with the targets set in the stability programme updates released at the end of 2007 and in early 2008, the euro area average general government budget balance fell 0.8 percentage point of GDP short. The decline in the budget balance was smaller if corrected for the negative contribution of the business cycle and one-off and other temporary measures. The euro area structural balance (not shown in the table) fell by 0.8 percentage point to -2.3% of GDP in 2008.

While government budget balances in almost all euro area countries fell in 2008, the deterioration in fiscal positions differed among countries. In Ireland, Greece, Spain, France and Malta, the government deficit rose above the 3% of GDP reference value in 2008, whereas in 2007 only Greece had a deficit higher than 3% of GDP.[1] In February 2009 the European Commission initiated the first step in the excessive deficit procedure for these countries, except Malta, whose excess is assessed to be small and temporary. Only four euro area countries – Cyprus, Luxembourg, the Netherlands and Finland – met their respective medium-term budgetary objective in 2008, while Spain and Slovenia moved away from their respective medium-term budgetary objectives.

The average general government gross debt ratio of the euro area increased from 66.1% of GDP in 2007 to 68.7% of GDP in 2008. The debt ratio increased in particular in countries that experienced a sharp fall in economic activity, or in which sizeable financial sector interventions, in the form of capital injections, took place. In 2008 seven euro area countries had a debt ratio above 60% of GDP, similar to the situation in 2007.

1 Greece's 2007 deficit was revised upwards from 2.8% of GDP in Eurostat's spring 2008 notification to 3.5% of GDP in the autumn 2008 notification. The revision was the result of a correction in the recording of EU grants and the improved coverage of extra-budgetary, local government and social security funds.

Table 9 General government balance and gross debt in euro area countries

Percentage of GDP	Balance 2007	Balance 2008	Balance 2009	Balance 2010	Debt 2007	Debt 2008	Debt 2009	Debt 2010
Belgium	-0.3	-0.9	-3.0	-4.3	83.9	88.3	91.2	94.0
Germany	-0.2	-0.1	-2.9	-4.2	65.1	65.6	69.6	72.3
Ireland	0.2	-6.3	-11.0	-13.0	24.8	40.8	54.8	68.2
Greece	-3.5	-3.4	-3.7	-4.2	94.8	94.0	96.2	98.4
Spain	2.2	-3.4	-6.2	-5.7	36.2	39.8	46.9	53.0
France	-2.7	-3.2	-5.4	-5.0	63.9	67.1	72.4	76.0
Italy	-1.6	-2.8	-3.8	-3.7	104.1	105.7	109.3	110.3
Cyprus	3.4	1.0	-0.6	-1.0	59.4	48.1	46.7	45.7
Luxembourg	3.2	3.0	0.4	-1.4	7.0	14.4	15.0	15.1
Malta	-1.8	-3.5	-2.6	-2.5	61.9	63.3	64.0	64.2
Netherlands	0.3	1.1	-1.4	-2.7	45.7	57.3	53.2	55.2
Austria	-0.4	-0.6	-3.0	-3.6	59.5	59.4	62.3	64.7
Portugal	-2.6	-2.2	-4.6	-4.4	63.6	64.6	68.2	71.7
Slovenia	0.5	-0.9	-3.2	-2.8	23.4	22.1	24.8	25.8
Slovakia	-1.9	-2.2	-2.8	-3.6	29.4	28.6	30.0	31.9
Finland	5.3	4.5	2.0	0.5	35.1	32.8	34.5	36.1
Euro area	-0.6	-1.7	-4.0	-4.4	66.1	68.7	72.7	75.8

Source: European Commission's January 2009 interim forecast.

PROSPECTS FOR PUBLIC FINANCES IN 2009

The fiscal situation is projected to worsen further in 2009. According to the European Commission's January 2009 interim forecast, the euro area general government deficit is expected to increase rapidly from 1.7% in 2008 to 4.0% in 2009, before rising to 4.4% in 2010. This strong deterioration in the fiscal outlook is a reflection of the contraction of economic activity, further revenue shortfalls, fiscal stimulus packages and other discretionary measures in many euro area countries. Considerable uncertainties in the calculation of cyclically-adjusted budget balances have to be taken into account when assessing the composition of the fiscal deterioration. According to the Commission's forecast, about two-thirds of the fiscal impulse of 2.7% of GDP in 2009 and 2010 would be attributable to the functioning of the automatic stabilisers and one-third to discretionary policy measures and the reversal of revenue windfalls.

The fiscal deterioration is widespread among euro area countries. According to the Commission's forecast, Ireland, Greece, Spain and France, as well as Italy, Portugal and Slovenia are projected to breach the 3% of GDP reference value this year and (with the exception of Slovenia) to remain above it in 2010, while Belgium, Germany, Austria and Slovakia are expected to join them in 2010 (see Table 9). This implies that, by 2010, the government deficit in ten out of the euro area's sixteen member countries is likely to be above the reference value.

The euro area average government debt-to-GDP ratio is forecast to increase from 68.7 % in 2008 to 75.8% in 2010. The Commission's forecast does not take into account all financial rescue measures. The increase in the debt ratio could end up being even larger, once the statistical classification of the rescue operations has been finalised.

Not all euro area countries have yet submitted an update of their stability programmes, and in many cases the updates are already outdated. While the available updates are generally slightly more optimistic than the Commission's deficit and debt forecasts, they project a similar trend of strongly deteriorating public finances.

MEASURES IN RESPONSE TO THE FINANCIAL AND ECONOMIC CRISIS

In response to the financial crisis, governments have committed some 3.5% of euro area GDP to capital injections and other debt-increasing support measures for the financial sector, about less than half of which has been used thus far. In addition, the announced ceiling for guarantees on bonds issued by banks or loans between financial institutions corresponds to approximately 20% of GDP, some 8% of which has been used.

In response to the economic downturn, in its meeting on 11 and 12 December 2008 the European Council approved a European Economic Recovery Plan. According to this plan, the Member States are called upon to contribute €170 billion (1.2% of GDP) to a total EU fiscal stimulus of €200 billion (1.5% of GDP), the remainder coming from the EU budget and the European Investment Bank. This coordinated effort is intended to support economic recovery by strengthening aggregate demand and increasing efforts to implement the structural reforms envisaged in the Lisbon strategy. At the same time, the European Council confirmed its full commitment to the implementation of the revised Stability and Growth Pact and to sustainable public finances. Member States were called upon to return, as soon as possible, to their medium-term budgetary targets.

Many euro area countries have indeed adopted fiscal measures to stimulate the economy. In the autumn of 2008 the German government adopted a package of measures, mostly on the revenue side of the budget, amounting to 1.3% of GDP in 2009 and 2010. At the beginning of 2009 the government announced a second stimulus package, consisting of about 2% of GDP in additional measures in the same two-year period. In France, measures worth some 1.5% of GDP were announced at the end of 2008 for the period 2009-11, including accelerated public investment and support for small businesses and specific industries. In February, the French government announced some 0.4% of GDP in additional stimulus measures, including measures to support the car industry. In 2008 the Italian government adopted expansionary measures, mostly focusing on the expenditure side, amounting to half a percentage point of GDP for the years 2009 and 2010. The impact of these measures on net borrowing is planned to be largely offset by compensating measures. In Spain, a number of revenue measures to stimulate the economy were already taken in the first half of 2008, while additional public investment plans, representing more than 3% of GDP in the period 2008-2010, were announced in November. Most other euro area countries also adopted sizeable fiscal stimulus measures.

It is too early for a full assessment of the fiscal stimulus plans, which are also discussed by the Member States in the annual multilateral surveillance of budgetary policies in the European Union. However, the current large-scale stimulus effort contains some risks. Stimulus measures need to be timely, targeted and temporary to be effective. The effectiveness of countries' stimulus packages also depends on their composition (see Box 7). Not all measures are clearly linked to the root of the current economic problems or can be implemented quickly. Some measures may reflect political compromises rather than economic considerations. Government intervention also carries the risk of distorting the behaviour of economic agents and undermining an efficient allocation of resources.

While some stimulus measures expire automatically, the reversibility of many others is not ensured and may prove to be very difficult. Rising deficits and debt risk undermining confidence in fiscal sustainability, which can lead households and companies to reduce consumption and investment in anticipation of future tax increases.

The sharp rise in government bond spreads vis-à-vis Germany is a warning that financial markets are watching the evolution of the potential fiscal risks very carefully (see Chart B in Box 3 entitled "How have governments' bank rescue packages affected investors' perceptions of credit risk?"). In January and February 2009 rating agencies lowered long-term sovereign credit ratings or their rating outlook for Ireland, Greece, Spain and Portugal.

Box 7

THE EFFECTIVENESS OF VARIOUS FISCAL MEASURES TO STIMULATE THE ECONOMY

In the debate on the fiscal policy response to the economic downturn, the effectiveness of fiscal stimulus measures and the appropriate composition of fiscal stimulus packages to increase aggregate demand and stabilise the economy has recently gained importance. This box reviews a number of broad findings in the literature.

Before adopting discretionary fiscal measures to stimulate the economy, questions have to be asked first with respect to the need for such measures and the room for budgetary manoeuvre. The need has to be assessed, among other factors, in conjunction with the built-in counter-cyclical fiscal response from tax and spending systems, i.e. the working of automatic stabilisers. These are relatively large in the euro area (estimated at 0.49, compared with 0.34 in the United States[1]) and provide the first line of defence in an economic downturn. The room for budgetary manoeuvre depends primarily on an economy's existing fiscal conditions (government budget position relative to medium-term objective, government indebtedness, the extent of contingent liabilities and other long-term risks, such as ageing costs). Countries with sound fiscal positions and sustainable public finances would have the greatest scope to take countervailing measures, if the need arose. In the case of EU Member States, there is also the need to ensure compliance with the framework for sound fiscal policies formed by the Treaty establishing the European Community and the Stability and Growth Pact.

A consensus has emerged that a discretionary fiscal stimulus to stabilise the economy must be timely, targeted and temporary in order to be effective. Experience suggests that these conditions are often not met.[2] Even when discretionary stimulus packages are to be implemented, questions relating to their optimal structure remain open to debate. Despite the great heterogeneity of results in the empirical literature and the difficulty of making comparisons across various models and their assumptions, across countries and across types of fiscal measure, a few broad conclusions can be reached.

First, in the short run, increases in government spending are likely to be more effective in supporting the economy than tax reductions, while tax cuts seem to work better in the longer run.

Most empirical studies indicate that spending multipliers with respect to output are higher than tax multipliers in the short term.[3] This finding is consistent with the notion that part of the

1 See Deroose, S., M. Larch and A. Schaechter (2008), "Constricted, lame and pro-cyclical? Fiscal policy in the euro area revisited", European Economy, Economic Papers No 353. The automatic stabilisers are estimated as the change in the budget balance-to-GDP ratio with respect to a relative change in GDP.
2 See also the box entitled "Discretionary fiscal policies, automatic stabilisation and economic uncertainty" in the June 2008 issue of the Monthly Bulletin.
3 See Hemming, R., M. Kell and S. Mahfouz (2002), "The effectiveness of fiscal policy in stimulating economic activity - A review of the literature", IMF Working Paper WP/02/2008.

increase in disposable income resulting from a tax cut is likely to be saved (unless the tax cut fully targets credit-constrained consumers), while government purchases of goods and services directly affect aggregate demand and output.

Tax multipliers usually grow with time, but the evidence that in the longer run tax cuts are more effective than increases in spending is mixed, especially when tax changes are temporary. Nevertheless, recent IMF evidence [4] from a wide panel of fiscal policy responses to economic downturns suggests that revenue-based policies, including temporary ones, have been associated with higher subsequent growth and even faster recoveries (the latter particularly in emerging economies) due to favourable supply-side effects. Overall, recent studies [5] find more evidence that tax multipliers may be high – and higher than spending multipliers – in the longer run.

While most empirical evidence focuses on the United States, the results for the euro area and large EU economies[6] tend to support the conclusion that government spending measures are likely to be more effective than tax measures in the short run, but their effectiveness fades away in the medium to long run. Several studies[7] find a growing output response to sustained tax cuts over the medium term in the euro area.

Second, within each category, there are differences in effectiveness between various fiscal stimulus measures.

Among government expenditure components, the largest short-term impact on demand appears to come from purchases of goods and services, while government investment is likely to have a higher impact in the medium to longer term. Higher social transfers usually have a quick positive impact if well targeted to credit-constrained households, but if persistent, they tend to be detrimental to long-term growth by creating distortions in the allocation of resources and impeding labour mobility.[8] As regards tax components, OECD work[9] suggests that the effectiveness of tax changes depends on the existing tax structure and the proportion of credit-constrained agents, with large differences across countries. In most cases, a reduction in income taxes, particularly corporate income tax, appears to produce the strongest long-term impact on output.

4 International Monetary Fund, World Economic Outlook, Chapter 5, "Fiscal Policy as a Countercyclical Tool", October 2008.

5 See Romer, C. and D. Romer (2007), "The macroeconomic effects of tax changes: estimates based on a new measure of fiscal shocks", mimeo, University of California, Berkeley; and Coenen, G., P. McAdam and R. Straub (2007), "Tax reform and labour-market performance in the euro area. A simulation-based analysis using the New Area-Wide Model", ECB Working Paper No 747.

6 Roeger, W. and J. in 't Veld (2004), "Some selected simulation experiments with the European Commission's QUEST model", Economic Modelling 21(5): 785-832; Dalsgaard, T., C. André and P. Richardson (2001), "Standard Shocks in the OECD interlink model", OECD Working Paper 306; Al-Eyd, A. and R. Barrell (2005), "Estimating tax and benefit multipliers in Europe", Economic Modelling 22: 759-776; Hunt B. and D. Laxton (2003), "Some simulation properties of the major euro area economies in MULTIMOD", IMF Working Paper 03/31; and Perotti, R. (2002), "Estimating the effects of fiscal policy in OECD countries", ECB Working Paper No 168.

7 Coenen, G., P. McAdam and R. Straub (2007) for the euro area using simulations and Perotti (2002) for Germany (1961-2000) using structural VAR.

8 Obstfeld, M. and G. Peri (1998), "Regional non-adjustment and fiscal policy", Economic Policy 13(26): 207-259; Checherita, C., C. Nickel and P. Rother (2009), "The role of fiscal transfers for regional economic convergence in Europe", ECB Working Paper No 1029.

9 Johansson Å., C. Heady, J. Arnold, B. Brys and L.Vartia (2008), "Tax and economic growth", OECD Economics Department Working Paper No 620.

Third, an economy's response to various fiscal stimulus measures is likely to depend on a range of other factors such as its size and openness, as well as institutional factors.

IMF simulations show that, in general, the responsiveness of output to a fiscal stimulus tends to be more noticeable in a large economy than in a small, open economy. This may be explained by the fact that, the more open the economy, the higher the share of additional consumption demand resulting from a fiscal stimulus that is going into imports. Reflecting this consideration, by type of fiscal policy tool, simulations find that the highest relative difference in the output response between a large economy and a small, open economy is in the case of consumption tax cuts and increases in transfers.

Institutional factors are also of importance in the design of a fiscal stimulus plan. How tax reductions, e.g. labour income tax cuts, affect output depends on labour market institutions, such as the degree of unionisation and features of the wage-setting process. Other factors, such as the preparedness of government institutions (efficiency of spending line-ministries versus tax collection agencies, the capacity of government agencies to implement large-scale investment programmes, etc.) also influence the effectiveness of spending versus tax measures.

To conclude, it is difficult to draw up an unambiguous list of characteristics for an "optimal" fiscal package in terms of its impact on the economy. Nevertheless, beyond the requirement that fiscal stimulus measures should be "timely, targeted and temporary", the literature suggests that the structure of a fiscal stimulus plan should take into account several factors, in particular (i) the initial fiscal position and existing tax and expenditure structures; (ii) the expected duration of the economic downturn it intends to address, and correspondingly, the potential trade-off between short-term stabilisation objectives (demand side) and longer-term growth enhancing tools (supply side); (iii) the expected size of the fiscal multipliers of various tools and the time needed for the measures to feed through to demand and output; (iv) the institutional characteristics that facilitate implementation; and (v) the need to minimise distortions in market mechanisms. Overall, countries would be well-advised to design fiscal stimulus packages in a way that stabilises the economy and at the same time supports the sound foundations for a recovery, in particular, by raising the quality of public finances and implementing structural reforms.[10]

10 See also the box entitled "Structural policies in times of crisis" in the December 2008 issue of the Monthly Bulletin.

FISCAL POLICY CONSIDERATIONS

In the current environment, characterised by a high degree of uncertainty surrounding the macroeconomic impact of the financial and economic crisis, fiscal policies should be guided by a number of basic principles and considerations. First and foremost, confidence in the sustainability of public finances must be preserved, particularly at a time when confidence in the banking sector has waned. A precondition for this is to maintain the integrity of the rules-based EU fiscal framework (see Box 8). In view of the 2008 budgetary outcomes and worrisome fiscal prospects, it is appropriate that the European Commission has initiated excessive deficit procedures in respect of a number of countries in line with the provisions of the Stability and Growth Pact. Further procedures should be initiated in the case of other countries if an excessive deficit in 2009 is foreseeable. It is indispensable that ambitious deadlines for correcting the excessive deficits be set and that consolidation plans be based on firm and well-specified structural measures. A return to sound fiscal positions as soon as possible is not only necessary to maintain the public's trust in the sustainability of public finances; it is also a prerequisite to preserve the credibility of the Stability and Growth Pact and the EU fiscal surveillance framework.

Second, in assessing the fiscal stimulus plans, a number of considerations should be taken into account. The automatic fiscal stabilisers in the euro area are large and constitute the first line of fiscal support for a weakening economy. Moreover, governments have already committed substantial funds to support the banking system. While most of the commitments do not enter into the calculation of deficits or debt, they will have a direct impact on both, if and when they have to be met. There is no room for manoeuvre to adopt further fiscal stimulus measures since, at the current juncture, they could be detrimental to economic confidence.

Third, the stimulus measures that have been adopted will be most effective if they are timely, targeted and temporary. The fiscal stimulus needs to be fully reversed once the recovery sets in, which requires measures to be temporary or to be offset by a credible commitment to permanent corrective measures. In countries currently experiencing strong financial market pressures, the commitment to fiscal consolidation should be more ambitious and also take into account the need to reduce exposure to fiscal risks.

Box 8

THE LEGAL FRAMEWORK FOR ENSURING SOUND FISCAL POLICIES IN EMU

The provisions of the Treaty establishing the European Community and the Stability and Growth Pact are intended to ensure sound fiscal policies – a precondition for sustainable economic growth – and to support the Eurosystem's independent monetary policy, which aims to maintain price stability. Such provisions thereby promote a smooth functioning of Economic and Monetary Union (EMU), in which a single monetary policy coexists with national fiscal policies.[1]

Article 101 of the Treaty prohibits the provision by the Eurosystem of overdraft facilities in favour of Community institutions or bodies, governments and other public entities, as well as the direct purchase by the Eurosystem of debt instruments issued by such entities. This provision is intended to sever the direct link between monetary policy and fiscal policy and, in particular, to prohibit the monetary financing of government deficits, which in past decades has contributed to excessive monetary growth and inflation in some countries. In accordance with Article 21 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Eurosystem may still act as a fiscal agent for public entities. Moreover, the aforementioned prohibition does not apply to publicly owned credit institutions, which, in the context of the supply of bank reserves, are given the same treatment as private credit institutions.

Article 102 of the Treaty prohibits measures establishing privileged access by Community institutions or bodies, governments and other public entities to financial institutions, unless this is based on prudential considerations.

According to Article 103 of the Treaty, neither should the European Union be liable for or assume the commitments of governments or public entities, nor should a Member State be liable for or

1 The Stability and Growth Pact consists, principally, of (i) Council Regulation 1466/97, as amended by Council Regulation 1055/2005, on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, and (ii) Council Regulation 1467/97, as amended by Council Regulation 1056/2005, on clarifying and speeding up the implementation of the excessive deficit procedure.

assume the commitments of another Member State. This so-called "no bailout clause" is intended to ensure that Member States remain ultimately liable for their own borrowing. Consequently, investors should take this into account in their pricing of the debt instruments issued by different euro area countries.

The most basic rule of fiscal policy, enshrined in Article 104 of the Treaty and the secondary legislation of the Stability and Growth Pact, is that Member States should avoid excessive government deficits. As a rule, a general government deficit in excess of 3% of GDP is considered excessive in the sense of the Treaty and the Stability and Growth Pact. However, exceptions may be allowed if the breach of the reference value is exceptional, small and temporary.[2] A general government debt-to-GDP ratio above 60% is excessive unless the debt ratio is diminishing sufficiently and approaching the reference value at a satisfactory pace. When an excessive deficit is deemed to exist, the Member State concerned is subject to an excessive deficit procedure. This consists of a sequence of steps aimed at ensuring that the excessive deficit is corrected in a timely manner.

In the light of the current, unfavourable macroeconomic conditions, as well as the various fiscal stimulus measures adopted in recent months, a large number of Member States are expected to breach the 3% reference value for the government deficit ratio. In these cases – as indeed in all cases – a full application of the provisions of the Treaty and the Stability and Growth Pact is warranted. Closer scrutiny of the fiscal policies of Member States with excessive deficits and their prompt correction are important to reassure investors and the public at large of governments' commitments to return to sound fiscal positions as soon as possible in order to ensure sustainable public finances. An unflinching commitment to the existing legal framework is thus all the more necessary in the light of the significant, additional financial commitments recently undertaken by governments in response to the current crisis.

2 An excess over the reference value resulting from a severe economic downturn may be considered exceptional in the case of negative GDP volume growth or an accumulated loss of output during a protracted period of very low annual GDP volume growth relative to its potential. Other relevant factors, particularly relating to the medium-term economic and budgetary position, the level of government investment and contributions to European policy goals, may also be taken into account. However, in order not to be deemed excessive, a breach of the reference value should, in all cases, remain small and temporary.

6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

6.1 EXCHANGE RATES

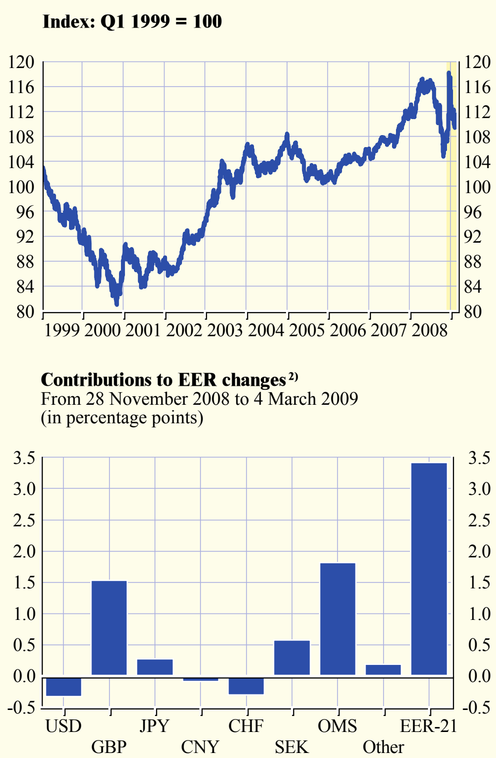
Foreign exchange markets have recorded sizeable swings over the past three months amid considerable, but overall declining, implied volatility. After a period of downward pressure which started towards the end of July 2008, the euro recorded a sharp appreciation in nominal effective terms in December, which was roughly halved in the first two months of 2009.

EFFECTIVE EXCHANGE RATE OF THE EURO

Foreign exchange markets have continued to record sizeable swings over the past three months amid considerable, but overall declining, implied volatility (see the box entitled "The recent exceptional rise in exchange rate volatility" in the February 2009 issue of the Monthly Bulletin for a longer-term assessment of the phenomenon). In nominal effective terms, the euro came under sustained downward pressure from the end of July last year, a process which gathered momentum in September and October with the intensification of the financial crisis. After a sharp rebound in December, the euro weakened again in the first two months of 2009, roughly halving the gains realised (see Chart 53). On 4 March the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's important trading partners – stood 3.4% above its level at the end of November 2008 but 4.9% below its mid-July level.

Chart 53 Euro effective exchange rate and its decomposition [1)]

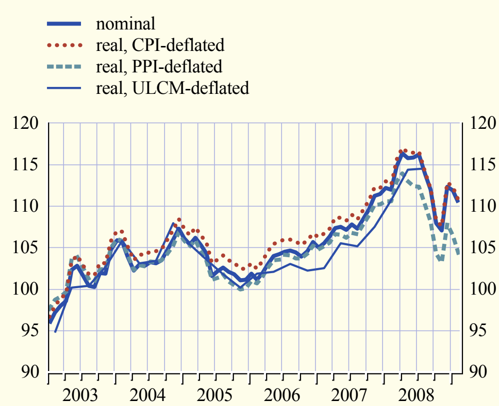
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the important trading partners of the euro area and 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 GBP and SEK).
The category "Other" refers to the aggregate contribution 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 54 Euro nominal and real effective exchange rates [1)]

(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 February 2009. In the case of the ULCM-based real EER-21, the latest observation is for the third quarter of 2008 and is partly based on estimates.

The strengthening of the euro over the last three months resulted mainly from a broad appreciation vis-à-vis other European currencies. The upward movement was particularly sizeable against the currencies of some of the newer EU Member States but, in trade-weighted terms, it was also relatively large against the pound sterling and the Swedish krona. The main exception to this trend was the Swiss franc, which seemed to benefit from the high risk aversion environment. Between end-November 2008 and 4 March 2009, the euro appreciated overall against the Japanese yen and the pound sterling, and depreciated slightly vis-à-vis the US dollar (see Chart 53). With regard to indicators of the international price and cost competitiveness of the euro area, in February 2009 the real effective exchange rate of the euro was, on average, around 3.5% weaker than its average 2008 level, based on developments in consumer and producer price deflators (see Chart 54).

US DOLLAR/EURO

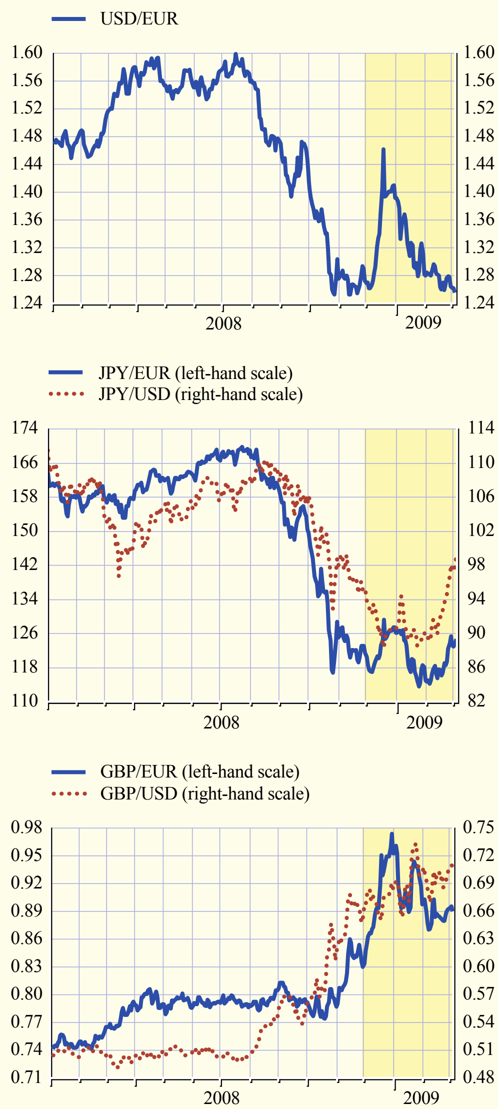
After a sharp depreciation, from around USD 1.60 in July 2008 to levels ranging between USD 1.25 and USD 1.30 in November, the euro rebounded strongly against the US dollar in December, against the background of a further easing of the monetary policy stance in the United States and the apparent waning of technical factors supporting demand for the US currency. In the first two months of 2009 and early March, however, these gains were reversed for a number of reasons: market participants may have begun to discount the implications of the expected fiscal package for US economic growth, while data releases on inflation and economic activity in the euro area, which were lower than expected, may have led them to reassess the economic prospects in the euro area. On 4 March 2009 the euro traded at USD 1.26, 1.4% below its level at the end of November 2008 and around 15% weaker than its average level in 2008 (see Chart 55).

JAPANESE YEN/EURO

In the second half of 2008 the euro recorded a period of weakness vis-à-vis the Japanese yen, falling from about JPY 170 to around JPY 120 at the end of November. The broad-based strength of the yen appears to be related to the rise in implied exchange rate volatility to historical peaks for several major currency pairs. This has reduced the attractiveness of the Japanese currency as a means of funding carry trade positions and fostered a deleveraging process in the outstanding

Chart 55 Patterns in exchange rates

(daily data)



Source: ECB.
Note: The shaded area refers to the period from 28 November 2008 to 4 March 2009.

short foreign exchange positions vis-à-vis the currency. The pronounced convergence in nominal short-term interest rates worldwide has also helped to decrease the attractiveness of carry trades among the major currency pairs. After rebounding against the yen in December as market sentiment towards the euro improved, the latter depreciated again in January 2009 and early February. From mid-February, however, the yen started to weaken again, possibly on account of fourth-quarter GDP figures for Japan that were worse than market participants had expected. On 4 March 2009 the euro stood at JPY 124.7, i.e. 2.6% stronger than its level at the end of November 2008 (see Chart 55) and around 18% weaker than its average in 2008.

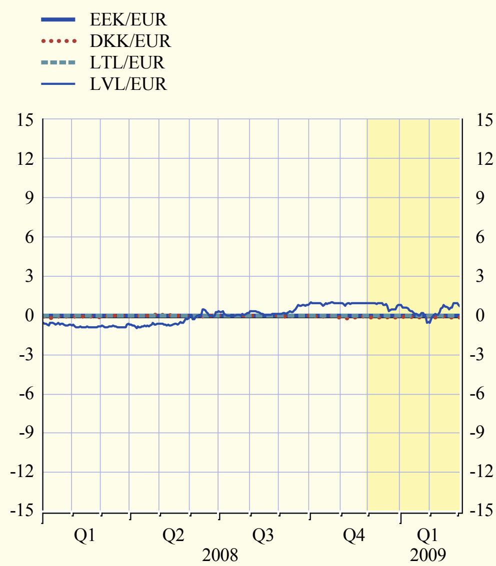
EU MEMBER STATES' CURRENCIES

Over the past three months most currencies participating in ERM II have remained stable and have continued to trade at, or close to, their respective central rates vis-à-vis the euro (see Chart 56). Since the end of November 2008 the Latvian lats has mostly traded on the weak side of its fluctuation band, with the exception of a short period in January. On 4 March 2009 the lats traded 0.7% weaker than its central rate.

The euro has recorded a period of high volatility against the currencies of other EU Member States not participating in ERM II. Its marked strengthening in November 2008 against the pound sterling gathered further momentum in December, with the euro reaching its highest level since its introduction, at GBP 0.98, on 28 December. The main driving factors appear to have been the significant easing of monetary policy conditions by the Bank of England's Monetary Policy Committee since November, the worsening outlook for economic growth in the United Kingdom and renewed signs of weakness in the UK banking sector. In the first two months of 2009 the GBP/EUR rate recorded relatively large fluctuations. An initial partial recovery of the pound reflected improved market sentiment in view of the currency's weakness relative to historical averages. This upward movement was not sustained, however, following economic data releases showing another major drop in UK house prices and additional losses in the banking sector. On 4 March 2009 the euro stood 7.3% higher against the pound than at the end of November 2008. Over the same period the euro appreciated particularly strongly (by 25%) against the Polish zloty but also relative to several other currencies in central and eastern Europe as market participants reassessed the impact of the global financial turmoil on these countries. In the same period, the euro also appreciated by almost 12% against the Swedish krona, reflecting in particular the relatively high exposure of the Swedish economy to the deterioration in the economic outlook in central and eastern Europe.

Chart 56 Patterns in exchange rates in ERM II

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



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

OTHER CURRENCIES

Following a prolonged period of weakness which intensified in September and October 2008, the euro rebounded temporarily against the Swiss franc between the beginning of November and mid-December, but in the remainder of that month shed all its previous gains. Since the beginning of 2009 it has oscillated around CHF 1.49. Developments in the CHF/EUR exchange rate have been closely linked to the rapid swings in implied foreign exchange rate volatility in the second half of 2008 and early 2009, as changes in the perception of risk affect the funding role of the Swiss franc in carry trade operations. In addition, the Swiss currency may have acted as a safe haven in the period of heightened volatility which has characterised the financial turbulence. On 4 March 2009 the euro traded at CHF 1.48 and thus around 4.5% weaker than its level three months earlier.

6.2 BALANCE OF PAYMENTS

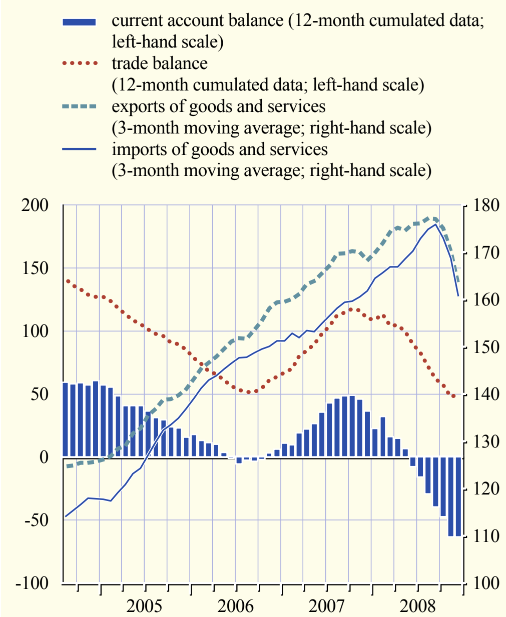
In 2008 the euro area current account recorded a deficit of €63.2 billion (0.7% of GDP), compared with a surplus of €36.3 billion in 2007. This largely resulted from a shift from surplus to deficit in the goods balance (mainly due to higher oil prices), as well as in the income balance, and an increase in the deficit for current transfers. In the financial account, combined direct and portfolio investment registered cumulative net inflows of €128.5 billion in 2008, compared with net inflows of €47.3 billion in 2007. This rise was largely due to an increase in net inflows of portfolio investment, which significantly exceeded the increase in net outflows of direct investment.

TRADE AND THE CURRENT ACCOUNT

After rising from mid-2008 onwards, the euro area current account deficit reached €63.2 billion (working day and seasonally adjusted) in 2008, corresponding to 0.7% of GDP, compared with a surplus of €36.3 billion in 2007 (0.3% of GDP). This was largely due to a shift from surplus to deficit in the goods and income balances and a widening deficit for current transfers. In 2008 the goods balance recorded a deficit of €0.6 billion, compared with a surplus of €56.6 billion in 2007, driven by faster imports growth than exports growth, which, in turn, was largely due to the higher cost of oil imports (see Chart 57).

Chart 57 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Turning to more recent developments, in the fourth quarter of 2008 the growth rate of the value of both exports and imports of goods and services turned negative, after moderate positive growth in the third quarter. This strong downturn was mostly due to goods trade, with exports and imports of goods falling in the fourth quarter by 9.5% and 10.4%, respectively, after rising by 0.6% and 4.1% in the third quarter (see Table 10). The sharp decline in exports seems to be largely attributable to weaker foreign demand, while imports fell mostly as a result of decreases in oil and non-energy commodity prices and lower domestic demand.

Table 10 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2008 Nov.	2008 Dec.	2008 Mar.	2008 June	2008 Sep.	2008 Dec.	2007 Dec.	2008 Dec.
	EUR billions							
Current account	-13.9	-7.3	-2.2	-2.6	-7.2	-9.1	36.3	-63.2
Goods balance	-4.4	-1.2	2.0	1.8	-2.7	-1.3	56.6	-0.6
Exports	121.6	114.6	132.3	134.3	135.1	122.2	1,506.3	1,571.9
Imports	125.9	115.9	130.3	132.5	137.9	123.6	1,449.7	1,572.5
Services balance	3.9	3.7	5.4	3.9	3.9	3.7	53.2	50.6
Exports	41.5	39.3	42.0	41.7	42.0	40.9	487.8	499.5
Imports	37.6	35.5	36.6	37.8	38.0	37.2	434.6	448.9
Income balance	-4.0	-2.2	-0.9	-1.3	-1.3	-2.6	11.0	-18.2
Current transfers balance	-9.4	-7.6	-8.7	-7.0	-7.1	-8.9	-84.6	-94.9
Financial account [1]	4.6	10.7	-1.5	28.6	11.2	30.1	29.4	205.4
Combined net direct and portfolio investment	-2.2	1.4	-11.1	-3.5	22.2	35.2	47.3	128.5
Net direct investment	-52.5	-16.6	-35.7	-16.9	-14.4	-27.7	-90.4	-283.9
Net portfolio investment	50.3	18.0	24.6	13.4	36.6	62.9	137.7	412.4
Equities	36.0	25.2	30.2	-16.4	-13.9	22.4	15.0	66.8
Debt instruments	14.4	-7.1	-5.5	29.8	50.5	40.5	122.8	345.6
Bonds and notes	21.5	-9.5	13.0	25.6	17.4	6.6	163.1	188.2
Money market instruments	-7.2	2.4	-18.6	4.2	33.1	33.8	-40.3	157.4
	Percentage changes over previous period							
Goods and services								
Exports	-5.5	-5.6	3.6	1.0	0.6	-7.9	8.9	3.9
Imports	-2.2	-7.4	3.1	2.0	3.3	-8.6	6.6	7.3
Goods								
Exports	-6.9	-5.7	4.6	1.5	0.6	-9.5	8.1	4.4
Imports	-2.3	-8.0	4.6	1.7	4.1	-10.4	5.6	8.5
Services								
Exports	-1.1	-5.4	0.4	-0.7	0.7	-2.5	11.1	2.4
Imports	-1.8	-5.5	-1.9	3.2	0.6	-2.3	10.1	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.

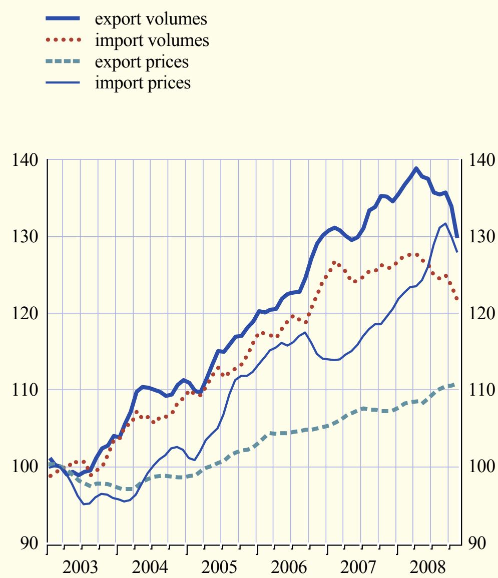
Furthermore, a deterioration of trade financing worldwide may also be exerting a negative effect on both exports and imports (see Box 1 which looks at the recent sharp contraction in world trade).

The breakdown of trade in goods into volumes and prices, available up to November 2008, confirms that the recent decline in import values is due to falls in both import volumes and prices (see Chart 58). While the negative import price growth in the fourth quarter is due to the fall in oil prices, on a 12-month cumulated basis, higher oil and non-oil commodity prices still account for most of the growth in the value of imports. Overall, the oil trade deficit increased to €223.6 billion in the 12 months up to November 2008, compared with €166.7 billion over the same period a year earlier.

Meanwhile, the decrease in export values in the final quarter of last year was driven by a decline in export volumes, reflecting the downturn in global demand, while export prices remained fairly stable. The geographical breakdown of euro area goods trade shows that, in the three months to November 2008, euro area export volumes to the United States, to the United Kingdom, as well as to Asia and to the Member States that have joined the European Union since 2004, fell in comparison with the previous three-month period (see Chart 59). By contrast, the growth in export volumes to

Chart 58 Breakdown of trade in goods into volumes and prices

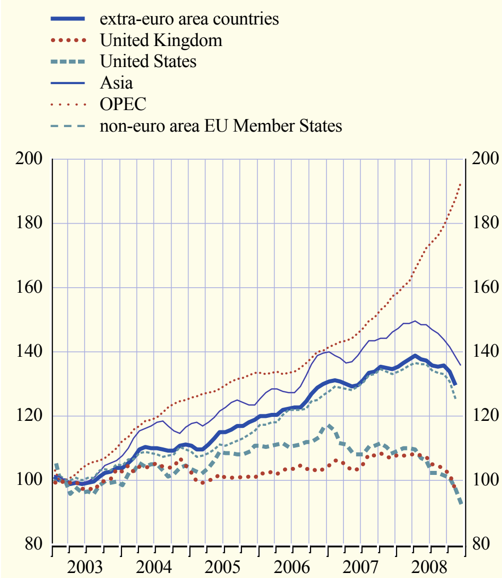
(indices: Q1 2003 = 100; seasonally adjusted; three-month moving averages)



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

Chart 59 Euro area export volumes to selected trading partners

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



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

OPEC countries remained robust, owing to strong economic growth in these countries and rising income effects. In terms of broad categories of goods, the most significant export volume declines in the three months to November 2008 were registered for intermediate goods, while import volumes declined in particular for capital goods, reflecting the overall slowdown in global economic activity as well as the high import-intensity of investment goods.

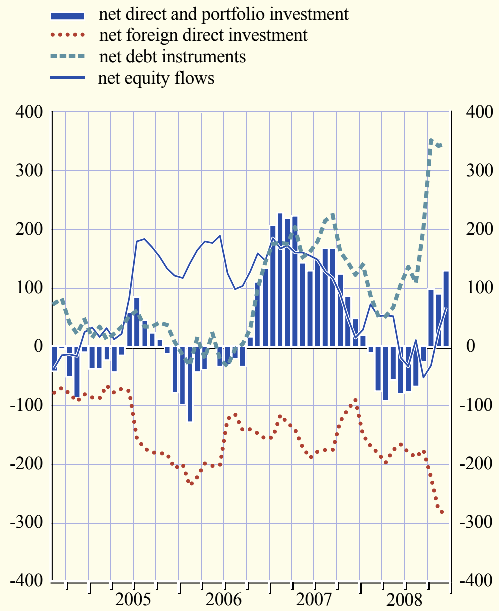
Turning to the other components of the current account, the surplus in services marginally decreased to €50.6 billion in 2008, from €53.2 billion in 2007. At the same time, the income balance fell by €29.2 billion, from a surplus of €11.0 billion in 2007 to a deficit of €18.2 billion in 2008, resulting largely from higher income payments to non-euro area residents. Meanwhile, the deficit in current transfers widened from €84.6 billion in 2007 to €94.9 billion in 2008.

FINANCIAL ACCOUNT

In the last quarter of 2008 euro area combined direct and portfolio investment recorded average monthly net inflows of €35.2 billion, somewhat higher than the net inflows of €22.2 billion in the preceding quarter (see Table 10). This development is mostly attributable to an increase in net inflows in portfolio investment, owing to a shift from net outflows to net inflows in equities, which was partly offset by lower net inflows in bonds and notes. Compared with the first half of 2008, average monthly net inflows in bonds and notes decreased in the second half of 2008, falling from about €19.3 billion in the first half to €12.0 billion in the second half. At the same time, money market instruments registered average monthly net inflows of around €33.4 billion in the second half of 2008, compared with average monthly net outflows of €7.2 billion in the first half of 2008. This shift is largely due to the temporary pick-up in September and October 2008 of net inflows into money market instruments, which reached their highest levels since 1999. This can be explained by both net sales by residents of foreign money market instruments and net foreign purchases of euro area money market instruments, possibly due to attempts to boost liquidity during the heightened financial turmoil associated with the collapse of Lehman Brothers.

Chart 60 Euro area combined direct and portfolio investment

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



Source: ECB.

For the year as a whole, combined direct and portfolio investment recorded net inflows of €128.5 billion in 2008, compared with net inflows of €47.3 billion in 2007 (see Chart 60). This increase reflects a significant rise in inflows in net portfolio investment from €137.7 billion in 2007 to €412.4 billion in 2008 (see Table 10) owing to a shift in net flows in money market instruments (from net outflows of €40.3 billion in 2007 to net inflows of €157.4 billion in 2008), partly offset by a further increase in net direct investment outflows (€283.9 billion in 2008 against €90.4 billion in 2007). Net inflows in foreign direct investment in the euro area continued to decrease and in the last quarter of 2008 reached their lowest levels since 1999. When comparing direct investment for the whole of 2008 with the previous year, net transactions for both resident and particularly non-resident investors declined, perhaps indicating a preference for home markets probably as a consequence of the financial turmoil and increased risk aversion.

EURO AREA STATISTICS

CONTENTS [1]

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

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

Unless otherwise indicated, all data series covering 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"	10^9
(p)	provisional
s.a.	seasonally adjusted
n.s.a.	non-seasonally adjusted

EURO AREA OVERVIEW

Summary of economic indicators for the euro area
(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1]

	M1 [3]	M2 [3]	M3 [3), 4]	M3 [3), 4] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [3]	Securities other than shares issued in euro by non-MFI corporations [3]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of-period) [5]
	1	2	3	4	5	6	7	8
2007	6.4	9.9	11.1	-	10.8	18.6	4.28	4.38
2008	2.3	9.5	9.6	-	9.5	19.0	4.64	3.69
2008 Q1	3.8	10.3	11.2	-	11.1	19.8	4.48	4.13
Q2	2.3	10.0	10.1	-	10.5	17.2	4.86	4.73
Q3	0.6	9.1	9.0	-	9.1	18.6	4.98	4.34
Q4	2.7	8.9	8.1	-	7.3	20.3	4.24	3.69
2008 Sep.	1.2	8.9	8.7	8.7	8.5	20.4	5.02	4.34
Oct.	3.7	9.3	8.6	8.3	7.8	18.1	5.11	4.25
Nov.	2.2	8.7	7.7	7.9	7.1	20.5	4.24	3.77
Dec.	3.3	8.2	7.5	7.0	5.8	24.1	3.29	3.69
2009 Jan.	5.2	7.4	5.9	.	5.0	.	2.46	4.02
Feb.	.	.	.	.	.	.	1.94	3.85

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

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2007	2.1	2.8	2.6	2.7	3.4	84.1	1.8	7.5
2008	3.3	6.2	.	0.8	-1.6	81.9	.	7.5
2008 Q2	3.6	7.1	2.8	1.5	1.2	83.3	1.3	7.4
Q3	3.8	8.5	4.0	0.6	-1.4	82.2	0.8	7.6
Q4	2.3	3.7	.	-1.3	-8.6	78.3	.	7.9
2008 Sep.	3.6	7.9	-	-	-2.4	-	-	7.6
Oct.	3.2	6.3	-	-	-5.5	81.5	-	7.8
Nov.	2.1	3.3	-	-	-8.4	-	-	7.9
Dec.	1.6	1.6	-	-	-12.0	-	-	8.1
2009 Jan.	1.1	.	-	-	.	75.0	-	8.2
Feb.	1.2	.	-	-	.	-	-	.

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 [6] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2007	51.8	57.5	-90.4	137.7	347.4	107.9	109.0	1.3705
2008	-47.6	-0.6	-283.9	412.4	383.9	113.0	113.6	1.4708
2008 Q1	-2.4	-1.5	-107.1	73.8	356.3	112.9	113.8	1.4976
Q2	-22.1	7.9	-50.6	40.1	353.9	116.0	116.6	1.5622
Q3	-10.8	-6.7	-43.1	109.7	370.9	114.1	114.3	1.5050
Q4	-12.2	-0.2	-83.0	188.7	383.9	109.1	109.6	1.3180
2008 Sep.	-3.3	-1.5	-21.5	73.1	370.9	112.0	112.1	1.4370
Oct.	-4.2	3.0	-13.9	120.3	368.0	107.9	108.3	1.3322
Nov.	-10.4	-3.6	-52.5	50.3	393.4	107.1	107.6	1.2732
Dec.	2.4	0.4	-16.6	18.0	383.9	112.4	112.9	1.3449
2009 Jan.	.	.	.	.	409.9	111.9	112.3	1.3239
Feb.	.	.	.	.	.	110.4	110.8	1.2785

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) Unless otherwise indicated, data refer to Euro 16.
3) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.
4) 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.
5) Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
6) For the definition of the trading partner groups and other information, please refer to the General notes.

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2009 6 February	2009 13 February	2009 20 February	2009 27 February
Gold and gold receivables	218,314	218,159	217,993	217,779
Claims on non-euro area residents in foreign currency	159,697	158,794	159,324	155,684
Claims on euro area residents in foreign currency	170,913	168,736	166,940	134,654
Claims on non-euro area residents in euro	22,308	21,293	21,735	21,591
Lending to euro area credit institutions in euro	737,215	681,286	699,726	700,877
Main refinancing operations	207,752	198,383	215,908	238,423
Longer-term refinancing operations	528,622	482,335	482,339	461,795
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	795	562	1,398	652
Credits related to margin calls	46	6	82	7
Other claims on euro area credit institutions in euro	30,209	27,737	30,741	27,497
Securities of euro area residents in euro	281,385	283,691	285,105	285,256
General government debt in euro	37,389	37,389	37,389	37,425
Other assets	236,367	236,966	239,422	239,506
Total assets	1,893,796	1,834,051	1,858,375	1,820,268

2. Liabilities

	2009 6 February	2009 13 February	2009 20 February	2009 27 February
Banknotes in circulation	741,932	740,745	739,282	742,134
Liabilities to euro area credit institutions in euro	376,271	323,588	324,342	297,168
Current accounts (covering the minimum reserve system)	195,000	247,514	243,432	191,697
Deposit facility	180,691	75,938	80,049	104,911
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	579	135	861	561
Other liabilities to euro area credit institutions in euro	603	332	315	276
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	89,175	90,904	114,055	136,906
Liabilities to non-euro area residents in euro	244,507	238,857	236,439	202,561
Liabilities to euro area residents in foreign currency	826	-113	-305	-279
Liabilities to non-euro area residents in foreign currency	9,376	10,496	10,710	9,810
Counterpart of special drawing rights allocated by the IMF	5,446	5,446	5,446	5,446
Other liabilities	177,928	175,848	179,821	177,921
Revaluation accounts	176,589	176,589	176,589	176,589
Capital and reserves	71,144	71,360	71,682	71,738
Total liabilities	1,893,796	1,834,051	1,858,375	1,820,268

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3), 5)]

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders: Fixed rate	Variable rate tenders: Minimum bid rate	Marginal rate [4)]	Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7	8
Main refinancing operations								
2008 5 Nov.	311,991	756	311,991	3.75	-	-	-	7
12	334,413	848	334,413	3.25	-	-	-	7
19	338,018	851	338,018	3.25	-	-	-	7
26	334,461	836	334,461	3.25	-	-	-	7
3 Dec.	339,520	787	339,520	3.25	-	-	-	7
10	217,856	783	217,856	2.50	-	-	-	7
17	209,721	792	209,721	2.50	-	-	-	6
23	223,694	640	223,694	2.50	-	-	-	7
30	238,891	629	238,891	2.50	-	-	-	7
2009 6 Jan.	216,122	600	216,122	2.50	-	-	-	8
14	203,792	614	203,792	2.50	-	-	-	7
21	251,516	668	251,516	2.00	-	-	-	7
28	214,150	544	214,150	2.00	-	-	-	7
4 Feb.	207,052	501	207,052	2.00	-	-	-	7
11	197,727	511	197,727	2.00	-	-	-	7
18	215,285	527	215,285	2.00	-	-	-	7
25	237,801	504	237,801	2.00	-	-	-	7
4 Mar.	244,147	481	244,147	2.00	-	-	-	7
Longer-term refinancing operations								
2008 27 Nov.	42,185	161	42,185	3.25	-	-	-	91
10 Dec.	134,949	139	134,949	2.50	-	-	-	42
11	38,080	96	38,080	2.50	-	-	-	182
11	55,924	105	55,924	2.50	-	-	-	91
18	50,793	169	50,793	2.50	-	-	-	98
2009 8 Jan.	7,559	39	7,559	2.50	-	-	-	182
8	9,454	45	9,454	2.50	-	-	-	98
21	113,395	139	113,395	2.00	-	-	-	21
29	43,239	133	43,239	2.00	-	-	-	91
11 Feb.	104,731	93	104,731	2.00	-	-	-	28
12	18,479	39	18,479	2.00	-	-	-	91
12	10,721	39	10,721	2.00	-	-	-	182
26	21,641	57	21,641	2.00	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders: Fixed rate	Variable rate tenders: Minimum bid rate	Maximum bid rate	Marginal rate [4)]	Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7	8	9	10
2008 9 Sep.	Collection of fixed-term deposits	20,145	17	20,145	4.25	-	-	-	-	1
15	Reverse transaction	90,270	51	30,000	-	4.25	-	4.30	4.39	1
16	Reverse transaction	102,480	56	70,000	-	4.25	-	4.32	4.40	1
18	Reverse transaction	49,330	43	25,000	-	4.25	-	4.30	4.39	1
24	Reverse transaction	50,335	36	40,000	-	4.25	-	4.25	4.35	1
1 Oct.	Collection of fixed-term deposits	173,047	52	173,047	4.25	-	-	-	-	1
2	Collection of fixed-term deposits	216,051	65	200,000	4.25	-	-	-	-	1
3	Collection of fixed-term deposits	193,844	54	193,844	4.25	-	-	-	-	3
6	Collection of fixed-term deposits	171,947	111	171,947	4.25	-	-	-	-	1
7	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

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) 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.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008 Q1	17,703.3	9,551.7	840.2	2,126.0	1,558.4	3,627.1
Q2	17,971.8	9,775.4	916.3	2,172.4	1,439.4	3,668.1
Q3	18,231.2	9,968.9	917.1	2,186.7	1,457.1	3,701.5
2008 Oct. [2]	18,439.8	10,156.0	900.0	2,211.7	1,445.4	3,726.8
Nov. [2]	18,396.5	10,195.5	884.3	2,227.2	1,378.8	3,710.8
Dec. [2]	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7

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
2006	172.5	173.2	0.7	0.0	3.30
2007	195.9	196.8	1.0	0.0	4.17
2008 9 Sep.	213.3	214.0	0.7	0.0	4.38
7 Oct.	214.8	216.8	2.0	0.0	4.58
11 Nov.	216.1	218.6	2.4	0.0	3.94
9 Dec.	217.2	218.7	1.5	0.0	3.25
2009 20 Jan. [3]	220.2	221.5	1.2	0.0	2.50
10 Feb.	221.1	222.1	1.0	0.0	2.00
10 Mar.	217.6	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) [4]		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007	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 12 Aug.	374.5	166.3	299.3	0.1	0.0	0.3	0.6	686.1	61.3	-123.0	214.8	901.2
9 Sep.	376.6	163.5	300.0	0.1	0.0	0.6	0.7	685.0	61.1	-121.2	214.0	899.5
7 Oct.	417.3	174.1	334.3	7.5	5.9	19.9	45.5	684.3	55.2	-82.6	216.8	921.0
11 Nov.	549.0	301.6	452.5	12.7	4.2	213.7	2.3	722.1	85.0	78.2	218.6	1,154.4
9 Dec.	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 20 Jan.	581.3	219.2	613.6	2.9	0.0	238.5	3.3	753.1	99.9	100.6	221.5	1,213.1
10 Feb.	547.4	224.9	551.4	2.1	0.0	175.4	6.1	740.2	102.7	79.3	222.1	1,137.7

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Slovakia. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovakia. Starting from the reserve base as at end-January 2009, the standard treatment applies (see Decision of the European Central Bank of 28 October 2008 on transitional provisions for the application of minimum reserves by the European Central Bank following the introduction of the euro in Slovakia (ECB/2008/14)).

3) Owing to the adoption of the euro by Slovakia on 1 January 2009, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 15 countries of the euro area for the period 10-31 December 2008 and the reserve requirements for the 16 countries now in the euro area for the period 1-20 January 2009.

4) From 1 January 2009 including monetary policy operations which were conducted by the Národná Banka Slovenska before 1 January 2009 and were still outstanding after this date.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008 Q3	2,473.4	1,342.5	18.5	0.7	1,323.3	278.9	237.4	2.4	39.1	-	14.7	482.4	16.0	338.9
2008 Oct.	2,781.3	1,632.6	18.5	0.6	1,613.5	283.8	242.5	2.4	38.9	-	13.9	478.7	16.0	356.2
Nov.	2,803.0	1,632.5	18.5	0.6	1,613.3	291.3	249.9	2.4	39.0	-	14.2	497.0	16.0	352.0
Dec.	2,982.9	1,809.0	18.6	0.6	1,789.8	350.8	307.9	2.4	40.4	-	14.4	479.8	15.8	313.0
2009 Jan. (p)	2,830.7	1,606.0	18.6	0.7	1,586.8	362.5	314.6	2.5	45.4	-	14.2	508.3	16.2	323.6
	MFIs excluding the Eurosystem													
2006	25,950.2	14,904.3	810.5	9,160.3	4,933.5	3,555.4	1,276.5	645.9	1,632.9	83.5	1,171.4	4,329.0	172.6	1,733.9
2007	29,446.8	16,904.0	956.0	10,159.1	5,788.9	3,881.5	1,194.3	950.5	1,736.6	93.5	1,296.2	4,873.3	206.0	2,192.4
2008 Q3	31,535.5	18,146.6	980.7	10,820.4	6,345.6	4,192.7	1,192.5	1,098.9	1,901.3	101.8	1,318.3	5,118.5	203.5	2,454.1
2008 Oct.	32,450.9	18,441.5	980.6	10,876.6	6,584.4	4,252.4	1,184.9	1,133.6	1,933.9	95.5	1,264.5	5,298.3	204.4	2,894.4
Nov.	32,424.5	18,285.3	978.3	10,885.4	6,421.6	4,365.4	1,226.7	1,167.7	1,971.0	96.6	1,243.6	5,161.7	205.4	3,066.5
Dec.	31,830.8	18,017.3	970.2	10,779.0	6,268.1	4,619.0	1,241.7	1,392.4	1,984.9	98.3	1,200.1	4,753.7	213.0	2,929.5
2009 Jan. (p)	32,299.3	18,175.6	986.3	10,861.0	6,328.3	4,747.7	1,308.3	1,392.1	2,047.3	101.4	1,206.5	4,867.7	212.0	2,988.3

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Q3	2,473.4	705.4	932.3	51.3	17.7	863.3	-	0.1	264.4	288.1	283.1
2008 Oct.	2,781.3	749.1	1,026.0	78.9	29.8	917.3	-	0.1	262.0	411.9	332.1
Nov.	2,803.0	752.9	1,079.9	107.7	27.6	944.6	-	0.1	283.5	380.6	306.0
Dec.	2,982.9	784.8	1,217.5	68.8	16.6	1,132.1	-	0.1	275.7	383.3	321.5
2009 Jan. (p)	2,830.7	761.9	1,093.1	102.5	19.1	971.6	-	0.1	309.0	329.1	337.5
	MFIs excluding the Eurosystem										
2006	25,950.2	-	13,257.2	124.2	7,890.6	5,242.4	698.3	4,247.6	1,449.7	3,991.1	2,306.2
2007	29,446.8	-	15,082.4	127.1	8,865.9	6,089.4	754.1	4,645.2	1,678.9	4,533.2	2,753.0
2008 Q3	31,535.5	-	16,216.3	140.2	9,324.5	6,751.6	833.2	4,865.3	1,751.0	4,886.0	2,983.6
2008 Oct.	32,450.9	-	16,815.9	179.5	9,414.8	7,221.6	825.6	4,879.1	1,743.5	4,880.3	3,306.5
Nov.	32,424.5	-	16,688.3	221.2	9,440.2	7,027.0	836.6	4,896.8	1,754.3	4,783.1	3,465.4
Dec.	31,830.8	-	16,741.9	193.0	9,681.3	6,867.7	821.5	4,830.0	1,766.8	4,394.1	3,276.5
2009 Jan. (p)	32,299.3	-	16,797.0	220.6	9,734.3	6,842.1	859.7	4,900.9	1,786.0	4,668.8	3,286.8

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 maturity up to two years held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2006	19,723.8	9,991.1	830.2	9,161.0	2,112.4	1,464.0	648.4	811.2	4,680.4	187.3	1,941.4
2007	22,331.2	11,133.5	973.8	10,159.7	2,371.9	1,419.4	952.5	884.3	5,247.0	221.1	2,473.5
2008 Q3	23,792.8	11,820.2	999.2	10,821.0	2,531.3	1,430.0	1,101.3	876.4	5,600.9	219.5	2,744.7
2008 Oct.	24,474.4	11,876.2	999.0	10,877.2	2,563.3	1,427.4	1,135.9	837.0	5,777.0	220.4	3,200.4
Nov.	24,605.7	11,882.8	996.8	10,886.1	2,646.7	1,476.5	1,170.2	826.7	5,658.7	221.4	3,369.3
Dec.	24,143.7	11,768.5	988.9	10,779.6	2,944.4	1,549.6	1,394.8	787.7	5,233.5	228.8	3,180.8
2009 Jan. (p)	24,541.7	11,866.6	1,004.9	10,861.7	3,017.5	1,622.9	1,394.6	791.3	5,375.9	228.2	3,262.3
	Transactions										
2006	1,997.5	877.3	-14.4	891.6	10.7	-96.8	107.5	97.7	801.9	6.4	203.5
2007	2,594.2	1,015.9	-9.8	1,025.7	230.3	-46.6	277.0	60.1	792.9	-0.5	495.4
2008	1,622.0	597.5	12.3	585.2	358.2	60.6	297.6	-64.5	-65.9	-1.0	797.5
2008 Q3	274.0	148.3	4.7	143.5	-15.9	-34.4	18.4	23.3	74.3	2.2	42.0
Q4	227.6	-48.5	-9.8	-38.6	199.3	55.1	144.3	-74.8	-329.5	2.0	478.9
2008 Oct.	409.4	16.4	-0.9	17.3	26.2	-6.7	32.9	-33.2	-51.4	1.0	450.4
Nov.	170.8	16.3	-2.1	18.5	78.7	42.2	36.5	-6.7	-86.1	1.0	167.6
Dec.	-352.7	-81.2	-6.8	-74.5	94.4	19.5	74.9	-34.9	-191.9	0.0	-139.0
2009 Jan. (p)	102.4	34.1	14.6	19.5	53.8	58.1	-4.3	11.3	-56.0	-2.1	61.4

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2006	19,723.8	592.2	158.0	7,906.5	614.6	2,587.8	1,280.8	4,026.5	2,541.8	15.6
2007	22,331.2	638.5	151.0	8,885.0	660.4	2,867.1	1,487.6	4,599.2	3,083.3	-41.1
2008 Q3	23,792.8	657.1	191.5	9,342.1	731.1	2,925.0	1,558.7	5,174.1	3,266.7	-53.9
2008 Oct.	24,474.4	698.8	258.4	9,444.6	729.8	2,906.4	1,564.2	5,292.2	3,638.6	-58.9
Nov.	24,605.7	703.7	328.9	9,467.8	739.7	2,886.9	1,606.8	5,163.8	3,771.4	-63.3
Dec.	24,143.7	723.1	261.8	9,697.9	722.9	2,804.8	1,615.8	4,777.3	3,598.0	-58.2
2009 Jan. (p)	24,541.7	712.2	323.1	9,753.4	757.9	2,808.2	1,665.7	4,997.9	3,624.3	-101.4
	Transactions									
2006	1,997.5	59.4	-15.2	683.7	27.6	285.5	57.4	601.6	252.2	45.3
2007	2,594.2	45.8	-13.3	835.1	54.5	270.5	163.1	778.8	467.6	-8.0
2008	1,622.0	83.5	108.1	597.0	29.9	-74.6	145.7	53.6	696.2	-17.6
2008 Q3	274.0	5.1	-19.9	73.2	-4.2	14.7	71.9	53.1	117.5	-37.3
Q4	227.6	66.0	70.3	198.5	-10.3	-126.8	44.7	-400.7	392.3	-6.5
2008 Oct.	409.4	41.7	66.9	69.2	-1.3	-75.2	14.3	-93.3	461.2	-74.1
Nov.	170.8	4.8	70.4	31.5	10.1	-13.8	25.5	-100.7	133.7	9.3
Dec.	-352.7	19.4	-67.1	97.8	-19.0	-37.8	5.0	-206.6	-202.6	58.3
2009 Jan. (p)	102.4	-12.3	58.3	-13.2	32.4	-30.5	28.5	76.9	56.4	-94.1

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

2.3 Monetary statistics [1]

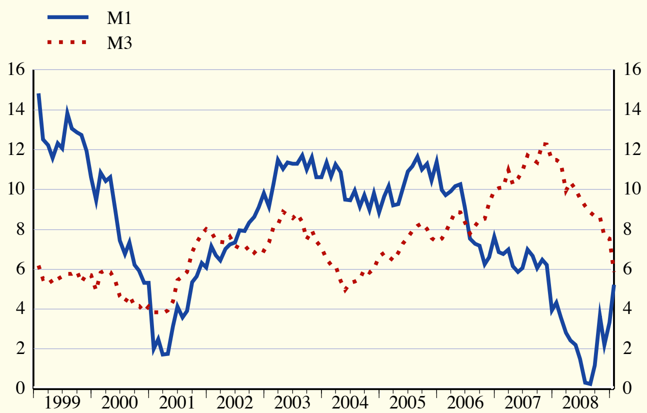
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M3: M2: M1	M3: M2: M2-M1	M3: M2	M3: M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Credit to other euro area residents: Loans	Credit to other euro area residents: Memo item: Loans adjusted for sales and securitisation [3]	Net external assets [4]
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2006	3,685.4	2,954.2	6,639.6	1,101.5	7,741.1	-	5,434.1	2,321.3	10,644.4	9,171.5	-	634.3
2007	3,832.7	3,507.2	7,339.9	1,310.5	8,650.4	-	5,977.8	2,417.2	12,027.2	10,175.6	-	627.5
2008 Q3	3,879.1	3,976.9	7,856.0	1,371.7	9,227.6	-	6,133.6	2,443.0	12,825.3	10,819.1	-	423.2
2008 Oct.	4,001.6	4,009.6	8,011.2	1,358.6	9,369.8	-	6,134.7	2,435.1	12,870.2	10,886.3	-	466.0
Nov.	3,960.5	4,054.2	8,014.7	1,349.1	9,363.8	-	6,172.0	2,471.1	12,885.9	10,879.4	-	469.8
Dec.	3,978.3	4,027.7	8,006.0	1,379.7	9,385.7	-	6,266.2	2,564.8	12,993.6	10,797.9	-	436.8
2009 Jan. (p)	4,087.1	3,972.7	8,059.8	1,311.9	9,371.7	-	6,437.3	2,628.8	13,069.3	10,866.5	-	374.8
Transactions												
2006	261.2	310.5	571.7	130.9	702.6	-	427.7	-114.7	1,105.8	898.6	961.7	200.6
2007	145.4	525.4	670.7	220.3	891.0	-	489.5	-60.1	1,369.9	1,031.0	1,132.1	13.5
2008	127.4	479.7	607.1	49.5	656.6	-	123.5	73.7	819.3	587.4	758.1	-118.6
2008 Q3	26.8	136.6	163.4	17.5	180.9	-	84.5	0.4	251.8	170.7	179.5	26.2
Q4	96.6	48.0	144.6	10.9	155.5	-	-42.4	56.4	35.9	-18.4	71.0	55.4
2008 Oct.	111.3	16.3	127.6	-10.0	117.6	-	-55.5	-12.8	10.6	28.4	42.4	26.6
Nov.	-40.6	47.3	6.7	-8.7	-2.1	-	30.6	29.2	31.2	2.7	30.6	8.2
Dec.	26.0	-15.6	10.4	29.6	40.0	-	-17.5	40.0	-5.9	-49.5	-2.0	20.6
2009 Jan. (p)	82.3	-92.1	-9.8	-65.7	-75.5	-	103.1	47.3	16.7	6.1	14.3	-116.7
Growth rates												
2006 Dec.	7.6	11.7	9.4	13.3	10.0	9.8	8.5	-4.7	11.6	10.8	11.5	200.6
2007 Dec.	3.9	17.7	10.1	20.0	11.5	11.8	9.0	-2.6	12.8	11.2	12.2	13.5
2008 Sep.	1.2	17.7	8.9	7.4	8.7	8.7	5.2	1.0	10.1	8.5	9.6	-195.4
2008 Oct.	3.7	15.5	9.3	5.0	8.6	8.3	3.3	0.7	8.7	7.8	8.9	-166.9
Nov.	2.2	16.0	8.7	1.7	7.7	7.9	3.6	2.4	8.2	7.1	8.4	-181.5
Dec.	3.3	13.6	8.2	3.7	7.5	7.0	2.1	3.1	6.8	5.8	7.3	-118.6
2009 Jan. (p)	5.2	9.7	7.4	-2.4	5.9	.	3.0	5.2	6.1	5.0	6.7	-235.0

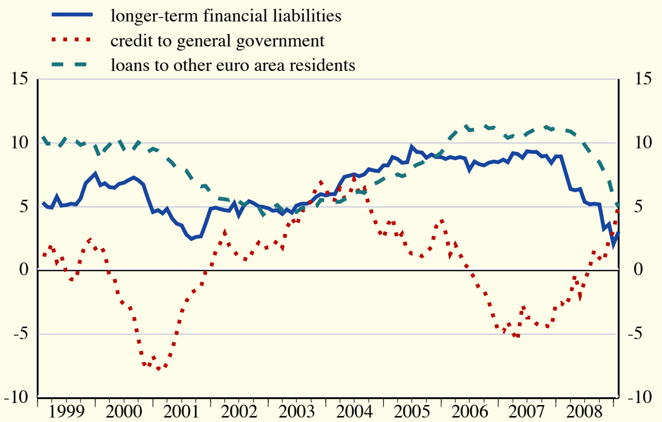
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

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

2.3 Monetary statistics [1]

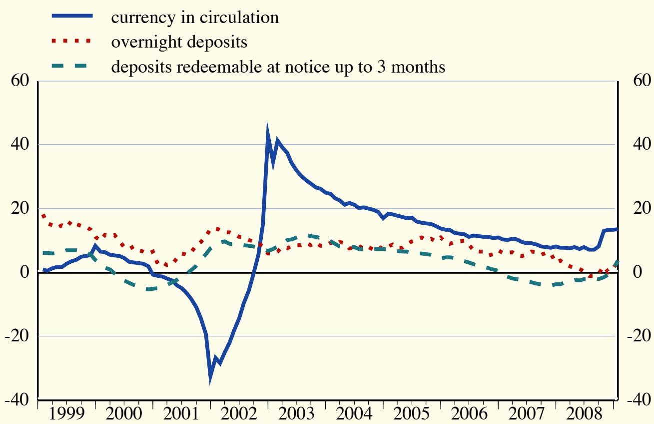
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2006	578.4	3,107.0	1,402.2	1,552.0	266.1	636.9	198.5	2,399.6	102.2	1,655.0	1,277.3
2007	625.8	3,206.9	1,971.8	1,535.3	307.4	686.6	316.6	2,561.0	119.6	1,813.5	1,483.7
2008 Q3	662.9	3,216.2	2,455.0	1,521.9	344.5	736.3	290.9	2,630.0	114.2	1,836.4	1,553.0
2008 Oct.	698.4	3,303.2	2,485.0	1,524.6	346.1	734.1	278.3	2,619.5	116.3	1,834.9	1,564.0
Nov.	704.1	3,256.5	2,522.2	1,532.0	329.9	741.8	277.4	2,607.6	118.8	1,831.0	1,614.6
Dec.	710.7	3,267.6	2,470.6	1,557.1	355.5	752.9	271.2	2,544.3	121.7	1,988.5	1,611.7
2009 Jan. (p)	716.9	3,370.2	2,377.4	1,595.2	327.2	766.2	218.5	2,613.2	124.5	2,033.3	1,666.2
	Transactions										
2006	57.3	203.9	301.2	9.3	30.9	30.0	70.0	217.2	15.4	138.1	57.0
2007	46.9	98.4	581.3	-55.9	43.3	58.6	118.3	152.3	9.9	164.5	162.8
2008	83.8	43.5	464.4	15.3	49.5	33.4	-33.3	-40.4	0.7	17.9	145.3
2008 Q3	13.3	13.5	152.3	-15.6	3.6	6.0	7.9	19.2	-2.7	-0.7	68.8
Q4	47.8	48.8	12.9	35.1	12.7	14.4	-16.2	-95.3	7.5	-0.8	46.2
2008 Oct.	35.5	75.8	14.0	2.3	1.3	-2.2	-9.0	-70.4	2.1	-6.8	19.7
Nov.	5.7	-46.3	39.9	7.5	-14.5	7.9	-2.1	-5.1	2.5	-0.4	33.5
Dec.	6.6	19.4	-41.0	25.3	26.0	8.8	-5.1	-19.8	2.9	6.4	-7.0
2009 Jan. (p)	4.8	77.6	-129.7	37.6	-28.6	10.6	-47.8	29.7	2.0	38.3	33.1
	Growth rates										
2006 Dec.	11.0	7.0	27.2	0.6	13.2	4.9	54.4	9.9	17.8	9.1	4.7
2007 Dec.	8.1	3.2	41.4	-3.6	16.3	9.2	59.6	6.3	9.6	9.9	12.5
2008 Sep.	8.2	-0.2	34.4	-2.0	16.5	4.1	5.7	2.3	-5.7	4.0	13.1
2008 Oct.	13.0	1.9	29.2	-1.4	19.5	2.1	-2.7	-0.2	-4.4	2.8	10.8
Nov.	13.5	0.1	29.3	-0.7	11.6	1.7	-8.1	-0.2	-2.2	2.6	12.2
Dec.	13.4	1.4	23.3	1.0	16.0	4.8	-10.9	-1.5	0.6	1.0	10.0
2009 Jan. (p)	13.7	3.6	14.3	3.7	7.1	2.5	-24.8	-1.3	0.7	2.8	11.1

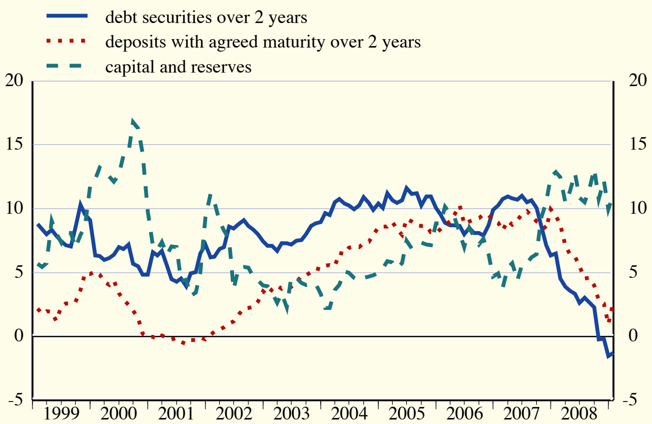
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

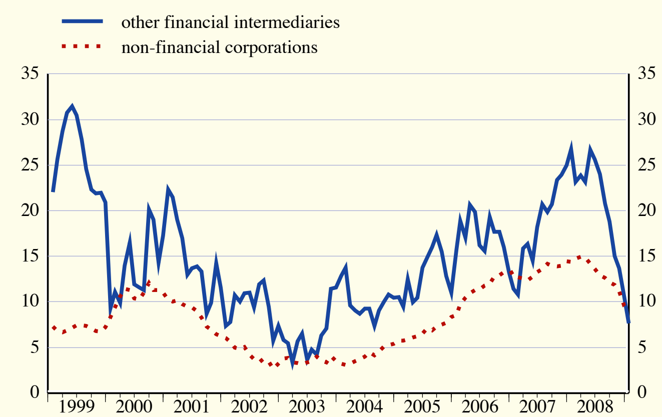
2.4 MFI loans, breakdown [1), 2)]

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

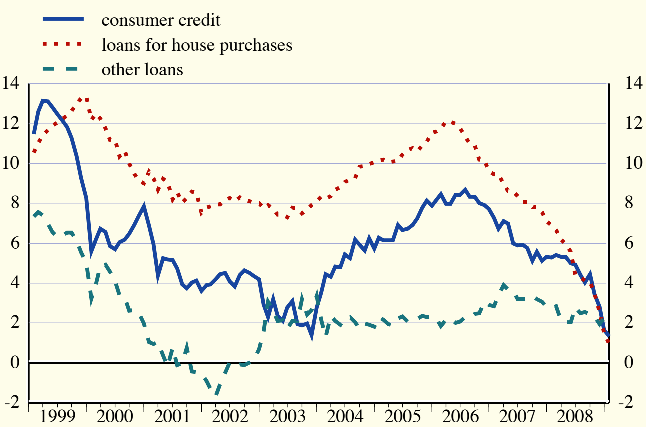
1. Loans to financial intermediaries, non-financial corporations and households

	Insurance corporations and pension funds	Other financial interme-diaries [3)]	Non-financial corporations				Households [4)]			
	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										
2006	93.8	709.7	3,837.9	1,139.6	706.7	1,991.6	4,530.0	584.3	3,207.8	737.9
2007	107.9	886.4	4,380.3	1,279.3	857.9	2,243.1	4,801.0	615.5	3,432.7	752.9
2008 Q3	100.5	1,010.9	4,771.4	1,376.6	954.8	2,439.9	4,936.3	636.1	3,532.6	767.6
2008 Oct.	102.3	1,018.7	4,827.5	1,390.5	965.3	2,471.7	4,937.8	635.5	3,533.2	769.1
Nov.	99.0	1,011.7	4,847.2	1,383.1	978.2	2,485.9	4,921.5	632.7	3,520.1	768.8
Dec.	104.0	985.9	4,820.1	1,381.7	960.3	2,478.1	4,887.8	629.6	3,488.2	770.0
2009 Jan. (p)	96.1	983.6	4,880.8	1,394.4	977.9	2,508.5	4,906.1	638.4	3,495.9	771.7
Transactions										
2006	20.7	87.5	445.2	101.4	122.6	221.2	345.3	42.5	281.9	20.9
2007	15.9	180.1	554.4	145.9	155.1	253.5	280.6	31.1	228.6	20.9
2008	-4.4	94.5	418.0	89.3	121.8	206.9	79.3	10.2	51.9	17.1
2008 Q3	-1.1	7.1	112.5	26.8	28.8	57.0	52.1	3.9	44.3	3.9
Q4	3.4	-23.9	46.2	-4.9	23.9	27.3	-44.1	-6.9	-40.1	2.9
2008 Oct.	1.4	-4.5	35.3	6.4	6.3	22.7	-3.7	-0.9	-3.3	0.5
Nov.	-3.3	-4.5	24.3	-5.6	14.4	15.5	-13.8	-2.3	-12.1	0.6
Dec.	5.2	-14.8	-13.4	-5.7	3.2	-10.9	-26.5	-3.7	-24.7	1.8
2009 Jan. (p)	-8.1	-12.9	29.7	2.2	10.1	17.4	-2.6	0.4	-2.5	-0.5
Growth rates										
2006 Dec.	28.2	14.0	13.1	9.8	20.7	12.4	8.2	7.7	9.6	2.9
2007 Dec.	17.0	25.2	14.4	12.8	21.9	12.7	6.2	5.3	7.1	2.8
2008 Sep.	-9.3	18.7	12.1	9.8	17.6	11.4	3.9	4.4	4.1	2.4
2008 Oct.	-9.3	14.7	11.9	10.1	16.3	11.2	3.3	3.5	3.5	2.3
Nov.	-6.6	13.6	11.2	8.5	16.1	10.8	2.5	2.8	2.6	1.9
Dec.	-4.1	10.7	9.5	7.0	14.2	9.2	1.6	1.7	1.5	2.3
2009 Jan. (p)	-5.1	7.7	8.8	6.1	13.3	8.7	1.2	1.3	1.0	2.0

C5 Loans to other financial intermediaries and non-financial corporations [2)] (annual growth rates; not seasonally adjusted)



C6 Loans to households [2)] (annual growth rates; not seasonally adjusted)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on 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 [1), 2)]

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries [3)]				Non-financial coporations			
	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
	Outstanding amounts											
2007	95.1	70.6	7.5	17.0	867.9	526.3	148.5	193.1	4,388.0	1,276.5	858.9	2,252.6
2008 Q3	100.8	77.0	6.4	17.5	1,017.7	620.7	170.0	227.0	4,761.9	1,372.3	953.4	2,436.3
2008 Oct.	104.2	81.0	5.8	17.4	1,015.6	623.3	168.9	223.4	4,815.8	1,382.2	965.9	2,467.8
Nov.	101.0	77.2	5.6	18.2	1,013.7	616.1	173.3	224.4	4,842.8	1,382.5	977.3	2,483.0
Dec.	91.6	68.1	5.2	18.2	963.7	557.9	169.1	236.7	4,828.8	1,378.3	961.8	2,488.8
2009 Jan. (p)	95.8	72.1	6.1	17.7	984.8	567.7	179.6	237.4	4,878.9	1,389.6	977.7	2,511.6
	Transactions											
2007	14.0	15.8	-5.2	3.4	175.4	113.5	34.5	27.4	555.6	144.9	155.7	255.0
2008 Q3	-3.0	-2.5	-1.3	0.9	12.1	-10.6	8.5	14.2	84.6	4.0	27.7	53.0
Q4	-9.4	-9.0	-1.1	0.7	-53.0	-61.2	-0.2	8.4	64.5	-3.9	26.7	41.6
2008 Oct.	3.0	3.7	-0.6	-0.1	-14.5	-5.2	-2.9	-6.4	33.1	2.4	8.3	22.4
Nov.	-3.2	-3.8	-0.2	0.8	0.6	-5.6	4.7	1.6	31.6	2.2	12.9	16.5
Dec.	-9.2	-8.9	-0.4	0.1	-39.1	-50.4	-1.9	13.2	-0.2	-8.5	5.5	2.7
2009 Jan. (p)	4.1	3.8	0.9	-0.6	10.5	4.0	8.6	-2.1	19.1	0.9	8.5	9.7
	Growth rates											
2007 Dec.	16.8	28.5	-41.0	23.2	25.0	27.0	29.9	16.5	14.4	12.7	22.0	12.7
2008 Sep.	-9.0	-12.3	-26.0	18.4	18.8	15.5	24.4	24.4	12.1	9.8	17.6	11.4
2008 Oct.	-9.2	-10.7	-31.1	9.4	15.0	15.4	13.4	15.0	11.9	10.1	16.3	11.2
Nov.	-6.6	-7.9	-32.3	11.7	13.7	13.3	14.7	13.9	11.1	8.5	16.1	10.8
Dec.	-4.1	-3.8	-30.5	6.0	10.5	5.4	14.4	21.7	9.5	6.9	14.2	9.2
2009 Jan. (p)	-5.1	-5.4	-24.6	5.5	7.6	0.2	20.2	19.5	8.8	6.1	13.3	8.7

3. Loans to households [4)]

	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
	Outstanding amounts												
2007	4,808.1	617.8	137.6	203.7	276.5	3,436.9	15.9	73.8	3,347.2	753.4	147.5	104.0	501.9
2008 Q3	4,940.0	637.5	139.4	201.1	297.0	3,535.1	16.9	71.8	3,446.5	767.4	149.6	100.1	517.7
2008 Oct.	4,940.9	637.9	139.0	200.1	298.8	3,535.3	17.0	71.2	3,447.1	767.8	147.9	99.5	520.4
Nov.	4,927.9	633.2	136.2	198.9	298.2	3,524.0	16.9	70.3	3,436.8	770.7	151.6	98.1	520.9
Dec.	4,894.9	632.0	137.2	197.2	297.6	3,492.3	17.0	68.3	3,407.0	770.5	155.4	90.8	524.3
2009 Jan. (p)	4,901.5	636.6	135.4	204.0	297.3	3,494.9	17.0	67.2	3,410.7	769.9	152.9	89.9	527.0
	Transactions												
2007	280.6	31.2	3.6	1.1	26.6	228.6	0.9	2.3	225.3	20.8	1.7	4.4	14.7
2008 Q3	49.8	2.1	-0.3	-2.5	4.9	48.2	1.0	-0.9	48.1	-0.5	-3.2	-2.1	4.8
Q4	-40.8	-6.0	-1.9	-4.3	0.3	-38.4	0.2	-1.5	-37.1	3.6	1.1	-1.7	4.1
2008 Oct.	-4.3	0.0	-0.3	-1.0	1.4	-3.7	0.1	-0.7	-3.1	-0.7	-2.5	-0.3	2.1
Nov.	-10.6	-4.1	-2.7	-1.0	-0.4	-10.2	-0.1	-0.8	-9.4	3.8	3.9	-1.2	1.1
Dec.	-25.9	-1.9	1.1	-2.3	-0.7	-24.5	0.1	0.0	-24.6	0.5	-0.3	-0.2	0.9
2009 Jan. (p)	-14.2	-3.7	-1.7	-1.0	-1.0	-7.6	0.0	-1.7	-5.8	-2.9	-3.3	-1.1	1.6
	Growth rates												
2007 Dec.	6.2	5.3	2.7	0.5	10.7	7.1	6.1	3.2	7.2	2.8	1.2	4.4	3.0
2008 Sep.	3.9	4.4	4.1	-1.4	8.9	4.1	4.8	-1.3	4.2	2.4	2.2	-2.3	3.5
2008 Oct.	3.3	3.5	2.4	-2.3	8.3	3.5	5.9	-2.7	3.6	2.3	1.2	-2.9	3.7
Nov.	2.5	2.8	2.7	-3.2	7.4	2.6	5.7	-3.8	2.7	2.0	0.6	-4.4	3.7
Dec.	1.6	1.7	-0.4	-3.8	6.7	1.5	5.9	-4.1	1.6	2.3	1.9	-4.9	3.9
2009 Jan. (p)	1.2	1.3	-0.7	-3.8	6.0	1.0	6.7	-6.3	1.1	2.0	1.0	-5.9	3.9

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

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

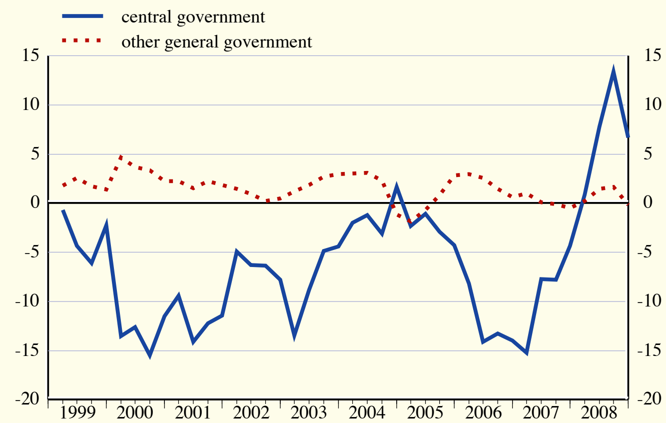
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
					Outstanding amounts					
2006	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007	956.0	213.4	217.6	495.6	29.4	3,295.3	2,337.9	957.4	59.8	897.5
2008 Q1	957.8	210.6	212.8	497.2	37.2	3,413.9	2,395.5	1,018.4	61.5	956.9
Q2	975.6	221.0	215.1	497.5	42.0	3,310.8	2,299.2	1,011.5	63.0	948.5
Q3	980.7	225.9	210.0	499.5	45.4	3,519.1	2,452.3	1,066.8	61.9	1,004.9
Q4 (p)	970.2	229.0	210.1	491.3	39.8	3,241.6	2,271.0	970.7	59.7	911.0
					Transactions					
2006	-13.4	-17.6	-14.3	21.9	-3.4	532.5	402.9	129.5	-0.1	129.6
2007	-7.9	-4.5	-13.0	6.1	3.5	542.1	382.1	160.1	0.3	159.8
2008 (p)	13.1	14.4	-8.1	-3.5	10.4	-45.1	-73.5	28.3	0.1	28.2
2008 Q1	0.7	-3.3	-4.8	1.0	7.8	215.8	122.3	93.3	2.9	90.4
Q2	17.7	10.3	2.1	0.6	4.8	-100.1	-94.8	-5.2	1.6	-6.7
Q3	4.7	4.6	-5.2	2.0	3.4	94.3	77.1	17.2	-3.2	20.4
Q4 (p)	-10.0	2.9	-0.2	-7.0	-5.6	-255.1	-178.0	-77.1	-1.1	-76.0
					Growth rates					
2006 Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.8	23.7	17.4	-0.1	19.1
2007 Dec.	-1.0	-4.3	-5.6	1.4	13.7	18.7	18.6	18.8	0.5	20.3
2008 Mar.	0.1	0.9	-5.1	1.6	19.5	15.7	12.7	23.2	10.0	24.1
June	2.4	7.8	-1.8	2.3	11.8	7.7	4.6	15.4	9.5	15.8
Sep.	3.4	13.4	-1.9	2.8	9.7	8.2	5.5	15.0	1.8	15.9
Dec. (p)	1.4	6.7	-3.7	-0.7	35.3	-1.3	-3.1	3.0	0.1	3.2

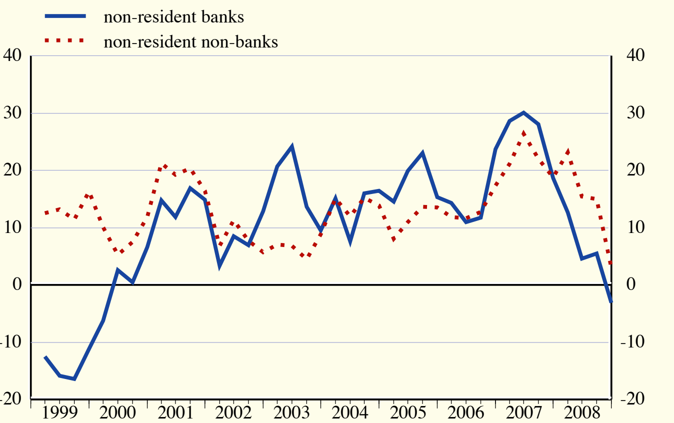
C7 Loans to government [2)]

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2)]

(annual growth rates; not seasonally adjusted)



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

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

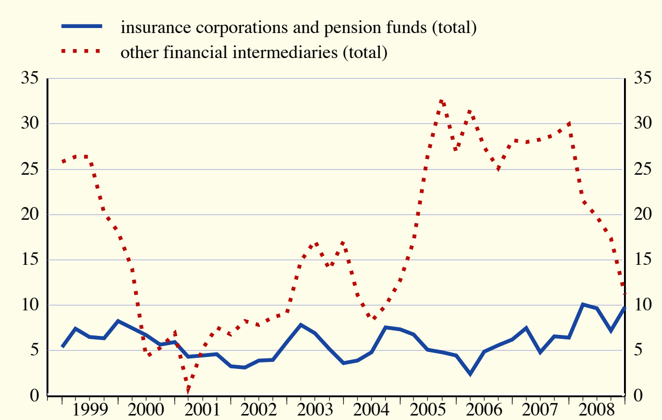
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,140.3	283.1	251.8	469.4	10.6	0.2	125.1
2007	688.2	71.1	68.9	525.4	0.8	1.1	20.9	1,472.7	312.3	348.0	652.8	12.2	0.3	147.1
2008 Q3	727.9	75.5	90.3	538.9	1.2	1.6	20.4	1,641.3	322.6	445.5	673.9	11.7	0.1	187.5
2008 Oct.	736.0	83.6	90.4	538.2	1.2	1.5	21.1	1,673.5	335.9	444.9	684.1	12.2	0.1	196.3
Nov.	738.1	84.9	95.0	535.9	1.1	1.5	19.7	1,654.5	319.7	443.5	685.6	12.0	0.1	193.7
Dec.	757.8	83.9	111.8	536.4	1.1	1.5	23.1	1,802.4	320.6	420.1	852.3	12.3	0.1	197.0
2009 Jan. (p)	762.8	99.9	98.1	541.8	1.2	1.5	20.2	1,800.2	340.7	363.8	877.7	12.9	0.1	205.0
	Transactions													
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.2	45.5	67.8	130.5	0.3	0.1	4.9
2007	41.8	0.8	11.8	33.7	-0.2	-0.3	-4.1	341.1	32.7	98.9	183.7	1.7	0.1	24.1
2008	67.6	12.3	41.2	12.1	-0.3	0.1	2.2	164.8	4.4	68.8	41.3	-0.3	-0.3	51.0
2008 Q3	8.4	1.7	6.0	0.3	-0.2	0.0	0.5	28.3	-16.5	53.8	-12.4	-0.6	-0.1	4.1
Q4	31.7	8.3	21.4	-0.6	-0.1	-0.1	2.7	5.1	-2.7	-25.6	21.8	0.5	0.0	11.1
2008 Oct.	6.8	7.6	-0.7	-0.6	0.0	-0.1	0.6	17.6	8.8	-5.2	5.3	0.2	0.0	8.6
Nov.	4.0	1.3	4.8	-0.6	-0.1	0.0	-1.3	-15.6	-16.0	-0.8	2.4	-0.1	0.0	-1.0
Dec.	20.9	-0.6	17.4	0.7	0.0	0.0	3.4	3.0	4.5	-19.5	14.1	0.5	0.0	3.5
2009 Jan. (p)	3.0	15.4	-14.8	5.3	0.1	0.0	-2.9	-10.9	17.0	-58.2	22.0	0.5	0.0	7.9
	Growth rates													
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-	21.2	28.2	19.5	36.8	38.9	2.9	-	4.0
2007 Dec.	6.4	1.1	20.6	6.8	-22.5	-	-16.3	30.0	11.5	39.5	39.1	16.0	-	19.0
2008 Sep.	7.2	10.8	40.2	3.2	-20.1	-	-3.1	17.4	-3.2	44.6	16.0	-11.6	-	16.1
2008 Oct.	5.2	12.2	18.1	2.7	-20.0	-	-3.7	15.3	1.7	28.4	13.0	-6.3	-	25.2
Nov.	6.2	21.6	20.3	2.3	-29.7	-	0.3	12.6	-7.9	33.2	12.1	-2.1	-	17.1
Dec.	9.8	17.2	58.2	2.3	-23.3	-	10.6	11.2	1.4	20.0	6.3	-2.3	-	34.6
2009 Jan. (p)	6.5	18.2	26.5	3.0	-17.6	-	-20.1	8.6	0.9	6.1	9.1	-2.2	-	25.3

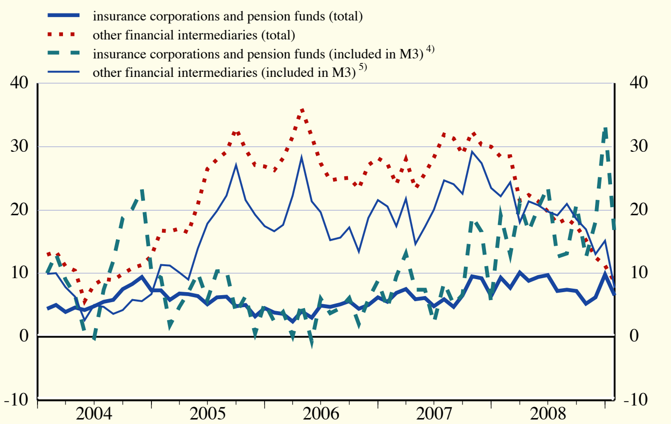
C9 Total deposits by sector [2)]

(annual growth rates)



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

(annual growth rates)



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

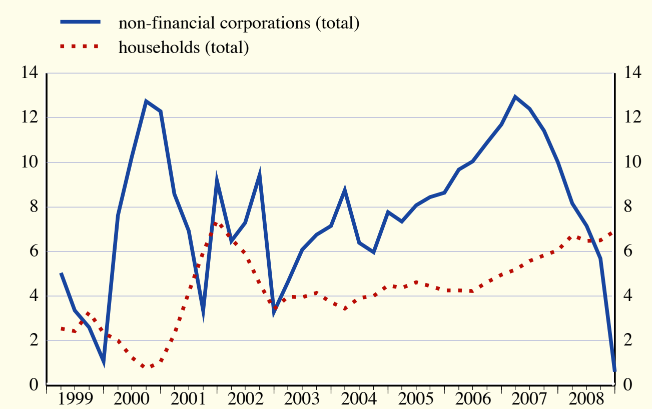
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

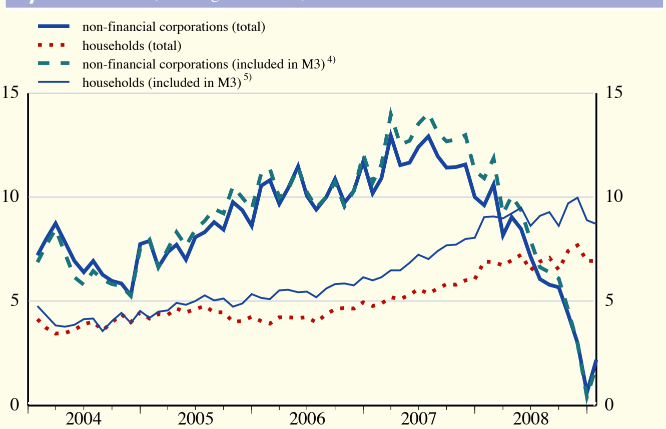
2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
							Outstanding amounts							
2006	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007	1,470.4	882.1	474.6	59.4	29.2	1.4	23.7	4,988.8	1,777.7	994.4	560.9	1,457.6	111.1	87.1
2008 Q3	1,498.1	873.6	508.4	64.1	25.6	1.4	25.1	5,197.3	1,750.0	1,271.1	523.8	1,441.3	103.1	108.0
2008 Oct.	1,500.2	860.8	518.3	65.9	24.9	1.4	29.0	5,252.3	1,758.4	1,332.1	515.4	1,439.3	106.1	101.1
Nov.	1,498.3	870.8	509.5	65.6	26.0	1.3	25.0	5,290.2	1,778.1	1,352.7	511.6	1,443.0	109.8	95.1
Dec.	1,498.7	882.4	498.9	64.4	27.9	1.3	23.7	5,369.2	1,814.4	1,351.8	520.3	1,485.3	113.7	83.7
2009 Jan. (p)	1,482.5	877.0	480.2	67.1	32.0	1.3	25.0	5,437.2	1,857.9	1,337.5	525.5	1,525.4	114.5	76.5
							Transactions							
2006	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007	134.4	31.8	123.3	-8.1	-11.0	-0.7	-1.1	280.7	21.7	321.8	-45.5	-45.6	11.2	17.1
2008	8.8	-5.2	14.4	3.2	-3.3	-0.3	-0.1	348.4	29.5	336.3	-40.0	24.2	1.8	-3.4
2008 Q3	4.4	2.7	1.0	0.8	-2.2	-0.1	2.1	33.8	-34.4	89.3	-8.7	-19.2	-2.6	9.5
Q4	-1.3	7.9	-10.7	0.6	2.3	-0.1	-1.4	168.3	63.8	77.7	-3.4	43.9	10.6	-24.4
2008 Oct.	-7.2	-17.3	5.5	1.3	-0.6	0.0	3.9	47.2	6.9	55.0	-8.4	-2.3	2.9	-7.0
Nov.	-1.4	10.2	-8.4	-0.1	1.1	0.0	-4.0	37.7	19.7	20.3	-3.7	3.8	3.7	-6.0
Dec.	7.2	15.1	-7.7	-0.6	1.8	0.0	-1.3	83.4	37.2	2.4	8.8	42.4	3.9	-11.4
2009 Jan. (p)	-32.9	-15.6	-25.1	2.3	4.2	0.0	1.3	27.6	33.8	-41.2	2.5	39.7	0.0	-7.1
							Growth rates							
2006 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Dec.	10.0	3.7	34.8	-11.9	-26.9	-31.6	-4.3	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2008 Sep.	5.7	3.0	14.4	-2.6	-22.8	-17.3	2.9	6.5	-0.6	40.8	-7.0	-1.3	-5.1	28.6
2008 Oct.	4.4	1.8	10.5	-0.1	-19.6	-12.6	19.6	7.4	1.2	40.5	-7.8	-0.5	-3.4	17.1
Nov.	3.0	1.3	7.9	3.6	-22.3	-15.4	3.2	7.7	2.1	38.7	-7.9	0.3	-0.9	8.9
Dec.	0.6	-0.6	3.1	5.4	-10.7	-15.8	-0.2	6.9	1.7	33.2	-7.1	1.7	1.6	-3.9
2009 Jan. (p)	2.2	2.7	-0.4	9.2	7.3	-17.2	12.3	6.9	4.8	23.6	-5.9	4.3	1.6	-16.5

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



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



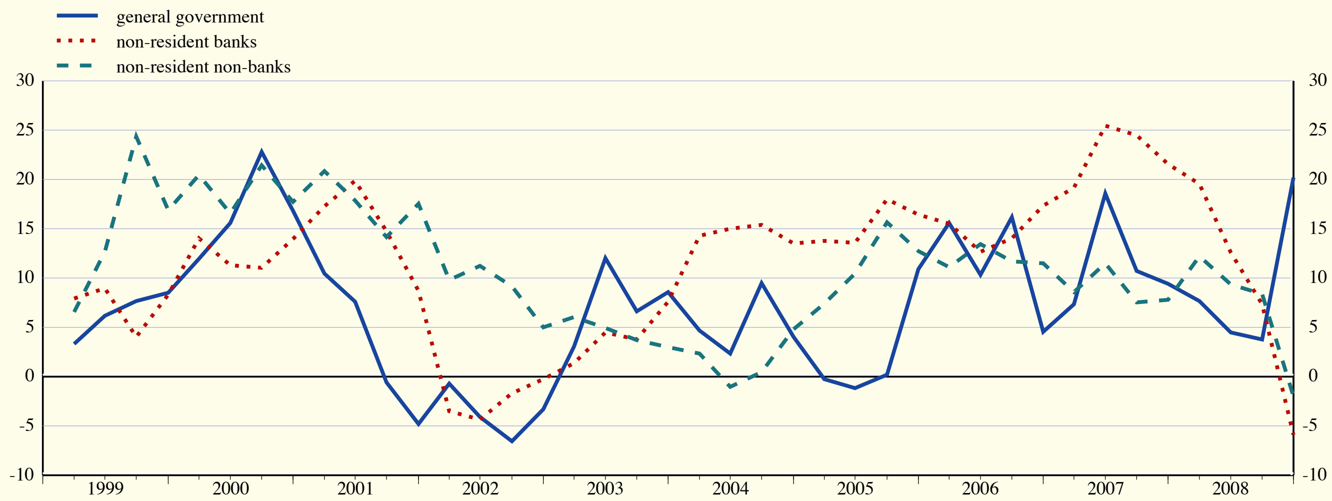
Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including non-profit institutions serving households.
4) Covers deposits in columns 2, 3, 5 and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

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

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2006	329.0	124.2	45.4	90.8	68.6	3,429.0	2,557.1	871.9	128.6	743.3
2007	372.9	127.1	59.0	106.8	80.1	3,856.2	2,944.2	912.0	143.4	768.6
2008 Q1	375.9	139.6	49.6	107.6	79.1	4,039.7	3,075.7	964.1	131.1	833.0
Q2	410.6	156.2	56.4	112.0	86.0	4,019.9	3,036.7	983.2	129.3	853.9
Q3	400.2	140.2	61.7	112.8	85.5	4,140.1	3,132.8	1,007.3	141.9	865.4
Q4 (p)	446.2	193.0	52.3	115.4	85.6	3,702.4	2,802.1	900.3	67.6	832.7
	Transactions									
2006	14.2	-24.5	7.0	7.8	23.9	476.6	385.8	90.8	6.6	84.2
2007	30.9	-3.1	13.6	8.9	11.5	614.6	547.2	67.4	20.2	47.2
2008 (p)	75.4	65.5	-6.5	9.4	7.0	-194.8	-174.9	-19.9	-36.2	16.3
2008 Q1	2.8	12.4	-9.3	0.7	-1.0	279.2	220.4	58.8	-8.5	67.3
Q2	34.7	16.3	6.8	4.4	7.2	-17.5	-37.0	19.5	-1.8	21.3
Q3	-10.7	-16.0	5.2	0.7	-0.6	-20.5	-21.7	1.1	8.8	-7.6
Q4 (p)	48.5	52.8	-9.2	3.6	1.3	-436.0	-336.6	-99.4	-34.7	-64.6
	Growth rates									
2006 Dec.	4.5	-16.5	18.4	9.6	53.5	15.8	17.3	11.5	5.3	12.6
2007 Dec.	9.4	-2.3	29.9	9.8	16.7	18.0	21.5	7.8	15.8	6.4
2008 Mar.	7.7	-3.7	18.1	13.4	16.5	17.8	19.6	12.2	5.5	13.4
June	4.5	-12.0	28.9	10.0	21.0	11.8	12.6	9.4	-0.2	11.0
Sep.	3.8	-6.7	2.9	8.4	19.1	7.6	7.3	8.4	-1.3	10.2
Dec. (p)	20.2	51.5	-11.0	8.8	8.7	-5.0	-5.9	-2.0	-25.2	2.3

C13 Deposits by government and non-euro area residents [2)]
(annual growth rates)



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

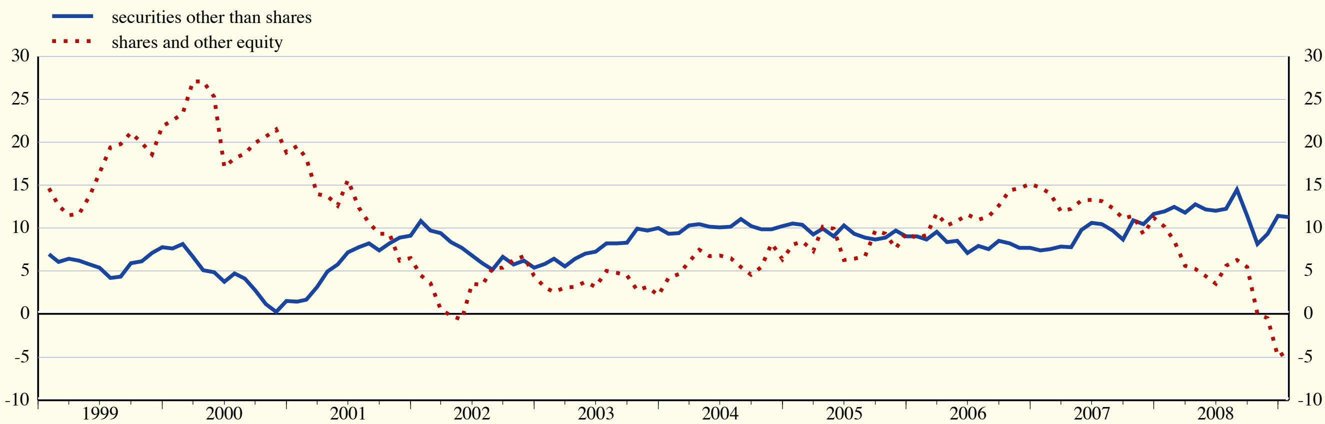
2.6 MFI holdings of securities, breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2006	4,664.3	1,560.6	72.3	1,260.4	16.2	615.8	30.1	1,108.9	1,465.9	373.0	798.5	294.4
2007	5,114.5	1,652.6	84.0	1,177.7	16.6	917.2	33.4	1,233.1	1,639.9	424.8	871.4	343.7
2008 Q3	5,500.2	1,799.3	102.0	1,176.9	15.6	1,049.4	49.5	1,307.5	1,608.3	452.2	866.2	290.0
2008 Oct.	5,562.6	1,824.6	109.2	1,165.6	19.3	1,080.5	53.0	1,310.2	1,551.3	436.8	827.7	286.8
Nov.	5,667.4	1,866.8	104.2	1,208.5	18.2	1,115.4	52.3	1,302.0	1,530.5	426.5	817.1	286.9
Dec.	5,849.2	1,888.9	96.0	1,222.7	19.0	1,333.6	58.8	1,230.3	1,480.2	422.2	777.9	280.1
2009 Jan. (p)	6,027.2	1,942.7	104.7	1,284.9	23.4	1,336.7	55.5	1,279.4	1,491.1	424.8	781.7	284.7
	Transactions											
2006	337.4	122.8	10.6	-122.7	0.5	100.6	6.5	219.0	193.3	58.6	96.2	38.5
2007	542.1	136.3	18.2	-86.5	1.5	268.0	9.5	195.0	164.5	52.0	60.0	52.5
2008	587.7	223.5	9.6	39.4	1.7	273.6	23.6	16.4	-77.9	30.3	-64.9	-43.3
2008 Q3	-41.5	4.6	-2.9	-33.3	-0.8	19.3	-0.8	-27.6	27.8	0.7	23.5	3.6
Q4	211.9	91.0	-4.5	40.5	3.1	137.5	6.8	-62.4	-94.5	-11.7	-75.3	-7.5
2008 Oct.	-8.7	26.2	-1.4	-12.1	1.8	34.4	-1.5	-56.0	-48.7	-14.1	-33.2	-1.4
Nov.	115.1	43.7	-3.6	37.9	-1.1	36.9	-0.4	1.7	-8.2	-3.0	-7.0	1.9
Dec.	105.5	21.1	0.5	14.8	2.4	66.2	8.6	-8.1	-37.6	5.5	-35.0	-8.0
2009 Jan. (p)	110.9	50.5	1.8	53.8	2.8	3.4	-7.7	6.2	24.9	5.6	11.2	8.1
	Growth rates											
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.6	13.6	15.2
2007 Dec.	11.7	8.7	25.6	-6.8	10.5	43.0	33.4	17.7	11.2	13.9	7.5	17.8
2008 Sep.	11.4	11.1	24.0	-1.8	6.5	31.2	46.0	10.1	5.4	13.4	7.8	-10.1
2008 Oct.	8.1	9.4	16.2	-2.9	17.0	29.4	28.9	1.5	0.0	11.3	-1.5	-10.0
Nov.	9.3	11.5	15.2	0.5	10.4	30.8	42.7	-0.9	-0.5	11.3	-2.1	-10.5
Dec.	11.4	13.4	12.0	3.3	8.4	29.9	69.9	1.4	-4.9	7.0	-7.6	-13.1
2009 Jan. (p)	11.3	14.5	5.4	6.5	18.6	29.5	34.5	-1.5	-4.2	6.7	-7.3	-10.3

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.4	-1.1	-1.5	-1.9	-3.2	0.0	-0.2	-3.0	-6.7	-1.2	-2.3	-3.2
2008 Q3	-1.0	-0.2	-0.4	-0.4	-0.4	0.0	0.0	-0.4	-1.3	-0.2	-0.5	-0.7
Q4	-1.5	-0.3	-0.5	-0.7	-1.1	0.0	-0.1	-1.0	-2.1	-0.4	-0.8	-1.0
2008 Oct.	-0.6	-0.3	-0.2	-0.1	-0.6	0.0	0.0	-0.6	-0.7	0.1	-0.5	-0.2
Nov.	-0.3	0.0	-0.2	-0.1	-0.2	0.0	0.0	-0.1	-0.5	0.0	-0.1	-0.3
Dec.	-0.6	0.0	-0.2	-0.4	-0.3	0.0	0.0	-0.3	-1.0	-0.4	-0.1	-0.5
2009 Jan. (p)	-0.7	-0.2	-0.2	-0.3	-0.5	0.0	0.0	-0.5	-1.0	-0.5	-0.1	-0.4

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
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-18.8	-4.3	-9.7	-4.8	-6.6	-3.4	-3.2
2008 Q3	-4.2	-0.8	-2.3	-1.0	-1.3	-0.7	-0.5
Q4	-6.3	-1.3	-3.2	-1.8	-2.9	-0.8	-2.1
2008 Oct.	-1.5	0.0	-1.1	-0.4	-1.0	-0.2	-0.8
Nov.	-2.0	-0.4	-1.2	-0.4	-0.6	-0.2	-0.4
Dec.	-2.8	-0.9	-0.9	-1.0	-1.3	-0.4	-0.9
2009 Jan. (p)	-1.8	-0.8	-0.3	-0.6	-1.3	-0.9	-0.5

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
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007	-11.8	-2.7	0.0	0.6	-0.2	-2.5	-0.5	-6.5	12.6	3.0	8.8	0.8
2008	-56.1	-9.9	0.0	2.8	0.0	-19.7	1.0	-30.3	-66.9	-17.0	-36.2	-13.8
2008 Q3	-1.7	-1.2	0.2	5.8	0.2	-1.7	0.0	-5.0	-19.3	-7.6	-6.7	-5.1
Q4	-13.9	-2.4	0.1	5.2	0.1	-10.7	2.2	-8.4	-19.1	-5.4	-11.4	-2.3
2008 Oct.	-6.1	-0.9	0.2	0.8	0.2	-3.2	-0.1	-3.1	-8.2	-1.2	-5.3	-1.7
Nov.	1.3	0.0	0.0	5.0	0.1	-1.4	0.0	-2.4	-5.7	-1.6	-2.3	-1.8
Dec.	-9.1	-1.5	-0.1	-0.6	-0.2	-6.1	2.3	-2.9	-5.2	-2.6	-3.8	1.2
2009 Jan. (p)	-8.1	2.1	0.0	-2.6	0.1	-4.0	0.2	-3.9	-14.4	-4.6	-7.9	-1.9

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

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

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2006	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,089.4	92.1	7.9	4.8	0.4	1.1	1.0	8,993.0	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q1	6,147.8	91.8	8.2	4.7	0.5	1.3	1.0	9,151.4	96.4	3.6	2.1	0.4	0.1	0.6
Q2	6,287.4	91.6	8.4	5.0	0.4	1.4	1.0	9,372.6	96.4	3.6	2.1	0.5	0.1	0.5
Q3	6,751.6	89.4	10.6	6.9	0.4	1.5	1.0	9,464.7	96.2	3.8	2.2	0.5	0.1	0.6
Q4 (p)	6,867.7	89.7	10.3	7.2	0.4	1.2	0.8	9,874.2	96.8	3.2	1.9	0.4	0.1	0.4
	By non-euro area residents													
2006	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007	2,944.2	46.8	53.2	33.6	2.9	2.4	11.1	912.0	50.0	50.0	32.9	1.6	1.8	9.9
2008 Q1	3,075.7	48.1	51.9	32.9	3.0	2.6	10.5	964.1	52.3	47.7	31.9	1.4	1.8	8.7
Q2	3,036.7	46.5	53.5	33.9	3.0	2.7	10.6	983.2	51.8	48.2	31.8	1.2	1.7	9.3
Q3	3,132.8	45.6	54.4	35.3	3.2	2.7	9.9	1,007.3	52.5	47.5	30.3	1.3	1.5	10.3
Q4 (p)	2,802.1	47.9	52.1	34.3	2.8	2.6	9.6	900.3	54.7	45.3	28.9	1.4	2.0	9.4

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2006	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007	4,948.0	81.4	18.6	9.3	1.7	1.9	3.4
2008 Q1	4,993.0	82.1	17.9	8.8	1.8	1.9	3.2
Q2	5,146.7	82.0	18.0	8.9	1.7	1.8	3.5
Q3	5,183.3	81.8	18.2	8.9	1.9	1.8	3.3
Q4 (p)	5,096.6	83.1	16.9	8.6	2.0	1.9	2.6

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items [1),2)]
(percentages of total; outstanding amounts in EUR billions; end of period)

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2006	4,933.5	-	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5
2007	5,788.9	-	-	-	-	-	-	11,115.1	96.2	3.8	1.8	0.2	0.9	0.6
2008 Q1	5,836.3	-	-	-	-	-	-	11,414.1	96.1	3.9	1.8	0.2	1.0	0.6
Q2	6,001.5	-	-	-	-	-	-	11,636.4	96.0	4.0	1.9	0.2	1.0	0.6
Q3	6,345.6	-	-	-	-	-	-	11,801.1	95.8	4.2	2.1	0.2	1.0	0.5
Q4 (p)	6,268.1	-	-	-	-	-	-	11,749.2	95.9	4.1	2.1	0.3	1.0	0.4
	To non-euro area residents													
2006	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007	2,337.9	48.0	52.0	28.9	2.3	2.4	12.7	957.4	40.9	59.1	41.3	1.2	3.7	8.2
2008 Q1	2,395.5	48.2	51.8	27.9	2.9	2.8	12.4	1,018.4	43.0	57.0	39.1	1.3	4.2	7.8
Q2	2,299.2	46.4	53.6	29.3	2.3	2.9	12.7	1,011.5	43.0	57.0	38.4	1.1	4.0	8.6
Q3	2,452.3	42.5	57.5	33.3	2.9	2.6	12.4	1,066.8	41.4	58.6	40.5	1.5	3.9	8.0
Q4 (p)	2,271.0	45.8	54.2	32.3	2.5	2.6	11.2	970.7	40.8	59.2	41.6	1.8	4.1	7.2

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2006	1,632.9	95.6	4.4	2.3	0.2	0.3	1.3	1,922.5	97.6	2.4	1.3	0.3	0.1	0.7
2007	1,736.6	95.2	4.8	2.4	0.3	0.3	1.5	2,144.8	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q1	1,816.0	95.2	4.8	2.5	0.3	0.3	1.4	2,220.8	97.2	2.8	1.9	0.3	0.1	0.4
Q2	1,893.9	94.8	5.2	2.6	0.4	0.3	1.6	2,299.5	97.3	2.7	1.8	0.3	0.1	0.5
Q3	1,901.3	94.6	5.4	2.9	0.4	0.3	1.5	2,291.5	97.2	2.8	1.9	0.3	0.1	0.4
Q4 (p)	1,984.9	95.2	4.8	2.6	0.4	0.2	1.3	2,634.1	97.0	3.0	2.0	0.3	0.1	0.4
	Issued by non-euro area residents													
2006	514.5	52.2	47.8	28.8	0.7	0.4	14.5	594.4	38.9	61.1	36.5	4.9	0.8	14.2
2007	580.8	53.8	46.2	27.4	0.7	0.4	14.4	652.3	35.8	64.2	39.4	4.5	0.8	12.6
2008 Q1	636.2	50.8	49.2	30.2	0.8	0.6	14.4	629.5	38.0	62.0	36.8	5.8	0.9	11.4
Q2	663.7	50.2	49.8	30.7	0.7	0.5	14.9	627.0	38.5	61.5	36.9	5.8	0.8	10.4
Q3	644.4	51.0	49.0	30.8	0.8	0.5	14.2	663.1	37.1	62.9	38.2	6.4	0.9	10.5
Q4 (p)	577.9	53.3	46.7	29.1	0.8	0.5	13.6	652.4	38.9	61.1	39.4	5.9	0.9	9.4

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

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

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
2007 Q2	5,993.1	344.2	2,046.7	191.9	1,854.8	2,219.3	786.1	179.7	417.2
Q3	5,892.8	358.3	2,015.0	187.0	1,828.0	2,168.5	773.6	180.6	396.6
Q4	5,781.3	353.4	1,993.4	184.1	1,809.3	2,077.4	784.0	189.1	384.0
2008 Q1	5,160.6	365.5	1,857.8	164.8	1,693.0	1,670.3	719.8	197.1	350.1
Q2	5,015.2	359.3	1,807.2	157.5	1,649.7	1,624.4	690.7	204.9	328.7
Q3 (p)	4,713.2	377.1	1,747.3	148.1	1,599.2	1,411.4	641.3	202.8	333.3

2. Liabilities

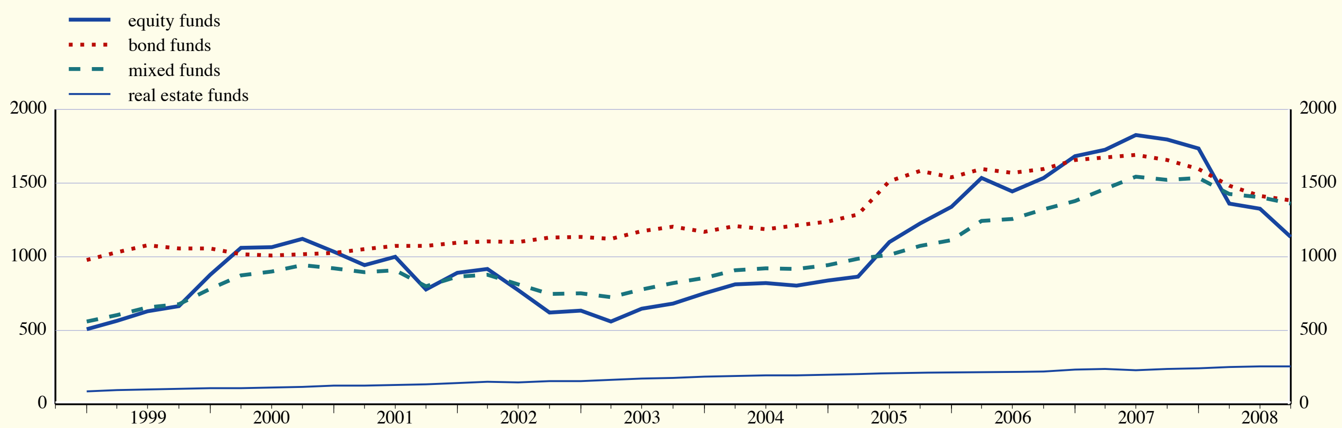
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2007 Q2	5,993.1	82.9	5,589.0	321.3
Q3	5,892.8	78.5	5,496.8	317.5
Q4	5,781.3	76.8	5,411.5	293.0
2008 Q1	5,160.6	76.4	4,846.6	237.6
Q2	5,015.2	74.8	4,720.9	219.5
Q3 (p)	4,713.2	71.0	4,413.4	228.7

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

	Total	Funds by investment policy: Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	Funds by type of investor: General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2007 Q2	5,993.1	1,826.0	1,692.8	1,541.6	230.8	701.8	4,579.4	1,413.8
Q3	5,892.8	1,797.1	1,654.6	1,523.2	236.1	681.7	4,468.3	1,424.5
Q4	5,781.3	1,735.5	1,596.8	1,535.4	244.2	669.4	4,344.6	1,436.7
2008 Q1	5,160.6	1,362.6	1,483.3	1,427.8	249.6	637.4	3,778.1	1,382.5
Q2	5,015.2	1,325.3	1,413.4	1,405.2	256.1	615.3	3,647.1	1,368.1
Q3 (p)	4,713.2	1,132.6	1,382.5	1,358.8	253.1	586.2	3,340.8	1,372.4

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	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
				Equity funds					
2007 Q2	1,826.0	61.1	67.7	27.0	40.7	1,546.9	84.5	-	65.8
Q3	1,797.1	72.0	68.7	26.7	41.9	1,505.5	82.4	-	68.5
Q4	1,735.5	58.1	71.8	26.5	45.2	1,464.2	79.5	-	61.9
2008 Q1	1,362.6	51.2	63.0	21.3	41.7	1,130.9	65.7	-	51.7
Q2	1,325.3	54.3	65.0	22.0	43.0	1,088.6	65.7	-	51.6
Q3 (p)	1,132.6	48.3	61.3	20.2	41.1	915.2	57.6	-	50.2
				Bond funds					
2007 Q2	1,692.8	115.1	1,347.9	98.3	1,249.6	62.3	55.6	-	112.0
Q3	1,654.6	109.9	1,318.4	97.0	1,221.5	62.6	53.3	-	110.4
Q4	1,596.8	116.1	1,273.1	92.7	1,180.4	58.0	49.8	-	99.8
2008 Q1	1,483.3	124.7	1,167.7	80.3	1,087.5	56.8	45.5	-	88.6
Q2	1,413.4	115.9	1,118.4	74.6	1,043.7	57.9	42.7	-	78.5
Q3 (p)	1,382.5	128.7	1,073.5	67.9	1,005.6	55.7	41.1	-	83.5
				Mixed funds					
2007 Q2	1,541.6	81.5	530.2	50.8	479.4	399.2	347.9	0.9	181.9
Q3	1,523.2	86.2	522.6	46.3	476.3	405.4	345.1	0.5	163.3
Q4	1,535.4	89.7	547.0	47.3	499.7	393.1	343.6	0.7	161.4
2008 Q1	1,427.8	97.9	528.0	46.4	481.6	339.4	313.9	1.2	147.3
Q2	1,405.2	99.0	519.9	42.6	477.3	341.6	307.9	0.8	135.9
Q3 (p)	1,358.8	108.9	512.6	42.2	470.4	312.1	287.1	1.1	137.0
				Real estate funds					
2007 Q2	230.8	18.8	6.6	1.9	4.7	4.3	10.0	178.1	12.9
Q3	236.1	20.7	6.4	1.6	4.8	3.9	13.1	179.2	12.8
Q4	244.2	19.7	6.0	1.5	4.5	3.4	12.5	187.9	14.7
2008 Q1	249.6	19.9	5.3	1.1	4.2	3.1	11.3	195.4	14.6
Q2	256.1	17.9	5.9	1.1	4.8	3.0	10.1	203.5	15.7
Q3 (p)	253.1	18.9	4.7	1.3	3.4	3.0	9.3	201.2	15.9

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
				General public funds			
2007 Q2	4,579.4	278.8	1,434.5	1,819.1	577.5	145.0	324.5
Q3	4,468.3	287.9	1,375.7	1,791.2	564.1	142.9	306.4
Q4	4,344.6	279.9	1,336.9	1,717.4	569.6	149.1	291.8
2008 Q1	3,778.1	277.6	1,218.3	1,362.1	514.2	154.1	251.9
Q2	3,647.1	264.5	1,177.3	1,326.8	485.5	155.0	238.0
Q3 (p)	3,340.8	265.1	1,104.7	1,140.7	440.7	152.4	237.2
				Special investors' funds			
2007 Q2	1,413.8	65.4	612.2	400.2	208.6	34.7	92.6
Q3	1,424.5	70.4	639.3	377.3	209.5	37.7	90.2
Q4	1,436.7	73.4	656.6	360.0	214.5	40.0	92.2
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 (p)	1,372.4	112.0	642.5	270.7	200.6	50.5	96.1

Source: ECB.

3 EURO AREA ACCOUNTS

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

Uses 2008 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						530.8
Trade balance [1]						-4.1
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,069.1	106.5	688.2	53.0	221.5	
Other taxes less subsidies on production	28.1	6.1	14.6	3.8	3.6	
Consumption of fixed capital	339.0	91.6	192.6	11.2	43.6	
Net operating surplus and mixed income [1]	609.1	300.2	279.9	30.3	-1.3	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.4
Taxes less subsidies on production						
Property income	872.6	61.8	281.6	457.9	71.2	147.0
Interest	582.0	59.7	93.6	357.6	71.1	85.2
Other property income	290.6	2.1	188.1	100.3	0.1	61.8
Net national income [1]	1,932.3	1,564.5	103.8	63.4	200.5	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	266.4	205.9	49.8	10.5	0.3	1.7
Social contributions	405.4	405.4				1.0
Social benefits other than social transfers in kind	411.4	1.4	15.8	27.4	366.9	0.6
Other current transfers	183.4	72.5	23.7	46.6	40.5	6.9
Net non-life insurance premiums	44.7	34.0	9.2	0.8	0.7	1.1
Non-life insurance claims	44.6			44.6		0.6
Other	94.1	38.5	14.5	1.2	39.8	5.3
Net disposable income [1]	1,910.9	1,379.0	41.6	68.9	421.4	
Use of income account						
Net disposable income						
Final consumption expenditure	1,764.7	1,316.6			448.1	
Individual consumption expenditure	1,587.5	1,316.6			270.9	
Collective consumption expenditure	177.2				177.2	
Adjustment for the change in net equity of households in pension fund reserves	16.8	0.0	0.2	16.6	0.0	0.0
Net saving/current external account [1]	146.3	79.2	41.4	52.3	-26.7	19.9
Capital account						
Net saving / current external account						
Gross capital formation	505.2	159.7	275.3	13.2	57.0	
Gross fixed capital formation	494.6	156.7	267.8	13.2	56.9	
Changes in inventories and acquisitions less disposals of valuables	10.6	3.0	7.5	0.0	0.1	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.1	-1.6	1.1	0.4	0.3	-0.1
Capital transfers	34.2	9.3	1.9	1.0	22.1	4.2
Capital taxes	6.2	6.0	0.2	0.0		0.0
Other capital transfers	28.0	3.2	1.7	1.0	22.1	4.2
Net lending (+)/net borrowing (-) (from capital account) [1]	-18.2	12.5	-26.3	49.6	-54.1	18.2
Statistical discrepancy	0.0	-6.8	6.8	0.0	0.0	0.0

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

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

Resources 2008 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						526.7
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,045.3	504.3	1,175.3	98.3	267.4	
Taxes less subsidies on products	228.7					
Gross domestic product (market prices)[2]	2,274.0					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	609.1	300.2	279.9	30.3	-1.3	
Compensation of employees	1,070.2	1,070.2				3.3
Taxes less subsidies on production	255.3				255.3	1.5
Property income	870.2	255.9	105.6	491.0	17.7	149.3
Interest	566.8	85.9	49.9	422.9	8.1	100.5
Other property income	303.5	169.9	55.8	68.2	9.6	48.9
Net national income						
Secondary distribution of income account						
Net national income	1,932.3	1,564.5	103.8	63.4	200.5	
Current taxes on income, wealth, etc.	267.5				267.5	0.7
Social contributions	405.4	1.0	16.3	44.1	344.0	1.1
Social benefits other than social transfers in kind	408.9	408.9				3.1
Other current transfers	163.5	89.9	10.7	45.9	17.1	26.8
Net non-life insurance premiums	44.6			44.6		1.2
Non-life insurance claims	44.0	36.2	6.9	0.7	0.3	1.2
Other	75.0	53.7	3.8	0.6	16.8	24.4
Net disposable income						
Use of income account						
Net disposable income	1,910.9	1,379.0	41.6	68.9	421.4	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	16.9	16.9				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	146.3	79.2	41.4	52.3	-26.7	19.9
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	339.0	91.6	192.6	11.2	43.6	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	36.0	9.0	18.0	0.6	8.4	2.4
Capital taxes	6.2				6.2	0.0
Other capital transfers	29.8	9.0	18.0	0.6	2.1	2.4
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2008 Q3	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		17,189.2	14,624.5	23,246.6	10,120.3	6,161.5	2,936.1	15,097.4
Monetary gold and special drawing rights (SDRs)				212.2				
Currency and deposits		5,875.2	1,768.1	2,387.5	1,666.7	830.4	606.0	4,184.1
Short-term debt securities		62.2	119.8	144.4	383.1	278.2	29.8	755.4
Long-term debt securities		1,381.2	195.2	3,870.1	1,778.2	2,003.9	223.9	2,709.1
Loans		40.3	2,345.5	12,672.2	1,812.7	353.1	368.3	1,730.6
of which long-term		23.5	1,235.8	9,489.1	1,430.8	291.3	330.3	.
Shares and other equity		4,396.9	7,140.5	1,854.8	4,256.6	2,202.3	1,127.8	4,926.0
Quoted shares		838.9	1,598.1	603.7	2,060.5	613.2	364.8	.
Unquoted shares and other equity		2,083.6	5,189.0	1,005.6	1,563.6	466.2	618.5	.
Mutual fund shares		1,474.4	353.4	245.5	632.5	1,122.8	144.5	.
Insurance technical reserves		5,198.3	142.6	2.0	0.0	150.9	3.4	219.3
Other accounts receivable and financial derivatives		235.1	2,912.7	2,103.4	222.9	342.7	576.9	572.9
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		56.7	115.8	251.4	-39.9	69.4	-16.3	178.7
Monetary gold and special drawing rights (SDRs)				-0.2				0.2
Currency and deposits		38.8	33.7	80.6	24.8	1.8	-38.6	91.1
Short-term debt securities		5.3	-3.1	-5.9	-35.6	6.3	-2.1	39.6
Long-term debt securities		-7.4	-2.6	-32.1	-26.8	41.3	10.0	96.7
Loans		0.5	6.0	158.6	9.4	1.9	1.2	6.2
of which long-term		0.3	-5.3	159.3	-7.2	-0.6	1.9	.
Shares and other equity		-32.9	86.5	-1.7	-26.9	15.8	13.0	-63.5
Quoted shares		-13.5	51.8	-4.0	-24.7	2.4	0.8	.
Unquoted shares and other equity		21.8	33.1	5.1	35.3	9.3	10.2	.
Mutual fund shares		-41.2	1.7	-2.8	-37.4	4.0	2.0	.
Insurance technical reserves		51.7	0.5	0.0	0.0	2.6	0.0	3.1
Other accounts receivable and financial derivatives		0.7	-5.2	51.9	15.1	-0.3	0.2	5.3
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-431.6	-274.8	170.6	-266.5	-83.8	-46.5	186.6
Monetary gold and special drawing rights (SDRs)				9.4				
Currency and deposits		0.9	14.5	101.3	11.9	3.1	1.4	216.0
Short-term debt securities		-1.2	1.5	0.0	-0.6	-0.6	0.0	28.7
Long-term debt securities		-42.9	0.8	116.5	-1.0	13.6	0.9	96.3
Loans		0.1	34.3	55.0	-9.4	0.4	0.1	35.0
of which long-term		0.0	18.6	19.5	0.9	0.2	0.1	.
Shares and other equity		-319.9	-353.1	-41.4	-268.9	-101.7	-49.5	-192.4
Quoted shares		-100.9	-149.9	-28.9	-192.2	-55.9	-45.5	.
Unquoted shares and other equity		-180.2	-193.2	-7.0	-63.6	-18.4	1.8	.
Mutual fund shares		-38.8	-10.0	-5.5	-13.1	-27.4	-5.8	.
Insurance technical reserves		-66.6	-0.5	0.0	0.0	0.0	0.0	-0.9
Other accounts receivable and financial derivatives		-2.0	27.7	-70.3	1.4	1.6	0.5	4.0
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		16,814.3	14,465.6	23,668.6	9,813.8	6,147.1	2,873.3	15,462.5
Monetary gold and special drawing rights (SDRs)				221.5				
Currency and deposits		5,915.0	1,816.2	2,569.4	1,703.4	835.3	568.8	4,491.2
Short-term debt securities		66.2	118.3	138.5	347.0	283.9	27.7	823.6
Long-term debt securities		1,330.9	193.5	3,954.5	1,750.4	2,058.8	234.9	2,902.1
Loans		40.9	2,385.8	12,885.8	1,812.7	355.4	369.5	1,771.9
of which long-term		23.9	1,249.1	9,667.8	1,424.5	290.9	332.3	.
Shares and other equity		4,044.1	6,874.0	1,811.8	3,960.8	2,116.3	1,091.3	4,670.2
Quoted shares		724.5	1,500.0	570.9	1,843.6	559.6	320.1	.
Unquoted shares and other equity		1,925.2	5,028.9	1,003.7	1,535.3	457.1	630.5	.
Mutual fund shares		1,394.4	345.1	237.1	582.0	1,099.5	140.7	.
Insurance technical reserves		5,183.4	142.6	2.0	0.0	153.5	3.4	221.5
Other accounts receivable and financial derivatives		233.8	2,935.2	2,085.0	239.5	344.0	577.6	582.1
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities **2008 Q3**	**Euro area**	**Households**	**Non-financial corporations**	**MFIs**	**Other financial inter-mediaries**	**Insurance corporations and pension funds**	**General govern-ment**	**Rest of the world**
Opening balance sheet, liabilities								
Total liabilities		6,195.2	23,242.4	22,997.3	9,853.0	6,373.6	6,860.4	13,641.4
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			24.8	14,316.0	31.9	2.4	239.1	2,703.7
Short-term debt securities			294.2	411.4	111.0	0.3	679.0	277.0
Long-term debt securities			429.5	2,801.2	1,896.2	26.4	4,367.3	2,641.0
Loans		5,512.6	7,779.5		1,683.7	201.5	1,213.2	2,932.3
of which long-term		5,180.4	5,222.5		809.4	69.3	1,038.1	.
Shares and other equity			11,798.5	2,910.1	6,018.1	582.5	5.4	4,590.3
Quoted shares			3,946.7	661.7	226.2	216.1	0.0	.
Unquoted shares and other equity			7,851.9	1,083.5	1,085.9	365.7	5.4	.
Mutual fund shares				1,164.8	4,706.0			.
Insurance technical reserves		33.1	329.1	58.1	0.6	5,295.0	0.5	
Other accounts payable and financial derivatives		649.5	2,586.8	2,500.5	111.4	265.5	355.9	497.0
Net financial worth [1]	-1,243.8	10,994.0	-8,618.0	249.3	267.3	-212.1	-3,924.3	
Financial account, transactions in liabilities								
Total transactions in liabilities		51.0	135.4	210.7	-23.2	43.6	37.8	160.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.4	148.1	2.0	-0.2	-5.3	87.1
Short-term debt securities			-1.3	-32.4	12.0	0.2	30.9	-4.8
Long-term debt securities			4.0	11.4	52.0	0.1	16.3	-4.5
Loans		45.8	102.5		4.5	-3.0	-7.3	41.4
of which long-term		48.2	98.7		15.2	0.5	-9.6	.
Shares and other equity			44.0	18.5	-83.3	2.2	0.0	9.0
Quoted shares			-0.2	14.0	0.7	0.1	0.0	.
Unquoted shares and other equity			44.2	12.6	20.2	2.1	0.0	.
Mutual fund shares				-8.2	-104.2			.
Insurance technical reserves		0.0	0.2	0.9	0.0	56.8	0.0	
Other accounts payable and financial derivatives		5.2	-14.4	64.3	-10.4	-12.4	3.2	32.2
Changes in net financial worth due to transactions [1]	-18.2	5.7	-19.5	40.6	-16.8	25.7	-54.1	18.2
Other changes account, liabilities								
Total other changes in liabilities		7.8	-763.6	66.5	-298.9	-67.7	151.8	148.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	244.8	0.6	0.0	0.0	103.6
Short-term debt securities			0.2	7.9	-0.6	0.0	1.4	18.9
Long-term debt securities			1.8	43.5	-0.1	-0.5	101.8	37.6
Loans		-0.6	18.9		24.7	0.9	17.1	54.5
of which long-term		0.1	14.3		12.9	0.1	17.1	.
Shares and other equity			-801.8	-110.3	-315.0	-17.1	-0.3	-82.3
Quoted shares			-530.1	-66.5	-50.9	-3.2	0.0	.
Unquoted shares and other equity			-271.7	-46.1	-64.6	-13.9	-0.3	.
Mutual fund shares				2.4	-199.5			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-68.1	0.0	
Other accounts payable and financial derivatives		8.4	17.3	-119.5	-8.5	17.1	31.8	16.2
Other changes in net financial worth [1]	-28.6	-439.4	488.8	104.1	32.4	-16.1	-198.3	38.0
Closing balance sheet, liabilities								
Total liabilities		6,254.0	22,614.3	23,274.5	9,531.0	6,349.5	7,050.0	13,950.3
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			25.3	14,708.9	34.5	2.2	233.8	2,894.5
Short-term debt securities			293.1	386.8	122.5	0.5	711.3	291.1
Long-term debt securities			435.3	2,856.2	1,948.1	26.0	4,485.4	2,674.1
Loans		5,557.8	7,900.8		1,713.0	199.3	1,222.9	3,028.1
of which long-term		5,228.7	5,335.4		837.5	69.9	1,045.5	.
Shares and other equity			11,040.7	2,818.3	5,619.8	567.6	5.1	4,517.0
Quoted shares			3,416.3	609.2	176.0	213.0	0.0	.
Unquoted shares and other equity			7,624.3	1,050.0	1,041.4	353.9	5.1	.
Mutual fund shares				1,159.0	4,402.4			.
Insurance technical reserves		33.1	329.3	59.0	0.6	5,283.8	0.5	
Other accounts payable and financial derivatives		663.1	2,589.8	2,445.3	92.5	270.2	390.8	545.5
Net financial worth [1]	-1,290.7	10,560.2	-8,148.7	394.0	282.9	-202.4	-4,176.7	

Source: ECB.

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

Uses	2004	2005	2006	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,777.3	3,891.5	4,050.2	4,178.6	4,231.3	4,280.6	4,332.1	4,377.9
Other taxes less subsidies on production	122.9	130.0	129.2	135.2	136.8	137.2	137.4	138.1
Consumption of fixed capital	1,124.0	1,177.8	1,234.9	1,284.5	1,299.4	1,310.7	1,322.7	1,335.3
Net operating surplus and mixed income [1]	1,990.3	2,061.3	2,173.9	2,274.3	2,301.1	2,321.4	2,349.8	2,357.2
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,367.3	2,610.3	3,018.4	3,396.6	3,519.0	3,609.9	3,708.9	3,792.5
Interest	1,250.2	1,343.5	1,635.0	1,902.7	1,999.8	2,078.7	2,150.8	2,221.8
Other property income	1,117.1	1,266.8	1,383.4	1,493.9	1,519.2	1,531.2	1,558.1	1,570.7
Net national income [1]	6,692.8	6,938.0	7,288.1	7,562.5	7,649.8	7,712.0	7,773.3	7,818.0
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	883.8	933.3	1,024.6	1,085.3	1,109.0	1,124.8	1,135.1	1,135.8
Social contributions	1,430.0	1,472.4	1,534.7	1,576.8	1,593.6	1,610.5	1,627.2	1,644.4
Social benefits other than social transfers in kind	1,455.4	1,499.2	1,549.5	1,579.1	1,594.9	1,606.5	1,619.7	1,636.8
Other current transfers	684.7	707.1	714.9	732.6	742.2	751.9	758.8	761.4
Net non-life insurance premiums	178.0	178.3	177.4	181.4	182.7	183.0	184.3	184.7
Non-life insurance claims	178.7	179.3	177.5	181.2	182.1	182.4	183.9	184.5
Other	328.0	349.5	360.0	370.0	377.4	386.5	390.5	392.2
Net disposable income [1]	6,617.0	6,851.2	7,196.9	7,471.6	7,557.0	7,614.1	7,674.3	7,721.7
Use of income account								
Net disposable income								
Final consumption expenditure	6,084.4	6,327.2	6,591.2	6,767.6	6,839.6	6,907.4	6,981.7	7,053.2
Individual consumption expenditure	5,438.2	5,666.1	5,912.5	6,070.9	6,135.8	6,197.4	6,262.3	6,324.5
Collective consumption expenditure	646.2	661.1	678.7	696.7	703.8	710.0	719.5	728.7
Adjustment for the change in net equity of households in pension funds reserves	58.0	60.4	59.0	58.0	59.4	60.5	63.4	65.6
Net saving [1]	532.8	524.3	606.0	704.2	717.6	706.9	692.8	668.7
Capital account								
Net saving								
Gross capital formation	1,613.4	1,704.2	1,855.4	1,952.5	1,988.0	2,009.7	2,037.3	2,056.5
Gross fixed capital formation	1,602.0	1,697.9	1,842.5	1,942.1	1,967.8	1,985.7	2,009.4	2,023.0
Changes in inventories and acquisitions less disposals of valuables	11.5	6.3	12.9	10.4	20.1	24.0	27.9	33.5
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1.1	-0.1	0.5	-0.1	0.2	0.3	0.6	0.6
Capital transfers	174.5	180.8	173.8	177.3	166.4	166.6	170.1	163.6
Capital taxes	29.9	24.4	22.5	23.8	23.8	23.4	23.6	23.9
Other capital transfers	144.7	156.4	151.2	153.6	142.5	143.2	146.4	139.7
Net lending (+)/net borrowing (-) (from capital account) [1]	60.5	11.2	-0.3	51.3	43.1	23.8	-4.7	-36.4

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

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

(EUR billions; four-quarter cumulated flows)

Resources	2004	2005	2006	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3
Generation of income account								
Gross value added (basic prices)	7,014.4	7,260.6	7,588.3	7,872.5	7,968.5	8,049.9	8,141.9	8,208.5
Taxes less subsidies on products	797.5	841.3	910.2	946.6	953.9	955.4	952.7	951.5
Gross domestic product (market prices)[2]	7,811.9	8,101.9	8,498.5	8,819.2	8,922.4	9,005.4	9,094.6	9,159.9
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	1,990.3	2,061.3	2,173.9	2,274.3	2,301.1	2,321.4	2,349.8	2,357.2
Compensation of employees	3,784.8	3,897.9	4,057.0	4,185.5	4,238.2	4,287.8	4,339.3	4,385.1
Taxes less subsidies on production	935.0	983.8	1,050.4	1,088.9	1,097.3	1,097.7	1,095.2	1,094.9
Property income	2,350.2	2,605.1	3,025.1	3,410.5	3,532.2	3,614.9	3,697.8	3,773.2
Interest	1,216.8	1,315.9	1,609.1	1,872.1	1,964.5	2,035.2	2,099.2	2,162.1
Other property income	1,133.4	1,289.3	1,416.1	1,538.5	1,567.7	1,579.8	1,598.6	1,611.1
Net national income								
Secondary distribution of income account								
Net national income	6,692.8	6,938.0	7,288.1	7,562.5	7,649.8	7,712.0	7,773.3	7,818.0
Current taxes on income, wealth, etc.	886.8	937.1	1,029.6	1,092.9	1,116.6	1,132.1	1,142.8	1,143.2
Social contributions	1,429.1	1,471.7	1,533.9	1,575.9	1,592.8	1,609.6	1,626.3	1,643.6
Social benefits other than social transfers in kind	1,447.8	1,491.4	1,541.3	1,569.9	1,585.6	1,597.1	1,610.2	1,627.3
Other current transfers	614.2	625.2	627.8	644.1	651.8	656.9	662.6	668.1
Net non-life insurance premiums	178.7	179.3	177.5	181.2	182.1	182.4	183.9	184.5
Non-life insurance claims	175.9	177.0	174.7	178.8	179.8	180.2	181.4	181.9
Other	259.6	268.9	275.5	284.1	289.9	294.3	297.2	301.7
Net disposable income								
Use of income account								
Net disposable income	6,617.0	6,851.2	7,196.9	7,471.6	7,557.0	7,614.1	7,674.3	7,721.7
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	58.2	60.7	59.3	58.2	59.6	60.7	63.6	65.8
Net saving								
Capital account								
Net saving	532.8	524.3	606.0	704.2	717.6	706.9	692.8	668.7
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,124.0	1,177.8	1,234.9	1,284.5	1,299.4	1,310.7	1,322.7	1,335.3
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	190.6	194.1	188.4	192.4	180.6	182.8	187.8	180.4
Capital taxes	29.9	24.4	22.5	23.8	23.8	23.4	23.6	23.9
Other capital transfers	160.7	169.7	165.9	168.6	156.8	159.4	164.2	156.4
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2004	2005	2006	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	3,784.8	3,897.9	4,057.0	4,185.5	4,238.2	4,287.8	4,339.3	4,385.1
Gross operating surplus and mixed income (+)	1,270.6	1,321.8	1,397.7	1,462.7	1,480.6	1,499.5	1,517.8	1,532.8
Interest receivable (+)	233.2	229.9	266.4	291.9	301.8	311.1	321.1	330.6
Interest payable (-)	126.2	130.5	164.4	198.2	208.7	215.6	222.1	228.2
Other property income receivable (+)	667.1	716.1	756.4	787.3	793.9	795.4	799.6	803.8
Other property income payable (-)	9.2	9.5	9.7	9.7	9.9	9.9	10.0	9.7
Current taxes on income and wealth (-)	707.4	739.8	792.3	832.9	851.8	866.1	880.3	886.4
Net social contributions (-)	1,426.3	1,468.4	1,530.6	1,572.6	1,589.4	1,606.3	1,623.0	1,640.2
Net social benefits (+)	1,442.9	1,486.2	1,535.9	1,564.3	1,580.0	1,591.5	1,604.6	1,621.7
Net current transfers receivable (+)	64.0	67.0	67.1	68.7	69.4	69.5	72.1	73.1
= Gross disposable income	5,193.5	5,370.8	5,583.5	5,747.1	5,804.2	5,857.0	5,919.1	5,982.6
Final consumption expenditure (-)	4,489.7	4,669.7	4,867.5	4,996.4	5,048.8	5,101.5	5,152.3	5,203.4
Changes in net worth in pension funds (+)	57.8	60.3	58.9	58.1	59.6	60.8	63.6	65.7
= Gross saving	761.5	761.4	774.9	808.7	815.0	816.3	830.4	845.0
Consumption of fixed capital (-)	301.5	317.3	334.5	348.4	352.7	355.7	359.2	362.2
Net capital transfers receivable (+)	18.4	23.9	22.1	17.7	15.2	15.6	15.8	15.2
Other changes in net worth [1] (+)	322.6	525.0	542.7	239.9	-36.0	-838.4	-1,240.6	-1,466.8
= Changes in net worth [1]	801.0	993.0	1,005.2	717.8	441.6	-362.2	-753.6	-968.9
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	519.9	552.0	607.2	638.5	640.9	642.4	643.1	640.7
Consumption of fixed capital (-)	301.5	317.3	334.5	348.4	352.7	355.7	359.2	362.2
Main items of financial investment (+)								
Short-term assets	214.2	206.3	307.6	395.0	417.6	439.4	415.9	424.0
Currency and deposits	212.7	247.1	284.3	327.7	347.3	381.9	382.7	387.8
Money market fund shares	-7.1	-20.2	0.9	42.5	40.0	34.1	10.5	14.3
Debt securities [2]	8.6	-20.6	22.5	24.9	30.3	23.4	22.7	21.9
Long-term assets	349.7	422.0	349.3	213.8	208.8	153.8	166.2	109.7
Deposits	32.8	-4.8	0.2	-29.6	-28.6	-33.1	-30.7	-31.8
Debt securities	64.2	3.1	85.6	17.4	35.7	50.6	82.2	73.5
Shares and other equity	0.0	130.8	-22.4	-40.6	-50.6	-104.2	-112.6	-147.7
Quoted, unquoted shares and other equity	-9.6	62.6	-2.2	26.9	23.8	-9.4	-3.8	-14.9
Mutual fund shares	9.6	68.2	-20.1	-67.5	-74.4	-94.8	-108.8	-132.8
Life insurance and pension fund reserves	252.7	292.9	285.8	266.7	252.3	240.5	227.3	215.7
Main items of financing (-)								
Loans	308.0	389.9	392.3	365.7	350.8	310.2	278.2	240.3
of which from euro area MFIs	277.8	358.5	348.3	303.2	283.2	251.2	199.2	183.9
Other changes in financial assets (+)								
Shares and other equity	281.9	450.3	493.3	233.1	-69.4	-746.0	-1,096.5	-1,198.4
Life insurance and pension fund reserves	48.9	105.6	54.5	21.6	2.1	-76.1	-130.9	-182.5
Remaining net flows (+)	-4.1	-35.9	-80.0	-70.0	-55.1	-110.0	-114.0	-159.9
= Changes in net worth [1]	801.0	993.0	1,005.2	717.8	441.6	-362.2	-753.6	-968.9
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,271.6	4,487.7	4,749.8	5,013.7	5,201.4	5,354.4	5,472.5	5,531.8
Currency and deposits	3,925.7	4,175.5	4,455.9	4,652.6	4,843.4	4,934.1	5,050.7	5,100.9
Money market fund shares	309.9	296.4	257.6	298.4	296.0	347.0	346.5	349.5
Debt securities [2]	36.0	15.8	36.4	62.7	62.1	73.3	75.3	81.5
Long-term assets	9,943.8	10,945.7	11,908.3	12,085.0	12,014.0	11,356.8	11,087.6	10,650.7
Deposits	898.1	947.6	945.2	912.8	879.6	831.3	824.5	814.1
Debt securities	1,219.1	1,198.6	1,312.6	1,301.6	1,347.8	1,368.2	1,368.1	1,315.6
Shares and other equity	3,976.5	4,550.9	5,061.6	5,077.4	4,943.2	4,329.8	4,050.4	3,694.6
Quoted, unquoted shares and other equity	2,804.4	3,209.1	3,640.6	3,689.6	3,587.5	3,146.4	2,922.5	2,649.6
Mutual fund shares	1,172.2	1,341.8	1,420.9	1,387.9	1,355.7	1,183.4	1,128.0	1,044.9
Life insurance and pension fund reserves	3,850.1	4,248.6	4,588.9	4,793.2	4,843.4	4,827.6	4,844.6	4,826.4
Remaining net assets (+)	99.7	55.6	18.1	9.1	-14.1	-47.0	-53.5	-64.5
Liabilities (-)								
Loans	4,285.3	4,691.9	5,091.2	5,329.3	5,413.2	5,450.4	5,512.6	5,557.8
of which from euro area MFIs	3,812.5	4,210.4	4,559.5	4,769.8	4,827.8	4,863.3	4,890.1	4,940.1
= Net financial wealth	10,029.9	10,797.1	11,585.1	11,778.4	11,788.2	11,213.9	10,994.0	10,560.2

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

3.4 Non-financial corporations

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

	2004	2005	2006	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3
Income and saving								
Gross value added (basic prices) (+)	4,015.8	4,155.7	4,354.7	4,531.1	4,587.4	4,632.6	4,684.8	4,720.1
Compensation of employees (-)	2,397.7	2,469.6	2,580.2	2,670.7	2,705.1	2,739.8	2,771.9	2,802.1
Other taxes less subsidies on production (-)	65.6	72.8	75.1	80.0	81.2	81.3	80.9	81.0
= Gross operating surplus (+)	1,552.5	1,613.3	1,699.4	1,780.4	1,801.1	1,811.5	1,831.9	1,837.0
Consumption of fixed capital (-)	636.9	667.3	698.0	726.7	735.5	742.0	748.8	756.5
= Net operating surplus (+)	915.6	946.0	1,001.5	1,053.6	1,065.6	1,069.4	1,083.1	1,080.5
Property income receivable (+)	376.9	442.3	505.8	563.7	579.0	586.7	590.5	594.9
Interest receivable	125.1	136.1	158.3	177.6	184.7	189.6	193.9	195.8
Other property income receivable	251.9	306.1	347.5	386.1	394.3	397.1	396.7	399.1
Interest and rents payable (-)	226.3	236.3	278.5	317.4	331.4	345.2	357.2	368.7
= Net entrepreneurial income (+)	1,066.3	1,152.0	1,228.8	1,299.9	1,313.2	1,310.9	1,316.4	1,306.7
Distributed income (-)	773.3	878.0	944.8	990.6	1,002.4	1,011.4	1,024.3	1,031.8
Taxes on income and wealth payable (-)	135.4	148.6	187.5	204.5	208.9	209.7	206.9	201.3
Social contributions receivable (+)	73.5	72.7	77.1	69.0	66.8	66.0	66.6	67.0
Social benefits payable (-)	60.4	60.6	62.5	64.0	64.4	64.5	64.3	64.0
Other net transfers (-)	59.8	61.4	64.2	56.0	54.9	54.5	55.9	55.6
= Net saving	110.9	76.1	46.9	53.9	49.3	36.8	31.6	20.9
Investment, financing and saving								
Net acquisition of non-financial assets (+)	218.1	244.2	293.8	321.7	343.0	353.2	366.6	376.3
Gross fixed capital formation (+)	847.9	903.5	975.5	1,035.8	1,055.9	1,069.5	1,086.7	1,099.1
Consumption of fixed capital (-)	636.9	667.3	698.0	726.7	735.5	742.0	748.8	756.5
Net acquisition of other non-financial assets (+)	7.1	7.9	16.3	12.6	22.5	25.7	28.8	33.7
Main items of financial investment (+)								
Short-term assets	103.8	128.2	148.9	171.8	167.6	160.7	120.6	100.2
Currency and deposits	89.2	113.7	144.0	158.4	149.1	122.4	110.3	87.6
Money market fund shares	16.1	8.3	2.6	-7.7	-18.1	-10.0	-9.3	7.1
Debt securities [1]	-1.5	6.2	2.3	21.1	36.6	48.3	19.7	5.5
Long-term assets	193.8	379.7	412.0	476.8	462.5	513.8	485.2	495.2
Deposits	-4.5	29.2	28.6	28.6	23.4	-3.0	-21.7	10.9
Debt securities	-50.6	-33.4	-20.3	-51.7	-70.0	-84.5	-111.2	-72.5
Shares and other equity	189.0	242.2	229.6	289.6	322.8	390.3	402.6	385.1
Other, mainly intercompany loans	59.9	141.7	174.0	210.4	186.3	211.0	215.5	171.7
Remaining net assets (+)	67.7	84.9	196.6	204.3	179.4	110.9	35.6	-22.6
Main items of financing (-)								
Debt	204.8	439.3	703.3	770.1	783.5	782.0	696.3	665.0
of which loans from euro area MFIs	164.8	264.5	449.8	522.4	559.5	593.7	562.8	517.2
of which debt securities	9.7	14.3	38.5	29.9	35.3	37.0	11.8	31.3
Shares and other equity	202.0	260.8	229.9	273.8	253.6	251.4	210.3	189.4
Quoted shares	11.7	101.5	38.7	82.0	41.8	21.4	-13.1	-28.9
Unquoted shares and other equity	190.3	159.3	191.1	191.8	211.8	230.0	223.4	218.2
Net capital transfers receivable (-)	65.7	60.7	71.2	74.6	66.8	69.2	73.3	76.6
= Net saving	110.9	76.1	46.9	53.9	49.3	36.8	31.6	20.9
Financial balance sheet								
Financial assets								
Short-term assets	1,379.7	1,510.1	1,652.2	1,753.9	1,821.3	1,838.4	1,845.6	1,862.4
Currency and deposits	1,102.9	1,221.8	1,357.5	1,430.4	1,501.2	1,486.0	1,514.0	1,529.7
Money market fund shares	164.1	176.5	184.9	186.6	162.0	183.0	183.2	183.6
Debt securities [1]	112.7	111.8	109.9	136.9	158.1	169.4	148.5	149.1
Long-term assets	7,577.4	8,591.9	9,838.6	10,461.0	10,549.9	9,919.4	9,723.5	9,525.4
Deposits	159.6	198.9	227.2	275.0	269.7	259.8	254.1	286.6
Debt securities	323.7	279.3	273.1	206.0	201.8	186.8	166.6	162.7
Shares and other equity	5,398.0	6,270.7	7,316.1	7,795.1	7,848.3	7,182.5	6,957.4	6,690.4
Other, mainly intercompany loans	1,696.2	1,843.0	2,022.1	2,185.0	2,230.1	2,290.2	2,345.5	2,385.8
Remaining net assets	296.1	363.1	469.4	557.0	582.0	552.1	493.3	513.2
Liabilities								
Debt	6,524.1	7,013.8	7,713.8	8,286.7	8,483.0	8,650.7	8,832.3	8,958.5
of which loans from euro area MFIs	3,160.8	3,433.0	3,872.5	4,247.9	4,407.4	4,548.1	4,670.7	4,763.0
of which debt securities	649.6	672.7	689.6	710.4	715.0	720.8	723.7	728.4
Shares and other equity	9,583.9	10,929.7	12,718.8	13,614.6	13,631.8	12,251.9	11,798.5	11,040.7
Quoted shares	2,992.4	3,689.1	4,457.7	4,939.0	4,960.3	4,184.4	3,946.7	3,416.3
Unquoted shares and other equity	6,591.6	7,240.5	8,261.1	8,675.6	8,671.5	8,067.5	7,851.9	7,624.3

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

3.5 Insurance corporations and pension funds

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

	2004	2005	2006	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	39.4	25.6	53.7	51.5	47.9	64.4	78.4	93.7
Currency and deposits	13.2	7.2	12.4	8.8	7.8	32.6	34.3	32.5
Money market fund shares	2.7	-0.5	3.5	1.6	3.1	15.8	14.2	20.5
Debt securities [1]	23.5	18.9	37.8	41.0	37.0	16.0	29.9	40.6
Long-term assets	223.6	293.5	321.1	263.6	236.1	228.9	187.4	176.2
Deposits	36.8	16.9	76.9	67.2	53.3	30.0	17.1	0.6
Debt securities	133.3	131.9	129.5	150.7	128.2	108.9	93.9	97.1
Loans	7.3	-4.1	1.6	-21.7	-17.6	16.4	16.6	20.5
Quoted shares	12.7	30.7	0.0	2.6	-0.6	4.0	1.5	-2.2
Unquoted shares and other equity	2.6	30.9	29.2	23.8	23.6	42.4	39.1	44.8
Mutual fund shares	30.9	87.2	83.9	41.0	49.1	27.2	19.1	15.4
Remaining net assets (+)	12.7	18.3	22.8	30.5	5.4	4.1	6.5	13.2
Main items of financing (-)								
Debt securities	-1.7	-0.4	5.2	3.0	1.1	1.1	2.0	2.2
Loans	4.7	17.4	40.2	22.2	7.2	32.3	11.9	4.0
Shares and other equity	12.3	13.8	10.7	9.2	1.5	1.7	4.1	3.3
Insurance technical reserves	262.6	334.3	332.4	324.9	305.5	287.5	273.3	258.6
Net equity of households in life insurance and pension fund reserves	231.0	292.1	282.7	277.2	267.3	255.8	241.3	226.1
Prepayments of insurance premiums and reserves for outstanding claims	31.7	42.2	49.7	47.6	38.2	31.6	32.0	32.5
= Changes in net financial worth due to transactions	-2.2	-27.8	9.1	-13.7	-25.9	-25.1	-19.1	15.0
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	110.7	190.7	178.8	123.2	-4.5	-217.2	-325.8	-390.8
Other net assets	142.4	68.5	-35.2	-98.8	-54.4	-6.7	-6.8	-11.9
Other changes in liabilities (-)								
Shares and other equity	21.3	118.4	47.3	14.9	-21.0	-92.1	-152.9	-133.3
Insurance technical reserves	83.7	137.9	52.7	24.7	15.2	-61.5	-117.0	-171.6
Net equity of households in life insurance and pension fund reserves	63.9	147.0	56.0	25.0	1.3	-74.1	-128.5	-180.8
Prepayments of insurance premiums and reserves for outstanding claims	19.8	-9.1	-3.3	-0.3	13.9	12.6	11.5	9.3
= Other changes in net financial worth	148.1	2.9	43.6	-15.2	-53.2	-70.3	-62.7	-97.8
Financial balance sheet								
Financial assets (+)								
Short-term assets	403.1	433.4	488.0	522.2	530.7	570.4	590.1	612.7
Currency and deposits	133.6	142.7	154.6	154.0	163.2	190.9	180.0	189.1
Money market fund shares	74.4	75.6	81.5	82.9	82.4	95.4	94.8	98.0
Debt securities [1]	195.1	215.1	251.9	285.3	285.0	284.1	315.4	325.6
Long-term assets	4,092.9	4,614.6	5,050.3	5,252.7	5,233.0	5,121.2	5,077.8	5,037.0
Deposits	500.8	520.9	597.9	647.1	647.8	646.5	650.4	646.1
Debt securities	1,617.9	1,776.8	1,848.7	1,927.3	1,934.6	1,970.0	1,966.8	2,017.1
Loans	348.3	353.1	350.4	332.7	327.6	354.2	353.1	355.4
Quoted shares	587.2	653.3	732.4	768.7	737.0	637.7	613.2	559.6
Unquoted shares and other equity	349.6	403.2	474.3	484.0	497.1	479.2	466.2	457.1
Mutual fund shares	689.2	907.2	1,046.6	1,092.9	1,088.8	1,033.8	1,028.1	1,001.5
Remaining net assets (+)	131.9	176.7	223.2	221.0	224.5	239.8	225.6	225.1
Liabilities (-)								
Debt securities	22.3	21.3	26.7	26.1	27.2	26.2	26.7	26.4
Loans	118.0	136.3	171.8	195.0	175.9	210.1	201.5	199.3
Shares and other equity	497.6	629.8	687.8	697.6	668.3	613.7	582.5	567.6
Insurance technical reserves	4,086.9	4,559.2	4,944.3	5,196.7	5,265.0	5,267.5	5,295.0	5,283.8
Net equity of households in life insurance and pension fund reserves	3,454.5	3,893.5	4,232.3	4,451.9	4,500.9	4,492.3	4,512.6	4,497.2
Prepayments of insurance premiums and reserves for outstanding claims	632.5	665.6	712.0	744.8	764.0	775.1	782.4	786.6
= Net financial wealth	-96.9	-121.8	-69.1	-119.6	-148.2	-186.1	-212.1	-202.4

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

FINANCIAL MARKETS

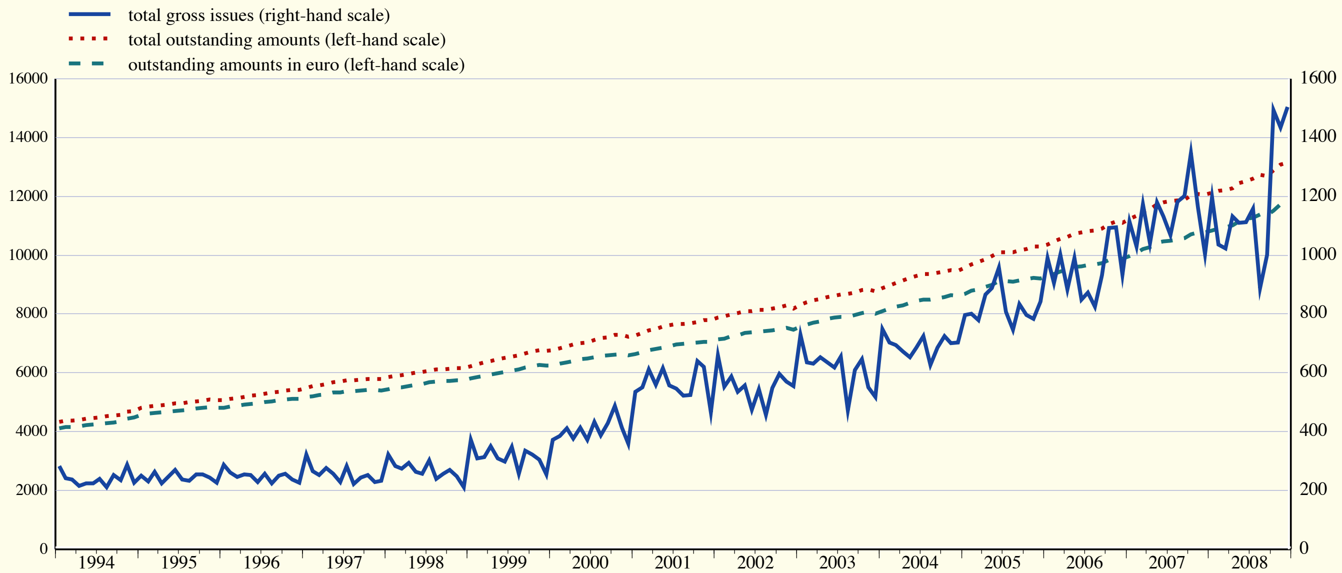
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2007 Dec.	12,893.2	1,042.0	27.8	10,779.9	960.4	-1.0	12,065.8	1,003.6	-18.4	9.0	94.1	8.1
2008 Jan.	12,925.9	1,200.1	36.7	10,833.2	1,130.5	57.4	12,132.9	1,196.2	67.0	8.5	28.3	7.5
Feb.	13,007.0	1,025.9	82.2	10,904.2	967.2	72.2	12,189.0	1,035.4	75.4	8.0	44.8	6.9
Mar.	13,113.1	1,072.2	105.1	10,951.4	967.7	46.0	12,209.8	1,023.2	43.7	7.0	20.1	6.1
Apr.	13,162.6	1,159.2	49.6	11,016.3	1,067.6	64.9	12,287.8	1,132.3	76.9	7.0	57.8	5.0
May	13,341.0	1,125.1	178.4	11,155.2	1,035.2	138.9	12,450.5	1,109.2	153.7	6.7	98.7	5.8
June	13,475.7	1,154.4	135.1	11,228.8	1,039.1	74.1	12,520.2	1,111.5	80.2	6.8	86.9	5.6
July	13,488.5	1,136.6	11.4	11,286.6	1,070.9	55.9	12,596.1	1,158.1	75.5	7.1	97.6	6.8
Aug.	13,615.1	878.6	123.6	11,395.3	813.9	105.8	12,727.2	887.9	112.3	7.8	163.3	8.8
Sep.	13,619.6	1,021.2	3.0	11,364.4	929.6	-32.2	12,689.0	1,001.1	-41.3	7.1	-12.4	8.2
Oct.	13,714.9	1,451.0	95.5	11,512.6	1,414.1	148.1	12,884.8	1,492.7	144.5	7.0	102.5	8.9
Nov.	13,932.0	1,420.4	217.4	11,738.8	1,368.1	226.8	13,077.1	1,435.6	212.4	8.1	198.3	10.5
Dec.	14,108.2	1,515.9	179.8	11,882.0	1,428.0	147.1	13,140.2	1,505.3	132.5	9.4	264.2	13.5
	Long-term											
2007 Dec.	11,638.4	199.2	56.1	9,675.5	165.2	47.4	10,779.9	176.5	36.2	7.4	71.9	5.7
2008 Jan.	11,636.3	194.9	1.2	9,667.3	166.6	-4.8	10,775.9	190.5	0.4	6.7	15.0	5.1
Feb.	11,682.0	182.6	46.6	9,715.1	163.1	48.7	10,813.3	187.5	51.0	6.1	28.6	4.7
Mar.	11,717.9	180.0	35.1	9,740.6	145.1	24.5	10,815.1	160.3	21.4	5.3	11.8	4.5
Apr.	11,804.5	258.4	86.7	9,803.5	207.2	62.9	10,888.1	225.0	68.2	5.5	64.0	4.4
May	11,957.7	290.4	153.4	9,916.9	234.6	113.6	11,012.1	257.2	122.7	5.1	69.0	4.9
June	12,071.7	283.4	114.3	10,004.2	229.9	87.6	11,098.6	253.0	94.9	5.2	67.8	4.8
July	12,098.3	206.7	25.0	10,036.1	176.6	29.9	11,137.8	194.8	35.7	5.4	60.5	5.7
Aug.	12,188.1	158.3	87.8	10,114.7	132.0	76.6	11,237.5	147.7	78.4	6.1	134.3	7.7
Sep.	12,178.5	183.4	-8.8	10,094.0	145.4	-19.8	11,222.5	158.7	-29.9	5.7	-15.9	7.1
Oct.	12,200.3	196.1	22.7	10,127.4	179.9	34.2	11,312.5	193.6	29.9	5.3	22.0	6.3
Nov.	12,374.8	274.4	173.4	10,302.2	252.9	174.0	11,467.4	261.6	164.7	6.3	144.8	7.7
Dec.	12,543.5	343.3	170.2	10,464.0	309.3	163.5	11,551.9	320.6	141.8	7.2	170.3	9.5

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues[1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2007	12,066	5,055	1,503	661	4,520	327	1,137	841	59	109	116	12
2008	13,140	5,271	1,929	701	4,900	340	1,174	816	73	99	161	24
2008 Q1	12,210	5,097	1,518	666	4,612	317	1,085	786	38	92	150	19
Q2	12,520	5,238	1,623	677	4,662	320	1,118	786	69	102	140	20
Q3	12,689	5,275	1,692	687	4,711	324	1,016	690	54	97	147	27
Q4	13,140	5,271	1,929	701	4,900	340	1,478	1,003	132	107	209	28
2008 Sep.	12,689	5,275	1,692	687	4,711	324	1,001	673	37	101	164	26
Oct.	12,885	5,314	1,730	693	4,817	330	1,493	1,020	94	111	242	25
Nov.	13,077	5,333	1,803	696	4,914	332	1,436	965	125	97	223	25
Dec.	13,140	5,271	1,929	701	4,900	340	1,505	1,023	176	111	161	34
Short-term												
2007	1,286	786	36	100	345	18	946	754	18	101	64	9
2008	1,588	822	61	115	566	25	961	723	26	92	101	19
2008 Q1	1,395	817	49	111	407	11	906	700	21	88	83	14
Q2	1,422	832	51	111	415	11	873	665	21	92	77	17
Q3	1,466	824	62	111	457	13	849	614	25	92	94	24
Q4	1,588	822	61	115	566	25	1,219	911	38	95	152	23
2008 Sep.	1,466	824	62	111	457	13	842	602	21	96	101	23
Oct.	1,572	826	64	113	553	17	1,299	933	54	105	189	18
Nov.	1,610	841	61	115	575	17	1,174	884	35	89	146	20
Dec.	1,588	822	61	115	566	25	1,185	915	27	92	120	30
Long-term[2]												
2007	10,780	4,269	1,467	561	4,174	309	191	86	41	8	52	3
2008	11,552	4,449	1,868	586	4,334	315	213	94	47	8	60	4
2008 Q1	10,815	4,280	1,469	555	4,205	306	179	86	17	4	67	5
Q2	11,099	4,405	1,572	566	4,247	309	245	120	48	10	64	3
Q3	11,223	4,450	1,630	577	4,254	311	167	76	29	5	53	3
Q4	11,552	4,449	1,868	586	4,334	315	259	92	93	11	57	5
2008 Sep.	11,223	4,450	1,630	577	4,254	311	159	71	16	6	63	3
Oct.	11,313	4,489	1,666	581	4,264	313	194	87	40	7	53	7
Nov.	11,467	4,491	1,742	581	4,339	314	262	81	90	8	77	5
Dec.	11,552	4,449	1,868	586	4,334	315	321	108	149	19	41	3
Of which long-term fixed rate												
2007	7,326	2,275	588	425	3,788	250	107	44	10	5	45	3
2008	7,597	2,330	632	448	3,937	250	118	48	9	6	53	3
2008 Q1	7,305	2,272	582	417	3,789	246	110	43	4	3	56	3
Q2	7,472	2,359	600	430	3,836	248	145	66	11	9	56	2
Q3	7,530	2,383	614	437	3,849	248	101	42	7	3	47	2
Q4	7,597	2,330	632	448	3,937	250	118	40	13	10	53	2
2008 Sep.	7,530	2,383	614	437	3,849	248	112	41	10	4	55	2
Oct.	7,566	2,406	617	441	3,853	249	96	38	2	6	47	4
Nov.	7,635	2,396	625	443	3,923	248	131	33	17	8	72	1
Dec.	7,597	2,330	632	448	3,937	250	126	48	20	16	40	3
Of which long-term variable rate												
2007	2,998	1,617	860	125	338	58	69	31	30	3	4	0
2008	3,468	1,723	1,206	128	347	64	80	35	37	1	4	1
2008 Q1	3,038	1,629	866	126	357	60	53	32	12	1	7	2
Q2	3,169	1,676	947	126	360	60	88	46	36	1	4	1
Q3	3,220	1,692	990	131	345	61	52	24	21	2	4	1
Q4	3,468	1,723	1,206	128	347	64	124	39	79	1	3	2
2008 Sep.	3,220	1,692	990	131	345	61	32	20	6	2	4	1
Oct.	3,275	1,710	1,022	131	349	63	86	42	37	1	3	3
Nov.	3,354	1,720	1,089	129	352	64	116	36	73	1	3	3
Dec.	3,468	1,723	1,206	128	347	64	171	40	128	2	2	1

Source: ECB.

1) Monthly averages of/monthly data for the transactions during this period.

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

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

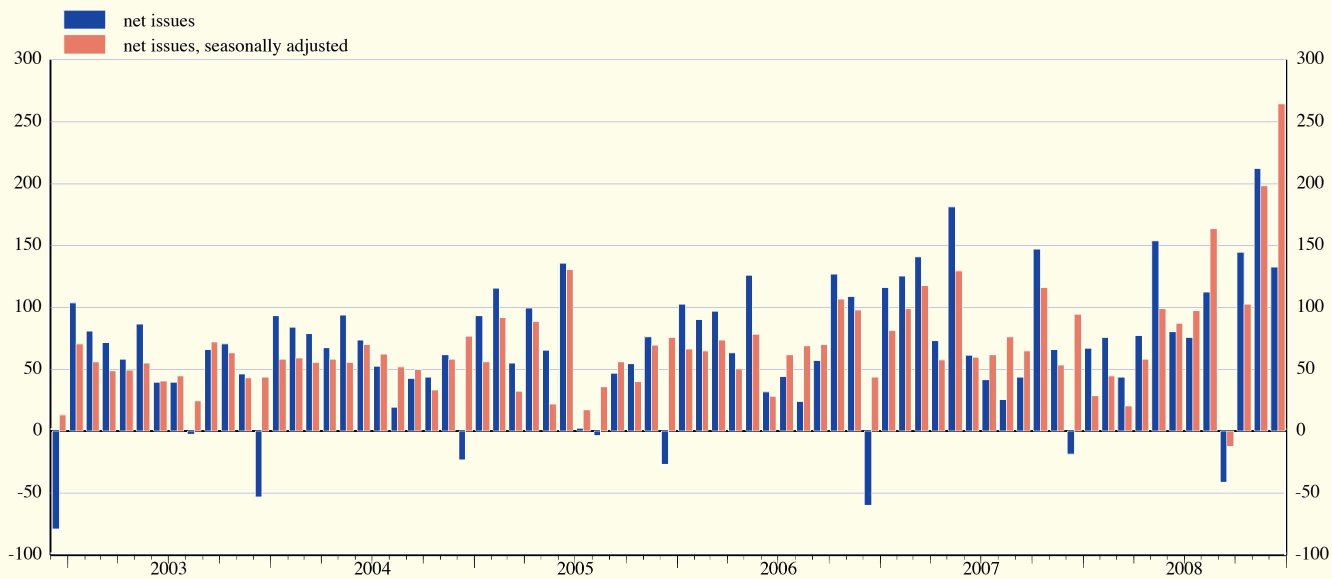
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2007	83.6	40.7	27.8	4.1	9.7	1.2	84.2	41.3	27.3	4.3	10.1	1.2
2008	94.4	22.9	35.5	3.6	31.4	1.1	95.9	23.0	34.7	3.7	33.3	1.1
2008 Q1	62.0	23.3	7.1	2.6	32.1	-3.1	31.1	4.1	16.8	2.1	11.5	-3.4
Q2	103.6	46.1	35.0	4.8	16.8	0.9	81.1	48.0	30.9	0.6	1.1	0.6
Q3	48.8	11.7	20.2	1.8	14.0	1.2	82.8	19.6	33.5	5.1	22.2	2.4
Q4	163.1	10.4	79.5	5.3	62.6	5.3	188.4	20.4	57.7	7.2	98.3	4.8
2008 Sep.	-41.3	-39.6	-2.9	1.4	1.2	-1.3	-12.4	-28.4	16.7	6.4	-7.1	0.0
Oct.	144.5	14.9	26.4	0.1	97.4	5.6	102.5	-21.7	11.5	-5.2	113.4	4.5
Nov.	212.4	34.9	74.0	4.8	96.8	1.9	198.3	41.4	64.4	5.4	88.3	-1.2
Dec.	132.5	-18.7	138.1	11.1	-6.4	8.5	264.2	41.5	97.3	21.3	93.2	11.0
	Long-term											
2007	61.8	24.0	27.2	2.4	7.7	0.7	61.5	24.1	26.7	2.3	7.7	0.7
2008	64.9	15.8	33.4	2.3	12.9	0.5	64.4	15.9	32.7	2.3	12.9	0.5
2008 Q1	24.2	11.5	3.0	-1.0	11.4	-0.7	18.5	2.4	12.5	1.5	2.9	-0.8
Q2	95.3	42.4	34.1	3.9	14.0	0.9	66.9	36.0	30.1	0.4	-0.3	0.7
Q3	28.0	7.8	16.8	2.4	0.6	0.5	59.6	15.6	29.4	4.0	9.0	1.6
Q4	112.1	1.4	79.7	3.8	25.8	1.4	112.4	9.6	59.0	3.2	40.1	0.5
2008 Sep.	-29.9	-17.9	-0.6	4.7	-13.2	-3.0	-15.9	-12.9	16.2	6.8	-23.6	-2.4
Oct.	29.9	3.6	24.5	-1.8	1.9	1.8	22.0	-3.9	7.1	-3.6	21.6	0.8
Nov.	164.7	9.1	76.8	2.2	75.4	1.3	144.8	13.5	68.4	1.3	63.4	-1.7
Dec.	141.8	-8.4	137.9	11.1	0.1	1.2	170.3	19.1	101.4	12.1	35.4	2.3

C17 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

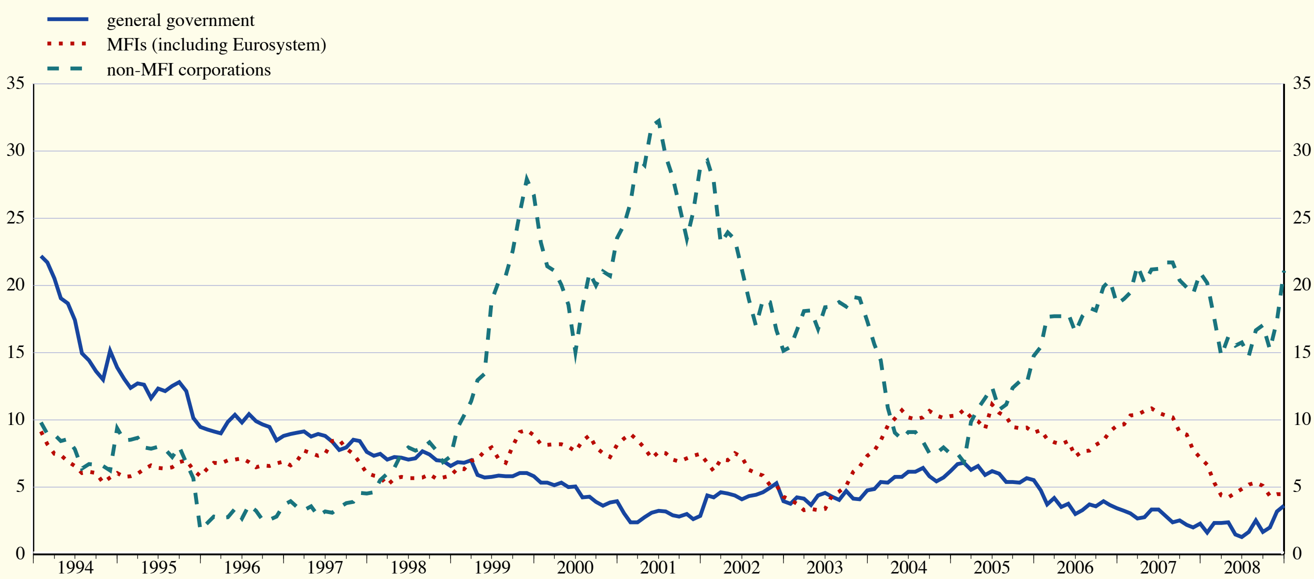


Source: ECB.
1) Monthly averages of/monthly data for the transactions during this period.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2007 Dec.	9.0	10.7	28.2	8.0	2.6	4.6	8.1	10.5	26.3	3.7	1.2	9.9
2008 Jan.	8.5	10.1	27.0	9.1	2.2	3.0	7.5	9.9	24.0	4.0	1.0	4.3
Feb.	8.0	8.8	24.0	8.9	3.0	2.1	6.9	7.6	22.0	7.0	2.2	0.4
Mar.	7.0	7.8	20.4	7.1	2.8	1.1	6.1	5.7	22.6	6.4	2.2	-1.0
Apr.	7.0	7.3	22.4	5.9	3.0	0.3	5.0	4.2	19.1	4.1	2.5	-3.3
May	6.7	7.9	21.3	5.9	1.7	1.9	5.8	6.3	20.0	3.9	1.7	-0.9
June	6.8	8.2	23.2	3.2	1.4	2.1	5.6	6.3	20.4	2.4	1.7	-5.2
July	7.1	8.5	22.1	2.5	2.1	3.3	6.8	7.3	20.3	1.0	3.1	2.2
Aug.	7.8	8.3	24.6	4.7	3.0	3.4	8.8	9.2	27.3	2.6	3.7	6.6
Sep.	7.1	6.9	24.6	5.7	2.6	2.3	8.2	8.1	27.0	5.2	3.1	5.8
Oct.	7.0	5.3	21.8	3.9	4.9	2.8	8.9	6.5	24.6	3.7	7.3	9.5
Nov.	8.1	5.6	24.7	3.8	6.7	2.8	10.5	5.0	29.7	3.7	11.9	6.7
Dec.	9.4	5.5	28.3	6.6	8.3	3.9	13.5	4.6	36.5	11.2	16.2	14.0
						Long-term						
2007 Dec.	7.4	7.2	28.2	5.3	2.2	2.7	5.7	4.2	24.9	1.9	2.0	4.1
2008 Jan.	6.7	6.7	26.7	6.0	1.6	2.2	5.1	4.1	22.8	3.7	1.0	3.1
Feb.	6.1	5.3	22.8	5.9	2.3	1.9	4.7	2.9	19.0	4.4	2.3	0.9
Mar.	5.3	4.4	19.2	4.5	2.4	0.9	4.5	2.9	19.4	3.7	2.0	0.0
Apr.	5.5	4.2	21.3	4.5	2.5	0.4	4.4	2.7	17.8	4.0	2.3	-1.9
May	5.1	4.5	20.1	4.8	1.4	1.8	4.9	4.5	18.5	4.1	1.4	0.5
June	5.2	4.9	21.7	2.0	1.2	1.9	4.8	5.5	18.6	2.0	0.4	-0.1
July	5.4	5.2	20.1	2.0	1.5	3.1	5.7	6.2	17.6	0.3	2.1	3.0
Aug.	6.1	5.3	22.4	2.8	2.4	3.5	7.7	7.7	26.0	1.4	2.5	6.2
Sep.	5.7	5.1	22.4	4.2	1.6	2.2	7.1	7.4	25.7	4.8	1.2	4.6
Oct.	5.3	4.3	20.0	3.3	2.0	1.4	6.3	6.0	22.2	2.5	1.8	5.0
Nov.	6.3	4.4	23.3	2.7	3.3	1.3	7.7	4.4	28.2	1.3	5.2	2.2
Dec.	7.2	4.5	27.3	4.9	3.7	2.0	9.5	3.5	36.5	7.9	7.1	4.1

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

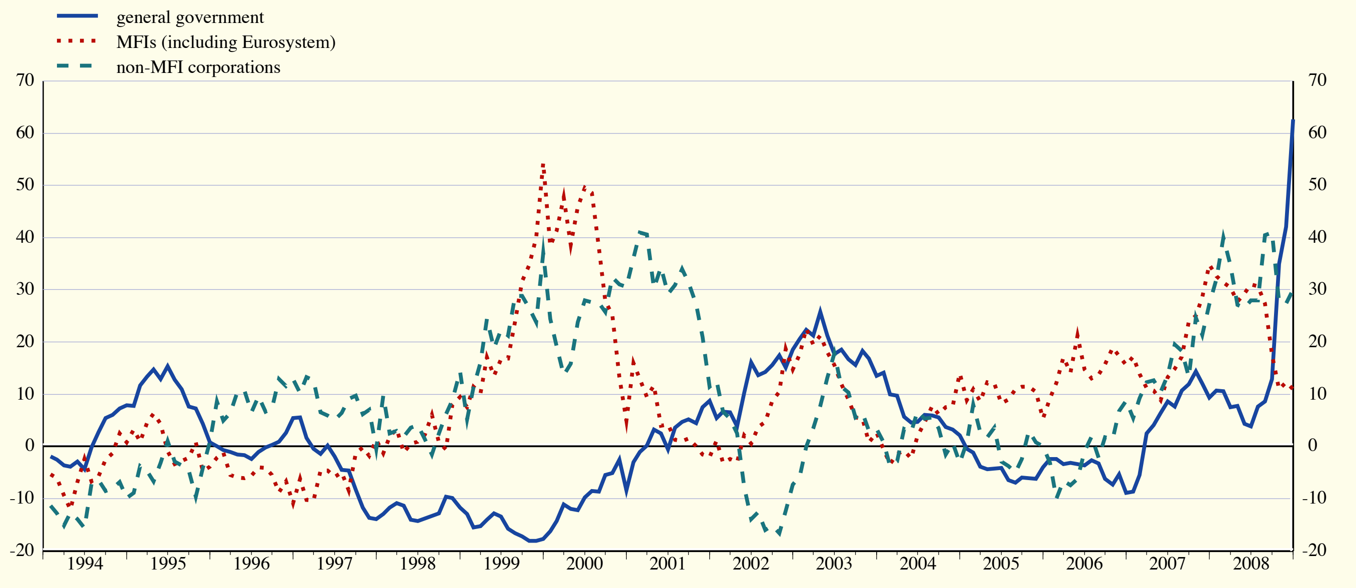
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2007	5.2	7.2	17.4	3.7	2.4	6.6	15.8	11.1	37.8	18.1	3.8	-1.8
2008	3.1	4.9	6.0	3.8	1.6	1.4	12.9	5.4	34.4	7.1	6.7	3.2
2008 Q1	3.3	5.4	8.5	4.4	1.3	3.3	14.1	6.0	37.3	12.8	11.4	-3.2
Q2	2.7	4.3	5.2	3.7	1.3	1.4	12.0	5.0	32.2	8.6	7.6	0.4
Q3	3.1	5.6	5.1	3.1	1.4	2.0	12.5	5.2	33.4	3.3	6.3	6.0
Q4	3.2	4.4	5.2	3.9	2.4	-0.8	13.2	5.6	34.9	4.4	2.1	10.1
2008 July	3.0	5.7	4.9	2.5	1.2	2.1	11.7	5.1	30.9	2.5	5.7	6.6
Aug.	3.4	5.6	4.5	3.3	1.9	2.4	13.7	5.6	35.6	3.7	9.3	7.0
Sep.	3.1	5.5	5.9	4.8	1.1	0.8	12.4	5.0	34.5	4.6	2.6	7.4
Oct.	2.8	4.6	3.8	3.4	1.7	-0.7	11.8	5.3	31.3	5.1	1.6	9.2
Nov.	3.3	4.1	5.3	2.8	3.0	-1.7	13.7	5.9	35.7	4.7	2.3	12.1
Dec.	4.0	3.6	7.2	6.1	3.8	-0.4	15.5	6.4	40.4	1.9	2.3	10.8
	In euro											
2007	4.6	6.4	14.1	2.0	2.7	6.7	15.1	10.3	35.4	17.8	3.9	-2.4
2008	2.9	4.8	6.4	1.7	1.8	1.3	14.4	6.4	36.0	7.2	7.1	2.0
2008 Q1	3.0	5.0	7.2	2.9	1.5	3.5	14.7	5.9	37.6	11.9	11.7	-4.0
Q2	2.4	4.0	4.7	1.6	1.5	1.4	13.2	5.6	33.5	8.3	8.0	-1.2
Q3	3.0	5.4	6.2	0.8	1.6	1.8	14.3	6.7	35.3	3.9	6.7	4.6
Q4	3.3	4.7	7.6	1.5	2.6	-1.2	15.5	7.6	37.6	5.1	2.3	9.2
2008 July	2.8	5.6	5.4	0.2	1.5	2.0	13.4	6.5	32.8	3.1	6.1	5.2
Aug.	3.3	5.4	6.1	0.8	2.2	2.1	15.7	7.0	37.8	4.5	9.8	5.6
Sep.	3.0	5.6	7.6	2.7	1.4	0.4	14.5	6.8	36.8	5.4	2.9	6.3
Oct.	2.8	4.7	5.9	1.2	1.9	-1.2	13.9	7.0	33.9	6.0	1.8	8.2
Nov.	3.5	4.3	8.0	0.5	3.2	-2.3	16.1	8.0	38.5	5.4	2.5	11.3
Dec.	4.4	4.4	10.3	3.0	4.0	-1.0	18.2	8.8	43.1	2.2	2.4	9.6

C19 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



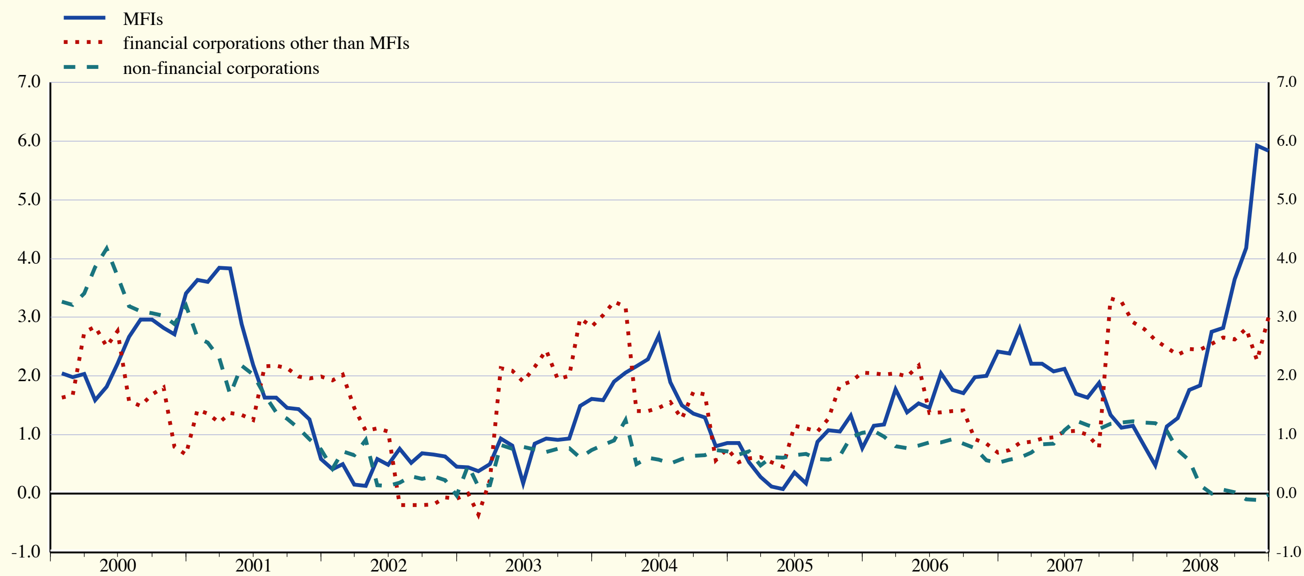
Source: ECB.
1) For the calculation of the growth rates, see the Technical notes.

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

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

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2006 Dec.	6,191.0	103.8	0.9	1,064.0	2.4	633.3	0.7	4,493.7	0.5
2007 Jan.	6,370.0	104.0	0.9	1,123.6	2.4	646.3	0.7	4,600.2	0.6
Feb.	6,284.1	104.1	1.0	1,093.0	2.8	637.9	0.9	4,553.2	0.6
Mar.	6,510.2	104.1	1.0	1,111.5	2.2	649.3	0.9	4,749.4	0.7
Apr.	6,760.6	104.3	1.1	1,168.8	2.2	675.6	0.9	4,916.3	0.8
May	7,040.5	104.4	1.1	1,174.7	2.1	688.9	1.0	5,177.0	0.8
June	6,962.0	104.7	1.3	1,128.8	2.1	677.2	1.1	5,156.0	1.1
July	6,731.5	104.9	1.3	1,100.0	1.7	608.9	1.1	5,022.6	1.2
Aug.	6,618.2	104.8	1.2	1,060.3	1.6	583.8	1.0	4,974.0	1.2
Sep.	6,682.2	104.8	1.2	1,048.9	1.9	597.3	0.8	5,036.0	1.1
Oct.	6,936.9	105.1	1.4	1,072.9	1.3	629.3	3.3	5,234.7	1.2
Nov.	6,622.5	105.2	1.4	1,032.8	1.1	579.2	3.3	5,010.5	1.2
Dec.	6,579.4	105.3	1.4	1,017.3	1.2	579.0	2.9	4,983.1	1.2
2008 Jan.	5,757.0	105.3	1.3	888.1	0.8	497.4	2.8	4,371.5	1.2
Feb.	5,811.3	105.3	1.2	858.3	0.5	492.4	2.6	4,460.5	1.2
Mar.	5,557.7	105.3	1.2	858.7	1.1	501.3	2.5	4,197.7	1.1
Apr.	5,738.6	105.3	1.0	835.4	1.3	519.4	2.4	4,383.8	0.7
May	5,719.4	105.3	0.9	769.1	1.8	497.1	2.5	4,453.2	0.6
June	5,070.8	105.3	0.6	663.3	1.8	435.8	2.4	3,971.7	0.1
July	4,962.4	105.5	0.6	689.6	2.8	428.2	2.5	3,844.6	0.0
Aug.	4,989.1	105.5	0.7	663.7	2.8	438.4	2.7	3,887.0	0.1
Sep.	4,420.0	105.6	0.7	610.3	3.7	382.2	2.6	3,427.5	0.0
Oct.	3,734.5	105.9	0.7	450.2	4.2	280.3	2.8	3,004.0	-0.1
Nov.	3,474.1	106.1	0.9	392.8	5.9	265.3	2.3	2,816.0	-0.1
Dec.	3,473.6	106.3	1.0	375.7	5.8	269.2	3.0	2,828.8	0.0

C20 Annual growth rates for quoted shares issued by euro area residents
(annual percentage changes)



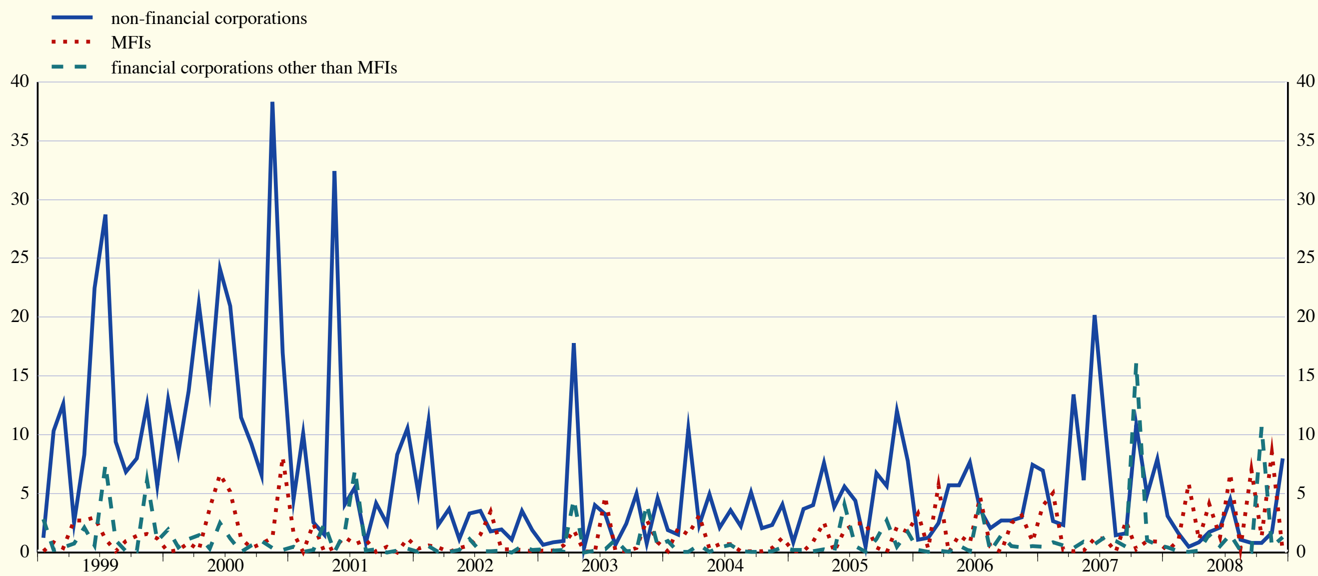
Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

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

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Dec.	8.9	3.8	5.1	0.9	0.3	0.6	0.5	0.0	0.5	7.5	3.4	4.0
2007 Jan.	11.4	3.9	7.4	4.0	0.1	3.8	0.4	0.0	0.4	7.0	3.8	3.2
Feb.	8.6	2.0	6.5	5.0	0.0	5.0	0.9	0.0	0.9	2.7	2.0	0.7
Mar.	3.1	1.7	1.4	0.2	0.0	0.2	0.6	0.3	0.3	2.3	1.4	1.0
Apr.	13.9	0.4	13.4	0.1	0.3	-0.2	0.3	0.0	0.3	13.4	0.2	13.2
May	7.2	1.9	5.3	0.1	0.0	0.1	0.9	0.0	0.9	6.1	1.9	4.3
June	22.0	1.6	20.4	1.2	0.0	1.1	0.7	0.0	0.7	20.2	1.6	18.6
July	13.3	1.8	11.5	1.2	0.0	1.2	1.3	0.3	1.0	10.9	1.5	9.3
Aug.	2.5	6.6	-4.2	0.0	0.1	-0.1	1.0	1.4	-0.5	1.5	5.1	-3.6
Sep.	4.7	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	1.6	1.6	0.1
Mar.	6.4	5.8	0.5	5.9	0.0	5.9	0.0	0.5	-0.4	0.4	5.4	-4.9
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	5.9	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	1.5	0.0	0.3	0.0	0.3	0.1	0.0	0.1	1.1	1.5	-0.5
Sep.	7.8	2.8	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-1.9
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	2.5	6.9	0.0	0.0	0.0	1.3	0.0	1.2	8.0	2.4	5.6

C21 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)



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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With agreed maturity			Redeemable at notice [2), 3)]		Overnight [2]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2008 Jan.	1.20	4.19	4.32	3.43	2.57	3.75	2.01	4.13	4.38	4.68	3.95
Feb.	1.21	4.10	4.18	3.22	2.65	3.77	2.01	4.07	4.18	4.36	3.93
Mar.	1.22	4.14	3.97	3.08	2.69	3.78	2.03	4.20	4.23	4.07	3.96
Apr.	1.22	4.28	4.16	3.14	2.72	3.81	2.05	4.27	4.56	4.64	4.00
May	1.23	4.32	4.27	3.17	2.73	3.84	2.07	4.26	4.68	4.48	4.03
June	1.24	4.43	4.62	3.28	2.74	3.88	2.06	4.28	4.72	4.01	4.11
July	1.26	4.61	4.83	3.37	2.81	3.94	2.14	4.46	5.06	4.57	4.26
Aug.	1.29	4.59	4.84	3.45	2.87	3.98	2.17	4.46	5.34	4.55	4.30
Sep.	1.32	4.65	4.85	3.35	2.97	4.01	2.20	4.52	5.19	4.69	4.27
Oct.	1.34	4.77	4.85	3.56	3.01	4.12	2.20	4.25	5.12	4.55	3.66
Nov.	1.29	4.26	4.67	3.71	3.02	4.20	1.98	3.53	4.58	4.09	3.19
Dec.	1.16	3.75	4.35	3.70	2.95	4.17	1.62	2.87	4.24	4.08	2.64

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2008 Jan.	10.46	8.12	7.00	8.47	8.48	5.32	5.02	5.07	5.14	5.37	5.59	5.93	5.49
Feb.	10.45	8.55	7.24	8.44	8.70	5.26	4.97	5.02	5.11	5.35	5.55	5.87	5.55
Mar.	10.52	8.43	7.05	8.42	8.56	5.20	4.89	4.96	5.11	5.28	5.65	5.79	5.46
Apr.	10.53	8.33	7.02	8.46	8.55	5.23	4.91	4.95	5.12	5.29	5.83	5.80	5.45
May	10.57	8.70	7.02	8.44	8.64	5.34	4.96	4.98	5.13	5.36	5.99	5.87	5.59
June	10.63	8.61	6.94	8.44	8.57	5.48	5.11	5.08	5.20	5.46	6.03	6.12	5.67
July	10.66	8.82	7.15	8.58	8.80	5.67	5.27	5.22	5.34	5.62	6.08	6.21	5.82
Aug.	10.77	8.86	7.22	8.69	8.95	5.77	5.37	5.29	5.26	5.69	6.05	6.28	5.70
Sep.	10.80	8.77	7.20	8.70	8.86	5.80	5.43	5.28	5.37	5.71	6.24	6.36	5.77
Oct.	10.83	8.89	7.23	8.70	8.93	5.84	5.39	5.28	5.37	5.69	6.37	6.26	5.80
Nov.	10.78	8.98	7.17	8.69	8.92	5.62	5.34	5.23	5.28	5.58	5.84	6.15	5.75
Dec.	10.43	8.16	7.01	8.37	8.47	5.10	5.07	5.10	5.13	5.31	5.01	5.76	5.29

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

	Bank overdrafts [2]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2008 Jan.	6.62	5.93	5.92	5.27	5.12	5.35	5.23
Feb.	6.56	5.84	5.86	5.24	5.04	5.43	5.14
Mar.	6.56	5.91	5.77	5.23	5.19	5.44	5.34
Apr.	6.54	6.03	5.77	5.20	5.30	5.42	5.39
May	6.57	6.10	5.93	5.25	5.27	5.70	5.38
June	6.67	6.16	6.09	5.43	5.35	5.68	5.52
July	6.74	6.26	6.29	5.53	5.45	5.82	5.55
Aug.	6.77	6.27	6.34	5.49	5.45	5.60	5.56
Sep.	6.92	6.34	6.37	5.64	5.62	5.84	5.63
Oct.	6.89	6.52	6.35	5.57	5.59	5.75	5.07
Nov.	6.67	6.04	6.10	5.41	4.86	5.02	4.96
Dec.	6.26	5.38	5.75	5.32	4.29	4.50	4.76

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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents (cont'd)

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

4. Interest rates on deposits (outstanding amounts)

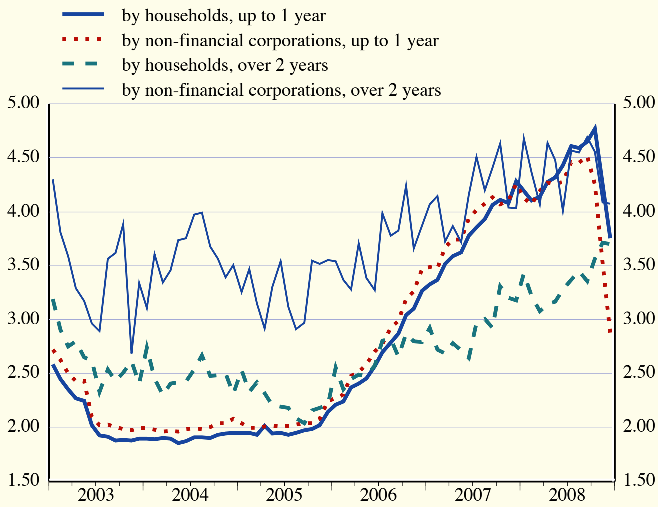
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2]	With agreed maturity		Redeemable at notice [2),3)]		Overnight [2]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2008 Jan.	1.20	3.98	3.06	2.57	3.75	2.01	4.27	4.21	4.01
Feb.	1.21	3.99	3.11	2.65	3.77	2.01	4.23	4.24	3.97
Mar.	1.22	4.01	3.07	2.69	3.78	2.03	4.29	4.23	3.96
Apr.	1.22	4.07	3.07	2.72	3.81	2.05	4.37	4.29	3.91
May	1.23	4.13	3.06	2.73	3.84	2.07	4.43	4.26	4.04
June	1.24	4.20	3.08	2.74	3.88	2.06	4.47	4.31	4.12
July	1.26	4.31	3.07	2.81	3.94	2.14	4.59	4.39	4.24
Aug.	1.29	4.38	3.09	2.87	3.98	2.17	4.65	4.38	4.23
Sep.	1.32	4.45	3.11	2.97	4.01	2.20	4.73	4.44	4.32
Oct.	1.34	4.54	3.08	3.01	4.12	2.20	4.68	4.45	4.06
Nov.	1.29	4.51	3.12	3.02	4.20	1.98	4.44	4.40	3.95
Dec.	1.16	4.40	3.07	2.95	4.17	1.62	4.01	4.20	3.61

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2008 Jan.	5.62	4.75	5.01	8.99	7.15	6.24	6.06	5.55	5.27
Feb.	5.60	4.82	5.03	9.05	7.21	6.26	5.99	5.52	5.30
Mar.	5.61	4.80	5.02	9.06	7.19	6.25	5.99	5.51	5.27
Apr.	5.59	4.85	5.03	9.07	7.22	6.28	6.04	5.54	5.29
May	5.62	4.85	5.05	9.08	7.22	6.27	6.09	5.59	5.32
June	5.68	4.89	5.07	9.11	7.29	6.35	6.18	5.68	5.39
July	5.72	4.93	5.11	9.19	7.34	6.37	6.25	5.76	5.44
Aug.	5.78	4.95	5.11	9.26	7.38	6.41	6.28	5.79	5.46
Sep.	5.77	5.03	5.14	9.38	7.47	6.47	6.40	5.90	5.54
Oct.	5.78	5.06	5.17	9.45	7.48	6.48	6.43	5.99	5.58
Nov.	5.71	5.01	5.16	9.24	7.48	6.47	6.17	5.81	5.51
Dec.	5.50	4.91	5.07	8.98	7.41	6.37	5.72	5.42	5.26

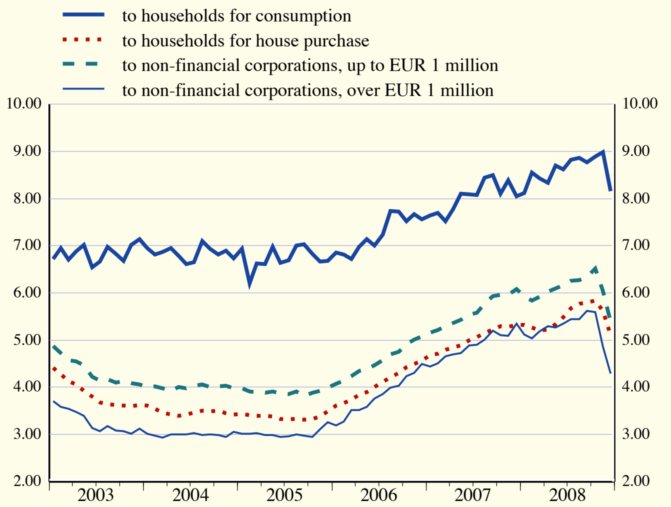
C22 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C23 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

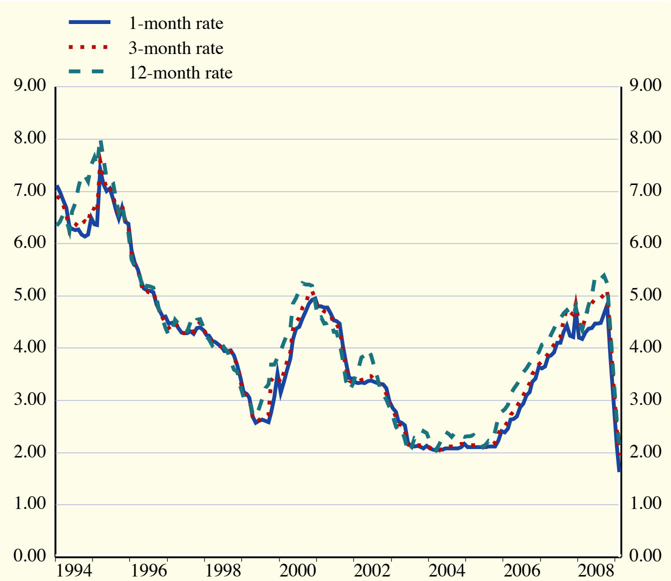
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1),2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
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
2007 Q4	3.95	4.37	4.72	4.70	4.68	5.03	0.96
2008 Q1	4.05	4.23	4.48	4.48	4.48	3.29	0.92
Q2	4.00	4.41	4.86	4.93	5.05	2.75	0.92
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
2008 Feb.	4.03	4.18	4.36	4.36	4.35	3.09	0.90
Mar.	4.09	4.30	4.60	4.59	4.59	2.78	0.97
Apr.	3.99	4.37	4.78	4.80	4.82	2.79	0.92
May	4.01	4.39	4.86	4.90	4.99	2.69	0.92
June	4.01	4.47	4.94	5.09	5.36	2.77	0.92
July	4.19	4.47	4.96	5.15	5.39	2.79	0.92
Aug.	4.30	4.49	4.97	5.16	5.32	2.81	0.89
Sep.	4.27	4.66	5.02	5.22	5.38	3.12	0.91
Oct.	3.82	4.83	5.11	5.18	5.25	4.06	1.04
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

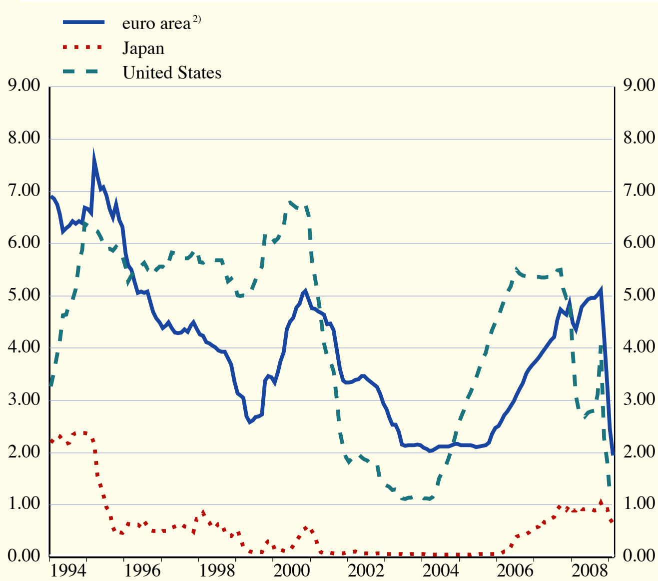
C24 Euro area money market rates [2)]

(monthly; percentages per annum)



C25 3-month money market rates

(monthly; percentages per annum)



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

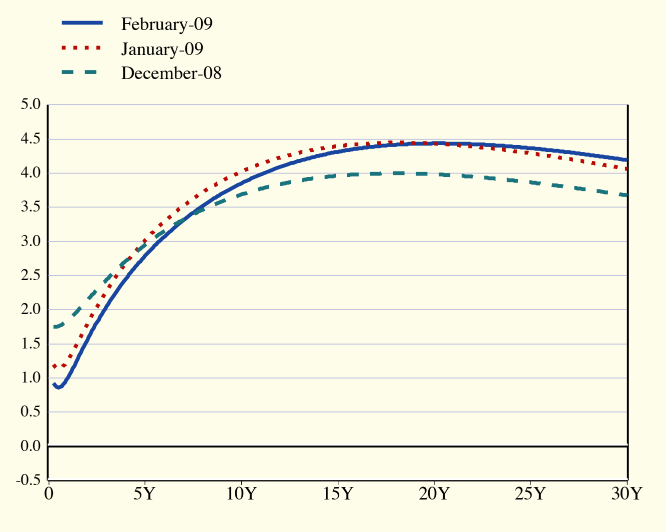
4.7 Euro area yield curves [1]

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

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99
Mar.	3.87	3.70	3.60	3.70	3.87	4.13	0.26	0.54	3.53	3.49	4.10	4.91
Apr.	3.90	3.89	3.86	3.95	4.10	4.32	0.42	0.46	3.86	3.81	4.29	4.95
May	3.88	4.20	4.28	4.27	4.35	4.52	0.64	0.24	4.41	4.29	4.40	5.03
June	4.21	4.49	4.62	4.63	4.65	4.73	0.52	0.11	4.73	4.72	4.64	5.00
July	4.20	4.31	4.31	4.31	4.39	4.53	0.33	0.21	4.36	4.27	4.46	4.93
Aug.	4.24	4.20	4.13	4.11	4.19	4.34	0.10	0.21	4.13	4.02	4.26	4.82
Sep.	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Oct.	2.52	2.86	2.68	3.58	3.95	4.25	1.74	1.58	2.27	2.99	4.80	4.97
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

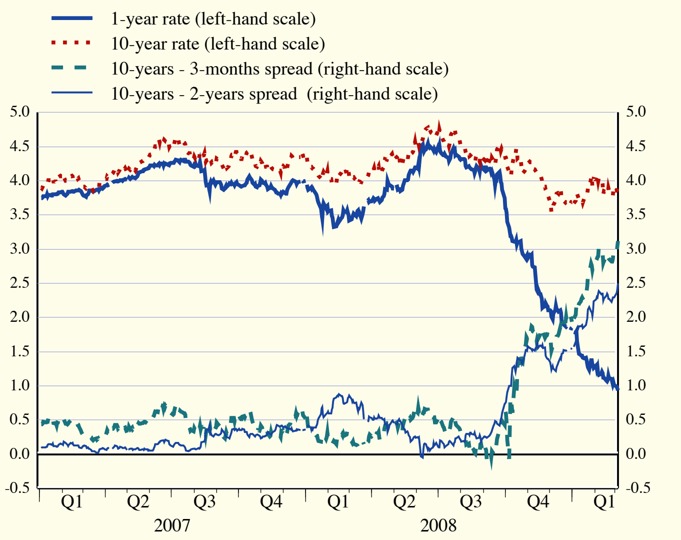
C26 Euro area spot yield curves

(percentages per annum; end-of-period)



C27 Euro area spot rates and spreads

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



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

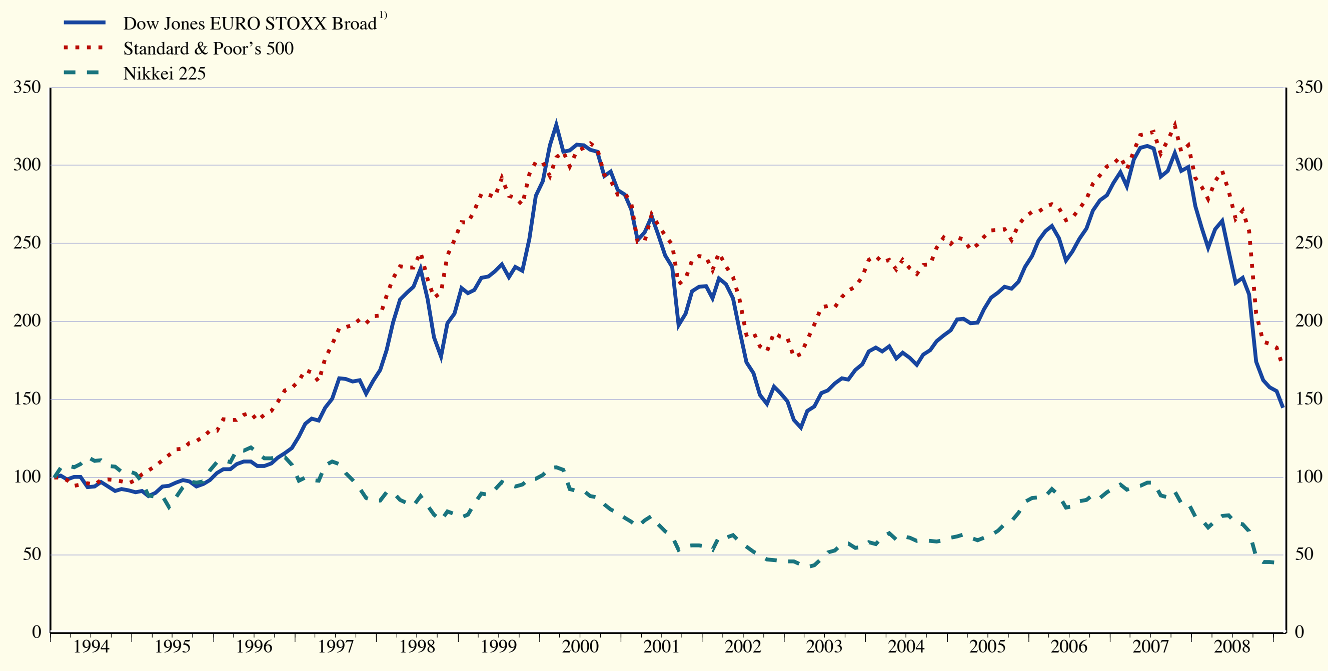
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2007 Q4	417.8	4,377.9	567.3	228.3	383.8	455.7	381.2	484.1	406.3	620.0	544.8	509.2	1,494.6	16,002.5
2008 Q1	361.8	3,809.4	520.9	194.0	327.1	412.0	318.1	413.3	339.2	573.3	490.1	454.4	1,351.7	13,372.6
Q2	355.9	3,705.6	576.2	185.0	317.8	442.8	313.7	408.2	306.5	557.1	437.7	427.1	1,371.7	13,818.3
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
2008 Feb.	360.6	3,776.6	520.7	194.0	323.8	407.6	311.9	417.7	356.2	573.9	493.2	452.6	1,354.6	13,522.6
Mar.	342.9	3,587.3	511.4	184.7	317.6	395.2	300.8	394.7	308.9	540.2	444.9	414.1	1,317.5	12,586.6
Apr.	359.6	3,768.1	553.9	189.3	324.6	423.2	326.5	406.2	312.8	550.2	449.3	429.6	1,370.5	13,382.1
May	367.1	3,812.8	588.9	189.2	328.2	462.5	325.8	424.3	313.2	567.2	447.5	436.3	1,402.0	14,000.2
June	340.2	3,527.8	586.2	176.1	299.6	442.6	287.6	393.5	292.8	553.8	415.3	414.7	1,341.3	14,084.6
July	311.9	3,298.7	529.0	158.2	272.7	401.5	260.0	348.6	281.7	513.7	412.7	418.1	1,257.6	13,153.0
Aug.	316.1	3,346.0	513.7	167.1	287.0	388.1	266.0	356.6	304.4	504.4	411.2	403.0	1,281.5	12,989.4
Sep.	301.3	3,193.7	474.6	161.8	287.4	358.2	255.8	332.2	271.8	465.8	413.2	400.6	1,220.0	12,126.2
Oct.	241.5	2,627.3	342.1	135.6	249.1	287.9	195.0	245.1	212.8	392.4	378.2	363.7	968.8	9,080.5
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

C28 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	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
2007 Q4	105.7	2.9	2.3	3.2	2.5	1.0	2.6	1.2	0.2	2.9	0.6	3.0	1.9
2008 Q1	106.4	3.4	2.5	3.9	2.6	1.0	2.1	0.5	0.2	3.4	0.7	3.5	2.5
Q2	108.1	3.6	2.5	4.5	2.4	1.1	1.1	1.1	0.2	6.0	0.6	3.7	2.8
Q3	108.4	3.8	2.5	4.7	2.6	0.7	0.9	1.0	0.2	2.1	0.7	3.9	3.3
Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.2	0.3	0.2	-8.7	0.6	2.1	3.4
2008 Sep.	108.5	3.6	2.5	4.4	2.6	0.1	0.1	0.2	0.1	-0.4	0.1	3.7	3.4
Oct.	108.6	3.2	2.4	3.5	2.6	-0.1	0.1	0.5	0.1	-2.9	0.2	3.1	3.4
Nov.	108.0	2.1	2.2	1.8	2.6	-0.4	0.0	-0.2	0.0	-4.9	0.2	2.0	3.4
Dec.	107.9	1.6	2.1	0.9	2.6	-0.4	0.0	0.1	0.0	-4.7	0.2	1.4	3.4
2009 Jan.	107.0	1.1	1.8	0.2	2.4	0.0	0.0	0.1	-0.1	0.0	0.1	0.9	2.9
Feb. [4]	.	1.2	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.3	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
2007 Q4	3.9	4.5	3.1	2.8	1.0	8.1	2.7	2.0	2.6	-2.1	3.0	3.2
2008 Q1	5.2	6.4	3.5	3.2	0.8	10.7	2.5	1.9	3.1	-2.5	3.2	3.2
Q2	5.7	6.9	3.7	3.9	0.8	13.6	2.3	1.9	3.6	-1.8	3.0	2.2
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
2008 Aug.	5.6	6.8	3.7	4.2	0.7	14.6	2.2	1.9	4.8	-2.5	3.5	2.3
Sep.	5.2	6.2	3.6	4.0	0.9	13.5	2.3	1.9	4.5	-2.6	3.3	2.3
Oct.	4.4	5.1	3.4	3.1	1.0	9.6	2.3	1.9	4.6	-2.2	3.3	2.3
Nov.	3.7	4.2	2.8	0.8	0.9	0.7	2.2	1.8	4.4	-2.1	3.4	2.2
Dec.	3.3	3.5	2.8	-0.3	0.8	-3.7	2.2	1.8	4.5	-1.8	3.2	2.1
2009 Jan.	2.7	2.7	2.6	-1.0	0.5	-5.3	2.0	1.7	3.9	-1.9	3.1	2.2

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html for a note explaining the methodology used in the compilation of this indicator.
3) Referring to the index period 2009.
4) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

2. Industry, construction and residential property prices [1]

	Industrial producer prices excluding construction										Construct-ion [2]	Residential property prices [3]
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [4]	100.0	100.0	89.4	82.4	31.6	21.1	29.6	4.0	25.6	17.6		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	110.2	4.1	3.2	1.8	2.9	1.4	1.1	1.3	1.1	13.6	2.8	7.6
2006	115.9	5.1	3.4	2.8	4.8	1.4	1.6	1.6	1.7	13.4	4.1	6.5
2007	119.2	2.8	3.1	3.2	4.8	1.8	2.3	1.9	2.4	1.8	4.0	4.3
2008	126.5	6.2	4.7	3.5	4.3	1.9	3.7	2.4	3.9	15.0	.	.
2007 Q4	121.3	4.0	4.5	3.2	3.7	1.5	3.7	1.9	3.9	7.0	3.3	3.9 [5]
2008 Q1	123.7	5.4	5.4	3.6	4.2	1.5	4.4	2.3	4.8	11.7	3.1	-
Q2	127.0	7.1	6.3	3.8	4.5	1.8	4.5	2.3	4.8	18.0	4.0	2.7 [5]
Q3	129.6	8.5	6.5	4.2	5.9	2.2	3.8	2.5	4.0	22.6	5.5	-
Q4	125.8	3.7	0.8	2.3	2.6	2.2	2.0	2.6	2.0	7.8	.	.
2008 July	130.1	9.2	7.3	4.4	5.8	2.1	4.3	2.5	4.6	24.9	-	-
Aug.	129.5	8.5	6.6	4.3	6.0	2.2	3.9	2.4	4.1	22.7	-	-
Sep.	129.2	7.9	5.5	4.1	5.8	2.2	3.3	2.5	3.4	20.3	-	-
Oct.	128.1	6.3	3.4	3.2	4.3	2.2	2.6	2.7	2.7	15.9	-	-
Nov.	125.6	3.3	0.5	2.2	2.4	2.2	2.0	2.6	1.9	6.3	-	-
Dec.	123.7	1.6	-1.4	1.4	1.1	2.2	1.4	2.5	1.3	1.6	-	-

3. Commodity prices and gross domestic product deflators [1]

	Oil prices [6] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [7]			Use-weighted [8]			Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [9]	Imports [9]
		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	9.3	2.5	14.8	111.6	2.0	2.3	2.1	2.4	2.5	2.4	3.3
2006	52.9	27.5	5.8	37.6	24.6	5.9	38.0	113.8	2.0	2.4	2.2	2.1	3.0	2.7	3.9
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.4	2.3	2.3	2.2	1.7	2.7	1.5	1.3
2008	65.9	2.0	18.1	-4.3	-1.5	9.6	-8.1	119.0	2.2	2.8	3.0	2.7	2.4	2.0	3.3
2007 Q4	61.0	-2.2	22.8	-10.8	-2.9	17.8	-13.6	117.2	2.3	2.8	2.9	2.4	2.6	1.4	2.7
2008 Q1	64.2	8.4	36.4	-1.3	7.2	31.6	-5.3	117.9	2.1	2.8	3.1	2.1	2.4	2.2	4.1
Q2	78.5	2.5	32.4	-7.5	-0.3	20.3	-10.7	118.8	2.2	3.2	3.4	3.3	2.5	2.3	4.6
Q3	77.6	6.7	16.2	2.8	0.8	4.3	-1.4	119.4	2.2	3.2	3.5	2.4	2.9	2.8	5.0
Q4	43.5	-10.2	-8.0	-11.2	-14.3	-13.0	-15.3	120.0	2.4	1.9	1.8	2.9	1.8	0.8	-0.5
2008 Sep.	70.0	5.2	6.4	4.6	-1.8	-5.5	0.8	-	-	-	-	-	-	-	-
Oct.	55.2	-6.4	-5.0	-7.0	-11.5	-12.6	-10.7	-	-	-	-	-	-	-	-
Nov.	43.1	-7.0	-4.4	-8.3	-10.4	-7.4	-12.5	-	-	-	-	-	-	-	-
Dec.	32.1	-17.3	-14.4	-18.7	-21.2	-18.7	-23.1	-	-	-	-	-	-	-	-
2009 Jan.	34.3	-21.2	-10.8	-26.0	-22.3	-13.6	-28.4	-	-	-	-	-	-	-	-
Feb.	34.6	-24.2	-17.5	-27.4	-26.2	-21.0	-30.1	-	-	-	-	-	-	-	-

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) Data refer to Euro 16, with the exception of the data in columns 5, 6 and 7 of Table 3, which refer to the Euro 15.
2) Input prices for residential buildings.
3) Experimental data based on non-harmonised national sources (see the ECB website for further details).
4) In 2000.
5) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
6) Brent Blend (for one-month forward delivery).
7) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
8) 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 the ECB website for details).
9) 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 1)

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
				Unit labour costs 2)				
2004	107.7	0.8	-10.8	-1.2	3.2	-0.1	2.5	2.1
2005	109.0	1.2	8.7	-1.1	2.9	1.4	2.0	2.0
2006	110.0	0.9	3.2	-0.7	3.3	0.1	2.6	2.1
2007	111.8	1.6	0.8	-0.6	4.0	1.4	2.6	2.1
2007 Q3	111.9	1.6	0.8	-1.2	4.9	2.0	2.3	2.1
Q4	112.9	2.5	0.8	0.1	4.3	2.7	3.1	2.9
2008 Q1	113.5	2.5	0.5	1.2	2.1	2.4	3.7	2.9
Q2	115.2	3.3	-0.7	2.1	2.2	3.6	2.8	4.7
Q3	116.0	3.7	-0.9	4.9	2.0	5.1	3.2	2.9
				Compensation per employee				
2004	110.2	2.2	1.8	3.0	3.0	1.5	1.7	2.4
2005	112.3	2.0	2.4	1.8	2.0	2.1	2.4	1.9
2006	114.8	2.2	3.4	3.5	3.4	1.5	2.4	1.5
2007	117.7	2.5	2.5	2.8	3.0	2.3	2.2	2.5
2007 Q3	117.8	2.3	2.2	2.4	2.9	2.4	1.9	2.3
Q4	119.0	2.9	2.7	3.2	3.3	2.2	2.5	3.2
2008 Q1	120.1	3.1	3.6	3.5	4.3	2.4	2.9	2.9
Q2	121.4	3.4	3.8	2.8	5.1	2.7	2.6	4.4
Q3	121.9	3.5	3.8	3.5	5.0	4.2	3.1	2.9
				Labour productivity 3)				
2004	102.3	1.4	14.1	4.3	-0.2	1.6	-0.8	0.3
2005	103.1	0.8	-5.8	2.9	-0.9	0.7	0.3	-0.1
2006	104.4	1.3	0.2	4.2	0.2	1.4	-0.2	-0.6
2007	105.3	0.8	1.6	3.4	-0.9	0.8	-0.4	0.3
2007 Q3	105.3	0.7	1.4	3.6	-1.9	0.4	-0.5	0.2
Q4	105.4	0.4	1.9	3.1	-0.9	-0.5	-0.5	0.3
2008 Q1	105.8	0.5	3.0	2.2	2.2	0.0	-0.7	0.0
Q2	105.4	0.2	4.5	0.7	2.8	-0.9	-0.2	-0.3
Q3	105.2	-0.2	4.7	-1.4	3.0	-0.9	-0.1	0.0

5. Hourly labour costs 1), 4)

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages 5)
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total 6)	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2005	116.5	2.4	2.6	2.2	2.4	2.0	2.5	2.1
2006	119.4	2.5	2.7	2.1	3.4	1.6	2.1	2.3
2007	122.4	2.6	2.8	2.3	2.6	3.1	2.6	2.1
2008	.	.	.	.	.	.	.	3.2
2007 Q4	123.8	2.9	3.1	2.3	3.0	4.0	2.8	2.1
2008 Q1	124.8	3.5	3.7	2.9	4.2	4.1	3.0	2.8
Q2	125.9	2.8	2.8	2.8	3.0	3.9	2.5	2.9
Q3	127.1	4.0	3.9	4.2	3.9	4.7	4.0	3.4
Q4	.	.	.	.	.	.	.	3.5

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) Data refer to Euro 16.
2) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
3) Value added (volumes) per person employed.
4) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
5) Experimental data (see the ECB website for further details).
6) In 2000.

1. GDP and expenditure components [1]

	GDP								
	Total	Domestic demand					External balance [2]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [3]	Total	Exports [2]	Imports [2]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2005	8,143.8	8,022.8	4,663.1	1,664.9	1,684.2	10.7	121.0	3,113.1	2,992.1
2006	8,558.4	8,455.7	4,866.2	1,732.5	1,837.0	20.0	102.7	3,472.8	3,370.1
2007	8,995.5	8,856.9	5,056.6	1,800.6	1,969.9	30.0	138.6	3,740.2	3,601.6
2008	9,269.2	9,171.7	5,237.4	1,886.7	2,030.7	16.8	97.5	3,887.4	3,789.9
2007 Q4	2,279.4	2,248.1	1,287.3	456.2	502.2	2.4	31.3	956.2	924.9
2008 Q1	2,309.8	2,276.8	1,300.0	461.4	512.5	3.0	33.0	984.1	951.2
Q2	2,323.3	2,293.5	1,310.8	472.7	511.2	-1.2	29.8	991.6	961.8
Q3	2,329.6	2,314.3	1,324.0	474.8	512.1	3.4	15.4	1,000.1	984.7
Q4	2,306.4	2,287.0	1,302.7	477.7	495.0	11.6	19.4	911.6	892.2
	percentage of GDP								
2008	100.0	98.9	56.5	20.4	21.9	0.2	1.1	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [4])								
	quarter-on-quarter percentage changes								
2007 Q4	0.4	0.2	0.3	0.2	1.0	-	-	0.7	0.1
2008 Q1	0.7	0.5	0.2	0.7	1.2	-	-	1.9	1.4
Q2	-0.2	-0.4	-0.1	0.8	-1.1	-	-	-0.1	-0.3
Q3	-0.2	0.3	0.1	0.9	-0.6	-	-	0.0	1.4
Q4	-1.5	-0.6	-0.9	-0.6	-2.7	-	-	-7.3	-5.5
	annual percentage changes								
2005	1.7	1.9	1.8	1.5	3.3	-	-	5.0	5.7
2006	2.9	2.8	2.0	1.9	5.6	-	-	8.4	8.3
2007	2.7	2.4	1.6	2.2	4.4	-	-	6.0	5.3
2008	0.8	0.8	0.5	2.0	0.4	-	-	1.6	1.6
2007 Q4	2.2	2.0	1.4	2.1	3.3	-	-	4.2	3.9
2008 Q1	2.2	1.6	1.6	1.6	3.4	-	-	5.7	4.5
Q2	1.5	0.9	0.8	2.2	2.0	-	-	4.5	3.3
Q3	0.6	0.6	0.5	2.5	0.5	-	-	2.6	2.6
Q4	-1.3	-0.2	-0.7	1.7	-3.2	-	-	-5.6	-3.2
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2007 Q4	0.4	0.2	0.2	0.0	0.2	-0.3	0.3	-	-
2008 Q1	0.7	0.5	0.1	0.1	0.3	0.0	0.2	-	-
Q2	-0.2	-0.3	-0.1	0.2	-0.3	-0.2	0.1	-	-
Q3	-0.2	0.3	0.1	0.2	-0.1	0.2	-0.6	-	-
Q4	-1.5	-0.6	-0.5	-0.1	-0.6	0.6	-0.8	-	-
	contributions to annual percentage changes of GDP in percentage points								
2005	1.7	1.9	1.0	0.3	0.7	-0.2	-0.1	-	-
2006	2.9	2.7	1.1	0.4	1.2	0.1	0.2	-	-
2007	2.7	2.4	0.9	0.4	0.9	0.1	0.3	-	-
2008	0.8	0.8	0.3	0.4	0.1	0.0	0.0	-	-
2007 Q4	2.2	2.0	0.8	0.4	0.7	0.0	0.2	-	-
2008 Q1	2.2	1.6	0.9	0.3	0.7	-0.4	0.6	-	-
Q2	1.5	0.9	0.5	0.4	0.4	-0.4	0.6	-	-
Q3	0.6	0.6	0.3	0.5	0.1	-0.3	0.0	-	-
Q4	-1.3	-0.2	-0.4	0.3	-0.7	0.5	-1.1	-	-

Sources: Eurostat and ECB calculations.
1) Data refer to Euro 16.
2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.
3) Including acquisitions less disposals of valuables.
4) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

2. Value added by economic activity [1]

	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	7,299.0	144.1	1,482.4	441.6	1,539.8	2,021.8	1,669.3	844.9
2006	7,643.9	141.6	1,557.8	478.9	1,603.5	2,137.7	1,724.4	914.5
2007	8,037.5	151.6	1,642.7	517.5	1,668.7	2,260.7	1,796.3	958.0
2008	8,316.5	153.9	1,663.9	547.1	1,717.9	2,366.9	1,866.8	952.7
2007 Q4	2,041.6	39.2	416.3	132.6	422.3	575.3	455.9	237.9
2008 Q1	2,068.5	39.6	423.4	136.9	427.8	582.8	458.0	241.3
Q2	2,085.5	38.9	424.5	137.0	428.2	590.0	466.9	237.8
Q3	2,090.6	38.5	419.0	137.8	432.0	595.7	467.7	239.0
Q4	2,071.8	36.9	397.0	135.3	430.0	598.4	474.3	234.6
	percentage of value added							
2008	100.0	1.9	20.0	6.6	20.7	28.5	22.4	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [2])							
	quarter-on-quarter percentage changes							
2007 Q4	0.5	1.3	0.6	0.9	0.3	0.7	0.4	-0.7
2008 Q1	0.6	1.9	0.3	2.6	0.6	0.7	0.1	1.6
Q2	-0.1	0.0	-0.7	-1.8	-0.5	0.5	0.4	-1.2
Q3	-0.3	-0.4	-1.4	-1.3	-0.2	0.1	0.5	0.1
Q4	-1.5	0.0	-5.4	-1.8	-1.4	-0.4	0.5	-1.5
	annual percentage changes							
2005	1.7	-6.4	1.8	1.8	1.4	2.8	1.4	1.8
2006	2.9	-1.8	3.9	2.8	3.1	3.7	1.3	3.3
2007	2.9	0.4	3.7	3.0	2.7	3.7	1.7	0.7
2008	0.9	2.1	-0.8	0.7	0.5	2.1	1.4	0.0
2007 Q4	2.5	0.4	3.4	1.4	1.8	3.4	1.8	-0.7
2008 Q1	2.4	1.6	2.8	2.8	2.4	2.9	1.3	0.5
Q2	1.6	2.4	1.2	1.6	0.9	2.6	1.3	0.4
Q3	0.7	2.8	-1.2	0.4	0.2	1.9	1.5	-0.2
Q4	-1.3	1.5	-7.1	-2.3	-1.5	0.9	1.6	-1.0
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2007 Q4	0.5	0.0	0.1	0.1	0.1	0.2	0.1	-
2008 Q1	0.6	0.0	0.1	0.2	0.1	0.2	0.0	-
Q2	-0.1	0.0	-0.1	-0.1	-0.1	0.1	0.1	-
Q3	-0.3	0.0	-0.3	-0.1	0.0	0.0	0.1	-
Q4	-1.5	0.0	-1.1	-0.1	-0.3	-0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2005	1.7	-0.1	0.4	0.1	0.3	0.8	0.3	-
2006	2.9	0.0	0.8	0.2	0.7	1.0	0.3	-
2007	2.9	0.0	0.8	0.2	0.6	1.0	0.4	-
2008	0.9	0.0	-0.2	0.0	0.1	0.6	0.3	-
2007 Q4	2.5	0.0	0.7	0.1	0.4	1.0	0.4	-
2008 Q1	2.4	0.0	0.6	0.2	0.5	0.8	0.3	-
Q2	1.6	0.0	0.3	0.1	0.2	0.7	0.3	-
Q3	0.7	0.0	-0.3	0.0	0.0	0.5	0.3	-
Q4	-1.3	0.0	-1.5	-0.1	-0.3	0.2	0.4	-

Sources: Eurostat and ECB calculations.

1) Data refer to Euro 16.

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

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

3. Industrial production [1]

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [2]	100.0	82.8	82.8	74.8	73.6	29.9	22.2	21.6	3.6	18.0	9.1	17.2
	1	2	3	4	5	6	7	8	9	10	11	12
2006	4.0	108.3	4.0	4.4	4.4	4.9	5.9	2.6	4.5	2.2	0.7	3.9
2007	3.5	112.0	3.4	4.1	3.8	3.9	6.1	2.3	1.2	2.5	-0.6	3.2
2008	-1.8	110.1	-1.6	-1.9	-2.1	-3.2	-0.1	-2.0	-5.3	-1.4	0.7	-2.8
2008 Q1	2.4	114.0	2.6	1.9	1.8	1.6	5.1	0.1	-1.5	0.7	4.4	1.3
Q2	0.7	112.2	1.2	1.3	1.0	0.5	4.0	-1.1	-2.6	-0.9	1.6	-2.2
Q3	-1.7	110.0	-1.4	-1.6	-1.9	-1.9	0.0	-2.6	-5.9	-2.2	0.2	-3.4
Q4	-8.5	104.4	-8.6	-9.0	-9.2	-13.0	-8.6	-4.3	-11.0	-3.2	-3.2	-6.5
2008 July	-1.4	110.4	-1.1	-1.2	-1.2	-1.7	0.0	-1.1	-5.3	-0.8	0.0	-3.4
Aug.	-1.0	110.8	-0.5	-0.8	-1.4	0.1	0.8	-4.1	-6.0	-3.2	0.6	-3.0
Sep.	-2.6	108.7	-2.4	-2.5	-3.0	-3.8	-0.7	-2.8	-6.5	-2.8	0.2	-3.7
Oct.	-5.3	106.8	-5.5	-5.7	-5.9	-7.8	-5.3	-3.6	-8.6	-2.7	-1.5	-3.8
Nov.	-8.1	104.5	-8.4	-8.7	-9.2	-12.0	-8.8	-4.7	-10.5	-3.0	-4.7	-5.3
Dec.	-12.3	101.8	-12.0	-13.2	-13.1	-20.4	-11.8	-4.6	-14.5	-3.9	-3.3	-10.9
	month-on-month percentage changes (s.a.)											
2008 July	-0.5	-	-0.6	-0.6	-0.7	-0.9	-0.7	-0.1	-1.2	-0.2	0.8	-0.3
Aug.	0.3	-	0.4	0.3	0.4	0.6	0.9	-0.6	0.5	-0.4	1.3	-0.3
Sep.	-1.8	-	-1.9	-2.1	-2.3	-3.3	-1.9	-0.7	-2.4	-0.8	-0.6	-0.9
Oct.	-1.5	-	-1.7	-1.8	-1.8	-2.8	-2.4	-0.2	-1.9	0.1	-0.5	-0.1
Nov.	-2.4	-	-2.2	-2.4	-2.6	-3.6	-2.5	-0.8	-2.8	-0.2	-2.4	-1.8
Dec.	-2.9	-	-2.6	-3.1	-3.1	-5.7	-2.5	-0.7	-2.9	-0.9	1.0	-2.5

4. Industrial new orders and turnover, retail sales and new passenger car registrations [1]

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [3] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [4]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [2]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	119.8	9.4	119.6	7.8	2.9	108.5	1.5	0.3	2.5	2.7	4.4	978	3.3
2007	129.6	8.4	127.0	6.3	2.4	109.5	0.8	-0.3	1.6	3.1	1.4	970	-0.9
2008	121.7	-4.9	128.7	1.7	1.7	108.0	-1.3	-2.0	-0.9	-1.6	-1.9	892	-8.0
2008 Q1	131.6	3.8	132.6	4.4	3.2	109.0	-0.1	-1.5	0.8	0.2	-0.4	949	-1.3
Q2	127.5	0.1	132.5	6.3	2.0	108.0	-1.5	-2.4	-0.8	-2.3	-1.4	909	-4.8
Q3	121.9	-1.3	130.6	3.9	2.3	108.0	-1.4	-2.0	-0.8	-0.9	-2.6	893	-8.8
Q4	105.7	-21.6	119.2	-7.4	-0.4	106.9	-2.2	-2.2	-2.3	-2.9	-3.0	818	-18.5
2008 Aug.	123.1	-6.5	131.9	-2.4	2.1	107.9	-1.7	-2.1	-1.4	-2.8	-3.1	924	-5.8
Sep.	117.1	-1.5	128.2	6.7	2.5	108.2	-1.0	-1.8	-0.2	-0.3	-2.4	867	-11.4
Oct.	111.6	-15.1	124.8	-2.8	0.6	107.2	-2.0	-2.2	-1.9	-2.3	-3.2	838	-14.4
Nov.	105.6	-27.3	120.3	-11.8	-0.6	107.0	-2.6	-2.2	-2.8	-2.6	-3.6	808	-18.2
Dec.	100.0	-22.4	112.6	-7.7	-1.1	106.7	-2.1	-2.0	-2.1	-3.5	-2.3	807	-23.2
2009 Jan.	.	.	.	.	.	.	.	.	.	.	.	775	-20.5
	month-on-month percentage changes (s.a.)												
2008 Aug.	-	-1.8	-	0.2	0.1	-	0.0	0.4	-0.1	-1.8	-0.2	-	4.2
Sep.	-	-4.8	-	-2.8	0.3	-	0.2	0.3	0.2	2.6	-0.7	-	-6.1
Oct.	-	-4.7	-	-2.7	-1.0	-	-0.9	-0.7	-1.1	-3.1	-0.6	-	-3.3
Nov.	-	-5.4	-	-3.6	-0.3	-	-0.2	-0.1	-0.3	-0.6	-1.0	-	-3.6
Dec.	-	-5.3	-	-6.4	-0.5	-	-0.3	-0.3	-0.4	-0.6	0.6	-	-0.2
2009 Jan.	-	.	-	.	.	-	.	.	.	.	.	-	-3.9

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).
1) Data refer to Euro 16.
2) In 2000.
3) Includes manufacturing industries working mainly on the basis of orders, representing 59.7% of total manufacturing in 2000.
4) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator 2) (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation 3) (percentages)	Total 4)	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total 4)	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2005	98.2	-7	-16	11	6	81.1	-14	-4	-15	28	-9
2006	106.8	2	0	6	13	83.1	-9	-3	-9	15	-9
2007	108.9	4	5	5	13	84.1	-5	-2	-4	4	-8
2008	91.1	-9	-15	11	-2	81.9	-18	-10	-25	23	-14
2007 Q4	105.0	2	1	7	12	83.9	-8	-4	-10	7	-10
2008 Q1	101.4	1	-1	7	10	83.8	-12	-7	-17	11	-12
Q2	97.5	-3	-6	9	7	83.3	-15	-10	-22	13	-14
Q3	89.9	-10	-15	12	-2	82.2	-19	-12	-28	22	-15
Q4	75.8	-25	-36	18	-22	78.3	-26	-11	-34	44	-15
2008 Sep.	88.9	-12	-20	13	-4	-	-19	-11	-26	24	-15
Oct.	81.6	-18	-26	15	-13	81.5	-24	-12	-33	34	-15
Nov.	76.8	-25	-36	17	-22	-	-25	-11	-32	43	-15
Dec.	68.9	-33	-47	22	-30	-	-30	-11	-39	55	-14
2009 Jan.	67.2	-33	-49	20	-31	75.0	-31	-11	-38	58	-15
Feb.	65.4	-36	-57	20	-32	-	-33	-12	-41	62	-15

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total 4)	Order books	Employment expectations	Total 4)	Present business situation	Volume of stocks	Expected business situation	Total 4)	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
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
2007 Q4	-3	-10	5	0	5	16	13	15	11	14	20
2008 Q1	-7	-13	-1	0	3	16	12	10	4	12	15
Q2	-10	-17	-3	-3	-1	16	7	8	3	9	13
Q3	-14	-21	-7	-9	-9	17	-1	1	-7	3	6
Q4	-23	-31	-16	-15	-16	17	-13	-12	-20	-9	-6
2008 Sep.	-15	-21	-9	-8	-11	14	1	0	-7	2	6
Oct.	-20	-26	-13	-13	-14	17	-9	-7	-13	-4	-3
Nov.	-23	-31	-15	-13	-11	15	-12	-12	-21	-8	-7
Dec.	-27	-35	-19	-20	-23	19	-18	-17	-27	-15	-10
2009 Jan.	-30	-35	-26	-20	-21	20	-18	-22	-32	-19	-15
Feb.	-32	-37	-26	-19	-21	17	-20	-23	-33	-19	-18

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 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 [1]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	85.0	15.0	3.9	17.2	7.7	25.5	15.7	29.9
	1	2	3	4	5	6	7	8	9	10
2004	140.507	0.8	0.7	1.6	-2.0	-1.4	1.3	1.2	2.4	1.2
2005	141.863	1.0	1.1	0.5	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.187	1.6	1.8	0.8	-1.9	-0.3	2.7	1.7	3.9	1.9
2007	146.811	1.8	2.0	0.9	-1.2	0.3	3.9	1.8	4.1	1.4
2007 Q3	147.216	1.9	2.0	1.5	-1.4	0.2	3.6	2.3	3.9	1.5
Q4	147.666	1.8	2.0	0.6	-1.7	0.2	2.5	2.3	4.0	1.5
2008 Q1	148.185	1.7	1.8	0.7	-1.3	0.6	0.9	2.5	3.7	1.2
Q2	148.436	1.3	1.5	0.1	-2.1	0.4	-1.1	1.9	2.9	1.6
Q3	148.379	0.8	1.1	-0.7	-2.0	0.2	-2.6	1.2	2.1	1.6
	quarter-on-quarter percentage changes (s.a.)									
2007 Q3	0.663	0.5	0.4	0.5	-1.0	0.0	-0.1	0.8	0.8	0.5
Q4	0.450	0.3	0.5	-0.8	-0.4	0.1	0.0	0.1	0.8	0.5
2008 Q1	0.519	0.4	0.3	0.4	0.5	0.3	0.0	0.5	0.8	0.1
Q2	0.250	0.2	0.2	-0.2	-1.2	0.1	-1.2	0.3	0.4	0.5
Q3	-0.057	0.0	0.0	-0.5	-0.8	-0.3	-1.5	0.1	0.0	0.5

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		78.2		21.8		49.2		50.8	
	1	2	3	4	5	6	7	8	9	10
2005	13.691	9.0	10.660	7.9	3.031	17.4	6.909	8.1	6.783	10.0
2006	12.882	8.3	10.073	7.3	2.809	16.3	6.392	7.5	6.490	9.4
2007	11.659	7.5	9.122	6.6	2.538	14.9	5.736	6.7	5.924	8.5
2008	11.883	7.5	9.255	6.6	2.627	15.4	6.002	6.9	5.881	8.3
2007 Q4	11.429	7.3	8.920	6.4	2.509	14.7	5.636	6.5	5.793	8.3
2008 Q1	11.395	7.3	8.895	6.4	2.499	14.6	5.612	6.5	5.783	8.2
Q2	11.678	7.4	9.094	6.5	2.584	15.1	5.823	6.7	5.855	8.3
Q3	11.919	7.6	9.289	6.6	2.631	15.5	6.060	7.0	5.860	8.3
Q4	12.540	7.9	9.744	6.9	2.795	16.3	6.513	7.5	6.027	8.5
2008 Aug.	11.892	7.5	9.275	6.6	2.617	15.4	6.042	7.0	5.850	8.2
Sep.	12.068	7.6	9.393	6.7	2.675	15.7	6.175	7.1	5.893	8.3
Oct.	12.305	7.8	9.562	6.8	2.742	16.1	6.338	7.3	5.967	8.4
Nov.	12.534	7.9	9.740	6.9	2.794	16.3	6.511	7.5	6.023	8.4
Dec.	12.780	8.1	9.931	7.0	2.850	16.6	6.689	7.7	6.091	8.5
2009 Jan.	13.036	8.2	10.130	7.2	2.906	16.9	6.879	7.9	6.157	8.6

Source: Eurostat.

1) Data refer to Euro 16. 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 2007.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	47.0	46.7	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.5	46.2	12.7	9.4	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.5	12.3	9.2	2.7	13.6	0.5	15.6	8.1	4.7	2.2	0.2	0.3	41.7
2002	45.2	44.9	11.8	9.1	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	8.8	2.3	13.5	0.4	15.8	8.2	4.6	2.1	0.6	0.5	41.2
2004	44.6	44.1	11.3	8.5	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	44.9	44.4	11.6	8.6	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	41.0
2006	45.5	45.1	12.1	8.8	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.6
2007	45.6	45.3	12.5	9.0	3.2	13.8	0.3	15.2	8.0	4.4	2.1	0.3	0.3	41.8

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	48.4	44.5	10.6	4.8	4.1	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	46.5	43.8	10.4	4.8	3.9	24.7	21.7	2.0	0.5	2.8	2.5	1.3	0.0	42.6
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.8	44.0	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	4.0	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.4	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.4	43.5	10.4	5.0	3.0	25.1	22.3	1.7	0.5	3.9	2.5	1.4	0.1	44.4
2006	46.8	42.9	10.2	5.0	2.9	24.8	22.1	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.2	42.4	10.0	5.0	3.0	24.4	21.7	1.6	0.4	3.9	2.5	1.3	0.0	43.3

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	-1.4	-1.7	-0.1	0.1	0.4	2.6	19.9	10.6	4.8	4.9	1.8	2.3	8.3	11.6
2000	0.0	-0.4	-0.1	0.1	0.5	3.9	19.7	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	2.0	19.8	10.3	4.8	5.0	1.8	2.2	8.1	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	4.9	5.2	1.8	2.1	8.3	12.2
2004	-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	5.2	1.9	2.2	8.1	12.3
2006	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.3
2007	-0.6	-1.2	0.0	0.0	0.5	2.3	20.1	10.0	5.0	5.2	1.9	2.1	7.9	12.2

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

	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
2004	-0.2	-3.8	1.4	-7.5	-0.3	-3.6	-3.5	-4.1	-1.2	-4.7	-1.7	-4.4	-3.4	-2.2	-2.3	2.4
2005	-2.6	-3.3	1.7	-5.1	1.0	-2.9	-4.3	-2.4	-0.1	-2.8	-0.3	-1.5	-6.1	-1.4	-2.8	2.9
2006	0.3	-1.5	3.0	-2.8	2.0	-2.4	-3.4	-1.2	1.3	-2.3	0.6	-1.5	-3.9	-1.2	-3.5	4.1
2007	-0.3	-0.2	0.2	-3.5	2.2	-2.7	-1.6	3.5	3.2	-1.8	0.3	-0.4	-2.6	0.5	-1.9	5.3

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

1) The data refer to the Euro 15. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1998	72.9	2.8	15.2	5.3	49.6	52.5	26.5	14.5	11.4	20.4
1999	72.0	2.9	14.4	4.3	50.5	48.8	25.4	13.8	9.7	23.2
2000	69.3	2.7	13.1	3.7	49.7	44.2	22.0	12.4	9.7	25.1
2001	68.2	2.8	12.4	4.0	49.1	42.0	20.6	11.1	10.3	26.2
2002	68.1	2.7	11.8	4.5	49.0	40.1	19.4	10.7	10.1	27.9
2003	69.2	2.1	12.4	5.0	49.7	39.4	19.5	11.2	8.7	29.8
2004	69.6	2.2	12.0	5.0	50.5	37.5	18.4	10.8	8.2	32.1
2005	70.2	2.4	11.8	4.7	51.3	35.4	17.2	11.2	7.0	34.8
2006	68.5	2.5	11.4	4.1	50.4	33.8	17.6	9.4	6.8	34.7
2007	66.3	2.2	10.8	4.3	49.0	32.6	17.0	8.7	6.9	33.7

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	72.9	61.2	6.1	5.2	0.3	8.2	64.7	8.0	15.5	26.3	31.0	71.1	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.3	64.7	7.0	13.6	27.8	30.7	70.0	2.0
2000	69.3	58.1	5.9	4.9	0.4	6.5	62.8	6.3	13.4	27.8	28.1	67.5	1.8
2001	68.2	57.1	6.1	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.7	1.5
2002	68.1	56.7	6.3	4.7	0.4	7.6	60.4	5.2	15.5	25.3	27.2	66.8	1.3
2003	69.2	57.0	6.5	5.0	0.6	7.8	61.4	5.1	14.9	26.0	28.3	68.3	0.9
2004	69.6	57.4	6.6	5.1	0.4	7.8	61.7	4.8	14.9	26.2	28.5	68.7	0.9
2005	70.2	57.7	6.7	5.2	0.5	7.9	62.3	4.7	14.9	25.6	29.7	69.2	1.0
2006	68.5	56.0	6.5	5.4	0.5	7.5	61.0	4.5	14.5	24.1	29.9	67.8	0.7
2007	66.3	54.2	6.3	5.3	0.6	7.5	58.8	4.2	14.2	22.6	29.5	65.8	0.5

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
2004	94.3	65.6	29.4	98.6	46.2	64.9	103.8	70.2	6.3	72.1	52.4	64.8	58.3	27.2	41.4	44.1
2005	92.1	67.8	27.3	98.8	43.0	66.4	105.9	69.1	6.1	69.9	51.8	63.7	63.6	27.0	34.2	41.3
2006	87.8	67.6	24.7	95.9	39.6	63.6	106.9	64.6	6.6	63.8	47.4	62.0	64.7	26.7	30.4	39.2
2007	83.9	65.1	24.8	94.8	36.2	63.9	104.1	59.5	7.0	62.2	45.7	59.5	63.6	23.4	29.4	35.1

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

1) The data refer to the Euro 15. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-0.9	2.8	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	-0.1	0.0	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.8	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.7	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.8	3.9
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.2	-0.4	1.5	0.1	1.2	-1.3	1.5
2007	1.1	1.1	0.0	0.0	0.0	-0.1	-0.1	0.4	0.9	0.4	0.3	-0.2	0.7

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Loans	Securities [11]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.0	0.4	0.3	0.0	0.2
2000	1.0	0.0	1.0	1.0	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	-0.1	0.1
2001	1.8	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.1	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.0
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.2
2006	1.5	-1.3	0.2	0.3	0.3	-0.2	0.3	-0.1	-0.3	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.6	0.5	0.6	0.2	0.0	0.2	0.1	-0.2	0.2	0.0	0.0	0.0	-0.1

Source: ECB.
1) The data refer to the Euro 15 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2002 Q3	43.5	43.1	11.2	12.8	15.5	1.9	0.7	0.4	0.3	39.7
Q4	49.0	48.4	13.4	14.1	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	41.9	41.4	9.8	12.8	15.5	1.7	0.7	0.5	0.2	38.4
Q2	46.0	44.6	12.0	12.9	15.7	2.0	1.4	1.4	1.2	41.7
Q3	42.6	42.1	10.8	12.5	15.5	1.9	0.6	0.5	0.2	39.0
Q4	49.3	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.3	40.9	9.6	12.8	15.3	1.7	0.6	0.4	0.3	38.0
Q2	45.0	44.2	12.1	13.0	15.3	2.0	1.0	0.8	0.6	41.0
Q3	42.7	42.2	10.6	12.7	15.4	1.9	0.6	0.5	0.3	39.0
Q4	49.1	48.1	13.0	14.3	16.2	2.9	0.7	1.0	0.4	43.9
2005 Q1	42.0	41.5	9.9	13.0	15.3	1.7	0.6	0.5	0.3	38.4
Q2	44.6	44.0	11.8	13.2	15.1	2.0	1.1	0.6	0.3	40.4
Q3	43.3	42.6	11.0	12.9	15.2	1.9	0.7	0.7	0.3	39.4
Q4	49.2	48.4	13.4	14.3	16.1	2.9	0.8	0.8	0.3	44.0
2006 Q1	42.4	41.9	10.2	13.3	15.1	1.7	0.8	0.5	0.3	38.9
Q2	45.7	45.2	12.4	13.6	15.1	2.0	1.3	0.5	0.3	41.4
Q3	43.6	43.2	11.5	12.9	15.2	1.9	0.8	0.5	0.3	39.9
Q4	49.5	48.9	14.1	14.3	15.9	2.9	0.8	0.6	0.3	44.6
2007 Q1	42.2	41.8	10.3	13.4	14.8	1.7	0.8	0.4	0.3	38.8
Q2	46.2	45.8	13.0	13.6	15.0	2.0	1.4	0.4	0.3	41.9
Q3	43.8	43.3	12.1	12.8	15.0	1.9	0.8	0.5	0.3	40.1
Q4	49.7	49.2	14.5	14.2	15.8	2.9	0.9	0.5	0.3	44.8
2008 Q1	42.3	41.9	10.6	13.0	14.9	1.7	0.8	0.4	0.2	38.7
Q2	45.5	45.1	12.9	13.0	15.0	1.9	1.5	0.4	0.3	41.2
Q3	43.2	42.8	11.8	12.4	15.1	1.9	0.8	0.4	0.3	39.6

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002 Q3	46.9	43.2	10.1	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.4	0.1
Q4	50.8	46.4	11.1	5.6	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.8	1.6
2003 Q1	46.8	43.3	10.3	4.6	3.5	25.0	21.5	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.1	43.6	10.4	4.7	3.4	25.1	21.7	1.3	3.5	2.3	1.2	-1.1	2.3
Q3	47.1	43.4	10.3	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.5	-1.2
Q4	51.2	46.3	11.0	5.6	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.2	25.0	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
Q2	46.6	43.2	10.4	4.8	3.3	24.8	21.4	1.3	3.4	2.3	1.1	-1.6	1.6
Q3	46.1	42.7	10.0	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	50.9	45.7	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.8	1.1
2005 Q1	46.9	43.1	10.2	4.6	3.1	25.2	21.4	1.2	3.7	1.9	1.8	-4.9	-1.8
Q2	46.1	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.5	1.6
Q3	45.8	42.4	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.6	0.4
Q4	50.6	45.8	11.1	5.8	2.8	26.1	22.5	1.3	4.8	3.1	1.6	-1.4	1.4
2006 Q1	45.3	42.2	10.0	4.6	2.9	24.7	21.1	1.1	3.1	1.9	1.2	-2.9	0.0
Q2	45.5	42.3	10.2	4.9	3.1	24.1	21.1	1.1	3.2	2.3	0.9	0.2	3.3
Q3	45.4	42.0	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.5	1.0	-1.7	1.2
Q4	50.4	45.1	10.7	5.8	2.7	25.9	22.3	1.3	5.3	3.2	2.2	-0.9	1.8
2007 Q1	44.4	41.3	9.8	4.6	3.0	23.9	20.5	1.1	3.1	2.0	1.2	-2.2	0.7
Q2	44.8	41.6	9.9	4.8	3.2	23.7	20.7	1.1	3.2	2.3	0.8	1.4	4.6
Q3	45.1	41.4	9.6	4.7	3.0	24.0	20.8	1.2	3.7	2.5	1.2	-1.3	1.7
Q4	50.2	45.1	10.7	5.7	2.8	25.9	22.1	1.4	5.1	3.3	1.8	-0.5	2.3
2008 Q1	44.5	41.3	9.8	4.6	2.9	24.1	20.5	1.2	3.2	2.0	1.1	-2.2	0.7
Q2	45.1	41.8	10.1	4.9	3.1	23.7	20.6	1.1	3.3	2.4	1.0	0.4	3.5
Q3	45.6	42.1	9.7	4.9	3.1	24.3	21.1	1.2	3.5	2.5	1.0	-2.4	0.8

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 15. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt [1]
(as a percentage of GDP)

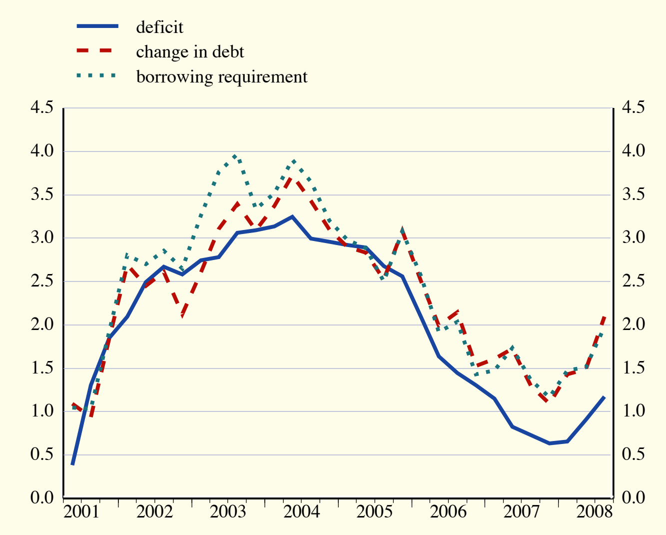
1. Euro area – Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2005 Q4	70.2	2.4	11.8	4.7	51.3
2006 Q1	70.5	2.5	11.7	4.9	51.3
Q2	70.6	2.5	11.6	4.9	51.6
Q3	70.1	2.5	11.6	4.7	51.2
Q4	68.5	2.5	11.4	4.1	50.4
2007 Q1	68.8	2.4	11.5	4.8	50.1
Q2	68.9	2.2	11.2	5.1	50.4
Q3	68.0	2.1	11.1	5.2	49.6
Q4	66.3	2.2	10.8	4.3	49.0
2008 Q1	67.2	2.2	11.1	5.0	49.0
Q2	67.5	2.1	11.0	5.0	49.3
Q3	67.5	2.1	10.9	5.6	48.9

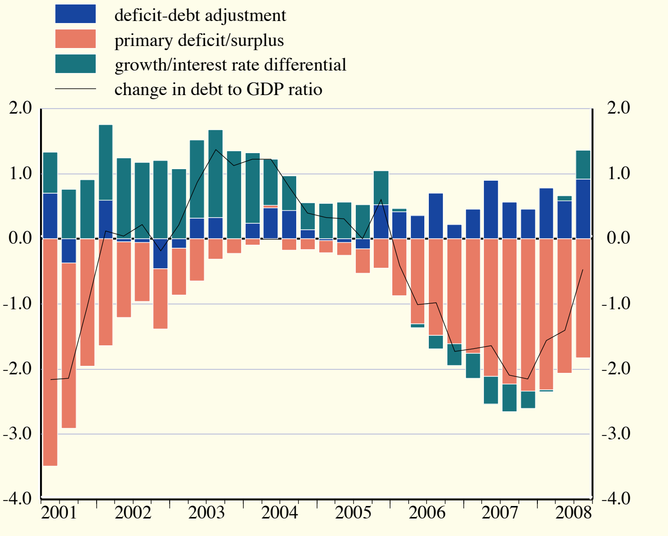
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2005 Q4	-0.6	-1.4	-2.0	-0.4	0.0	0.0	-0.3	-0.1	0.0	-1.5	-0.6
2006 Q1	4.8	-2.9	1.9	1.2	1.0	0.1	0.6	-0.5	-0.4	1.0	5.1
Q2	3.3	0.2	3.5	3.2	2.5	0.0	0.4	0.2	0.6	-0.3	2.6
Q3	1.2	-1.7	-0.5	-0.8	-0.7	-0.1	0.2	-0.1	0.2	0.1	1.0
Q4	-2.8	-0.9	-3.7	-2.2	-1.4	-0.6	-0.2	-0.2	-0.1	-1.4	-2.7
2007 Q1	4.9	-2.2	2.7	2.1	1.0	0.1	0.6	0.3	-0.2	0.8	5.1
Q2	3.6	1.4	5.1	4.8	4.1	0.0	0.5	0.2	0.1	0.2	3.6
Q3	-0.4	-1.3	-1.8	-1.6	-2.1	0.2	0.4	0.0	0.0	-0.2	-0.4
Q4	-3.4	-0.5	-3.9	-2.9	-2.2	-0.1	-0.6	0.0	-0.1	-0.9	-3.3
2008 Q1	6.1	-2.2	3.9	2.2	1.9	0.0	0.1	0.3	0.0	1.7	6.2
Q2	3.8	0.4	4.1	2.4	2.0	0.2	0.1	0.0	0.1	1.7	3.7
Q3	2.0	-2.4	-0.4	-0.7	-1.6	0.1	0.2	0.6	0.5	-0.1	1.5

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)



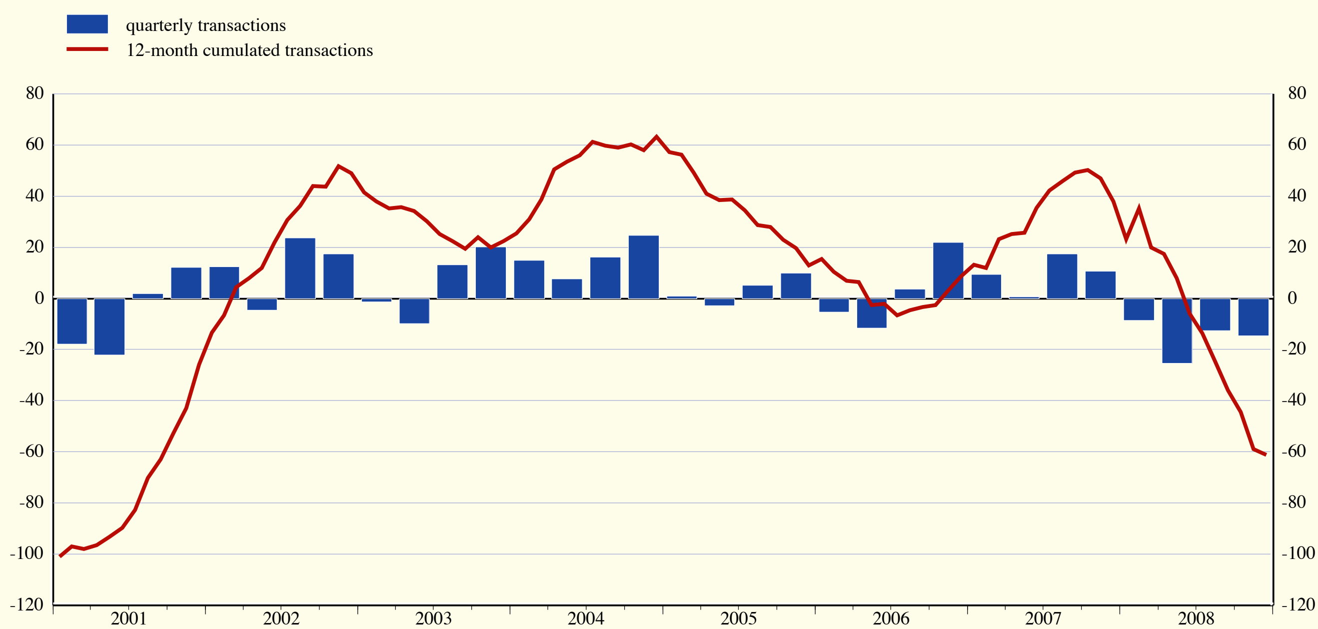
Source: ECB calculations based on Eurostat and national data.
1) The data refer to the Euro 15.
2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Summary balance of payments [1]
(EUR billions; net transactions)

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	8.5	19.8	44.1	23.8	-79.2	9.3	17.9	137.8	-156.7	290.4	3.0	1.9	-0.9	-155.6
2007	37.8	57.5	53.2	11.1	-84.0	14.0	51.8	29.4	-90.4	137.7	-53.9	41.1	-5.1	-81.3
2008	-61.1	-0.6	50.3	-19.3	-91.5	13.5	-47.6	205.4	-283.9	412.4	-13.4	95.2	-5.0	-157.8
2007 Q4	10.6	10.3	11.2	9.4	-20.3	5.2	15.8	-73.2	25.0	-73.2	-19.1	-10.6	4.7	57.4
2008 Q1	-8.6	-1.5	11.9	8.0	-26.9	6.1	-2.4	-4.4	-107.1	73.8	-21.0	55.0	-5.1	6.8
Q2	-25.3	7.9	14.2	-30.2	-17.2	3.1	-22.1	85.8	-50.6	40.1	-8.6	104.9	0.0	-63.7
Q3	-12.7	-6.7	15.3	2.3	-23.5	1.9	-10.8	33.6	-43.1	109.7	-8.7	-26.0	1.6	-22.8
Q4	-14.6	-0.2	9.0	0.6	-24.0	2.4	-12.2	90.4	-83.0	188.7	24.9	-38.6	-1.5	-78.2
2007 Dec.	3.7	-2.1	3.4	5.8	-3.5	3.0	6.7	-25.6	-11.1	-25.9	-5.3	12.2	4.5	18.9
2008 Jan.	-15.0	-8.1	3.5	0.0	-10.4	2.5	-12.4	5.5	-64.2	58.7	-26.9	44.2	-6.4	7.0
Feb.	9.8	4.8	4.5	4.8	-4.4	2.4	12.2	-25.3	-21.4	0.3	2.5	-11.3	4.5	13.1
Mar.	-3.3	1.8	3.8	3.1	-12.1	1.2	-2.2	15.4	-21.6	14.8	3.4	22.1	-3.2	-13.3
Apr.	-5.1	6.0	3.8	-6.9	-7.9	0.7	-4.4	26.8	-22.9	-14.6	-2.8	70.3	-3.3	-22.4
May	-22.0	-1.2	4.4	-20.1	-5.0	1.9	-20.1	43.8	-8.2	12.2	-10.3	47.5	2.7	-23.7
June	1.8	3.1	6.0	-3.1	-4.3	0.6	2.4	15.2	-19.5	42.6	4.6	-13.0	0.5	-17.5
July	0.3	1.5	5.4	1.3	-7.9	0.9	1.1	28.8	-12.8	25.5	0.1	18.3	-2.3	-30.0
Aug.	-9.1	-6.7	4.8	0.3	-7.6	0.5	-8.6	-6.1	-8.8	11.2	-8.7	-2.0	2.3	14.7
Sep.	-3.8	-1.5	5.0	0.7	-8.1	0.5	-3.3	10.8	-21.5	73.1	-0.1	-42.3	1.6	-7.5
Oct.	-4.2	3.0	3.6	0.2	-11.0	0.0	-4.2	75.1	-13.9	120.3	25.4	-48.2	-8.6	-70.9
Nov.	-11.8	-3.6	2.4	-1.4	-9.3	1.5	-10.4	4.6	-52.5	50.3	-1.8	9.3	-0.7	5.7
Dec.	1.4	0.4	2.9	1.8	-3.7	0.9	2.4	10.7	-16.6	18.0	1.3	0.2	7.8	-13.1
	12-month cumulated transactions													
2008 Dec.	-61.1	-0.6	50.3	-19.3	-91.5	13.5	-47.6	205.4	-283.9	412.4	-13.4	95.2	-5.0	-157.8

C31 B.o.p. current account balance
(EUR billions)



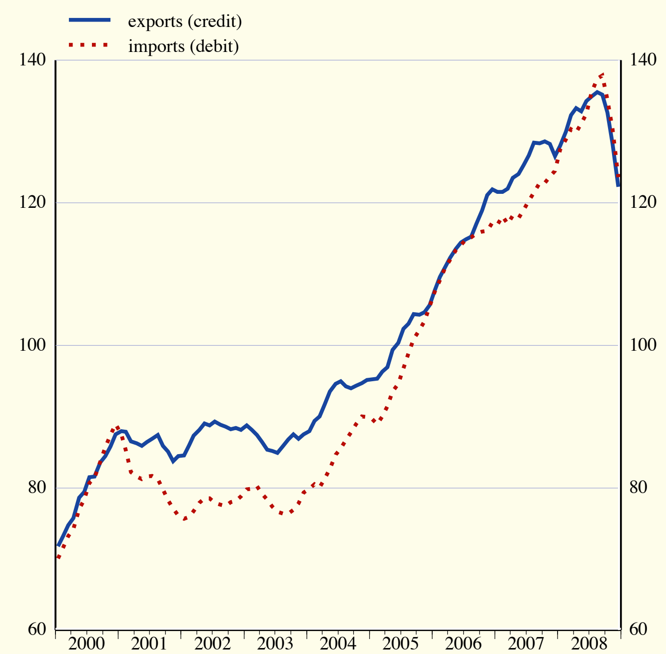
Source: ECB.
1) The sign convention is explained in the general notes.

7.2 Current and capital accounts
(EUR billions; transactions)

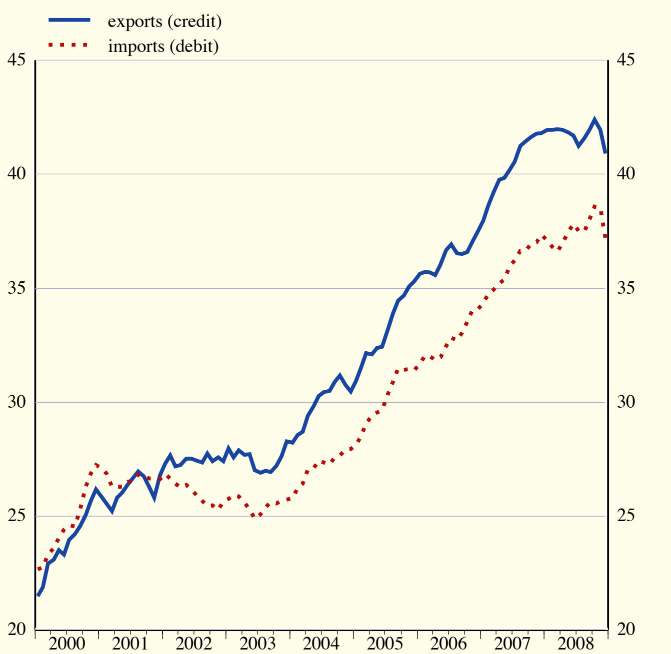
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers remit- tances		Workers remit- tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	2,422.9	2,414.4	8.5	1,391.5	1,371.7	438.8	394.7	504.0	480.2	88.7	5.3	167.8	17.2	23.9	14.5
2007	2,685.8	2,648.0	37.8	1,506.7	1,449.2	488.3	435.1	601.8	590.7	89.0	6.3	173.0	20.2	25.9	11.9
2008	2,772.0	2,833.1	-61.1	1,577.6	1,578.2	500.2	449.9	606.6	625.9	87.5	-	179.1	-	26.5	13.0
2007 Q4	702.8	692.2	10.6	394.0	383.7	126.2	115.0	156.0	146.6	26.6	1.6	46.9	5.5	8.7	3.5
2008 Q1	684.7	693.2	-8.6	389.0	390.5	115.7	103.9	153.6	145.6	26.4	1.5	53.3	5.0	9.0	2.9
Q2	710.6	735.8	-25.3	406.4	398.5	125.1	111.0	157.1	187.3	21.9	1.5	39.1	5.2	7.3	4.1
Q3	699.9	712.6	-12.7	401.0	407.7	135.7	120.5	149.4	147.1	13.7	1.8	37.2	5.2	4.9	3.0
Q4	676.8	691.4	-14.6	381.2	381.4	123.6	114.6	146.5	145.9	25.4	-	49.4	-	5.4	2.9
2008 Oct.	239.9	244.1	-4.2	143.2	140.2	43.9	40.3	48.1	47.9	4.7	.	15.7	.	0.9	0.9
Nov.	214.3	226.1	-11.8	123.0	126.6	38.3	35.9	47.9	49.2	5.0	.	14.3	.	2.2	0.7
Dec.	222.7	221.2	1.4	115.0	114.6	41.4	38.4	50.6	48.8	15.7	.	19.4	.	2.3	1.4
	Seasonally adjusted														
2007 Q4	680.5	684.0	-3.5	379.5	373.5	125.4	112.0	154.5	154.4	21.1	.	44.1	.	.	.
2008 Q1	700.7	707.3	-6.6	396.9	390.8	125.9	109.9	155.6	158.4	22.2	.	48.2	.	.	.
Q2	703.7	711.6	-7.9	402.8	397.4	125.0	113.4	151.0	154.9	24.8	.	45.8	.	.	.
Q3	703.3	724.8	-21.5	405.4	413.6	125.9	114.1	155.2	159.1	16.7	.	38.1	.	.	.
Q4	655.6	682.8	-27.2	366.7	370.7	122.7	111.5	146.0	153.7	20.2	.	46.9	.	.	.
2008 July	236.6	240.3	-3.7	137.9	139.2	40.6	36.7	52.1	51.3	5.9	.	13.2	.	.	.
Aug.	234.3	243.3	-9.0	134.8	138.4	42.8	37.8	51.8	55.0	4.9	.	12.1	.	.	.
Sep.	232.4	241.2	-8.8	132.7	136.0	42.4	39.6	51.3	52.8	6.0	.	12.8	.	.	.
Oct.	228.6	234.6	-6.0	130.5	128.9	41.9	38.3	50.4	51.9	5.8	.	15.4	.	.	.
Nov.	221.0	234.9	-13.9	121.6	125.9	41.5	37.6	52.1	56.0	5.9	.	15.3	.	.	.
Dec.	206.0	213.3	-7.3	114.6	115.9	39.3	35.5	43.6	45.7	8.5	.	16.1	.	.	.

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		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	16.2	9.5	370.9	376.2	147.3	40.2	106.2	-13.3	16.0	16.8	31.5	70.2	82.3	80.9	93.8	102.1
2006	16.8	10.0	487.1	470.2	186.2	44.2	108.2	34.5	20.5	20.0	39.6	99.6	103.5	91.0	137.4	151.4
2007	17.6	10.5	584.3	580.2	210.4	81.2	127.5	34.7	25.9	23.4	45.5	116.5	118.7	114.4	183.8	198.3
2007 Q3	4.3	3.2	144.6	138.1	49.5	24.0	28.9	14.5	6.2	5.5	11.0	24.1	30.1	28.5	47.8	51.1
Q4	4.6	2.7	151.4	143.9	52.9	16.5	30.8	5.4	7.3	6.3	9.2	20.7	32.0	32.4	50.0	53.6
2008 Q1	4.6	2.0	149.0	143.6	53.6	25.9	30.2	14.3	6.6	6.0	9.6	20.9	31.4	33.3	47.9	53.2
Q2	4.3	2.6	152.8	184.7	54.6	16.2	35.3	6.3	7.4	6.7	14.3	58.1	29.8	31.6	46.7	53.0
Q3	4.3	3.2	145.1	144.0	50.6	22.2	30.7	14.9	6.9	5.8	10.1	23.8	31.4	31.4	46.1	52.1

3. Geographical breakdown
(cumulated transactions)

2007 Q4 to 2008 Q3	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,798.0	1,042.0	60.4	86.5	536.3	300.5	58.3	40.4	38.1	85.3	32.9	56.5	99.4	184.7	409.7	809.0
Goods	1,590.4	570.7	36.6	55.9	240.3	238.0	0.0	21.8	18.6	65.3	24.9	33.6	76.7	90.4	194.0	494.3
Services	502.8	177.1	12.3	13.5	115.6	30.1	5.6	6.9	6.8	15.3	6.1	10.8	13.0	48.8	80.5	137.5
Income	616.1	229.8	10.7	15.6	167.1	29.6	6.8	11.5	12.0	4.5	1.9	11.7	9.3	39.3	128.7	167.6
Investment income	598.2	223.4	10.6	15.5	164.9	29.4	3.0	11.4	11.9	4.4	1.9	11.6	9.2	32.5	127.2	164.7
Current transfers	88.7	64.3	0.8	1.5	13.2	2.9	45.9	0.2	0.8	0.3	0.1	0.4	0.3	6.2	6.5	9.6
Capital account	29.9	26.2	0.0	0.1	0.8	0.1	25.2	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.7	1.4
	Debits															
Current account	2,833.9	940.4	48.0	84.8	472.8	234.3	100.6	-	30.3	-	-	102.5	-	177.5	374.7	-
Goods	1,580.4	450.7	29.7	52.8	180.7	187.6	0.0	27.7	13.7	173.1	20.5	55.9	109.8	78.2	141.7	509.1
Services	450.3	139.3	9.1	10.6	87.7	31.6	0.2	5.2	6.7	10.8	4.5	7.9	9.5	38.0	90.7	137.6
Income	626.6	240.1	8.3	20.0	192.7	10.8	8.3	-	8.0	-	-	38.2	-	55.5	136.6	-
Investment income	616.1	233.9	8.3	19.9	191.2	6.2	8.2	-	7.9	-	-	38.1	-	55.0	135.7	-
Current transfers	176.5	110.2	0.8	1.4	11.6	4.3	92.2	1.4	1.9	2.3	0.7	0.5	0.6	5.7	5.5	47.7
Capital account	13.6	2.6	0.0	0.1	1.3	0.3	0.8	0.2	1.1	0.1	0.2	0.1	0.1	0.6	1.3	7.4
	Net															
Current account	-35.9	101.6	12.4	1.8	63.5	66.3	-42.3	-	7.8	-	-	-46.0	-	7.3	35.0	-
Goods	10.0	120.0	6.9	3.1	59.6	50.4	0.0	-5.9	4.9	-107.8	4.4	-22.3	-33.0	12.2	52.3	-14.8
Services	52.5	37.8	3.2	2.9	27.9	-1.5	5.4	1.7	0.0	4.5	1.6	3.0	3.5	10.8	-10.2	-0.1
Income	-10.5	-10.4	2.4	-4.4	-25.6	18.7	-1.5	-	4.0	-	-	-26.5	-	-16.2	-8.0	-
Investment income	-17.9	-10.5	2.4	-4.4	-26.3	23.2	-5.3	-	4.0	-	-	-26.5	-	-22.5	-8.5	-
Current transfers	-87.9	-45.9	0.0	0.1	1.6	-1.4	-46.3	-1.2	-1.1	-2.0	-0.6	-0.1	-0.3	0.5	1.0	-38.0
Capital account	16.3	23.6	0.0	0.0	-0.5	-0.2	24.3	-0.1	-1.0	-0.1	-0.2	-0.1	0.0	-0.2	0.4	-6.0

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2004	8,609.6	9,507.7	-898.1	110.1	121.6	-11.5	2,276.0	2,229.8	3,043.1	4,078.8	-37.3	3,046.9	3,199.1	281.0
2005	10,795.0	11,593.7	-798.7	133.1	143.0	-9.8	2,800.9	2,438.7	3,883.8	5,107.9	-21.4	3,809.2	4,047.1	322.5
2006	12,272.5	13,292.9	-1,020.4	144.3	156.3	-12.0	3,143.7	2,721.3	4,370.2	5,864.9	-20.9	4,451.8	4,706.8	327.7
2007	13,773.8	14,904.4	-1,130.7	154.3	166.9	-12.7	3,542.2	3,084.5	4,653.3	6,339.5	-10.3	5,241.2	5,480.5	347.4
2008 Q2	13,700.3	14,825.4	-1,125.1	150.5	162.8	-12.4	3,653.9	3,090.7	4,433.7	6,042.5	-4.3	5,263.1	5,692.2	353.9
Q3	13,976.9	15,135.1	-1,158.2	152.4	165.0	-12.6	3,767.9	3,128.1	4,302.3	6,064.8	24.7	5,511.1	5,942.2	370.9
	Changes to outstanding amounts													
2004	748.0	878.1	-130.2	9.6	11.2	-1.7	106.5	145.6	387.4	492.7	-17.3	297.1	239.8	-25.7
2005	2,185.4	2,086.0	99.4	26.9	25.7	1.2	524.9	208.9	840.7	1,029.0	15.9	762.3	848.0	41.5
2006	1,477.5	1,699.2	-221.7	17.4	20.0	-2.6	342.8	282.5	486.4	757.0	0.5	642.6	659.7	5.2
2007	1,501.3	1,611.5	-110.2	16.8	18.1	-1.2	398.5	363.2	283.1	474.6	10.7	789.4	773.7	19.7
2008 Q2	-32.1	-11.3	-20.8	-1.4	-0.5	-0.9	40.9	16.2	81.6	-36.3	-12.4	-139.7	8.9	-2.5
Q3	276.6	309.7	-33.1	12.2	13.6	-1.5	114.0	37.4	-131.3	22.3	29.0	248.0	250.1	17.0
	Transactions													
2005	1,330.7	1,341.4	-10.8	16.4	16.5	-0.1	359.8	152.3	414.4	543.6	17.3	556.8	645.5	-17.7
2006	1,686.4	1,824.1	-137.8	19.8	21.4	-1.6	415.6	258.9	533.9	824.2	-3.0	739.1	741.0	0.9
2007	1,873.1	1,902.5	-29.4	21.0	21.3	-0.3	455.3	364.9	440.6	578.3	53.9	918.3	959.3	5.1
2008	358.3	563.6	-205.4	3.9	6.1	-2.2	334.3	50.4	-30.0	382.4	13.4	35.7	130.9	5.0
2008 Q2	78.2	164.0	-85.8	3.4	7.1	-3.7	40.1	-10.5	132.2	172.3	8.6	-102.8	2.2	0.0
Q3	124.2	157.8	-33.6	5.5	6.9	-1.5	78.7	35.6	-64.0	45.8	8.7	102.4	76.4	-1.6
Q4	-381.9	-291.5	-90.4	.	.	.	63.9	-19.1	-167.6	21.1	-24.9	-254.8	-293.5	1.5
2008 Aug.	34.6	28.5	6.1	.	.	.	17.5	8.7	15.8	27.0	8.7	-5.2	-7.2	-2.3
Sep.	45.0	55.8	-10.8	.	.	.	37.5	15.9	-88.1	-15.0	0.1	97.2	54.9	-1.6
Oct.	-89.8	-14.7	-75.1	.	.	.	15.7	1.8	-130.9	-10.5	-25.4	42.2	-6.0	8.6
Nov.	-52.8	-48.2	-4.6	.	.	.	36.1	-16.4	-1.4	48.9	1.8	-90.0	-80.7	0.7
Dec.	-239.3	-228.6	-10.7	.	.	.	12.1	-4.6	-35.4	-17.3	-1.3	-206.9	-206.7	-7.8
	Other changes													
2004	-73.3	83.9	-157.2	-0.9	1.1	-2.0	-63.1	57.0	41.3	75.0	-25.8	-12.4	-48.1	-13.3
2005	854.7	744.6	110.1	10.5	9.2	1.4	165.1	56.6	426.3	485.4	-1.4	205.5	202.5	59.2
2006	-208.9	-125.0	-84.0	-2.5	-1.5	-1.0	-72.8	23.6	-47.5	-67.2	3.5	-96.5	-81.4	4.3
2007	-371.8	-291.0	-80.8	-4.2	-3.3	-0.9	-56.8	-1.7	-157.5	-103.7	-43.2	-128.9	-185.6	14.6
	Other changes due to exchange rate changes													
2004	-174.7	-97.2	-77.5	-2.2	-1.2	-1.0	-37.3	8.9	-66.7	-52.8	.	-61.4	-53.3	-9.3
2005	389.8	210.0	179.8	4.8	2.6	2.2	90.2	-22.2	153.4	118.2	.	127.5	114.0	18.7
2006	-346.4	-203.8	-142.6	-4.1	-2.4	-1.7	-73.2	14.2	-152.8	-116.8	.	-105.2	-101.1	-15.2
2007	-534.8	-238.8	-296.0	-6.0	-2.7	-3.3	-114.3	33.6	-222.3	-125.8	.	-183.3	-146.5	-14.9
	Other changes due to price changes													
2004	113.1	222.1	-109.0	1.4	2.8	-1.4	34.4	26.4	107.5	195.7	-25.8	.	.	-3.1
2005	304.8	333.8	-29.0	3.8	4.1	-0.4	67.0	51.4	197.1	282.4	-1.4	.	.	42.1
2006	319.1	296.3	22.8	3.8	3.5	0.3	67.7	41.7	231.7	254.6	3.5	.	.	16.2
2007	179.4	-63.3	242.8	2.0	-0.7	2.7	32.3	13.0	158.7	-76.3	-43.2	.	.	31.7
	Other changes due to other adjustments													
2004	-11.6	-40.9	29.3	-0.1	-0.5	0.4	-60.3	21.7	0.4	-67.8	.	49.1	5.2	-0.8
2005	159.4	200.8	-41.4	2.0	2.5	-0.5	8.0	27.4	75.7	84.8	.	77.9	88.5	-2.2
2006	-181.3	-217.5	36.3	-2.1	-2.6	0.4	-67.3	-32.3	-126.3	-205.0	.	8.6	19.8	3.7
2007	-16.1	11.1	-27.2	-0.2	0.1	-0.3	25.2	-48.3	-93.8	98.5	.	54.4	-39.1	-1.9
	Growth rates of outstanding amounts													
2004	10.3	9.1	-	.	.	.	7.8	4.2	12.8	11.5	.	11.2	9.7	-4.1
2005	14.9	13.7	-	.	.	.	15.2	6.8	13.1	12.8	.	17.7	19.6	-5.8
2006	15.8	15.9	-	.	.	.	14.9	10.6	14.0	16.3	.	19.5	18.4	0.2
2007	15.3	14.2	-	.	.	.	14.5	13.4	10.1	9.8	.	20.7	20.4	1.6
2008 Q2	9.9	10.0	-	.	.	.	12.1	8.2	7.7	7.0	.	10.0	14.8	1.4
Q3	7.9	7.5	-	.	.	.	10.9	6.6	5.2	6.4	.	7.6	9.5	-0.4
Q4	2.6	3.8	.	.	.	.	9.5	1.6	-1.0	6.3	.	0.7	2.5	1.4

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

7.3 Financial account

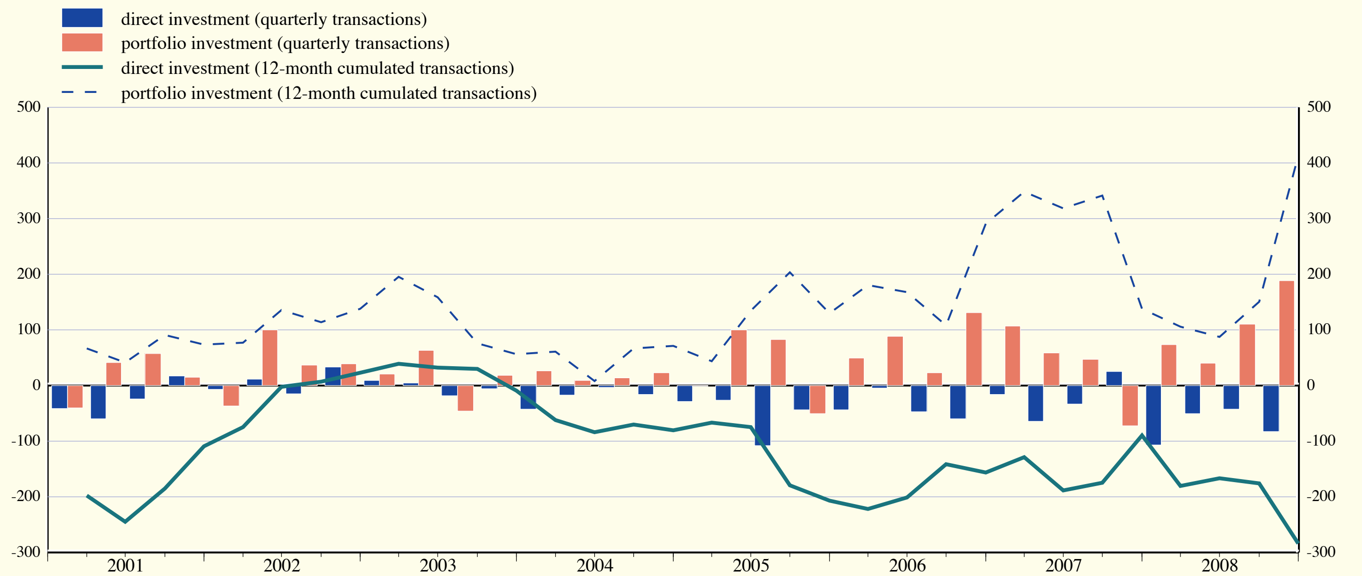
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	into MFIs	into Non-MFIs	Total	to MFIs	to Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2006	3,143.7	2,551.1	219.1	2,332.0	592.6	2.3	590.4	2,721.3	2,085.7	65.1	2,020.6	635.5	9.7	625.9
2007	3,542.2	2,858.8	248.4	2,610.3	683.4	6.4	677.1	3,084.5	2,338.4	68.4	2,270.0	746.1	14.9	731.1
2008 Q2	3,653.9	2,910.4	259.0	2,651.3	743.5	6.6	736.9	3,090.7	2,334.4	63.2	2,271.2	756.3	19.1	737.2
Q3	3,767.9	3,001.5	260.8	2,740.7	766.4	6.7	759.7	3,128.1	2,348.7	64.7	2,284.0	779.4	18.2	761.1
	Transactions													
2007	455.3	354.4	28.4	326.1	100.9	-0.6	101.5	364.9	250.7	4.4	246.4	114.2	1.4	112.7
2008	334.3	225.7	22.2	203.6	108.6	0.0	108.6	50.4	52.7	-1.8	54.5	-2.3	2.0	-4.3
2008 Q2	40.1	14.9	8.8	6.1	25.3	-1.8	27.1	-10.5	-8.2	-2.3	-5.9	-2.3	1.0	-3.3
Q3	78.7	60.0	-5.6	65.6	18.8	-0.2	19.0	35.6	21.2	0.6	20.5	14.5	0.5	14.0
Q4	63.9	37.1	8.9	28.1	26.8	-0.3	27.1	-19.1	1.9	-0.2	2.0	-21.0	0.4	-21.4
2008 Aug.	17.5	21.7	2.9	18.7	-4.2	-1.2	-3.0	8.7	7.9	0.3	7.7	0.8	-0.1	0.9
Sep.	37.5	21.1	4.9	16.2	16.4	-0.6	17.0	15.9	10.5	0.2	10.2	5.5	0.2	5.3
Oct.	15.7	13.5	3.0	10.5	2.2	0.0	2.3	1.8	3.6	-0.8	4.5	-1.8	0.2	-2.0
Nov.	36.1	16.3	3.1	13.2	19.8	0.2	19.5	-16.4	-5.7	0.3	-5.9	-10.8	0.2	-10.9
Dec.	12.1	7.3	2.8	4.4	4.8	-0.5	5.3	-4.6	3.9	0.4	3.5	-8.5	0.0	-8.4
	Growth rates													
2006	14.9	14.4	22.1	13.7	17.3	-2.9	17.4	10.6	12.2	9.5	12.3	5.8	-1.0	5.9
2007	14.5	13.9	12.7	14.0	17.0	-88.7	17.3	13.4	12.0	7.0	12.2	18.0	8.7	18.1
2008 Q2	12.1	10.9	13.8	10.6	17.1	6.1	17.2	8.2	7.0	1.3	7.2	12.4	16.9	12.3
Q3	10.9	9.7	3.6	10.3	15.6	11.5	15.7	6.6	5.4	0.1	5.6	10.6	16.9	10.5
Q4	9.5	8.0	9.0	7.9	15.9	-0.7	16.1	1.6	2.3	-2.8	2.4	-0.3	13.0	-0.5

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									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2006	4,370.2	1,936.0	127.7	2.8	1,808.2	37.0	2,056.7	875.1	11.2	1,181.6	14.1	377.5	309.9	9.2	67.7	0.2
2007	4,653.3	1,984.2	145.1	2.4	1,839.1	44.6	2,232.5	937.9	13.9	1,294.6	17.0	436.6	349.5	32.6	87.1	0.5
2008 Q2	4,433.7	1,689.4	94.9	2.7	1,594.5	40.1	2,244.1	963.8	18.0	1,280.3	18.4	500.2	411.0	56.7	89.2	0.8
Q3	4,302.3	1,525.0	93.9	2.7	1,431.1	39.0	2,276.1	982.8	16.8	1,293.3	19.4	501.2	401.4	58.6	99.8	0.7
	Transactions															
2007	440.6	81.1	36.2	-0.4	44.8	5.4	283.3	154.0	3.5	129.3	2.2	76.2	67.3	23.7	8.8	0.3
2008	-30.0	-129.1	-65.2	0.6	-64.0	-	93.7	39.3	10.1	54.3	-	5.4	25.0	26.4	-19.6	-
2008 Q2	132.2	31.3	-5.5	0.1	36.8	0.8	92.5	37.3	8.3	55.2	1.5	8.4	18.2	20.9	-9.8	0.1
Q3	-64.0	-50.9	-4.4	0.1	-46.4	0.6	16.8	-2.3	-1.1	19.1	1.1	-29.9	-33.4	-1.2	3.5	-0.2
Q4	-167.6	-65.2	-14.3	0.4	-50.8	-	-54.8	-25.5	-0.5	-29.3	-	-47.7	-19.0	-0.3	-28.7	-
2008 Aug.	15.8	-12.8	-1.5	0.0	-11.3	.	15.7	8.4	-0.1	7.3	.	12.9	6.8	-0.5	6.1	.
Sep.	-88.1	-30.8	-9.1	0.0	-21.6	.	-3.0	-7.4	-1.0	4.4	.	-54.4	-51.8	-0.3	-2.6	.
Oct.	-130.9	-49.0	-11.6	0.0	-37.4	.	-30.9	-13.0	-0.2	-17.9	.	-51.0	-30.5	0.0	-20.5	.
Nov.	-1.4	-2.6	2.5	0.3	-5.2	.	-2.2	-2.5	-0.1	0.4	.	3.4	3.2	-0.3	0.2	.
Dec.	-35.4	-13.6	-5.3	0.1	-8.3	.	-21.7	-9.9	-0.2	-11.8	.	0.0	8.3	0.0	-8.4	.
	Growth rates															
2006	14.0	9.0	17.5	0.9	8.4	22.1	17.4	24.3	26.1	12.9	9.4	21.6	22.5	1,019.8	20.4	-27.3
2007	10.1	4.1	29.2	-13.1	2.4	14.0	13.8	17.9	32.5	10.8	15.9	20.5	22.2	251.2	12.8	173.4
2008 Q2	7.7	1.4	-27.2	0.6	3.7	8.0	10.5	11.4	83.6	9.8	19.6	21.3	29.7	236.0	-10.2	-93.6
Q3	5.2	-2.5	-25.6	6.6	-0.7	4.5	9.7	10.4	62.7	9.3	21.5	16.9	22.8	157.9	-6.4	-94.8
Q4	-1.0	-7.5	-44.6	26.3	-4.3	-	4.2	4.2	49.3	4.3	-	1.4	7.2	105.8	-22.1	-

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2006	5,864.9	2,910.7	657.5	2,253.2	2,655.3	955.2	1,702.4	1,015.4	298.9	125.8	173.3	138.0
2007	6,339.5	3,103.1	754.7	2,348.4	2,916.8	1,129.5	1,787.2	1,109.3	319.6	153.3	166.2	142.5
2008 Q2	6,042.5	2,661.7	738.1	1,923.6	3,015.1	1,095.4	1,919.7	1,161.7	365.8	171.1	194.6	171.0
Q3	6,064.8	2,383.7	741.6	1,642.1	3,225.5	1,173.1	2,052.4	1,260.8	455.6	177.5	278.2	229.9
	Transactions											
2007	578.3	96.0	76.1	19.6	446.4	232.6	213.8	152.0	35.9	37.6	-1.8	3.2
2008	382.4	-62.3	76.1	-138.4	281.9	59.3	222.7	-	162.8	-43.3	206.1	-
2008 Q2	172.3	-17.9	17.1	-35.0	169.4	67.9	101.5	43.9	20.9	2.2	18.7	10.7
Q3	45.8	-92.6	-18.4	-74.2	69.1	11.8	57.3	55.6	69.3	-4.1	73.4	53.0
Q4	21.1	2.1	4.3	-2.1	-34.8	-43.5	8.6	-	53.8	-45.8	99.6	-
2008 Aug.	27.0	-8.0	.	.	35.1	.	.	.	-0.1	.	.	.
Sep.	-15.0	-88.7	.	.	29.1	.	.	.	44.5	.	.	.
Oct.	-10.5	-42.8	.	.	-23.0	.	.	.	55.2	.	.	.
Nov.	48.9	33.4	.	.	19.4	.	.	.	-3.8	.	.	.
Dec.	-17.3	11.6	.	.	-31.2	.	.	.	2.4	.	.	.
	Growth rates											
2006	16.3	12.2	17.3	10.8	23.1	25.9	21.4	15.1	0.9	18.7	-9.6	-12.1
2007	9.8	3.3	11.3	0.9	16.9	24.6	12.6	15.0	11.8	30.5	0.3	3.8
2008 Q2	7.0	0.1	11.4	-3.5	14.0	16.1	12.8	16.3	7.8	21.4	0.5	3.0
Q3	6.4	-3.6	5.0	-6.6	14.0	12.5	14.9	18.0	25.3	18.1	33.6	28.2
Q4	6.3	-2.6	10.1	-6.7	9.9	5.4	12.6	-	48.9	-24.6	123.5	-

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2006	4,451.8	13.4	12.6	0.7	2,941.2	2,878.3	62.8	119.6	14.2	57.8	15.4	1,377.7	187.6	1,062.7	395.8
2007	5,241.2	38.2	37.6	0.7	3,350.5	3,279.1	71.4	106.7	12.7	47.7	13.5	1,745.7	190.8	1,388.4	441.9
2008 Q2	5,263.1	34.2	33.9	0.3	3,363.7	3,287.6	76.2	105.7	12.4	47.4	17.0	1,759.5	200.2	1,356.2	382.1
Q3	5,511.1	33.4	33.1	0.3	3,563.7	3,487.8	75.8	99.8	12.3	39.0	8.7	1,814.2	201.9	1,388.9	384.5
	Transactions														
2007	918.3	21.9	22.0	0.0	555.0	547.6	7.4	-7.6	-1.4	-7.1	-2.0	348.9	13.5	293.5	37.5
2008	35.7	-8.4	-	-	-35.7	-	-	-6.4	-	-	-5.9	86.3	-	-	-43.3
2008 Q2	-102.8	-9.4	-9.4	0.0	-101.7	-102.7	0.9	6.2	-0.4	5.9	5.6	2.2	10.8	-21.1	-48.2
Q3	102.4	-2.0	-2.0	0.0	81.2	81.3	0.0	-8.0	-0.1	-8.8	-8.3	31.2	4.5	6.9	-2.4
Q4	-254.8	-6.4	-	-	-233.7	-	-	0.3	-	-	-2.0	-15.0	-	-	-5.5
2008 Aug.	-5.2	-1.2	.	.	0.8	.	.	-1.1	.	.	-0.2	-3.6	.	.	-10.4
Sep.	97.2	-0.2	.	.	71.6	.	.	1.9	.	.	1.1	23.9	.	.	3.5
Oct.	42.2	-6.4	.	.	26.7	.	.	0.3	.	.	-2.8	21.6	.	.	15.0
Nov.	-90.0	2.4	.	.	-90.2	.	.	7.3	.	.	8.1	-9.5	.	.	0.6
Dec.	-206.9	-2.4	.	.	-170.1	.	.	-7.3	.	.	-7.2	-27.2	.	.	-21.1
	Growth rates														
2006	19.5	-39.4	-40.8	3.1	21.1	21.3	10.5	-5.6	-26.1	-4.6	24.4	20.0	3.4	24.5	8.6
2007	20.7	165.6	174.8	-3.4	19.0	19.1	11.7	-6.4	-9.8	-12.4	-13.1	25.2	7.3	27.4	9.5
2008 Q2	10.0	27.1	28.1	-4.1	7.6	7.6	6.2	-12.1	-9.9	-23.1	-34.1	16.6	12.4	16.2	-9.4
Q3	7.6	2.2	2.6	0.2	7.7	7.6	10.3	-5.2	-8.9	-13.7	-31.3	8.2	14.0	3.9	-11.5
Q4	0.7	-25.5	-	-	-1.1	-	-	-6.1	-	-	-46.3	5.0	-	-	-9.9

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)														
2006	4,706.8	115.9	115.6	0.2	3,483.9	3,429.5	54.4	50.7	0.0	46.6	4.1	1,056.2	146.1	818.3	91.8
2007	5,480.5	201.2	201.0	0.2	3,938.2	3,871.1	67.1	50.9	0.0	45.7	5.2	1,290.2	157.6	1,023.2	109.4
2008 Q2	5,692.2	258.9	258.6	0.3	4,078.7	4,009.8	68.9	49.1	0.0	45.5	3.6	1,305.5	169.2	1,031.9	104.4
Q3	5,942.2	370.5	370.2	0.3	4,195.2	4,126.0	69.2	51.8	0.0	47.8	4.0	1,324.7	171.1	1,041.5	112.1
	Transactions														
2007	959.3	91.4	91.4	0.0	635.8	631.0	4.8	-1.2	0.0	-2.0	0.8	233.4	9.7	227.5	-3.9
2008	130.9	280.1	-	-	-195.6	-	-	8.8	-	-	-	37.6	-	-	-
2008 Q2	2.2	41.0	41.2	-0.1	-25.4	-23.4	-2.1	-1.0	0.0	-1.5	0.4	-12.4	6.3	-11.8	-6.9
Q3	76.4	106.2	106.1	0.1	-27.7	-30.5	2.8	2.0	0.0	2.0	0.1	-4.2	1.3	-8.2	2.8
Q4	-293.5	111.5	-	-	-426.2	-	-	8.8	-	-	-	12.4	-	-	-
2008 Aug.	-7.2	2.0	.	.	2.1	.	.	-1.8	.	.	.	-9.5	.	.	.
Sep.	54.9	105.5	.	.	-47.4	.	.	1.9	.	.	.	-5.1	.	.	.
Oct.	-6.0	131.6	.	.	-179.0	.	.	6.8	.	.	.	34.6	.	.	.
Nov.	-80.7	-30.8	.	.	-57.6	.	.	2.6	.	.	.	5.0	.	.	.
Dec.	-206.7	10.8	.	.	-189.7	.	.	-0.6	.	.	.	-27.2	.	.	.
	Growth rates														
2006	18.4	22.7	22.7	5.7	16.2	16.2	13.3	4.0	-24.1	4.7	-3.2	26.9	9.5	31.6	17.5
2007	20.4	79.6	79.8	-6.9	18.4	18.5	8.8	-2.3	29.4	-4.2	16.4	21.6	6.7	27.9	-2.3
2008 Q2	14.8	72.4	72.5	-6.3	11.7	11.9	3.1	-9.4	26.7	-7.2	-30.3	18.5	10.4	23.6	-8.8
Q3	9.5	126.4	126.6	10.3	7.2	7.2	5.6	-11.0	59.5	-8.1	-36.0	2.5	9.5	2.6	-7.6
Q4	2.5	141.3	-	-	-4.9	-	-	16.9	-	-	-	2.9	-	-	-

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
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	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.8	20.3	0.5	0.0	44.1	-38.5
2008 Q1	356.3	208.4	353.060	4.3	3.4	140.1	6.6	26.8	105.9	0.5	89.8	15.6	0.9	0.1	36.7	-37.3
Q2	353.9	207.9	352.314	4.3	4.0	137.7	7.4	24.0	105.6	0.5	89.9	15.2	0.6	0.0	59.4	-59.2
Q3	370.9	216.8	350.634	4.6	4.0	145.4	11.6	18.2	117.8	0.5	100.0	17.2	-2.1	0.0	188.9	-185.3
2008 Nov.	393.4	223.8	349.718	5.0	7.1	157.5	9.1	12.8	139.1	-	-	-	-3.5	0.0	254.9	-245.5
Dec.	383.9	217.0	349.190	4.7	7.3	154.8	7.6	8.0	129.5	-	-	-	9.7	0.1	253.4	-245.4
2009 Jan.	409.9	251.2	350.157	5.0	7.7	145.9	6.1	6.2	137.0	-	-	-	-3.4	0.1	213.6	-197.4
	Transactions															
2006	0.9	-4.2	-	0.5	-5.2	9.8	-6.1	2.4	13.6	0.0	19.3	-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	5.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2008 Q2	0.0	-0.4	-	0.0	0.7	-0.2	0.7	-2.9	2.0	0.0	1.7	0.3	-0.1	-0.1	-	-
Q3	-1.6	-0.3	-	0.1	-0.2	-1.3	4.5	-7.7	1.7	0.0	1.8	-0.1	0.3	0.0	-	-
Q4	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates															
2005	-5.8	-2.8	-	4.4	-44.7	-3.8	-2.0	-23.7	1.6	2.2	6.9	-7.9	20.5	-	-	-
2006	0.2	-2.4	-	11.6	-48.8	7.2	-48.4	10.6	13.1	0.0	28.4	-15.3	-73.2	-	-	-
2007	1.6	-1.7	-	7.3	-18.2	6.3	15.0	6.2	5.7	1.1	18.5	-27.5	-59.1	-	-	-
2008 Q2	1.4	-1.4	-	-2.4	2.7	5.3	27.2	-3.6	6.4	165.8	17.3	-33.7	-47.9	-	-	-
Q3	-0.4	-1.3	-	-1.5	6.1	0.8	51.2	-36.7	6.1	81.6	16.6	-33.3	67.2	-	-	-
Q4	1.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

7.3 Financial account

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

8. Geographical breakdown

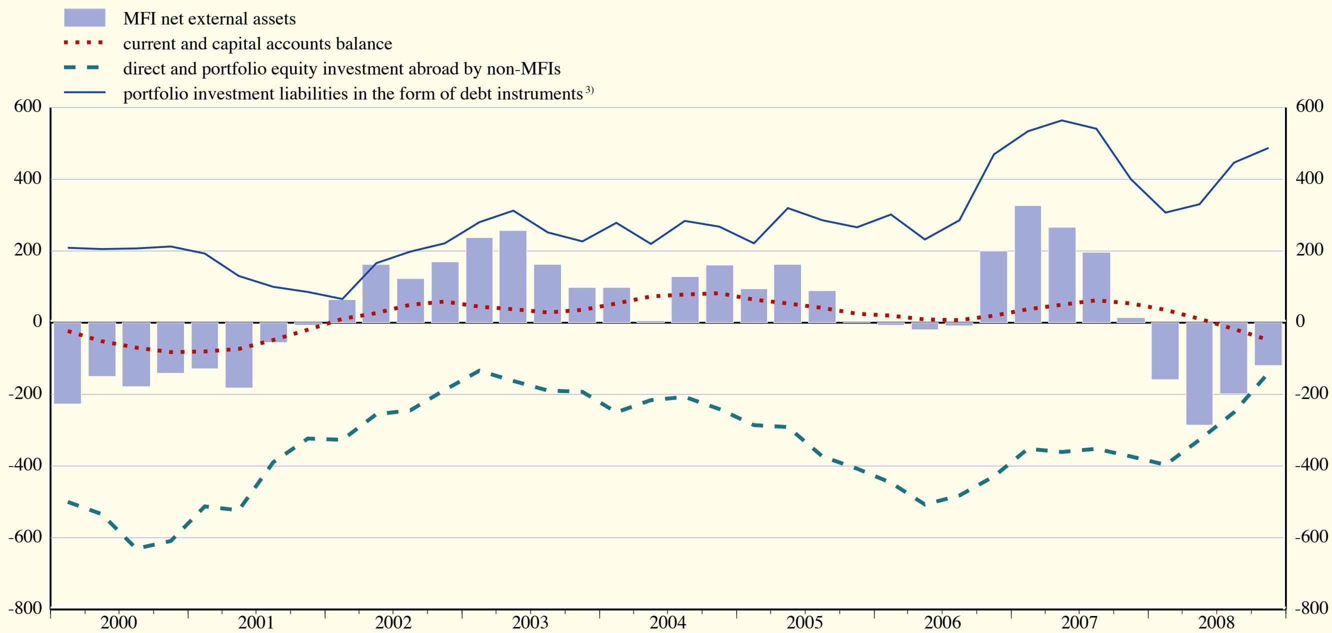
	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	Outstanding amounts (international investment position)														
Direct investment	457.7	-77.0	-3.7	-32.7	-277.5	237.2	-0.3	23.7	27.1	-10.8	113.1	-66.7	-37.3	-0.2	485.7
Abroad	3,542.2	1,302.0	37.1	82.5	916.1	266.2	0.0	91.6	30.7	69.1	350.1	684.4	391.6	0.0	622.6
Equity/reinvested earnings	2,858.8	1,027.4	32.3	55.2	709.9	230.0	0.0	67.8	24.1	57.8	292.5	525.9	366.1	0.0	497.3
Other capital	683.4	274.7	4.9	27.3	206.2	36.3	0.0	23.8	6.6	11.4	57.6	158.6	25.5	0.0	125.3
In the euro area	3,084.5	1,379.0	40.8	115.2	1,193.6	29.0	0.3	67.9	3.7	79.9	236.9	751.1	428.8	0.2	136.9
Equity/reinvested earnings	2,338.4	1,124.2	33.4	93.6	987.8	9.2	0.2	56.6	0.9	65.7	181.3	552.1	267.6	0.0	90.0
Other capital	746.1	254.8	7.4	21.6	205.8	19.9	0.1	11.3	2.7	14.3	55.6	199.0	161.2	0.2	46.9
Portfolio investment assets	4,653.3	1,374.6	68.2	139.3	995.2	101.4	70.5	82.5	42.0	241.9	132.3	1,489.3	630.2	26.8	633.8
Equity	1,984.2	415.2	11.4	45.9	335.3	22.0	0.5	20.2	39.5	141.6	115.7	634.9	285.3	0.9	330.9
Debt instruments	2,669.0	959.4	56.8	93.4	659.9	79.4	70.0	62.3	2.5	100.2	16.6	854.4	344.9	25.9	302.8
Bonds and notes	2,232.5	784.2	52.7	78.2	505.4	78.5	69.4	58.6	2.2	63.5	12.9	710.7	303.1	24.8	272.5
Money market instruments	436.6	175.2	4.0	15.1	154.5	0.8	0.7	3.6	0.3	36.7	3.8	143.8	41.8	1.1	30.4
Other investment	-239.3	-152.6	-155.4	-8.7	121.7	54.4	-164.6	-66.0	-45.2	-31.5	-54.7	-73.1	-91.2	-23.3	298.3
Assets	5,241.2	2,581.4	104.4	72.2	2,241.7	152.3	10.8	23.5	35.0	81.3	266.1	838.0	516.8	57.5	841.7
General government	106.7	21.6	0.8	0.1	10.3	1.2	9.2	0.0	1.8	0.2	0.1	3.1	1.4	38.3	40.4
MFIs	3,388.7	1,924.7	86.7	52.1	1,663.2	121.9	0.8	15.0	15.3	45.0	157.5	409.6	353.5	18.7	449.4
Other sectors	1,745.7	635.2	16.9	20.0	568.2	29.2	0.9	8.5	17.9	36.1	108.5	425.3	161.9	0.5	351.9
Liabilities	5,480.5	2,734.0	259.8	80.9	2,120.0	97.9	175.5	89.5	80.2	112.8	320.7	911.0	608.0	80.8	543.4
General government	50.9	28.4	0.0	0.3	2.4	0.0	25.6	0.0	0.0	0.5	0.8	6.3	0.3	11.5	3.1
MFIs	4,139.4	2,142.0	249.6	58.3	1,659.9	72.4	101.8	81.5	62.2	89.0	247.6	525.1	523.7	66.7	401.7
Other sectors	1,290.2	563.6	10.2	22.3	457.7	25.5	48.0	8.0	18.0	23.3	72.3	379.7	84.0	2.6	138.6
2007 Q4 to 2008 Q3	Cumulated transactions														
Direct investment	175.9	49.0	0.7	0.6	26.7	21.0	0.0	0.4	4.4	13.6	33.6	-11.2	34.2	0.0	52.1
Abroad	372.3	78.1	2.9	9.1	38.0	28.0	0.0	5.8	4.1	13.8	44.7	60.4	80.2	0.0	85.3
Equity/reinvested earnings	269.1	53.3	2.1	6.5	28.9	15.8	0.0	4.6	3.8	6.0	34.3	44.8	69.6	0.0	52.6
Other capital	103.3	24.8	0.8	2.6	9.1	12.2	0.0	1.2	0.3	7.8	10.4	15.5	10.6	0.0	32.7
In the euro area	196.4	29.1	2.1	8.5	11.4	7.1	0.0	5.4	-0.2	0.3	11.1	71.6	46.0	0.0	33.2
Equity/reinvested earnings	122.7	33.3	0.6	5.8	26.2	0.7	0.0	3.3	0.1	3.3	5.0	39.3	25.6	0.0	12.8
Other capital	73.7	-4.3	1.5	2.7	-14.8	6.4	0.0	2.1	-0.4	-3.0	6.1	32.3	20.4	0.0	20.5
Portfolio investment assets	236.7	108.4	3.3	7.6	83.8	10.1	3.6	17.8	5.9	17.2	-13.4	36.2	12.5	-1.1	53.2
Equity	-44.0	-16.4	-0.5	-4.3	-13.5	1.6	0.2	6.3	4.6	-26.3	-13.3	-17.0	20.4	-0.1	-2.0
Debt instruments	280.7	124.9	3.9	11.8	97.3	8.5	3.4	11.4	1.3	43.5	0.0	53.2	-7.9	-1.0	55.2
Bonds and notes	209.5	94.6	2.8	4.2	78.6	7.3	1.7	12.4	0.5	11.6	1.2	52.4	-14.1	-0.1	51.0
Money market instruments	71.1	30.3	1.1	7.7	18.7	1.2	1.6	-1.0	0.8	31.9	-1.2	0.8	6.2	-0.9	4.2
Other investment	-123.2	-165.3	30.7	2.0	-255.1	55.0	2.0	6.7	17.6	4.2	-79.5	-88.5	67.6	18.2	95.7
Assets	390.1	52.4	7.6	7.3	-35.7	67.0	6.2	2.8	8.4	26.9	-57.1	90.5	95.7	7.5	163.1
General government	-5.4	-2.2	-1.3	0.2	-2.0	-0.5	1.4	0.0	-0.1	0.0	0.0	0.1	0.0	0.7	-4.1
MFIs	256.5	11.9	9.0	6.9	-70.6	62.1	4.6	3.3	5.8	29.0	-57.9	92.8	67.0	6.8	97.8
Other sectors	139.1	42.6	-0.1	0.2	36.9	5.5	0.1	-0.5	2.7	-2.1	0.8	-2.4	28.7	0.0	69.4
Liabilities	513.3	217.7	-23.1	5.2	219.4	12.0	4.2	-4.0	-9.2	22.7	22.4	179.1	28.0	-10.8	67.4
General government	-6.2	-5.6	0.0	0.2	-2.7	0.0	-3.1	0.0	0.0	0.0	0.0	-0.8	0.1	0.5	-0.4
MFIs	487.4	205.5	-23.6	2.0	218.2	6.4	2.4	-2.1	-10.4	24.0	26.3	180.6	11.0	-11.1	63.5
Other sectors	32.1	17.8	0.4	3.0	3.9	5.6	4.9	-1.9	1.1	-1.3	-4.0	-0.8	17.0	-0.1	4.3

Source: ECB.

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

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2006	19.8	-381.6	264.2	-286.6	239.7	469.7	-225.9	223.7	3.2	-150.5	175.6	200.3
2007	53.2	-428.5	363.4	-184.1	50.3	399.5	-341.3	232.3	-54.1	-77.6	13.2	14.1
2008	-47.6	-312.2	48.4	29.2	-112.8	487.8	-79.8	46.4	-13.4	-157.8	-111.7	-119.5
2007 Q4	17.3	-107.6	126.1	-19.4	-40.8	33.2	-39.2	0.4	-19.2	61.9	12.7	-6.6
2008 Q1	-2.4	-139.2	44.3	-21.3	4.8	75.3	-63.0	40.7	-21.0	6.8	-75.0	-84.7
Q2	-22.1	-33.2	-11.5	-82.2	-34.0	163.3	-8.4	-13.4	-8.6	-63.7	-113.8	-127.1
Q3	-10.8	-84.5	35.2	23.9	-88.6	174.1	-23.2	-2.1	-8.7	-22.8	-7.6	21.1
Q4	-12.2	-55.2	-19.5	108.8	5.2	75.1	14.7	21.2	24.9	-78.2	84.8	71.2
2007 Dec.	7.4	-23.2	13.7	-5.6	-8.1	-30.1	2.9	-6.6	-5.3	20.4	-34.6	-47.1
2008 Jan.	-12.4	-86.5	28.3	6.4	-9.7	52.8	0.2	26.6	-26.9	7.0	-14.2	-18.1
Feb.	12.2	-34.1	15.8	-4.6	18.9	4.2	-36.1	-9.3	2.5	13.1	-17.4	-18.3
Mar.	-2.2	-18.6	0.2	-23.0	-4.4	18.3	-27.0	23.4	3.4	-13.3	-43.4	-48.2
Apr.	-4.4	12.4	-31.0	-20.1	-42.7	52.0	-5.5	-8.4	-2.8	-22.4	-72.8	-72.3
May	-20.1	-23.1	15.1	-42.9	-1.6	47.3	-2.9	-4.6	-10.3	-23.7	-66.9	-70.2
June	2.4	-22.5	4.5	-19.3	10.3	64.0	0.0	-0.4	4.6	-17.5	26.0	15.4
July	1.1	-35.7	10.6	6.2	-10.6	30.0	-2.2	12.4	0.1	-30.0	-17.9	-1.3
Aug.	-8.6	-15.7	8.8	-2.2	-25.7	33.6	4.7	-11.3	-8.7	14.7	-10.3	-7.4
Sep.	-3.3	-33.2	15.8	19.8	-52.3	110.4	-25.8	-3.2	-0.1	-7.5	20.6	29.8
Oct.	-4.2	-12.7	1.6	75.8	-42.2	57.4	-21.9	41.4	25.4	-70.9	49.7	41.8
Nov.	-10.4	-32.7	-16.6	4.6	12.2	48.1	2.2	7.7	-1.8	5.7	18.9	14.6
Dec.	2.4	-9.7	-4.5	28.5	35.2	-30.4	34.4	-27.8	1.3	-13.1	16.2	14.8
	12-month cumulated transactions											
2008 Dec.	-47.6	-312.2	48.4	29.2	-112.8	487.8	-79.8	46.4	-13.4	-157.8	-111.7	-119.5

C35 Main b.o.p. transactions underlying the developments in MFI net external assets [1]
(EUR billions; 12-month cumulated transactions)



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

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2006	11.7	13.7	1,384.9	686.8	296.5	365.2	1,183.6	1,396.9	856.7	216.5	304.3	943.8	224.6
2007	8.6	6.4	1,504.9	740.9	327.3	396.2	1,277.6	1,483.6	904.9	232.1	326.1	1,016.4	225.4
2008	3.9	7.2	1,561.3	.	.	.	.	1,588.2	.	.	.	.	.
2008 Q1	6.9	8.5	396.7	196.5	84.3	104.3	334.2	397.1	249.0	57.7	82.4	258.7	70.2
Q2	8.4	10.9	397.7	198.1	83.9	103.0	333.2	401.5	254.5	55.2	82.6	256.3	75.2
Q3	5.2	12.1	398.3	197.9	84.8	101.4	328.4	415.1	265.3	58.2	82.9	258.4	84.7
Q4	-4.4	-2.2	368.7	.	.	.	.	374.4	.	.	.	.	.
2008 July	9.2	15.1	134.1	67.2	28.7	34.4	110.3	140.5	90.1	20.3	27.8	86.3	30.8
Aug.	-2.9	5.9	131.3	65.5	26.9	33.0	109.4	136.9	87.7	18.9	27.2	86.4	28.1
Sep.	8.9	15.1	132.9	65.1	29.2	34.1	108.6	137.7	87.5	19.0	27.9	85.7	25.8
Oct.	0.3	3.2	129.1	63.5	28.2	33.1	106.8	130.6	82.4	18.4	27.4	83.9	22.8
Nov.	-11.3	-5.5	120.3	58.0	26.0	30.7	102.0	124.3	76.9	18.5	26.7	83.3	17.1
Dec.	-2.1	-4.8	119.2	.	.	.	.	119.5	.	.	.	.	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2006	7.9	6.0	133.5	133.7	140.3	131.2	134.4	121.0	117.9	128.4	131.2	126.1	110.0
2007	6.3	4.9	141.9	139.7	152.8	140.6	142.3	126.8	120.8	141.6	139.7	134.7	108.4
2008	.	.	.	.	.	.	.	.	.	.	.	.	.
2008 Q1	4.6	0.2	147.7	145.7	156.3	147.1	148.6	128.9	123.0	141.4	139.9	137.0	109.7
Q2	6.9	2.0	147.5	145.5	156.2	145.6	148.5	127.7	120.4	138.8	142.6	137.3	103.0
Q3	2.3	0.9	145.5	142.2	157.0	142.0	144.4	126.3	118.2	145.5	139.4	134.8	107.3
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2008 July	6.4	3.2	146.9	145.1	158.3	144.2	145.4	127.4	119.1	152.4	141.0	136.1	109.0
Aug.	-5.3	-5.2	144.7	141.9	150.3	139.3	145.0	124.8	116.6	143.1	137.9	135.7	106.5
Sep.	5.3	4.6	145.1	139.6	162.3	142.4	142.7	126.7	119.1	140.9	139.3	132.7	106.5
Oct.	-2.9	-3.7	141.2	136.6	155.2	139.2	139.6	123.2	116.4	135.9	136.7	129.6	108.2
Nov.	-14.2	-9.0	131.4	125.0	142.1	129.1	132.3	119.1	113.4	132.3	130.5	126.0	100.9
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index 2005 = 100)	Total					Memo: Manufacturing	Total (index 2005 = 100)	Total					Memo: Manufacturing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	32.2	44.2	20.4	3.2	99.5	100.0	100.0	28.4	27.6	23.7	20.4	81.2
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	103.6	1.4	2.8	1.3	1.3	2.8	1.5	108.4	1.0	2.5	-2.5	0.4	2.3	0.4
2008	106.0	2.4	2.1	0.8	2.7	20.1	2.2	116.2	7.2	1.4	-2.2	1.7	27.9	0.9
2008 Q2	106.1	2.4	1.7	0.2	2.8	30.6	2.3	119.7	11.1	0.6	-2.8	1.0	46.8	1.0
Q3	107.2	3.3	3.0	0.6	2.7	33.5	3.1	121.6	11.4	3.1	-2.5	1.5	42.1	1.9
Q4	105.7	1.7	2.2	1.8	3.1	-11.6	1.7	109.4	-2.0	0.9	-0.9	3.3	-8.6	-0.1
2008 July	107.5	3.5	3.0	0.6	2.7	38.1	3.2	123.9	13.2	2.0	-2.5	1.1	51.0	1.9
Aug.	107.1	3.2	2.9	0.4	2.9	34.6	2.9	121.8	12.1	3.3	-2.7	1.5	46.4	1.9
Sep.	107.2	3.3	3.2	0.9	2.6	27.6	3.1	119.1	8.6	4.1	-2.3	1.9	28.9	1.9
Oct.	106.9	3.1	3.2	1.9	3.3	7.5	2.9	114.6	3.7	3.3	-1.4	3.2	9.2	1.5
Nov.	105.9	1.8	2.2	2.4	3.4	-17.0	1.8	109.4	-2.5	1.0	-0.5	3.8	-11.2	0.1
Dec.	104.4	0.4	1.1	1.0	2.8	-23.8	0.3	104.3	-7.0	-1.7	-0.8	2.8	-22.7	-2.0

Source: Eurostat.

1) Product groups according to the classification by Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups according to the classification of 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 the latter include all goods and services and cover cross-border trade within the euro area.

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	European Union 27 (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2005	1,237.7	29.0	45.2	203.1	153.1	43.6	70.8	34.7	185.1	244.2	43.3	34.2	73.4	46.8	108.8
2006	1,384.9	31.7	49.8	216.6	189.8	55.2	77.3	38.8	199.9	271.8	53.7	34.6	77.8	54.2	122.1
2007	1,504.9	33.8	55.1	228.7	221.3	67.1	82.1	41.0	195.0	296.4	60.3	34.3	87.5	61.4	135.6
2008	1,561.3	.	.	.	.	76.5	85.8	42.2	185.9	307.9	65.2	33.4	100.6	67.7	.
2007 Q3	382.0	8.5	14.0	58.7	56.4	17.3	20.6	10.2	49.2	75.1	15.4	8.6	22.1	15.6	34.3
Q4	383.9	8.5	13.8	57.7	58.0	17.6	20.9	10.7	47.5	76.3	15.7	8.3	22.5	15.5	34.8
2008 Q1	396.7	8.8	14.0	57.3	60.2	19.4	21.0	12.1	49.1	78.9	16.8	8.6	24.0	16.1	35.8
Q2	397.7	8.9	14.1	57.5	60.9	19.7	22.1	11.2	47.0	78.0	17.2	8.5	24.9	16.5	37.0
Q3	398.3	9.0	13.9	55.8	61.6	20.1	21.7	10.7	46.0	76.5	15.8	8.2	26.5	18.0	38.7
Q4	368.7	.	.	.	.	17.3	21.0	8.3	43.8	74.4	15.4	8.2	25.2	17.2	.
2008 July	134.1	3.0	4.8	19.0	20.6	6.8	7.2	3.7	15.0	25.7	5.8	2.8	8.8	6.0	13.5
Aug.	131.3	3.0	4.5	18.6	20.3	6.6	7.2	3.5	15.3	25.4	5.0	2.7	8.9	5.8	12.4
Sep.	132.9	3.0	4.6	18.3	20.6	6.8	7.2	3.5	15.6	25.4	5.0	2.7	8.8	6.2	12.9
Oct.	129.1	2.9	4.5	17.9	19.9	6.6	7.2	3.1	14.9	25.1	5.3	2.7	8.5	6.3	12.3
Nov.	120.3	2.5	3.8	15.9	17.9	5.3	7.0	2.6	14.8	24.7	5.2	2.7	8.3	5.1	12.4
Dec.	119.2	.	.	.	.	5.4	6.9	2.5	14.2	24.6	4.9	2.7	8.4	5.9	.
	% share of total exports														
2008	100.0	.	.	.	.	4.9	5.5	2.7	11.9	19.7	4.2	2.1	6.5	4.3	.
	Imports (c.i.f.)														
2005	1,226.4	26.5	42.3	153.0	127.8	76.2	58.1	25.5	119.8	363.5	118.2	53.2	96.0	53.8	83.9
2006	1,396.9	28.6	47.8	167.0	152.3	95.6	62.3	29.3	125.9	418.6	144.6	57.0	110.5	66.3	92.8
2007	1,483.6	28.5	51.9	168.4	174.8	97.9	67.2	32.4	131.6	450.4	171.2	58.7	114.2	75.3	91.1
2008	1,588.2	.	.	.	.	112.2	69.4	32.2	136.7	470.4	182.1	56.4	139.5	80.5	.
2007 Q3	375.2	7.4	12.9	43.0	44.7	23.7	17.2	8.2	33.3	114.0	44.4	14.8	28.1	18.9	24.0
Q4	382.9	6.9	13.3	42.6	45.5	27.4	16.5	8.4	32.7	114.4	43.6	14.5	31.5	19.9	23.7
2008 Q1	397.1	7.3	13.8	43.5	47.7	28.0	17.0	8.3	34.2	118.6	44.0	14.9	34.3	19.9	24.4
Q2	401.5	7.7	13.3	41.6	48.3	29.2	17.4	8.4	33.9	117.6	44.3	14.3	36.7	20.5	27.0
Q3	415.1	8.1	13.2	42.0	48.9	32.2	17.7	8.1	34.8	121.6	47.2	14.2	37.8	20.4	30.4
Q4	374.4	.	.	.	.	22.9	17.3	7.4	33.9	112.6	46.6	13.0	30.7	19.6	.
2008 July	140.5	3.0	4.4	14.1	16.1	11.6	6.1	2.8	12.1	41.0	15.6	4.7	12.6	6.7	10.2
Aug.	136.9	2.4	4.4	14.1	16.6	10.1	5.8	2.7	11.2	40.6	15.8	4.8	13.2	6.9	8.9
Sep.	137.7	2.6	4.4	13.9	16.2	10.5	5.8	2.7	11.5	39.9	15.8	4.7	12.1	6.8	11.3
Oct.	130.6	2.3	4.3	13.9	16.0	8.9	5.9	2.7	11.0	39.2	15.9	4.5	10.6	6.6	9.1
Nov.	124.3	2.3	3.7	12.0	15.4	7.5	5.8	2.6	11.3	37.5	15.5	4.4	10.5	6.5	9.2
Dec.	119.5	.	.	.	.	6.5	5.6	2.1	11.6	35.9	15.2	4.1	9.5	6.4	.
	% share of total imports														
2008	100.0	.	.	.	.	7.0	4.4	2.0	8.6	29.6	11.5	3.6	8.8	5.1	.
	Balance														
2005	11.2	2.5	2.9	50.0	25.3	-32.7	12.7	9.2	65.3	-119.2	-74.9	-19.0	-22.6	-7.0	24.9
2006	-12.0	3.1	2.0	49.6	37.4	-40.4	15.0	9.5	73.9	-146.8	-90.9	-22.4	-32.7	-12.1	29.3
2007	21.4	5.3	3.2	60.3	46.5	-30.8	14.9	8.6	63.5	-154.0	-111.0	-24.5	-26.7	-13.8	44.5
2008	-26.8	.	.	.	.	-35.7	16.4	10.0	49.2	-162.5	-116.9	-23.0	-38.9	-12.8	.
2007 Q3	6.9	1.2	1.1	15.7	11.8	-6.4	3.5	2.0	16.0	-38.9	-29.0	-6.3	-6.1	-3.3	10.4
Q4	1.0	1.6	0.5	15.1	12.5	-9.8	4.3	2.3	14.8	-38.1	-27.9	-6.3	-9.0	-4.4	11.1
2008 Q1	-0.4	1.6	0.2	13.7	12.5	-8.6	4.0	3.7	14.8	-39.7	-27.1	-6.4	-10.2	-3.9	11.4
Q2	-3.9	1.2	0.8	15.9	12.5	-9.5	4.6	2.8	13.1	-39.5	-27.1	-5.8	-11.9	-4.1	10.0
Q3	-16.8	0.9	0.7	13.8	12.7	-12.0	3.9	2.6	11.3	-45.1	-31.4	-6.0	-11.3	-2.5	8.3
Q4	-5.8	.	.	.	.	-5.6	3.7	0.9	9.9	-38.2	-31.2	-4.9	-5.5	-2.3	.
2008 July	-6.4	0.0	0.4	4.9	4.5	-4.8	1.1	1.0	3.0	-15.3	-9.9	-1.9	-3.8	-0.8	3.3
Aug.	-5.6	0.5	0.0	4.4	3.7	-3.5	1.4	0.8	4.2	-15.3	-10.8	-2.1	-4.3	-1.1	3.4
Sep.	-4.8	0.4	0.3	4.4	4.5	-3.7	1.4	0.8	4.1	-14.5	-10.7	-2.0	-3.3	-0.6	1.6
Oct.	-1.5	0.6	0.2	4.0	4.0	-2.3	1.2	0.5	3.8	-14.1	-10.6	-1.8	-2.1	-0.4	3.1
Nov.	-4.0	0.1	0.1	3.9	2.5	-2.2	1.2	0.0	3.5	-12.8	-10.4	-1.7	-2.2	-1.4	3.2
Dec.	-0.3	.	.	.	.	-1.1	1.3	0.4	2.6	-11.3	-10.3	-1.4	-1.1	-0.6	.

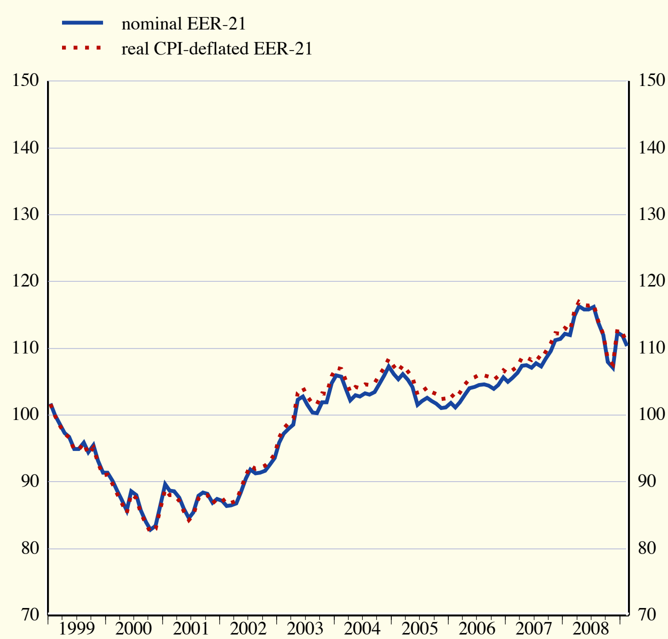
Source: Eurostat.

8 EXCHANGE RATES

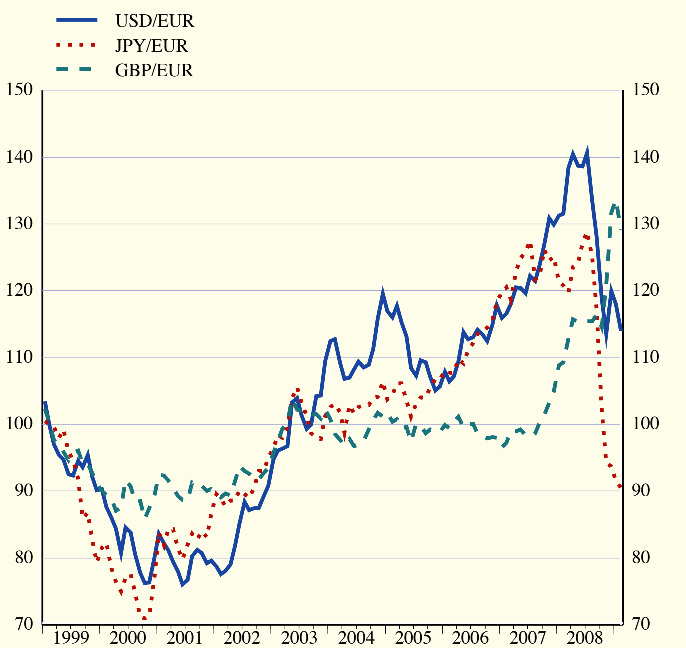
8.1 Effective exchange rates [1)]
(period averages; index 1999 Q1=100)

	EER-21						EER-41	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2006	103.7	105.0	103.2	102.3	102.3	101.1	110.1	103.8
2007	107.9	109.0	107.1	106.4	105.2	104.7	114.3	107.1
2008	113.0	113.6	110.0	.	.	.	120.0	111.0
2007 Q4	110.7	111.7	109.8	109.1	107.5	107.5	117.2	109.4
2008 Q1	112.9	113.8	111.4	111.5	110.7	109.3	119.6	111.2
Q2	116.0	116.6	113.1	114.5	114.4	113.0	122.9	114.0
Q3	114.1	114.3	110.2	112.6	114.5	111.1	120.8	111.4
Q4	109.1	109.6	105.1	.	.	.	116.7	107.5
2008 Feb.	112.0	112.5	110.6	-	-	-	118.4	109.9
Mar.	114.8	115.6	113.0	-	-	-	121.8	113.3
Apr.	116.3	117.0	114.0	-	-	-	123.4	114.5
May	115.8	116.5	113.0	-	-	-	122.7	113.8
June	115.8	116.4	112.4	-	-	-	122.7	113.7
July	116.2	116.6	112.3	-	-	-	123.2	113.8
Aug.	113.9	114.1	110.2	-	-	-	120.3	111.0
Sep.	112.0	112.1	108.1	-	-	-	118.7	109.3
Oct.	107.9	108.3	104.3	-	-	-	115.4	106.3
Nov.	107.1	107.6	103.2	-	-	-	114.5	105.5
Dec.	112.4	112.9	107.9	-	-	-	120.3	110.6
2009 Jan.	111.9	112.3	106.5	-	-	-	119.9	110.1
Feb.	110.4	110.8	104.3	-	-	-	118.6	108.8
	% change versus previous month							
2009 Feb.	-1.3	-1.4	-2.0	-	-	-	-1.1	-1.2
	% change versus previous year							
2009 Feb.	-1.4	-1.6	-5.6	-	-	-	0.2	-1.1

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



C37 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
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
2008 Q2	7.4599	9.3517	0.79286	1.5622	163.35	1.6114	1,590.82	12.1845	2.1346	1.5769	7.9401	1.6559
Q3	7.4592	9.4738	0.79504	1.5050	161.83	1.6115	1,600.93	11.7372	2.1010	1.5650	8.0604	1.6955
Q4	7.4512	10.2335	0.83907	1.3180	126.71	1.5249	1,796.44	10.2191	1.9588	1.5916	8.9328	1.9606
2008 Aug.	7.4595	9.3984	0.79279	1.4975	163.63	1.6212	1,566.23	11.6932	2.1024	1.5765	7.9723	1.6961
Sep.	7.4583	9.5637	0.79924	1.4370	153.20	1.5942	1,630.26	11.1905	2.0549	1.5201	8.1566	1.7543
Oct.	7.4545	9.8506	0.78668	1.3322	133.52	1.5194	1,759.07	10.3368	1.9666	1.5646	8.5928	1.9345
Nov.	7.4485	10.1275	0.83063	1.2732	123.28	1.5162	1,783.12	9.8687	1.9183	1.5509	8.8094	1.9381
Dec.	7.4503	10.7538	0.90448	1.3449	122.51	1.5393	1,850.06	10.4240	1.9888	1.6600	9.4228	2.0105
2009 Jan.	7.4519	10.7264	0.91819	1.3239	119.73	1.4935	1,801.97	10.2687	1.9742	1.6233	9.2164	1.9633
Feb.	7.4514	10.9069	0.88691	1.2785	118.30	1.4904	1,843.90	9.9128	1.9411	1.5940	8.7838	1.9723
	% change versus previous month											
2009 Feb.	0.0	1.7	-3.4	-3.4	-1.2	-0.2	2.3	-3.5	-1.7	-1.8	-4.7	0.5
	% change versus previous year											
2009 Feb.	0.0	16.5	18.1	-13.3	-25.1	-7.3	32.4	-13.8	-6.7	8.1	10.5	22.1

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Romanian 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
2008 Q2	24.830	15.6466	0.6997	3.4528	248.04	3.4070	1.9558	3.6521	7.2556	1.9717
Q3	24.093	15.6466	0.7045	3.4528	236.07	3.3081	1.9558	3.5768	7.1827	1.8235
Q4	25.344	15.6466	0.7090	3.4528	263.36	3.7658	1.9558	3.8165	7.1752	2.0261
2008 Aug.	24.287	15.6466	0.7039	3.4528	235.88	3.2920	1.9558	3.5271	7.1947	1.7669
Sep.	24.497	15.6466	0.7060	3.4528	240.68	3.3747	1.9558	3.6248	7.1223	1.7843
Oct.	24.768	15.6466	0.7093	3.4528	260.15	3.5767	1.9558	3.7479	7.1639	1.9612
Nov.	25.193	15.6466	0.7092	3.4528	265.32	3.7326	1.9558	3.7838	7.1366	2.0342
Dec.	26.120	15.6466	0.7084	3.4528	265.02	4.0044	1.9558	3.9227	7.2245	2.0894
2009 Jan.	27.169	15.6466	0.7043	3.4528	279.86	4.2300	1.9558	4.2354	7.3603	2.1233
Feb.	28.461	15.6466	0.7056	3.4528	298.30	4.6467	1.9558	4.2864	7.4309	2.1280
	% change versus previous month									
2009 Feb.	4.8	0.0	0.2	0.0	6.6	9.9	0.0	1.2	1.0	0.2
	% change versus previous year									
2009 Feb.	12.2	0.0	1.3	0.0	13.8	29.9	0.0	17.3	2.2	20.7

	Brazilian real [1)]	Chinese yuan renminbi	Icelandic krona [2)]	Indonesian rupiah	Malaysian ringgit	Mexican peso [1)]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33
2006	2.7333	10.0096	87.76	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2008 Q2	2.5882	10.8687	119.09	14,460.45	5.0183	16.2919	2.0129	67.174	36.9108	12.1648	50.437
Q3	2.4986	10.2969	125.69	13,868.99	5.0209	15.5214	2.1094	68.422	36.4917	11.7055	50.959
Q4	3.0102	9.0155	261.87	14,469.21	4.6798	17.1856	2.2829	63.653	35.9649	13.0786	45.904
2008 Aug.	2.4103	10.2609	122.07	13,700.21	4.9843	15.1269	2.1097	67.307	36.2502	11.4680	50.697
Sep.	2.5712	9.8252	131.33	13,430.23	4.9461	15.2805	2.1293	67.113	36.3727	11.5899	49.264
Oct.	2.9112	9.1071	274.64	13,283.63	4.6895	16.8177	2.1891	63.882	35.2144	12.9341	45.872
Nov.	2.8967	8.6950	242.95	14,984.85	4.5682	16.6735	2.2554	62.496	34.7964	12.8785	44.677
Dec.	3.2266	9.2205	290.00	15,276.62	4.7755	18.0764	2.4119	64.505	37.8999	13.4275	47.107
2009 Jan.	3.0596	9.0496	-	14,802.07	4.7291	18.3762	2.4132	62.354	42.3282	13.1255	46.218
Feb.	2.9685	8.7406	-	15,233.33	4.6466	18.6536	2.4851	60.832	45.8079	12.8005	45.156
	% change versus previous month										
2009 Feb.	-3.0	-3.4	-	2.9	-1.7	1.5	3.0	-2.4	8.2	-2.5	-2.3
	% change versus previous year										
2009 Feb.	16.3	-17.3	-	12.5	-2.3	17.5	34.2	1.6	26.8	13.4	-2.0

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.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
	HICP										
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
2008 Q2	14.0	6.7	3.7	11.5	17.5	12.3	6.8	4.3	8.6	3.6	3.4
Q3	12.5	6.5	4.6	11.0	15.6	12.0	6.3	4.4	8.2	4.0	4.8
Q4	9.0	4.4	3.0	8.7	11.9	9.4	4.2	3.6	6.9	2.7	3.9
2008 Sep.	11.4	6.4	4.5	10.8	14.7	11.3	5.6	4.1	7.3	4.2	5.2
Oct.	11.2	5.7	3.8	10.1	13.7	10.7	5.1	4.0	7.4	3.4	4.5
Nov.	8.8	4.1	2.8	8.5	11.6	9.2	4.1	3.6	6.8	2.4	4.1
Dec.	7.2	3.3	2.4	7.5	10.4	8.5	3.4	3.3	6.4	2.1	3.1
2009 Jan.	6.0	1.4	1.7	4.7	9.7	9.5	2.4	3.1	6.8	2.0	3.0
	General government deficit (-)/surplus (+) as a % of GDP										
2005	1.9	-3.6	5.2	1.5	-0.4	-0.5	-7.8	-4.3	-1.2	2.4	-3.4
2006	3.0	-2.7	5.1	2.9	-0.2	-0.4	-9.3	-3.8	-2.2	2.3	-2.7
2007	0.1	-1.0	4.9	2.7	0.1	-1.2	-5.0	-2.0	-2.6	3.6	-2.8
	General government gross debt as a % of GDP										
2005	29.2	29.8	36.4	4.5	12.4	18.4	61.7	47.1	15.8	50.9	42.3
2006	22.7	29.6	30.5	4.3	10.7	18.0	65.6	47.7	12.4	45.9	43.4
2007	18.2	28.9	26.2	3.5	9.5	17.0	65.8	44.9	12.9	40.4	44.2
	Long-term government bond yield as a % per annum, period average										
2008 Aug.	5.17	4.47	4.49	-	6.60	5.47	7.77	6.11	8.20	4.11	4.68
Sep.	5.17	4.42	4.37	-	6.60	5.45	7.99	5.89	8.32	3.90	4.57
Oct.	5.17	4.53	4.43	-	6.60	5.40	9.57	6.35	8.27	3.57	4.52
Nov.	6.00	4.52	4.06	-	7.60	8.16	9.41	6.23	8.38	3.34	4.13
Dec.	7.76	4.30	3.50	-	9.03	9.00	8.31	5.70	8.38	2.67	3.37
2009 Jan.	7.14	4.21	3.44	-	10.64	13.95	8.76	5.46	9.23	2.80	3.17
	3-month interest rate as a % per annum, period average										
2008 Aug.	7.31	3.81	5.38	6.35	6.26	5.75	8.33	6.52	12.11	5.12	5.77
Sep.	7.32	3.81	5.42	6.34	6.35	5.80	8.62	6.56	13.00	5.33	5.91
Oct.	7.69	4.19	5.99	6.69	10.03	7.00	8.95	6.80	18.21	5.27	6.13
Nov.	7.89	4.24	6.08	7.25	12.19	7.86	-	6.74	15.24	4.50	4.45
Dec.	7.74	3.89	5.29	7.84	13.94	9.20	11.18	6.38	14.70	2.75	3.20
2009 Jan.	7.03	3.14	4.44	7.28	11.86	8.67	9.80	5.49	14.48	2.23	2.32
	Real GDP										
2007	6.2	6.0	1.6	6.3	10.0	8.9	1.1	6.7	6.0	2.6	3.0
2008	.	.	.	.	.	3.1	0.6	.	.	-0.2	0.7
2008 Q2	7.1	4.6	0.6	-1.1	-2.0	4.7	1.5	5.8	9.3	0.8	1.7
Q3	6.8	4.2	-1.3	-3.5	-3.7	2.1	0.5	5.6	9.1	-0.5	0.2
Q4	.	.	.	.	.	-1.1	-1.0	.	.	-4.4	-1.9
	Current and capital accounts balance as a % of GDP										
2007	-20.6	-1.2	0.7	-16.9	-20.6	-12.8	-5.1	-3.6	-12.9	8.4	-2.6
2008	-24.3	-2.3	1.8	-7.2	-11.3	-11.2	-6.9	-4.2	-11.4	7.4	-1.2
2008 Q2	-27.6	-4.7	3.3	-9.6	-11.4	-15.1	-6.8	-4.1	-15.7	5.0	-1.8
Q3	-13.8	-3.2	3.4	-6.6	-11.0	-8.4	-8.7	-3.9	-11.0	8.1	-2.0
Q4	.	.	.	.	.	-6.9	.	.	.	6.6	.
	Unit labour costs										
2007	14.2	3.1	4.2	19.8	27.0	10.6	4.9	3.1	14.6	4.7	1.3
2008	8.3	3.5	4.3	9.6	23.3	13.2	4.0	5.2	13.6	2.7	.
2008 Q2	17.7	3.3	3.8	15.2	22.6	11.4	-	-	-	0.5	0.6
Q3	13.0	2.3	.	19.6	24.5	12.0	-	-	-	2.2	1.1
Q4	.	.	.	.	.	.	-	-	-	6.0	.
	Standardised unemployment rate as a % of labour force (s.a.)										
2007	6.9	5.3	3.8	4.7	6.0	4.3	7.4	9.6	6.4	6.1	5.3
2008	5.7	4.4	3.4	5.5	7.3	5.7	7.9	7.1	.	6.2	.
2008 Q2	5.8	4.4	3.2	4.3	6.2	4.8	7.7	7.3	5.7	5.8	5.4
Q3	5.4	4.3	3.3	6.0	7.4	6.1	7.9	6.8	5.8	6.1	5.8
Q4	5.3	4.6	3.8	7.2	9.4	7.3	8.3	6.6	.	6.9	.
2008 Sep.	5.3	4.3	3.4	6.5	7.9	6.2	7.9	6.7	5.8	6.4	5.9
Oct.	5.3	4.4	3.6	6.8	8.4	6.4	8.0	6.6	.	6.7	6.1
Nov.	5.2	4.6	3.7	7.2	9.3	7.2	8.3	6.6	.	7.0	6.2
Dec.	5.4	4.7	4.0	7.7	10.6	8.2	8.5	6.6	.	7.1	.
2009 Jan.	5.3	5.0	4.3	8.6	12.3	9.8	8.6	6.7	.	7.4	.

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

9.2 In the United States and Japan

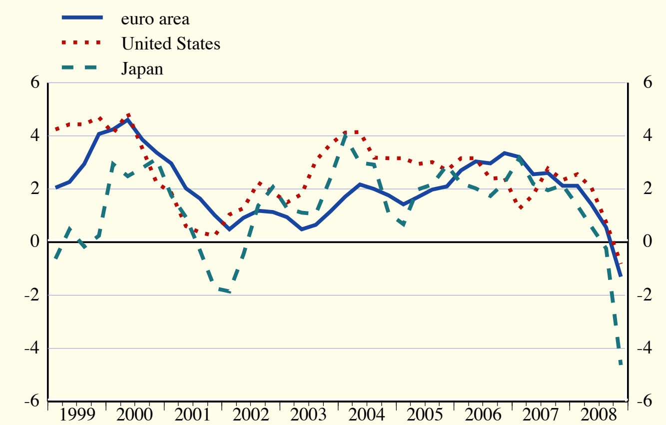
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield [3] end-of-period	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2005	3.4	2.2	2.9	4.2	5.1	4.3	3.57	4.84	1.2441	-3.3	49.1
2006	3.2	2.8	2.8	2.8	4.6	5.0	5.20	5.41	1.2556	-2.2	48.5
2007	2.9	2.7	2.0	1.8	4.6	5.7	5.30	5.35	1.3705	-2.9	49.3
2008	3.8	0.5	1.1	-2.5	5.8	6.8	2.93	4.39	1.4708	.	.
2007 Q4	4.0	0.9	2.3	2.5	4.8	5.8	5.03	5.07	1.4486	-3.2	49.3
2008 Q1	4.1	0.0	2.5	2.0	4.9	6.3	3.29	4.48	1.4976	-4.0	50.4
Q2	4.4	0.1	2.1	-0.3	5.4	6.2	2.75	4.66	1.5622	-5.7	49.6
Q3	5.3	1.3	0.7	-3.4	6.1	6.1	2.91	4.69	1.5050	-5.9	52.8
Q4	1.6	0.7	-0.8	-8.0	6.9	8.5	2.77	3.71	1.3180	.	.
2008 Oct.	3.7	-	-	-5.5	6.6	7.7	4.06	4.46	1.3322	-	-
Nov.	1.1	-	-	-7.8	6.8	8.0	2.28	3.95	1.2732	-	-
Dec.	0.1	-	-	-10.6	7.2	9.9	1.83	2.75	1.3449	-	-
2009 Jan.	0.0	-	-	-12.9	7.6	10.5	1.21	2.75	1.3239	-	-
Feb.	.	-	-	.	.	.	1.24	3.20	1.2785	-	-
					Japan						
2005	-0.3	-2.1	1.9	1.4	4.4	1.8	0.06	1.49	136.85	-6.7	163.2
2006	0.2	-0.6	2.1	4.5	4.1	1.0	0.30	1.98	146.02	-1.4	159.5
2007	0.1	-1.9	2.4	2.8	3.8	1.6	0.79	1.89	161.25	.	.
2008	1.4	.	-0.7	-3.4	4.0	2.1	0.93	1.67	152.45	.	.
2007 Q4	0.5	-1.5	2.2	3.4	3.8	2.0	0.96	1.78	163.83	.	.
2008 Q1	1.0	0.1	1.4	2.3	3.9	2.2	0.92	1.61	157.80	.	.
Q2	1.4	0.1	0.6	1.0	4.0	2.0	0.92	1.85	163.35	.	.
Q3	2.2	0.8	-0.2	-1.3	4.1	2.2	0.90	1.75	161.83	.	.
Q4	1.0	.	-4.6	-14.8	4.0	1.8	0.96	1.46	126.71	.	.
2008 Oct.	1.7	-	-	-7.1	3.7	1.8	1.04	1.56	133.52	-	-
Nov.	1.0	-	-	-16.6	3.9	1.8	0.91	1.50	123.28	-	-
Dec.	0.4	-	-	-20.9	4.4	1.8	0.92	1.33	122.51	-	-
2009 Jan.	0.0	-	-	-30.8	.	1.9	0.73	1.27	119.73	-	-
Feb.	.	-	-	.	.	.	0.64	1.20	118.30	-	-

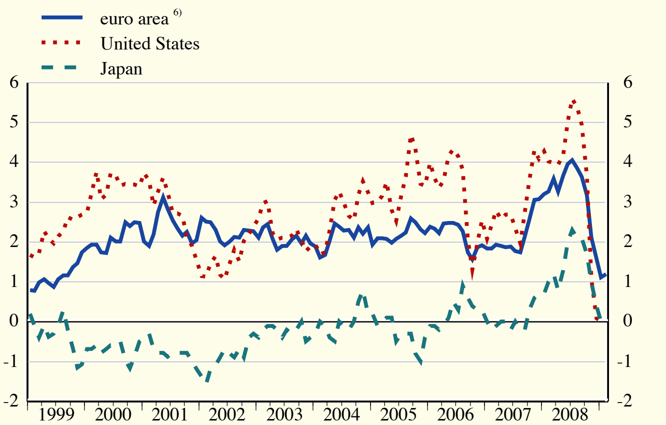
C38 Real gross domestic product

(annual percentage changes; quarterly)



C39 Consumer price indices

(annual percentage changes; monthly)



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

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

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

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

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

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

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

CALCULATION OF BALANCING ITEMS

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

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

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.europa.eu), under the "Money, banking and financial markets" sub-section.

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", Journal of Business and Economic Statistics, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

3 It follows that for the seasonally adjusted series, the level of the index for the base period, i.e. December 2001, generally differs from 100, reflecting the seasonality of that month.

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

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

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

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

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

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

As a base, the index is set equal to 100 on December 2001. The growth rate a_t for month t corresponding to the change in the 12 months ending in month t, may be calculated using either of the following two formulae:

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

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

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

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

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

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

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values and the basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

The seasonal adjustment procedures are applied to the index of notional stocks. The resulting estimates of the seasonal factors are then applied to the outstanding amounts, from which seasonally adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

Similar as depicted in formula l) and m), the growth rate a_t for month t corresponding to the change in the 6 months ending in month t, may be calculated using either of the following two formulae:

o) $$a_t = \left[\prod_{i=0}^{5}\left(1 + {N^M_{t-i}}\big/{L_{t-1-i}}\right) - 1\right] \times 100$$

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.europa.eu), under the "Money, banking and financial markets" sub-section.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services is corrected for national public holidays. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

RELATING TO SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t), as follows:

$$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB's Governing Council. For this issue, the cut-off date was 4 March 2009.

Unless otherwise indicated, all data series covering 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, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term "up to (x) years" means "up to and including (x) years".

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled, and end on the day preceding the corresponding settlement day in the following month. Annual and quarterly observations refer to averages of 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. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks (NCBs) are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of (i) shares/units issued by money market funds located in the euro area and (ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows an analysis, by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7 shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

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

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

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

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. The non-seasonally adjusted data on current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how the production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is the national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/ net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts (1) to (5) above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged so as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 15 (i.e. the Euro 13 plus Cyprus and Malta) for the whole time series (fixed composition).

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. The euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks, from which the seasonal effects have been removed. See the Technical notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of Table 1 in Section 4.2 are broadly comparable with data for debt securities issued, as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of Table 2 in Section 2.1. The total net issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in Table 1 in Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet, quoted shares).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer issues or redeems shares for cash excluding investments in the issuers' 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. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999, column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999, interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[3]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data may also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure

3 Svensson, L. E., 1994, "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051.

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

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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 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 on compilation of the ECB commodity price indices, refer to 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[6] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[7]. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

4 OJ L 162, 5.6.1998, p. 1.
5 OJ L 86, 27.3.2001, p. 11.
6 OJ L 69, 13.3.2003, p. 1.
7 OJ L 169, 8.7.2003, p. 37.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except repairs. New passenger car registrations cover registrations of both private and commercial passenger cars. The series for the euro area excludes Cyprus and Malta.

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

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

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[8] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[9]. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[10] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[11]. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/

8 OJ L 172, 12.7.2000, p. 3.
9 OJ L 179, 9.7.2002, p. 1.
10 OJ L 354, 30.11.2004, p. 34.
11 OJ L 159, 20.6.2007, p. 48.

international investment position statistical methods" (May 2007), and in the following Task Force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), all of which can be downloaded from the ECB's website. In addition, the report by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual, i.e. surpluses in the current account and in the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically, or as a result of methodological changes in the compilation of the source data.

In Section 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and, for some purposes, also offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to the i.i.p. changes other than transactions with information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, Columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.3, Table 7. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, in which the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area balance of payments is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories 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 main trading partners individually or in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported 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 C to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional sectors of the importers except households, governments and non-profit institutions. It reflects the cost, insurance and freight (c.i.f.) price excluding import duties and taxes, and refers to the actual transactions in euro recorded at the point when ownership of the goods is being transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections C to E of NACE. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board (f.o.b.) price expressed in euro and calculated at the euro area frontiers, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 (OJ L 86, 27.3.2001, p. 11). For more details, refer to Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro, calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-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 includes the EER-21 and the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

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

1 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 be re-widened symmetrically to 200 basis points.

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the fixed 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 decided 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 fixed 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.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

TARGET is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy, and furthermore contributes to the integration of the euro area financial markets. Participants use TARGET to make large-value and time-critical payments, such as payments to facilitate settlements in other interbank funds transfer systems (e.g. Continuous Linked Settlement (CLS) or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments.

In the fourth quarter, around 4,700 banks including branches and subsidiaries as well as 21 national central banks used TARGET to initiate payments of their own or on their customers' behalf. Over 52,000 banks worldwide (and thus all the customers of these banks) can be addressed via TARGET.

PAYMENT FLOWS IN TARGET

In the fourth quarter of 2008, TARGET processed a daily average of 374,120 payments, with a total daily average value of €2,917 billion. Compared with the previous quarter, this represents an increase of 7% in terms of volume and 17% in value. Compared with the same period of the previous year, this is a decrease of 4% in volume but an increase of 13% in value. It was the second consecutive quarter for which a year-on-year decrease in volume was observed. Nevertheless, TARGET's overall market share in terms of value remained stable at 90%, and its market share in terms of volume reached 60%. The highest level of TARGET traffic during this quarter was recorded on 22 December when 574,022 payments were processed.

The average proportion of interbank payments was 40% in terms of volume and 92% in terms of value. The average value of an interbank payment processed was €22.0 million, while that of a customer payment was €1.1 million. 66% of the payments had a value of below €50,000, while 10% had a value of above €1 million. On average, there were 285 payments with a value of above €1 billion per day.

INTRADAY PATTERN OF VOLUMES AND VALUES

On average, TARGET processed a quarter of the payments in the first hour of operations (between 7 and 8 a.m.). Almost half the volume was processed in the first three hours of operations (between 7 and 10 a.m.). By 2 p.m., three out of four payments, and at the customer payment cut-off time (5 p.m.), 99.4% of the total volume, had already been processed. In terms of value, almost a quarter of the turnover had been processed by 10 a.m. and half by 1 p.m. At 5 p.m., 91% of the total value of payments had been processed.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2008, TARGET achieved, for the first time, 100% availability compared with 99.97% in the previous quarter. Thus no incident had an effect on TARGET's availability. Incidents considered in the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. As a result of the full availability of TARGET, 99.84% of inter-Member State payments were processed in less than 5 minutes, 0.10% between 5 and 15 minutes, the remainder (0.06%) required between 15 minutes and 30 minutes. On the peak day of the quarter, all payments were processed in less than 5 minutes thus fully meeting the expectations set for the system.

Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)

	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
TARGET					
All TARGET payments					
Total volume	24,951,015	23,519,667	24,144,809	23,070,898	23,943,677
Daily average	389,859	379,349	377,263	349,559	374,120
Intra-Member State TARGET payments					
Total volume	19,493,777	17,750,292	17,628,682	16,501,826	17,332,571
Daily average	304,590	286,295	275,448	250,028	270,821
Inter-Member State TARGET payments					
Total volume	5,457,238	5,799,637	6,516,127	6,569,072	6,611,106
Daily average	85,269	93,543	101,814	99,531	103,299
Other systems					
Euro 1 (EBA)					
Total volume	14,856,086	15,718,422	16,594,531	16,162,525	15,720,705
Daily average	232,126	253,523	259,290	244,887	245,636
Paris Net Settlement (PNS)[1]					
Total volume	1,454,570	398,081			
Daily average	22,728	12,063			
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	141,813	136,266	193,593	155,809	157,471
Daily average	2,216	2,194	3,025	2,361	2,460

1) The PNS system ceased operations on 15 February 2008.

Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions

(EUR billions)

	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
TARGET					
All TARGET payments					
Total value	164,686	163,420	166,793	164,384	186,661
Daily average	2,573	2,636	2,606	2,491	2,917
Intra-Member State TARGET payments					
Total value	105,905	108,340	112,221	111,429	133,962
Daily average	1,655	1,747	1,753	1,688	2,093
Inter-Member State TARGET payments					
Total value	58,782	55,998	54,573	52,955	52,699
Daily average	918	903	853	802	823
Other systems					
Euro 1 (EBA)					
Total value	15,766	16,541	17,944	18,504	20,410
Daily average	246	267	280	280	319
Paris Net Settlement[1] (PNS)					
Total value	3,352	746			
Daily average	52	23			
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	114	108	107	109	119
Daily average	2	2	2	2	2

1) The PNS system ceased operations on 15 February 2008.

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CONVERGENCE REPORT

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by 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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