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EUROPEAN CENTRAL BANK

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Address
Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

Website
http://www.ecb.int

Fax
+49 69 1344 6000

Telex
411 144 ecb d

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CONTENTS

ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 2 December 2004, the Governing Council of the ECB decided to leave the minimum bid rate on the main refinancing operations of the Eurosystem unchanged at 2.0%. The interest rates on the marginal lending facility and the deposit facility were also left unchanged at 3.0% and 1.0% respectively.

The short-term outlook for inflation remains worrisome. At the current juncture oil price developments are having a sizeable impact on consumer prices in the euro area. However, there is no significant evidence that stronger underlying domestic inflationary pressures are building up. Accordingly, the Governing Council decided to leave the key ECB interest rates unchanged at their historically low levels. At the same time, there are upside risks to price stability over the medium term. Continued vigilance is of the essence with regard to those risks.

Starting with the economic analysis underlying the Governing Council's assessment, after the positive developments in the first half of 2004, economic growth has moderated in the second half. In the third quarter of the year, real GDP growth is estimated to have been only 0.3% quarter on quarter, after 0.7% and 0.5% in the previous two quarters. According to Eurostat, the contribution of net exports turned negative, reflecting in particular high import growth, and private consumption was subdued, probably dampened by higher oil prices. At the same time, investment growth increased and inventories were built up. The available survey information for October and November points to ongoing growth in the fourth quarter, albeit at a more moderate pace than in the first half of this year.

The conditions remain in place for economic growth to proceed. On the external side, while global growth is showing some signs of moderation, it nonetheless is expected to remain robust. Euro area exports should continue to benefit from global demand conditions. On the domestic side, investment should be supported further by the very favourable financing conditions in the euro area, improved earnings and greater corporate efficiency gained through business restructuring. Finally, scope exists for private consumption to strengthen, particularly if a strong commitment is made to fiscal consolidation and structural reforms, thereby reducing uncertainty surrounding the extent and pace of progress in these fields.

Accordingly, a gradual recovery in euro area activity is expected to take place over the next two years, with somewhat more moderate growth rates than anticipated a few months ago due to the impact of oil prices. This assessment is also reflected in the Eurosystem staff projections. Euro area real GDP growth is projected to be between 1.6% and 2.0% on average in 2004, between 1.4% and 2.4% in 2005 and between 1.7% and 2.7% in 2006. Available forecasts from international and private sector organisations convey a broadly similar picture.

Downside risks to these projections stem in particular from potentially unfavourable developments in the oil market. In order to limit such risks, second-round effects in wage and price-setting must be avoided and fiscal authorities should refrain from taking measures which would prolong or distort the necessary adjustment process. Moreover, the degree of competition in the euro area energy sector is an important factor in allowing higher oil prices to be absorbed without significant distortions. Further progress in increasing competition in this sector would be highly beneficial.

Turning to consumer prices, annual HICP inflation was 2.2% in November, according to Eurostat's flash estimate, down from 2.4% in October. Over the coming months, inflation rates of above 2% are likely to persist, and some temporary further increase from current levels cannot be excluded. Looking further ahead, however, the information available so far indicates that HICP inflation would fall below 2% in the course of 2005 if no further adverse shocks occurred and it does not suggest that stronger underlying inflationary pressures are building up in the euro area. Wage increases have remained contained over recent quarters and, in the context of ongoing moderate growth and weak labour markets, this trend should continue in the future. Producer prices are rising, but this remains concentrated on energy and intermediate goods, which should limit the pass-through.

These views are also embodied in the Eurosystem staff projections. Average annual HICP inflation is projected to lie between 2.1% and 2.3% in 2004. As the impact of recent oil price increases and the effects of previous indirect tax and administered price rises gradually dissipate, annual HICP inflation is projected to be between 1.5% and 2.5% in 2005 and 1.0% and 2.2% in 2006. These projections are broadly consistent with forecasts recently released by international and private sector organisations.

Several upside risks need to be taken into account. Concerns relate in particular to future oil price developments and, more generally, to the potential risk of second-round effects in wage and price-setting throughout the economy. Further developments in indirect taxes and administered prices also need to be monitored closely.

Further insight into the outlook for price developments, at medium to longer-term horizons, is provided by the monetary analysis. The latest monetary data confirm that the downward trend in annual M3 growth observed from the middle of 2003 has not continued in recent months and has even reversed.

Over the course of 2004, monetary dynamics have been driven by two opposing forces. On the one hand, the historically very low level of interest rates in the euro area has stimulated M3 dynamics, in particular demand for the most liquid components of M3 contained in the narrow aggregate M1. On the other hand, portfolio allocation behaviour has tended to normalise over the past year following the exceptionally strong preference for liquidity observed during the period of heightened economic and financial uncertainty between 2001 and mid-2003. However, investors' preference for liquid assets seems to have remained greater than would typically be expected at the current stage of the economic cycle, possibly due to the fact that the economic and financial uncertainties in recent years have been relatively strong and protracted.

The very low level of interest rates is also fuelling private sector demand for credit. In particular, the demand for loans for house purchase has continued to be robust, supported also by strong house price dynamics in several euro area countries. Growth in loans to non-financial corporations has picked up further in recent months.

As a result of the persistently high growth in M3 over the past few years, there remains substantially more liquidity in the euro area than is needed to finance non-inflationary economic growth. This could pose risks to price stability over the medium term.

To sum up, the economic analysis suggests that underlying domestic inflationary pressures are contained, but a number of medium-term upside risks to price stability need to be monitored closely. Cross-checking with the monetary analysis supports the case for continued vigilance with regard to the materialisation of risks to price stability over the medium term. It is of the essence to avoid any spillover from short-term consumer price developments to long-term inflation expectations.

As regards fiscal policies, forthcoming budgets and stability programmes should send strong and confidence-building signals, namely that sound public finances and growth-friendly structural adjustments in public finances are being pursued. Concerning the European institutional framework, the Stability and Growth Pact and the excessive deficit procedure are the key fiscal cornerstones of EMU. These must remain firm. The Pact and the excessive deficit procedure should be fully respected in their current form, while their implementation could be improved, in particular as regards the preventive arm of the Pact.

Finally, the Governing Council supports the calls expressed in the report of the High Level Group chaired by Wim Kok to renew the impetus in the Lisbon process and to sharpen its focus. In this context, the Governing Council restates its strong support for all efforts on the part of governments, parliaments and social partners implementing the reform agenda and focusing on those reforms that will support employment growth, foster investment and stimulate innovation and productivity. Progress in this direction will not only enhance the underlying growth potential of the euro area economy over the medium term but will also help to bolster consumer and business confidence over a shorter horizon.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Growth in the global economy has continued to moderate, while maintaining a robust momentum in most regions. Part of the rise in oil prices, one important factor contributing to the recent decline in growth, has been reversed since October, although prices remain at high levels. On average, oil-related inflationary pressures remain limited and are confined to energy-related price components. Against this background, the overall outlook for the global economy and euro area foreign demand remains relatively favourable. However, continued high oil prices or a disruptive adjustment of global imbalances constitute significant downside risks for this outlook.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Global growth continues to moderate from the high rates observed in the first half of the year, as third-quarter real GDP growth declined further in many countries (see Chart 1). However, overall activity remained robust, with particularly strong growth in Latin America and non-Japan Asia. While some growth moderation was expected as the global cycle matured, the recent hike in oil prices constituted a significant additional factor dampening growth. Part of this increase has been reversed since oil prices reached an all-time high in late October. This reversal was accompanied by a pick-up in stock markets across the globe.

Although the increase in oil prices is having some impact on headline inflation rates, this is largely confined to a direct impact on energy-related components of price indices. Furthermore, food prices have recently exerted some upward pressure on consumer prices in a number of countries. Developments in consumer prices excluding food and energy have generally been relatively subdued, suggesting that indirect and second-round effects from the oil price increase remain fairly muted.

A combination of unabated growth in the United States, in conjunction with a further decline of growth in some countries, and uncertainties about the future course of fiscal policy in the United States has recently rekindled market concerns about global imbalances. This has contributed to a relatively broad-based depreciation of the US currency, with particularly strong declines vis-à-vis the euro and the Japanese yen.

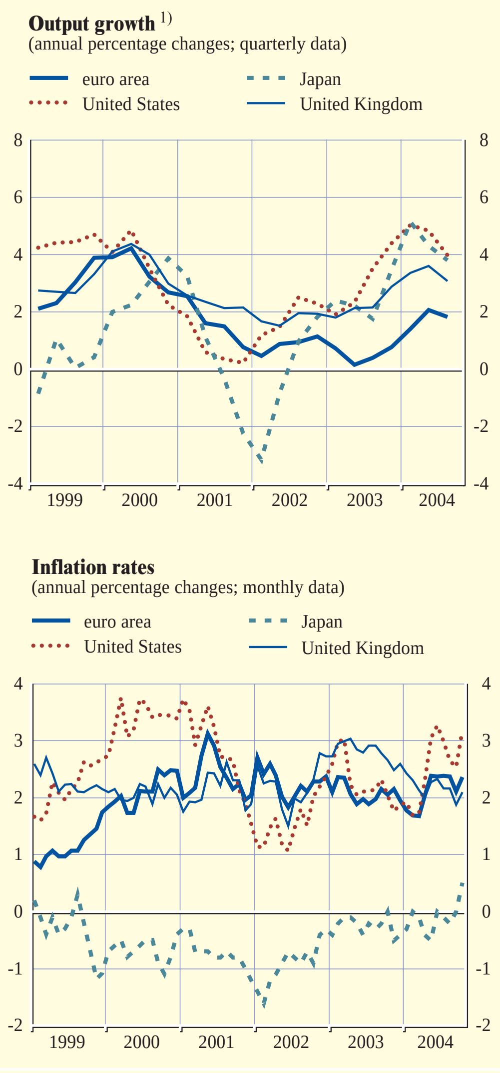
UNITED STATES

In the United States, economic activity experienced an upturn in recent months, after having slowed down in the second quarter. According to preliminary estimates, real GDP grew at a quarterly annualised rate of 3.9% in the third quarter of 2004, after having increased by 3.3% in the second quarter. The acceleration stemmed primarily from a significant rise in real personal consumption expenditure on durable goods in response to the incentives offered by motor vehicle manufacturers during the summer. Although the growth rate of overall real fixed investment declined noticeably, non-residential fixed investment maintained a robust rate of expansion. Net exports continued to curtail GDP growth, although exports rose slightly faster than imports. Indeed, following the continued increases in the trade deficit, the current account deficit registered another historical high of USD 166.2 billion, equivalent to 5.7% of GDP in the second quarter of 2004. Also, the budget deficit deteriorated further. The federal government deficit for the fiscal year 2004, which ended on 30 September, edged up to USD 412.6 billion, 9.4% larger than the previous year, and is expected to stand at around 3.6% of GDP in 2004.

Looking ahead, output growth is expected to remain robust. The production sector, which has financed the current upturn in investment mostly by internal means, is characterised by sound balance sheets. In combination with the current expansionary fiscal and still stimulative financial conditions, this should support solid growth in real business investment spending. By contrast, growth in real consumer spending may decline on account of the waning impact of past macroeconomic policy stimuli, historically high levels of debt and low savings as a proportion of disposable income, along with the drag on purchasing power imposed by persistently high energy prices. The outlook for the current account deficit is one of considerable uncertainty, in part related to the fiscal policy stance of the incoming administration, most notably regarding social security and taxation. Nonetheless, any change in the current account deficit is likely to be moderate in the short term, as the national savings rate changes only slowly and as growth differentials persist with regard to other major world economies.

Despite a recent rise in headline inflation, underlying price pressures related to indirect and second-round effects from the oil price increase appear to remain fairly well contained. In October, annual CPI inflation was 3.2%, up from 2.5% in September (see Chart 1). This development reflected a sharp rise in energy costs, which accounted for over half of the rise, and an increase in the price of fresh fruit and vegetables. Excluding food and energy, monthly consumer price inflation rose 0.1 percentage point less than in September. The fact that the recent increase in the price of food seems to have been related to the hurricanes in Florida and that oil prices have been declining after October's highs should help to limit upward price pressures.

Chart 1 Main developments in major industrialised economies



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

On 10 November the Federal Open Market Committee raised the target for the federal funds rate by 25 basis points for the fourth consecutive meeting to 2.0%, confirming the position that the monetary policy stance remains accommodative and that the upside and downside risks to attaining sustainable growth and price stability for the next few quarters remain balanced.

JAPAN

In Japan, the economic recovery has continued to lose some momentum, while deflationary pressures remain a concern. Following a significant slowdown in economic activity in the second quarter, the recovery almost ground to a halt in the third quarter, with quarter-on-quarter real GDP growth of 0.1% according to the first estimate. This slowdown was largely the result of a deterioration in the spending components that had been the main drivers of the preceding strong growth, i.e. exports and non-residential investment, with growth in the latter component actually turning negative in the third quarter. At the same time, private consumption growth increased slightly against the background of a gradual improvement in the labour market situation.

The outlook for the economy has become more uncertain as high oil prices, the slowdown in external demand, and the recent natural disasters appear to have affected the Japanese economy more than expected. However, continued robust corporate profit developments, supported by improvements in corporate balance sheets, should be conducive to a recovery in investment growth. At the same time, weak machinery orders suggest that investment spending may remain sluggish in the short run. Overall growth may thus be more dependent on continued strength in consumption spending, although this is subject to risks as an improving labour market and income situation, as well as higher consumer confidence, may be countered by possible tax increases.

While the increase in oil prices has been reflected in rising domestic producer prices, there is little evidence of pass-through to consumer prices. Although the overall CPI increased by 0.5% year on year in October, this largely reflected changes in food prices, as the CPI excluding fresh food declined by 0.1%. At the same time, the decline in the GDP deflator moderated to 2.1% in the third quarter. Against this background, the Bank of Japan has reconfirmed its current monetary policy stance, which has been unchanged since January. According to the semi-annual outlook report prepared by the Bank of Japan, some members of the Policy Board project slightly positive rates of inflation for the CPI excluding fresh food in the fiscal year 2005, which is one of the conditions the Bank of Japan has set for an exit from the current policy framework.

UNITED KINGDOM

After a strong output performance recorded in the first half of 2004, growth moderated noticeably in the third quarter. Real GDP increased by a quarterly rate of 0.4%, following 0.9% in the second quarter. Estimates of the demand components show that the moderation was mainly due to a fall in investment, with gross fixed capital formation declining by 0.1% compared with the 2.4% growth in the second quarter. Both exports and imports further increased by a quarterly rate of 1.9% and 1.6%, respectively. Housing market activity has moderated in recent months and, for the first time in three years, both the Halifax and the Nationwide measures reported a fall in house prices in October. Recent data confirm the picture of an increasingly tight labour market. In the third quarter, total employment increased by an annual rate of 0.8%, while the unemployment rate fell to 4.6%.

Looking ahead, the UK economy is expected to grow at a more modest pace than previously projected, mainly due to lower growth in consumer spending associated with a slowdown in real disposable income. The outlook is subject to significant uncertainty, which relates to the recent deceleration in housing market activity and its likely impact on private consumption. A positive contribution to growth is expected to result from net trade, driven by the depreciation of the pound sterling.

Annual HICP inflation remained below the 2% target based on the harmonised EU inflation index; it stood at 1.2% in October, up from 1.1% in September. The largest upward effect came from energy costs, followed by package holidays and vegetables. In the three months to September, whole economy average earnings increased by 3.7% compared with the same period a year earlier, and excluding bonuses the increase was 4.3%. The Bank of England has left its policy interest rates unchanged since August 2004.

OTHER EUROPEAN COUNTRIES

In Sweden, short-term indicators point in the direction of continued strong, albeit moderating, output growth in the third quarter of 2004. While industrial production stagnated, capacity utilisation and confidence in the manufacturing sector remained high. In addition, retail sales showed renewed strength. In the second quarter, real GDP grew by a quarterly rate of 1%, with net exports remaining the main contributor to real GDP growth, while investment also recovered. Unemployment, however, has remained relatively high. Annual HICP inflation increased to 1.4% in October, up from 1.2% on average in the third quarter of 2004. This increase was mainly driven by higher oil prices that pushed up transport costs. The repo rate has remained unchanged at 2.0% since March 2004. In the coming two years output growth is expected to be above potential, while the outlook for CPI inflation remains in line with Sveriges Riksbank's inflation target of 2% ±1 percentage point over the forecast period, reflecting in particular moderate domestic cost pressures.

In Denmark, short-term indicators point to an increase in real GDP growth in the third quarter of 2004. In the second quarter, real GDP rose by a quarterly rate of 0.2%. Real gross fixed capital formation and private consumption were the main contributors to output growth. The annual rate of HICP inflation increased strongly from 0.9% in September to 1.6% in October 2004, mainly on account of price increases in the transport sector and a base effect owing to last year's reduction in indirect taxes. Looking ahead, real GDP is expected to pick up, supported by strengthening investment and private consumption. HICP inflation is projected to increase slightly, mainly owing to the oil price increase. Danmarks Nationalbank has kept its lending rate unchanged at a level of 2.15% since June 2003.

In the Member States which joined the EU in May 2004, the economic situation has continued to be robust over the past few months. In Poland, short-term indicators suggest that real GDP may have slowed down somewhat in the third quarter of 2004. Real GDP grew by an annual rate of 6.1% in the second quarter, down from 6.9% in the previous quarter. Growth was mainly driven by a strong export performance and by a pick-up in domestic demand. Annual HICP inflation, which had increased considerably during the first half of 2004, declined slightly to 4.6% in October, down from its peak of 4.9% in August, mainly on account of lower food prices and the recent appreciation of the Polish zloty. Narodowy Bank Polski has left its policy interest rates unchanged at 6.5% since August 2004.

In the Czech Republic, preliminary indications for the third quarter of 2004 point to the maintenance of strong activity. In the second quarter, real GDP growth increased further to stand at 4.1% year on year, compared with 3.5% in the previous quarter. Spurred by improvements in the supply side of the economy, gross fixed capital formation has become the main driver of GDP growth. The contribution of net exports to GDP growth has remained negative while trade volumes have increased significantly. Annual HICP inflation stood at 3.1% in October 2004, compared with 2.8% in September, on account of higher food and energy prices and the increase in indirect taxes earlier this year. Česká národní banka has left its policy interest rates unchanged at 2.5% since 26 August 2004.

In Hungary, preliminary estimates suggest that real GDP growth slowed to an annual rate of 3.7% in the third quarter of 2004. In the second quarter, real GDP growth was 4.0% year on year, with growth being driven entirely by domestic demand. Annual HICP inflation decreased from 6.7% in September to 6.4% in October, mainly as a result of favourable developments in the prices of consumer durable goods. On 22 November, Magyar Nemzeti Bank decided to reduce its policy rate by 50 basis points to 10%, taking into account the more favourable inflation outlook.

In the remaining Member States which joined the EU in May 2004, real GDP growth remained strong in the second quarter of 2004, in particular in the Baltic States and Slovakia, while output increased further, albeit from a lower level, in Cyprus and Slovenia. The considerable increase in inflation which has been observed in most countries following their accession to the EU began to slow down in recent months, while in Slovakia and Slovenia inflation continued to moderate gradually. On 11 November Latvijas Banka increased its key policy rate by 50 basis points to 4% and expanded the minimum reserve base to liabilities to foreign banks and central banks. The interest rate move was intended to cushion the strong increase in domestic demand, in response to recent inflation developments, a persistently high current account deficit, strong credit growth and remaining fiscal uncertainties.

In Switzerland, real GDP grew in the third quarter of 2004 at the same pace as in the previous quarter (2.0% year on year). While private consumption decelerated noticeably, exports continued to grow at a solid pace, despite the general slowdown in global trade. Growth in imports of goods and services also remained very strong (7.5% year on year). However, recent survey data have pointed to some decline in growth in the coming months. With regard to price developments, CPI inflation was 1.3% (year on year) in October, compared with 0.9% in September. On 16 September 2004, the Swiss National Bank decided to raise the target range for the three-month Libor rate by 0.25 percentage point to 0.25%-1.25%, for the second time this year, and to keep the rate in the middle of the target range at around 0.75%.

In Russia, economic growth remains robust, supported by high oil prices, although it has recently shown some signs of moderating. In the second quarter, GDP growth declined slightly compared with the first quarter, to 7.3% (year on year), supported mainly by consumption and investment spending, while net exports made a negative contribution to growth. Subsequently, industrial production figures indicated that the growth momentum might have weakened further in the second half of the year. At the same time, consumer price inflation remains at a high level and has recently increased further.

NON-JAPAN ASIA

After a very robust expansion in the first two quarters of 2004, economic activity in non-Japan Asia has decelerated gradually in recent months. Growth in exports and industrial production seemed to reach a peak around the middle of 2004. Meanwhile inflation has stabilised, and even dropped in a number of economies in the region, after experiencing an upward trend since the end of last year.

Growth in the Chinese economy has continued to outperform that of the rest of the region. GDP grew by 9.1% (year on year) in the third quarter of this year, after 9.7% in the first half of the year. Tightening measures, which until the interest rate hike at the end of October had been of an administrative nature, appeared to have dampened the growth of monetary and credit aggregates, as well as investment activity. Nonetheless, investment growth remains at a high level and retail sales and exports continue to be very robust. In October CPI inflation declined to 4.3% (year on year), down from 5.2% in September, largely reflecting fluctuations in food prices.

In South Korea, economic activity has continued to decelerate in light of moderating export growth and continued weak domestic demand. Against the background of weakening growth and an appreciating exchange rate, the Bank of Korea conducted foreign exchange intervention and lowered the policy interest rate to 3.25% on 10 November, an all-time low.

The economic prospects for non-Japan Asia remain favourable, even though growth is likely to have declined gradually from the third quarter of 2004, owing mainly to the expected slowdown in export demand and the adverse impact of high oil prices. Domestic demand in the region is expected to hold up relatively well, owing to improved labour markets and a continued robust, albeit moderating, stimulus from the external side.

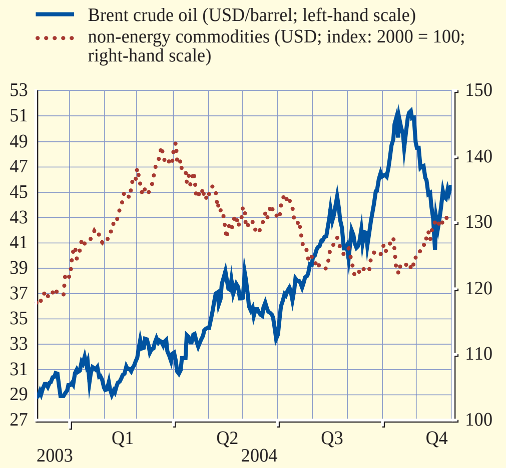
LATIN AMERICA

The latest data releases for Latin America show that economic activity continues to improve considerably. Strong output growth has been widespread across the region's three largest countries (Brazil, Argentina and Mexico). Economic activity has gained some momentum in Mexico, where real GDP expanded by 4.4% (year on year) in the third quarter. In both Brazil and Argentina, industrial production grew by around 10% (year on year) in the same quarter, decelerating somewhat towards the end of the period. Both exports and domestic demand are supporting the current expansion. At the same time, robust domestic demand, coupled with high oil prices, has raised inflationary pressures and driven up interest rates. The economic prospects for the region remain favourable. However, tightening monetary conditions and uncertainties related to ongoing external debt negotiations in Argentina constitute downward risks to the outlook for the region.

COMMODITY MARKETS

Oil prices have soared in recent months, pushed upward by a combination of strong demand, weather-related supply disruptions, limited spare capacity, and concerns over the security of future supplies. There is no shortage in global oil supplies in the aggregate sense, with the International Energy Agency estimating that supply exceeded demand by 1.1 and 1.4 million barrels per day on average in the second quarter and third quarter of 2004 respectively. However, these aggregate figures mask significant mismatches in terms of different grades of oil – there are shortages of the light and sweet grades of crude oil as the global refinery system lacks the capacity to process the increasing supply of lower quality crude oil. Moreover, dwindling spare production capacity has left only a very thin cushion in the event of disruptions to the oil market. The markets have

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

consequently become very sensitive to unanticipated changes in the supply-demand balance and supply-side concerns. The price of Brent crude oil reached an all-time high of USD 51.4 at the end of October but fell sharply thereafter, reaching USD 45.8 (EUR 34.5) on 1 December (see Chart 2). Market participants expect oil prices to decline gradually to USD 39.2 by the end of 2006. Box 1 briefly reviews the main approaches to making assumptions about oil prices.

Prices of non-energy commodities have continued to ease from the peak levels registered in April 2004. This development has been driven by a substantial decline in food prices, while prices for both metals and non-food agricultural raw materials have increased slightly. Nevertheless, in US dollar terms, overall non-energy commodity prices in October 2004 were 10.8% higher than a year earlier.

OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The medium-term outlook for global growth outside the euro area remains relatively favourable. Euro area foreign demand should benefit in particular from the continued robust growth performance in the Member States which joined the EU in May 2004. Although the continued high price of oil is likely to have a negative effect on global activity, the recent retreat of oil prices from their October high, together with favourable financing conditions, should provide support for continued robust growth in the global economy. The OECD Composite Leading Indicator and the Global Purchasing Managers' Index suggest a further gradual deceleration from the high rates of activity observed at the turn of the year. However, there are significant downside risks in the form of a renewed increase in oil prices or a disorderly adjustment of existing imbalances in the global economy.

Box 1

PREDICTION OF FUTURE OIL PRICES

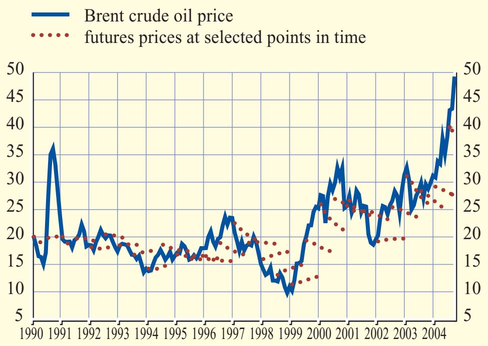
Over recent years, HICP inflation has been influenced to a great extent by changes in oil prices. These changes have been largely unanticipated by markets and economic forecasters. This raises the issue of what the most appropriate method would be to make technical assumptions about oil prices in the context of macroeconomic forecasts.

There are three main approaches to forming assumptions as regards oil prices, as can be seen from the methods employed by various institutions. The Eurosystem staff macroeconomic projections and the European Commission forecasts use futures. The rationale for using futures contracts to predict oil prices is that futures should incorporate market operators' best views, although time-varying risk premia might lead to distortions. The IMF, on the other hand, assumes that the price of oil will remain constant at its last-observed value over the whole projection horizon (the so-called random-walk assumption). And the OECD has recently opted for a judgmental approach, rather than a market-based approach or the use of model results.

In recent years, futures markets have repeatedly under-predicted actual developments in oil prices, as the increases between 1999 and 2004 were not anticipated. However, over a longer period of analysis, such as ten to fifteen years, this indicator did not lead to prediction errors that were systematically either positive or negative. The path predicted by futures was generally smoother than that actually followed by oil prices, but episodes of strong underestimation or

Chart A Brent crude oil prices and futures prices

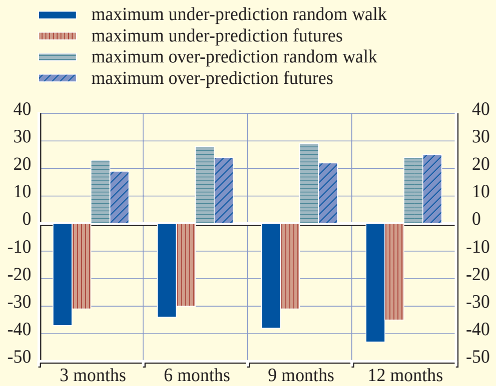
(USD per barrel)



Source: Bloomberg.
Note: The futures prices in the chart are the prices of the 1-month up to 12-months ahead Brent crude oil futures contracts traded at the International Petroleum Exchange in London.

Chart B Random walk versus futures markets: forecast errors

(in percentages)



Source: ECB Staff.
Note: The sample for three and six-month futures starts in 1989, while the samples for the nine-month and twelve-month futures start in March 1992 and April 1995, respectively. All samples end in July 2004.

overestimation were not often observed (see Chart A). This also holds true for the random-walk assumption.

Moreover, analysis of the last ten years reveals that oil price futures appear to be a better predictor than the random-walk assumption, at least up to a horizon of one year, since the forecasting error made was, on average, lower for the futures. Furthermore, the particularly large prediction errors were generally higher when using the random-walk assumption (see Chart B).

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

After moderating in the first half of 2004, monetary dynamics have strengthened over the past few months. The recent strength of M3 growth is predominantly attributable to the stimulative impact of the low level of interest rates on the demand for the most liquid components of M3. This has increasingly offset the dampening impact on M3 growth associated with the ongoing normalisation of the asset allocation behaviour of euro area residents. The low level of interest rates has also supported a further strengthening of the already robust annual growth rate of loans to the private sector, which is becoming more broadly-based across the main non-financial sectors. Overall, there remains significantly more liquidity available in the euro area than is needed to finance non-inflationary growth.

THE BROAD MONETARY AGGREGATE M3

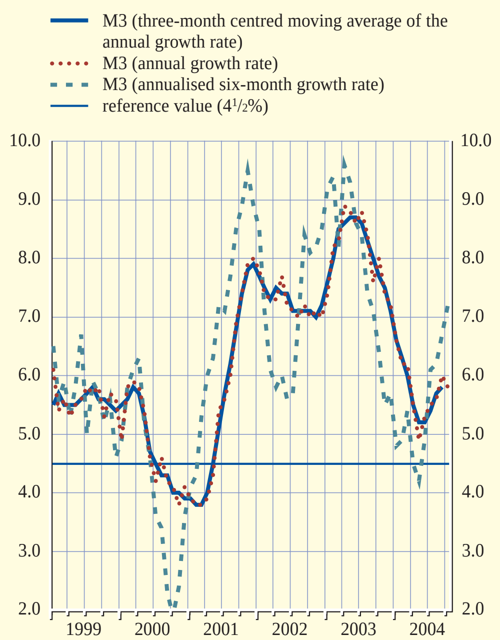
After moderating in the first half of 2004, monetary dynamics have strengthened over the past few months. The annual growth rate of M3 was 5.8% in October 2004, compared with 5.6% in the third quarter and 5.4% in the second quarter. The shorter-term dynamics of M3 have strengthened significantly since early summer 2004. For example, the six-month annualised rate of growth of M3 was 7.2% in October 2004, significantly higher than in May 2004, when it stood at 4.2% (see Chart 3).

Current monetary developments are being driven by two opposing forces. On the one hand, the low level of interest rates in the euro area implies a low opportunity cost of holding monetary assets and is having a stimulative impact on monetary growth, especially for the most liquid components of M3. This impact may be particularly strong at low levels of interest rates, owing to the existence of transaction costs associated with shifts out of liquid assets.

On the other hand, the continued normalisation of the portfolio allocation behaviour of euro area households and firms, following the exceptional preference for liquidity observed between 2001 and mid-2003, is having a dampening impact on M3 growth. Wealth holdings are being shifted from safe and liquid monetary assets into longer-term assets. However, this unwinding of past portfolio shifts has proceeded more slowly than would have been expected on the basis of past regularities. Although the exceptional economic and financial market uncertainty of past years has receded, euro area residents have remained relatively cautious in their investment behaviour. This may reflect a still pronounced risk aversion on the part of investors after a prolonged period of capital losses in the stock markets (see Box 2 entitled "Risk aversion and

Chart 3 M3 growth and the reference value

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



Source: ECB.

Box 2

RISK AVERSION AND DEVELOPMENTS IN MONETARY AGGREGATES

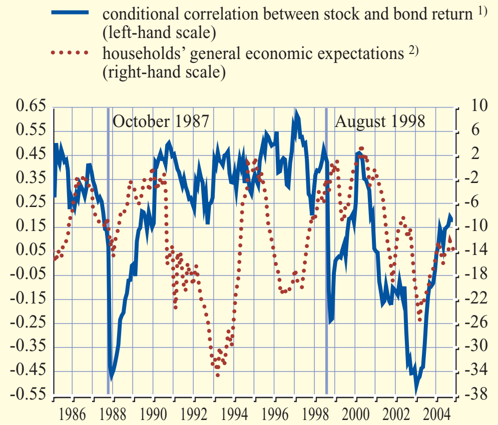
Past portfolio shifts into money appear to be unwinding at a very gradual pace, despite the reduction of economic, geopolitical and financial uncertainty since summer 2003. Heightened levels of risk aversion, which would increase investors' preference for safe and liquid monetary assets, are one possible explanation for the persistence of excess liquidity. Given the protracted period of exceptional uncertainty between 2001 and mid-2003, investors' risk aversion may have remained at high levels. The persistence of such heightened risk aversion may have prevented a more rapid normalisation of portfolio allocation behaviour. This box presents an intuitive proxy measure which suggests that risk aversion remained above average in the euro area through November 2004.

The term "risk aversion" refers to the general preference of investors for safe assets (as opposed to risky assets). Since risk aversion is unobservable, it is necessary therefore to rely on an estimate based on a theoretical model or on an empirical proxy that is believed to capture its dynamics. Risk aversion is likely to vary over time, increasing in particular during recessions and periods with unexpected unfavourable news about macroeconomic fundamentals,[1] such as adverse shocks to inflation and economic activity.

One measure of risk aversion is the correlation between returns on long-term government bond and stock market indices. This should be a reasonable proxy because government bond markets are less sensitive to shifts in investors' attitudes towards risk than equity markets[2]. In periods of heightened risk aversion, the prices of the two asset classes should move in opposite directions[3], i.e. they should display a negative correlation or investors should leave the equity market and buy bonds. In "normal" periods, by contrast, standard asset allocation would suggest a positive correlation between stock and bond returns as low interest rates support equity prices.

Chart A The conditional correlation between stock and long-term government bond returns and households' general economic expectations

(monthly data)



Source: ECB estimation.
1) Dow Jones EURO STOXX return index and ten-year government bond return index.
2) European Commission's business and consumer surveys – households' assessment of the general economic situation over the next 12 months in percentage balances.

Chart A gives an estimate of the conditional correlation[4] between the return on a broad stock market index and the return on an index of ten-year government bonds in the euro area.

1 See Brandt, M. W. and K. Q. Wang, "Time-varying risk aversion and unexpected inflation", Journal of Monetary Economics, Volume 50, Issue 7, October 2003, pp. 1457-1498; and see Campbell, J. Y. and J. H. Cochrane, "By Force of Habit: A Consumption-Based Explanation of Aggregate Stock Market Behavior", Journal of Political Economy, Volume 107, Number 2, April 1999, pp. 205-251.
2 See also Box 2, entitled "Significant increases in stock market volatility in the euro area in 2002", in the ECB's Annual Report, 2002.
3 See Tarashev, N., K. Tsatsaronis, and D. Karampatos, "Investors' attitude towards risk: what can we learn from options?", BIS Quarterly Review, June 2003, pp. 57-66.
4 The conditional correlation between bond and stock returns is estimated using a multivariate GARCH model (see Engle, R. F. and K. K. Kroner, "Multivariate Simultaneous Generalized ARCH", Econometric Theory, Volume 11, Issue 1, 1995, pp. 122-150).

The measure suggests that risk aversion has changed considerably over time, with substantial changes often coinciding with shocks in the financial sphere. In this respect, risk aversion increased strongly at the time of the stock market crash in October 1987 and the LTCM/Russian crisis in early autumn 1998. It also increased in response to the succession of economic, financial and geopolitical shocks between 2001 and mid-2003. While in the first two periods risk aversion returned relatively quickly to prior levels, the reversal after mid-2003 appears slow.

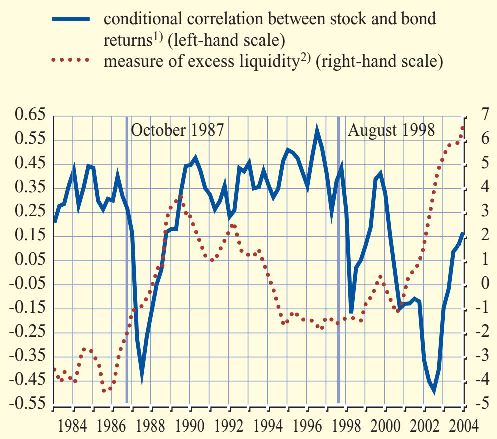
The robustness of using the correlation between bond and stock returns as a measure of changing risk aversion can be checked by comparing it with the survey indicator of households' general economic expectations over the next 12 months, as reported in the European Commission's consumer survey. Combining the information from both the conditional correlation and the households' expectations indicator should provide a more complete picture of changes in risk aversion. In particular, decreases in both measures should give a rather strong signal of increased risk aversion. While there are periods – such as in the early 1990s – when developments in the conditional correlation differ significantly from the expectations indicator, there are also periods of strong co-movement (autumn 1987, late 1998 and, most notably, between 2000 and mid-2003). It appears, in particular, that the period between 2000 and mid-2003 was characterised by a substantial increase in risk aversion among euro area investors.

Increased risk aversion among euro area investors between 2000 and mid-2003 is consistent with a number of features of the monetary data: first, strong M3 growth over the same period; second, the portfolio shift into marketable instruments that was driving, to a large extent, M3 growth; and third, the observation that the rise in the rate of M3 growth cannot be explained by macroeconomic fundamentals, such as activity and prices. As Chart B shows, strong declines in the correlation between stock and bond returns coincide with increases in a measure of excess liquidity in the euro area from 2001 to mid-2003, supporting the argument that the increased excess liquidity in the euro area has been associated with increased risk aversion and, thus, strong portfolio shifts from risky assets outside the M3 definition to safer monetary assets. This relationship is also visible for autumn 1987, where the correlation between bond and stock returns declined considerably as the measure of excess liquidity rose.

Chart A indicates that risk aversion in the euro area remained relatively high in 2003-04. This could explain why the portfolio allocation of euro area investors tended to normalise more slowly than would have been expected on the basis of past experience. Indeed, it appears that the protracted period of stock price declines and high uncertainty has continued to play a role in portfolio decisions through the impact on confidence and risk aversion in the euro area in 2004.

Chart B The conditional correlation between stock and long-term government bond returns and excess liquidity

(quarterly data)



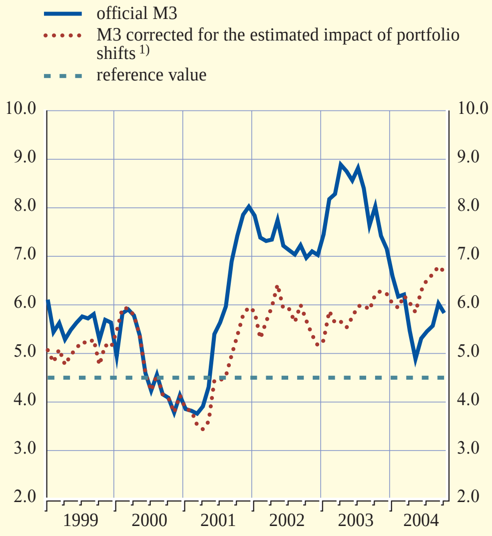
Source: ECB estimation.
1) Dow Jones EURO STOXX return index and ten-year government bond return index.
2) Model-based measure of excess liquidity – see Box 3 in the article "Monetary analysis in real time", in the October 2004 issue of the Monthly Bulletin.

developments in monetary aggregates"). This high risk aversion may be a factor explaining why the stimulating impact associated with the low level of interest rates seems to have dominated money growth over recent months.

The extraordinary portfolio shifts from equity into money between 2001 and mid-2003 have strongly influenced monetary developments in recent years. By combining information from various sources, including statistical, judgemental and institutional analyses, quantitative estimates of these portfolio shifts can be constructed and used to adjust the official M3 series.[1] As shown in Chart 4, the estimate of annual M3 growth which is corrected for the estimated impact of portfolio shifts has exceeded the official M3 growth rate over the last two quarters, as the latter has been dampened by the unwinding of the portfolio shifts. Moreover, this corrected M3 growth rate has continued to increase further, confirming the strength of the underlying monetary dynamics which are somewhat obscured in the official M3 series by the unwinding of those past portfolio shifts. However, it should be stressed that the estimate of M3 growth corrected for the impact of portfolio shifts is surrounded by a considerable degree of uncertainty and should therefore be interpreted with caution.

Chart 4 M3 and M3 corrected for the estimated impact of portfolio shifts

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



Source: ECB.
1) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time", Monthly Bulletin, October 2004.

MAIN COMPONENTS OF M3

M1 has remained the main contributor to M3 growth (see Chart 5). The annual rate of growth of M1 declined somewhat in October, but nonetheless remained at a high level, standing at 9.0%, as compared with 9.6% in the third quarter (see Table 1). The strength of M1 growth resulted from rapid increases in the holdings of both currency in circulation and overnight deposits. Although the annual growth rate of currency in circulation has stabilised in recent months, it nevertheless remains very high, standing at 19.6% in October. This growth reflects the continued rebuilding of currency holdings by euro area residents after the euro cash changeover, as well as strong demand for euro banknotes from outside the euro area. Also, the annual growth rate of overnight deposits has remained rather high. The contribution stemming from overnight deposits accounted for roughly half the annual growth rate of M3 in the third quarter of 2004. Demand for these liquid instruments continued to be supported by the very low opportunity costs of holding these deposits as a result of the historically low level of nominal interest rates in the euro area.

The annual rate of growth of short-term deposits other than overnight deposits has been on an upward trend since the second quarter of 2004, reaching 3.7% in October. This pick-up has essentially been driven by a continuous reduction in the annual rate of decline of time deposits (deposits with an agreed maturity of up to and including two years). Although it increased, the

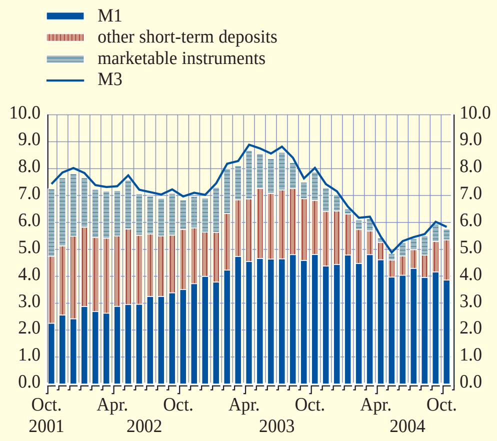
1 For further details, see Section 4 of the article entitled "Monetary analysis in real time", Monthly Bulletin, October 2004.

growth rate of short-term deposits other than overnight deposits remained below that of overnight deposits. A major determinant of the subdued growth of such deposits is the fact that the remuneration of these instruments is only slightly above that of overnight deposits (see Chart 25), which, with their higher liquidity profile, are therefore comparatively more attractive.

Taking overnight deposits and other short-term deposits together, it appears that the demand for deposits from households and, to a lesser extent, from non-financial corporations has grown at a relatively moderate annual rate, while the demand from non-monetary financial intermediaries, particularly insurance corporations and pension funds, has been more dynamic since the second quarter of 2004.

Chart 5 Contributions to annual M3 growth

(in percentage points; M3 growth in percent; adjusted for seasonal and calendar effects)



Source: ECB.

The contribution of marketable instruments to the annual growth rate of M3 declined in October 2004. The annual growth rate of these instruments fell to 2.8%, down from 4.0% in the third quarter (see Table 1). Month-on-month volatility in the annual growth rate of marketable instruments is high and thus monthly developments should be interpreted with caution. Among the components of marketable instruments, the annual rate of growth of money market fund shares and units was 4.5% in October, compared with 4.3% in the third quarter and 6.0% in the second quarter. The trend decline over recent quarters in the growth rate of these assets, which are often held by households as a safe savings vehicle in times of economic and financial uncertainty,

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						
		2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Sep.	2004 Oct.
M1	**44.6**	**11.4**	**11.0**	**11.1**	**10.3**	**9.6**	**9.7**	**9.0**
Currency in circulation	6.9	29.6	26.5	24.0	21.6	20.3	19.9	19.6
Overnight deposits	37.7	8.9	8.8	9.1	8.5	7.9	8.0	7.2
M2 - M1 (= other short-term deposits)	40.9	5.8	4.9	3.3	1.7	2.0	2.8	3.7
Deposits with an agreed maturity of up to and including two years	15.8	-1.3	-2.9	-4.4	-7.0	-5.8	-4.1	-1.6
Deposits redeemable at notice of up to and including three months	25.1	11.6	11.1	9.2	8.1	7.6	7.6	7.3
M2	**85.5**	**8.6**	**7.9**	**7.2**	**6.0**	**5.8**	**6.3**	**6.4**
M3 - M2 (= marketable instruments)	14.5	7.7	5.8	2.5	2.0	4.0	4.5	2.8
M3	**100.0**	**8.4**	**7.6**	**6.5**	**5.4**	**5.6**	**6.0**	**5.8**
Credit to euro area residents		**5.3**	**5.9**	**5.8**	**6.0**	**6.2**	**6.1**	**6.1**
Credit to general government		4.8	6.6	6.1	6.5	6.5	5.5	4.4
Loans to general government		1.0	1.5	1.2	2.3	2.3	1.5	1.6
Credit to the private sector		5.5	5.7	5.7	5.9	6.2	6.3	6.6
Loans to the private sector		4.9	5.3	5.4	5.6	6.2	6.5	6.8
Longer-term financial liabilities (excluding capital and reserves)		**5.8**	**6.7**	**7.4**	**8.4**	**8.7**	**9.2**	**9.1**

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

reflects the normalisation of the portfolio allocation behaviour of euro area households and firms. However, the gradual pace of the decline supports the view that this normalisation is occurring only slowly.

MAIN COUNTERPARTS OF M3

On the counterpart side, the annual growth rate of total MFI credit to euro area residents was 6.1% in October 2004, broadly confirming the dynamics observed over the course of this year (with growth rising from 5.8% in the first quarter to 6.2% in the third quarter). This obscures different developments in the annual growth rates of the main sub-components in more recent months. While the dynamics of credit to general government have tended to moderate, those of credit to the private sector have strengthened (see Table 1).

The annual growth rate of MFI loans to the private sector increased to 6.8% in October, up from 6.2% in the third quarter of 2004 and from 5.6% in the second quarter. The six-month annualised growth rate, which stood at 7.9% in October, has been rising since March 2004.

The strengthening of loan dynamics over the course of this year has been broadly based across the non-financial sectors (see Table 2). The annual rate of growth of loans to households was 7.8% in October, up from 6.6% in the first quarter of the year. In particular, loans for house purchase experienced buoyant growth in an environment of low mortgage interest rates throughout the euro area. The annual rate of growth of bank lending to non-financial corporations, while lower than that to households, has picked up noticeably in recent months. Loans to non-financial corporations grew at an annual rate of 5.2% in October, up from 3.3% in the first quarter of this year (see Section 2.4).

Among the other counterparts of M3, the dynamics of longer-term financial liabilities (excluding capital and reserves) have strengthened since mid-2003 (see Chart 6). The longer-term investments of the non-MFI sector expanded at an annual rate of 9.1% in October, up from 8.4% and 8.7% in

Table 2 MFI loans to the private sector

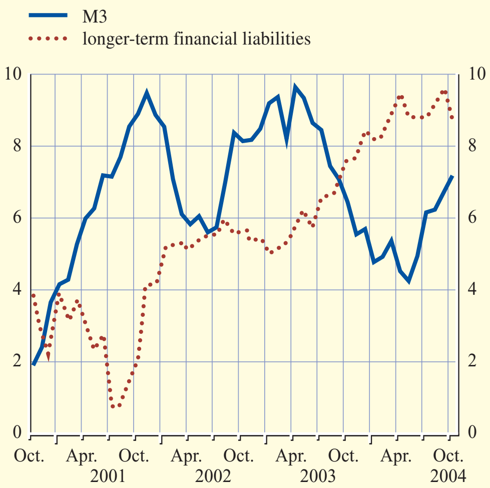
(end of period; not adjusted for seasonal and calendar effects)

	Outstanding amount as a percentage of total [1]	Annual growth rates					
		2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Sep.	2004 Oct.
Non-financial corporations	**41.9**	**3.6**	**3.5**	**3.3**	**4.0**	**4.6**	**5.2**
Up to one year	30.7	-1.0	-0.8	-2.4	-2.1	-0.6	1.5
Over one and up to five years	17.5	4.6	3.1	3.6	6.4	6.0	5.6
Over five years	51.8	6.5	6.5	6.9	7.2	7.4	7.4
Households [2]	**50.5**	**5.8**	**6.4**	**6.6**	**7.3**	**7.8**	**7.8**
Consumer credit [3]	13.6	3.0	2.9	4.4	5.7	6.3	5.9
Lending for house purchase [3]	68.0	7.4	8.1	8.4	9.0	9.9	9.8
Other lending	18.5	2.5	3.2	2.3	2.3	1.8	2.0
Insurance corporations and pension funds	**0.7**	**9.7**	**11.9**	**8.7**	**18.9**	**18.4**	**9.7**
Other non-monetary financial intermediaries	**6.9**	**6.0**	**11.8**	**8.9**	**8.6**	**8.4**	**9.2**

Source: ECB.
Notes: MFI sector including Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 to Table 2.4 in the "Euro area statistics" section and the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.
2) As defined in the ESA 95.
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

Chart 6 M3 and MFI longer-term financial liabilities (excluding capital and reserves)

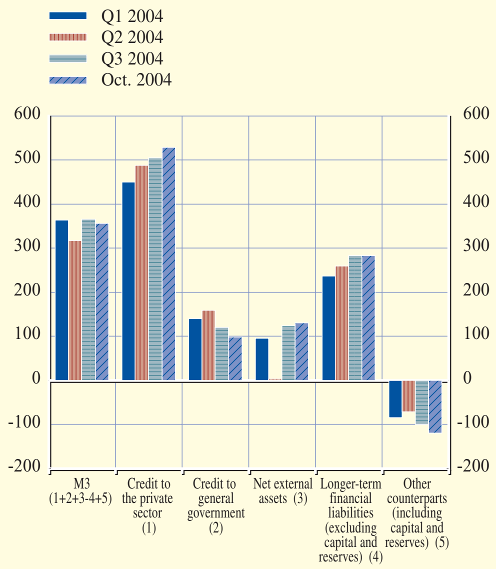
(annualised six-month percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 7 Movements in M3 and its counterparts

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



Source: ECB.

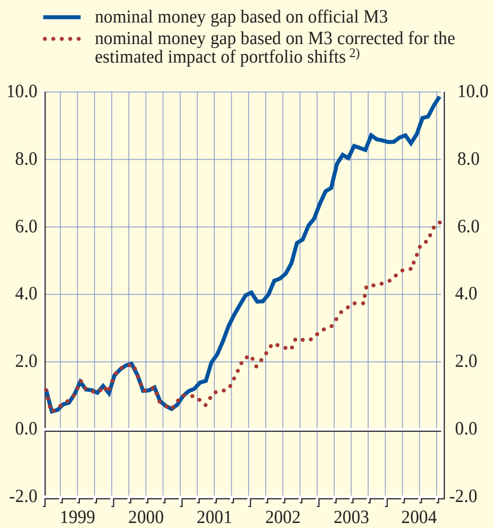
the second and third quarters respectively. The increased demand for these longer-term instruments on the part of euro area investors supports the view that a gradual shift towards more normal portfolio allocation behaviour of households and firms is taking place.

At the same time, the annual flow in the net external asset position of the euro area MFI sector rose to €131 billion in October, mainly owing to renewed demand from external investors for euro area assets since the middle of the year (see Chart 7). As developments in MFI net external assets reflect transactions between euro area and non-euro area residents that are settled via the euro area MFI sector, this points to renewed interest on the part of non-euro area residents in euro area equity and bonds. If these assets are sold by euro area residents to non-euro area residents, the liquid holdings of euro area residents may increase. Although short-term movements in this volatile indicator should not be overemphasised, the monthly capital inflows since July 2004 have reversed the previous downward trend in the annual flow of net external assets.

Summing up, the information from the counterparts of M3 confirms recent trends. On the one hand, the steady expansion of MFI credit to the private sector, driven by the low level of interest rates, continues to have a strong positive impact on M3 growth. On the other hand, the continued strong expansion of MFI longer-term financial liabilities (excluding capital and reserves) associated with the unwinding of the earlier exceptional portfolio shifts into monetary assets has contributed to a dampening of M3 growth. Overall, the former effect has dominated the latter in the past few months.

Chart 8 Estimates of the nominal money gap[1)]

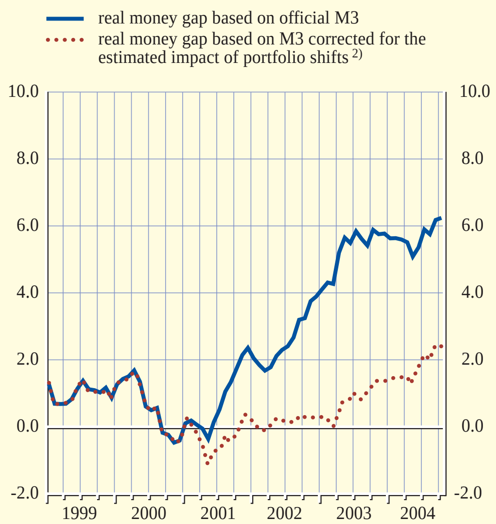
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



Source: ECB.
1) The measure of the nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time", Monthly Bulletin, October 2004.

Chart 9 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 measure of the real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.
2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the approach discussed in Section 4 of the article entitled "Monetary analysis in real time", Monthly Bulletin, October 2004.

GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

Given the slow nature of the unwinding of past portfolio shifts, there is currently significantly more liquidity in the euro area than is needed to finance non-inflationary growth. This is illustrated by developments in the nominal and real money gaps (see Charts 8 and 9).[2] Much of the stock of excess liquidity appears to reflect previous portfolio shifts. This is suggested in both cases by the large difference between the money gap measure based on the official M3 series and that constructed using an estimate of the M3 series which has been corrected for portfolio shifts.[3] However, given the recent strengthening of the underlying monetary dynamics associated with the low level of interest rates, the indicators of excess liquidity corrected for the effects of portfolio shifts have also risen over recent quarters and now stand at their highest level since January 1999.

Should a significant part of this excess liquidity be transformed into transaction balances, particularly at a time when confidence and economic activity were strengthening, risks to price stability in the medium term would rise. In addition, high excess liquidity and strong credit growth could become a source of strong asset price increases, particularly in housing markets.

2 The absolute level of money gap measures should be interpreted with some caution, since it depends crucially on the choice of the base period.

3 This estimate is surrounded by a considerable degree of uncertainty and should therefore be interpreted with caution. For further details, see Section 4 of the article entitled "Monetary analysis in real time", Monthly Bulletin, October 2004.

2.2 SECURITIES ISSUANCE

The annual rate of growth of debt securities issued by euro area residents increased somewhat in the third quarter of 2004, which was driven mainly by debt securities issued by MFIs and non-financial corporations. During the same quarter, the annual growth rate of quoted shares issued by euro area residents declined slightly.

DEBT SECURITIES

The annual rate of growth of debt securities issued by euro area residents increased slightly in the third quarter of 2004 (see Chart 10), to 7.4%. Underlying this development was an increase in the annual growth rate of short-term debt securities issuance, from 1.6% in the second quarter of 2004 to 3.9% in the third quarter. This is still a relatively low level of growth as compared with an average annual growth rate of 14.3% for issuance of these securities in 2003. At the same time, the annual rate of growth of long-term debt securities issuance remained robust at 7.8%. It seems that the tendency, seen in the first half of 2004, to lengthen the average maturity of debt was less pronounced in the third quarter of 2004.

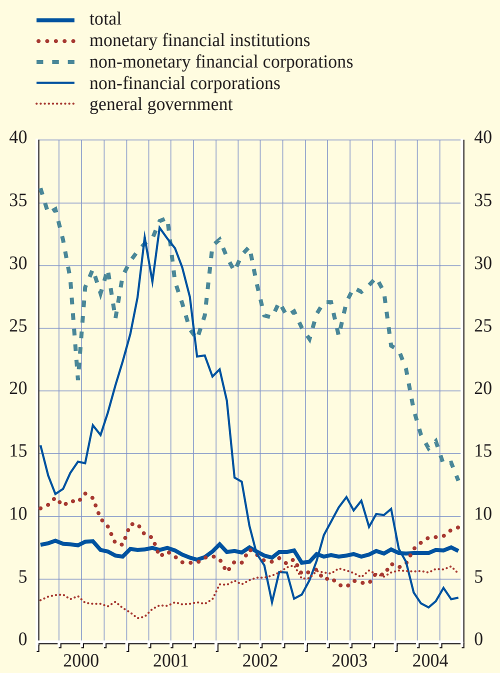
Turning to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs increased by 0.7 percentage point in the third quarter of 2004, to 8.7% (see Table 3). The increase in debt securities issuance by MFIs since the end of 2003 is most probably attributable to the strong increase in loans granted by this sector.

The annual growth rate of debt securities issued by the non-MFI corporate sector, which includes non-monetary financial corporations and non-financial corporations, decreased slightly in the third quarter of 2004, to 9.3%. Underlying this decline was a 2.1 percentage point decrease in the annual growth rate of debt securities issued by non-monetary financial corporations. This reflects a slowdown in indirect financing of MFIs and non-financial corporations through financial subsidiaries and special purpose vehicles in recent months. Nevertheless, the annual rate of growth of net issuance of non-monetary financial corporations remained strong at 12.8% in September 2004.

The debt securities issuance activity of non-financial corporations has picked up slightly recently, reflected by an increase in the annual growth rate of securities issued by this sector, to 3.7% in the third quarter of 2004 (as compared with 3.1% in the previous quarter). Seen from a somewhat longer perspective, the annual growth of securities issued by non-financial corporations in the third quarter of 2004 was considerably

Chart 10 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)



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

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2004 Q3	Annual growth rates [1)] 2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Debt securities:	**9,248**	**6.9**	**7.1**	**7.1**	**7.1**	**7.4**
MFIs	3,534	4.7	5.4	6.3	8.0	8.7
Non-monetary financial corporations	728	28.0	27.6	22.0	16.4	14.3
Non-financial corporations	585	10.7	10.1	7.0	3.1	3.7
General government	4,401	5.4	5.4	5.6	5.6	5.8
of which:						
Central government	4,160	4.7	4.6	4.9	5.0	5.2
Other general government	241	22.9	22.5	21.5	18.4	16.4
Quoted shares:	**3,762**	**1.1**	**1.1**	**1.3**	**1.1**	**0.9**
MFIs	580	0.8	1.3	1.9	2.3	1.7
Non-monetary financial corporations	362	2.1	2.4	3.1	1.7	1.8
Non-financial corporations	2,820	1.0	0.9	0.9	0.8	0.7

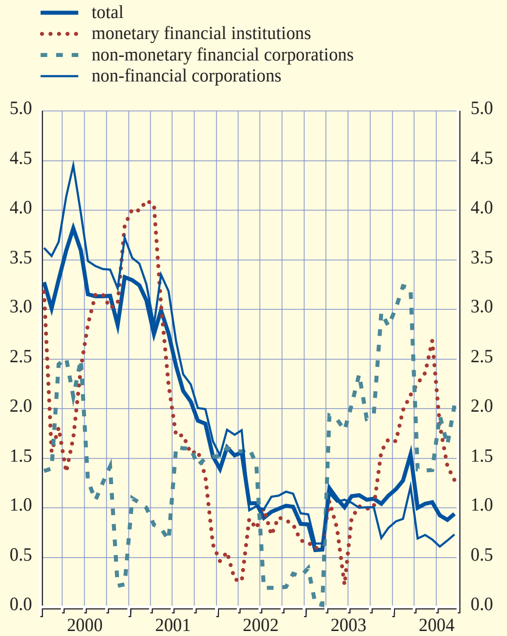
Source: ECB.
1) For details, see the technical notes for Tables 4.3 and 4.4 of the "Euro area statistics" section.

lower than the average annual growth rate of 8.9% in 2003. There are several factors which explain why debt securities issuance activity by non-financial corporations has remained subdued, despite the very favourable financing conditions in the euro area. Most importantly, positive developments in earnings may have enhanced internal savings and reduced the need for external financing (see Box 4). In addition, the still high indebtedness of non-financial corporations may have prompted firms to continue restructuring their balance sheets.

Turning to the government sector, the annual growth rate of debt securities issued by the general government increased slightly in the third quarter of 2004, to 5.8%. Underlying this development was a slight increase in the annual growth rate of debt securities issued by the central government sector, to 5.2% in the third quarter of 2004, whereas the annual growth rate of debt securities issued by other parts of general government, which mainly include state and local governments, remained high at 16.4%. The relatively strong issuance of long-term securities by the central government sector during the third quarter of 2004 – the annual growth rate was 5.5% in the third quarter of 2004, as compared with an average growth rate of 3.2% in 2003 – is indicative of an attempt to rebalance the maturity structure of this sector, which can most probably be explained by the historically low level of long-term interest rates.

Chart 11 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



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

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained at a very low level, decreasing slightly from 1.1% in the second quarter of 2004 to 0.9% in the third quarter (see Chart 11 and Table 3). Underlying this development was a 0.6 percentage point decline, to 1.7%, in the annual growth rate of quoted shares issued by MFIs and a further weakening of growth in quoted shares issued by non-financial corporations, to 0.7% year-on-year in the third quarter of 2004. Finally, the annual growth rate of quoted shares issued by non-monetary financial corporations, including insurance corporations, remained broadly unchanged at 1.8% in the third quarter of 2004. The subdued activity in the primary equity market probably reflects the still relatively high cost of equity as well as high redemptions due to extensive buy-back operations and a number of de-listings (see Box 4).

2.3 INSTITUTIONAL INVESTORS

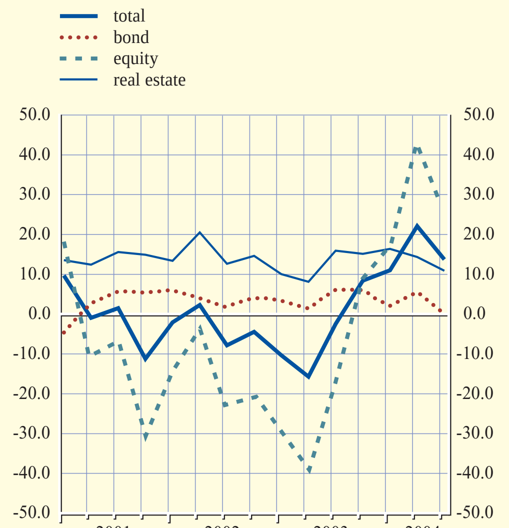
Data on financial investments by investment funds, insurance corporations and pension funds for the second quarter of 2004 suggest that the portfolio allocation behaviour of institutional investors has continued to normalise, shifting towards riskier assets.

INVESTMENT FUNDS

In the second quarter of 2004, the annual rate of change in the value of the total assets of euro area investment funds declined to 14%, compared with 22% in the first quarter (see Chart 12). This decline was broadly based across all types of funds, although the magnitude of the decline differed somewhat between the funds. The annual rate of growth in the value of total assets held by equity funds fell to 25%, down from 43% in the previous quarter, although this sharp fall was mainly

Chart 12 Total assets of investment funds (by investment policy)

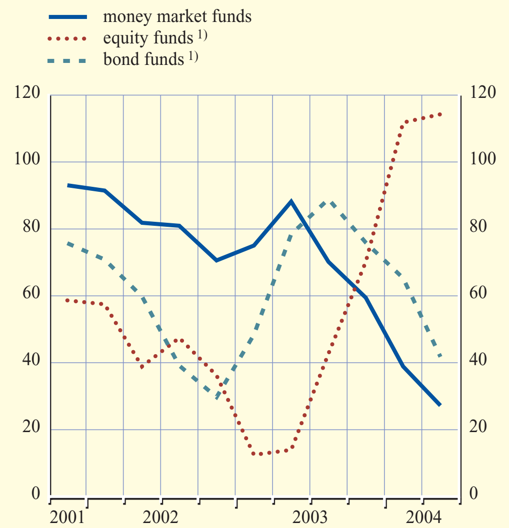
(annual percentage changes)



Source: ECB.

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

(EUR billions)



Sources: ECB and FEFSI.
1) ECB calculation on national data provided by FEFSI.

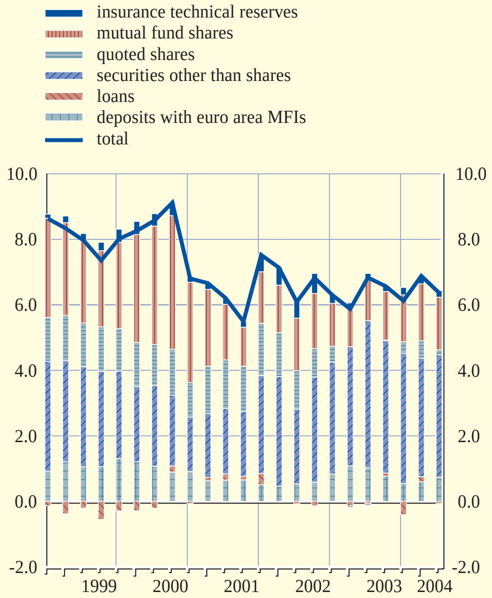
caused by a base effect associated with a strong rise in stock prices in the second quarter of 2003. In the case of bond funds, the annual rate of change in the value of total assets declined to -0.5%, compared with 6% in the first quarter, while for real estate funds the annual rate of change in the value of total assets was 11% in the second quarter, after standing at 14% in the previous quarter.

Changes in the value of total assets held by investment funds include valuation effects caused by changes in asset prices. They are thus not comparable with flow data in the MFI balance sheet statistics, which are corrected for such valuation effects. On the basis of data provided by FEFSI[4], it appears that there was a strong annual inflow into equity funds in the first and second quarters of 2004 (see Chart 13). This suggests that the positive annual rates of change in the value of assets reflect, at least in part, a continued inflow into equity funds. The FEFSI data also show a decline in the annual flow into bond funds in the second quarter, continuing a downward trend that has been apparent since the last quarter of 2003. Nonetheless, as the annual inflows remained positive, the negative annual rate of change in the value of total assets of bond funds appears to have been due to valuation effects. According to MFI balance sheet data, the annual net inflow into money market funds continued to decrease in the second quarter.

The continued net inflow into equity funds and the fall in the annual net inflow into money market funds in the second quarter of 2004 is consistent with the continued normalisation of the portfolio allocation behaviour of euro area investors, whereby wealth holdings are being shifted from less risky money market fund shares and bonds to more risky assets, such as equity. The data thus support the analysis based on monetary data which was presented in Section 2.1.

Chart 14 Financial investment of insurance corporations and pension funds

(annual growth rates; contributions in percentage points)



Source: ECB.

INSURANCE CORPORATIONS AND PENSION FUNDS

The annual growth rate in the financial investment of insurance corporations and pension funds (ICPFs) in the euro area decreased to 6.4% in the second quarter of 2004, down from 6.9% in the first quarter. This reflects contrasting developments in the individual asset categories. While the annual rate of growth of both loans granted by ICPFs and holdings of quoted shares declined, the growth rate of the acquisition of securities other than shares strengthened (see Chart 14). Furthermore, ICPFs' holding of deposits with euro area MFIs strengthened.

4 The Fédération Européenne des Fonds et Sociétés d'Investissement (FEFSI) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds. The countries included in FEFSI statistics on net flows are Germany, Greece, Spain, France, Italy, Luxembourg, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds", Monthly Bulletin, June 2004.

2.4 FINANCING AND FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

The growth of total financing of the non-financial sector stabilised in the second and third quarters of 2004. While financing of households strengthened further, driven by sustained demand for loans for house purchase, the dynamics in financing of non-financial corporations and of general government remained stable. As regards financial investment, the financial account data confirm that the cautious normalisation of portfolio allocation behaviour, shifting towards longer-term assets, continued in the second quarter of 2004.

FINANCING OF THE NON-FINANCIAL SECTOR

Estimates based on information from money and banking statistics and securities issues statistics suggest that the growth rates of total financing and debt financing of the non-financial sector remained broadly unchanged in the third quarter of 2004 (see Table 4), standing at around 4½% and 5¼% respectively.

Financing of the household sector has accelerated further in recent months and is estimated to have grown at an annual rate of 8¼% in the third quarter of 2004. This further increase in loan growth is primarily a reflection of the robust demand for long-term loans, typically granted for the purpose of house purchase, in the context of buoyant mortgage markets in some countries. In the third quarter of 2004, the dynamics of loans for house purchase were supported by favourable financing conditions, as indicated by the results of the October 2004 Eurosystem bank lending survey[5]. In recent quarters the annual growth rate of total loans granted to households has been higher than that of loans granted by MFIs, pointing to a continued high growth rate of loans by other financial institutions (OFIs) in the context of the securitisation of residential mortgages in a number of countries. The annual growth rate of consumer credit also recorded a further rise in the third quarter of 2004, while the annual growth rate of MFI loans for other lending to households was broadly stable.

Reflecting the sustained growth of borrowing, the ratio of household debt to GDP increased further, reaching 55% in the third quarter. However, despite this historically high level of indebtedness, the ratio of the total debt service burden (including interest payments plus repayments of principal) to disposable income is estimated to have remained broadly stable since 2000 as a result of the prevailing environment of low interest rates (for recent data on the financial position of households and non-financial corporations in 2003, see Box 3).

Despite the rather low level of interest rates, the annual growth rate of non-financial corporate financing is estimated to have stabilised at 2¼% in the third quarter of 2004. Underlying this was a slight increase in the annual growth rate of debt financing, whereas the annual growth rate of quoted shares remained broadly unchanged. The annual growth of total loans taken by non-financial corporations is estimated to have increased to 2¾% in the third quarter of this year. In contrast, the growth of financing by securities issuance is estimated to have declined slightly in the same quarter (see also Box 4 entitled “Financing conditions of non-financial corporations in the euro area”).

The debt-to-GDP ratio of non-financial corporations is estimated to have remained unchanged at a relatively high level in the third quarter of 2004. The ratio of debt to corporate earnings (as measured by the operating surplus), which has increased over recent quarters, declined somewhat in the third quarter.

5 See “The results of the October 2004 bank lending survey for the euro area” in the November 2004 issue of the ECB’s Monthly Bulletin.

The annual growth rate of debt financing of general government is estimated to have been around 5% in the third quarter. This robust growth rate reflected the weak budgetary positions of several euro area governments. The ratio of general government debt to GDP is estimated to have declined slightly in the third quarter.

Table 4 Financing of the euro area non-financial sector

	Outstanding amount as a percentage of (sector) financing [1]	Annual growth rates									
		2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3 [2]
Non-financial sector	**100**	**4.1**	**4.0**	**3.9**	**4.4**	**4.8**	**5.2**	**4.8**	**4.4**	**4.4**	***4 ½***
of which: long-term financing [3]	85.3	4.5	4.5	4.2	4.2	4.4	5.0	4.8	4.6	4.8	*4 ½*
Debt financing [4]	83.4	5.1	4.6	4.8	5.5	5.8	6.0	5.5	4.9	5.1	*5 ¼*
of which: short-term debt financing	14.7	1.8	0.7	2.1	5.5	7.1	6.3	5.0	2.9	2.2	*4 ¼*
of which: long-term debt financing	68.7	5.8	5.5	5.3	5.5	5.5	5.9	5.7	5.3	5.8	*5 ½*
Households [4), 5)]	**23.4**	**6.0**	**6.1**	**6.5**	**6.7**	**6.5**	**7.1**	**7.1**	**7.4**	**8.0**	***8 ¼***
of which: short-term debt financing	7.3	0.7	0.2	0.8	-0.3	-1.5	-1.4	-0.8	0.4	1.6	*2 ¾*
of which: long-term debt financing	92.7	6.5	6.7	7.1	7.4	7.3	7.9	7.8	8.0	8.5	*8 ¾*
Non-financial corporations	**43.5**	**3.3**	**2.7**	**2.5**	**3.0**	**3.4**	**3.7**	**3.1**	**1.8**	**1.8**	***2 ¼***
of which: long-term financing	81.7	4.7	4.2	3.6	3.4	3.3	3.9	3.4	2.5	2.4	*2 ¾*
Debt financing [4]	61.8	5.5	3.7	4.0	5.1	5.2	5.2	4.3	2.2	2.5	*3*
of which: short-term debt financing	18.3	-2.9	-3.8	-2.3	0.9	4.0	3.0	1.6	-0.7	-0.7	*0*
of which: long-term debt financing	43.6	9.7	7.4	7.0	7.0	5.8	6.1	5.5	3.5	3.9	*4 ¼*
of which: loans	49.7	5.1	3.2	3.9	4.6	4.3	4.5	3.3	1.6	2.0	*2 ¾*
of which: securities other than shares	8.1	8.8	6.8	4.1	8.1	11.6	9.8	10.3	4.5	4.1	*3 ¾*
of which: pension fund reserves	4.0	4.4	4.7	5.2	5.4	5.8	5.8	6.0	5.9	5.8	*5 ¾*
Quoted shares	38.2	0.9	1.2	0.7	0.4	0.7	0.9	0.8	1.0	0.4	*½*
General government [4]	**33.1**	**4.1**	**4.3**	**4.2**	**5.0**	**5.8**	**5.9**	**5.5**	**5.4**	**5.4**	***5***
of which: short-term debt financing	15.3	12.3	10.4	11.9	17.1	16.3	15.6	13.4	9.8	7.0	*12 ¼*
of which: long-term debt financing	84.7	2.8	3.4	3.0	3.1	4.0	4.3	4.2	4.6	5.1	*3 ¾*
of which: loans	16.8	-0.6	-0.8	-1.9	-1.5	0.9	2.8	3.6	3.7	3.2	*1 ¼*
of which: securities other than shares	79.9	4.7	5.0	5.2	6.0	6.5	6.2	5.7	5.7	5.8	*5 ½*
of which: central government deposit liabilities	3.2	15.8	15.8	12.3	14.7	13.4	13.2	8.9	7.5	4.8	*11*
Debt-to-GDP ratios (in %)											
Households		50	50	51	51	52	52	53	53	54	55
Non-financial corporations		62	62	62	62	63	63	63	62	62	62
General government		73	74	74	76	77	76	75	77	77	76
Debt-to-equity ratio of the non-financial corporations		142	189	184	211	185	183	166	160	162	*165*

Source: ECB.
Note: See also Table 3.2 in the "Euro area statistics" section of the Monthly Bulletin.
1) As at the end of the second quarter of 2004. Short-term and long-term (debt) financing and sector financing as a percentage of financing. Sector short-term and long-term (debt) financing and financing instruments as a percentage of sector financing. Figures may not add up due to rounding.
2) Figures for the most recent quarter shown in the table have been estimated on the basis of transactions reported in money and banking statistics and in securities issues statistics.
3) Long-term financing with an original maturity of over one year includes long-term loans, long-term debt securities issued, quoted shares issued and pension fund reserves of non-financial corporations.
4) Debt financing includes loans, debt securities issued, pension fund reserves of non-financial corporations and deposit liabilities of central government. Short-term debt financing with an original maturity of up to one year includes short-term loans, short-term debt securities issued and deposit liabilities of central government. Long-term debt financing equals long-term financing excluding quoted shares issued.
5) Including non-profit institutions serving households.

Box 3

SAVING, FINANCING AND INVESTMENT OF EURO AREA HOUSEHOLDS AND NON-FINANCIAL CORPORATIONS IN 2003

Euro area financial account data for 2003 have recently become available,[1] enabling a thorough analysis of the financial development of euro area sectors to be made. On this basis, this box analyses developments in saving, financing and financial investment of households and non-financial corporations in 2003.

Overall, households had a large net lending position, while non-financial corporations maintained a net borrowing position (see Chart A). The combined net balance of the domestic sectors vis-à-vis the rest of the world (also taking into account the general government fiscal deficit) remained positive in 2003, although it declined slightly.

Households

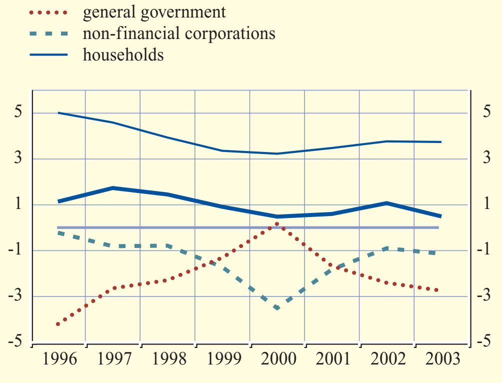
The broadly unchanged net lending of households in 2003 corresponded to broad stability in household saving and gross capital expenditure (mainly the net acquisition of housing property) in relation to GDP.

In 2003 households further increased their demand for loans to finance housing acquisitions,[2] causing household debt as a ratio to disposable income to continue to rise (see Chart B). However, the indebtedness of households in the euro area as a percentage of disposable income

1 See Section 3.4 of the "Euro area statistics" section of this issue of the Monthly Bulletin. Euro area financial account data are based on national financial accounts compiled by Eurostat, and by the ECB.
2 It should be noted that a large part of housing transactions financed by loans do not translate into an increase in net capital formation (which has been subdued or negative since the mid-1990s) because it takes place on the secondary market, mainly as transactions between households.

Chart A Net lending/net borrowing of sectors [1)]

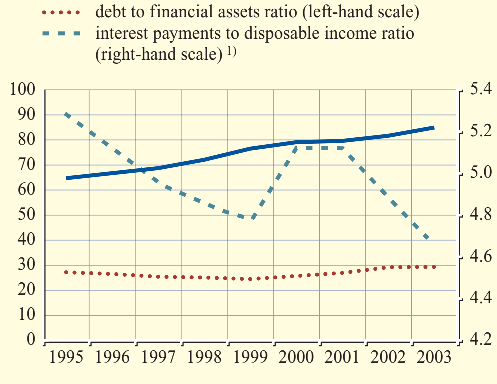
(as a percentage of GDP)



Sources: ECB, Eurostat.
1) Net lending/net borrowing is defined as the difference between gross saving and net capital transfers received minus gross capital formation and net acquisition of valuables.

Chart B Debt and interest payment burden of households

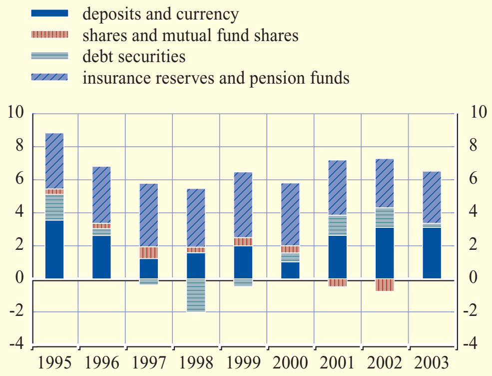
(percentages)



Sources: ECB, Eurostat.
1) Interest payments for 2003 are an ECB estimation.

Chart C Financial investment of households

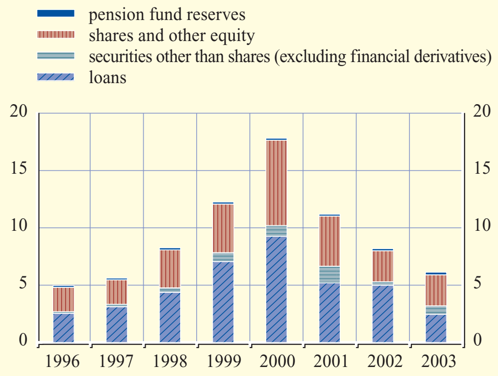
(as a percentage of GDP)



Sources: ECB, Eurostat.

Chart D Financing by non-financial corporations

(as a percentage of GDP) [1)]



Sources: ECB, Eurostat.
1) Excluding financial derivatives and other accounts payable.

remained far below that in other industrialised countries such as the United States, the United Kingdom or Japan. Moreover, the debt-to-financial assets ratio stabilised, as the value of securities held by households (especially shares) increased. Also, the rise in mortgage debt has been accompanied by a rise in house prices since 1999. Despite the rise in indebtedness, the overall interest payment burden on euro area households decreased further in 2003 in a context of low interest rates.

The financial investment of households increased slightly in 2003 (see Chart C). Flows into deposits and currency remained broadly stable. Investment in insurance reserves and pension funds, which has tended to stand at a relatively high level over the previous years, increased slightly in 2003. One noteworthy development was a renewal of interest among households in the purchase of shares and mutual fund shares (mainly equity-linked funds) for the first time since 2000. This partly came at the expense of bond acquisitions, which declined in 2003.

Non-financial corporations

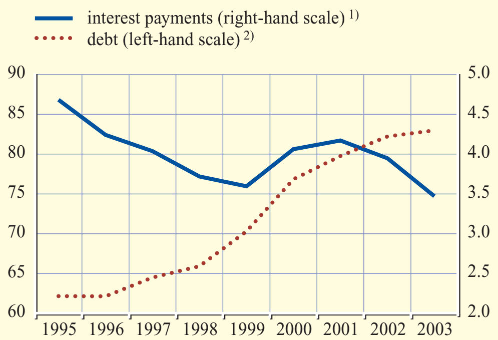
The broadly unchanged net borrowing of non-financial corporations in 2003, at -1.1% of GDP, reflected a slight decline in both corporate internal funds and real investment.

The slight decline in internal funds was mainly due to a reduction in net capital transfers received, while gross saving remained broadly stable in relation to GDP. This may indicate that, at the aggregate level, corporate profitability did not increase significantly in 2003, although one should note that gross saving does not include capital losses on the holding of securities.[3] Real

3 The broad stability of gross saving in national accounts contrasts with the increase in corporate profit derived from market data in 2003 (for instance derived from earnings per share data). This may be due to the fact that gross savings do not include capital losses (which appear to have dampened corporate profits in 2002, resulting in significant growth in 2003). Another reason is that the measure of corporate earnings derived from price-earnings ratios only concerns (large) listed companies and may not reflect the average situation of euro area corporations. (See also the article entitled "Measuring and analysing profit developments in the euro area", in the January 2004 issue of the Monthly Bulletin).

Chart E Debt and interest payments of non-financial corporations

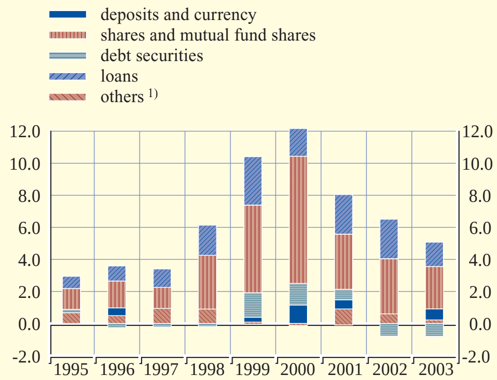
(as a percentage of GDP)



Sources: ECB, Eurostat.
1) Interest payments for 2003 are an ECB estimation.
2) Debt includes loans, securities other than shares (excluding financial derivatives) and pension fund reserves.

Chart F Financial investment of non-financial corporations

(as a percentage of GDP)



Sources: ECB, Eurostat.
1) Others: net other accounts receivable; net financial derivatives and insurance technical reserves.

investment in relation to GDP declined somewhat further in 2003, partly reflecting the only gradual recovery of economic activity.

Overall, the financing gap increased only slightly in 2003. Despite this rise, there was a decline in the net incurrence of liabilities from 8.2% of GDP in 2002 to 6.1% in 2003. This provides some evidence that non-financial corporations have reduced their reliance on external financing in order to stabilise their debt.

The decrease in the net incurrence of liabilities primarily reflects a decline in the volume of new loans to non-financial corporations (see Chart D), mainly attributable to MFI loans. Loans granted by non-MFIs and inter-company loans remained stable. By contrast, non-financial corporations increased their net issuance of debt securities in 2003. The overall issuance of shares was broadly stable in 2003. Among these, the issuance of non-quoted shares predominated, while that of quoted shares remained very low.

The debt-to-GDP ratio for non-financial corporations remained broadly stable in 2003 (see Chart E). The gross interest payment burden is estimated to have declined further owing to the relatively low level of interest rates.

Financial investment fell further in 2003, thereby continuing the downward trend observed since the peak in 2000 (see Chart F). In particular, the growth of inter-company loans declined further while that of shares and other equity remained stable, developments which reflected the continued subdued mergers and acquisitions activity in 2003. Also, non-financial corporations were net sellers of bonds. By contrast, their holdings of currency and deposits increased strongly, the demand for overnight deposits being supported by the very low opportunity cost of holding these liquid instruments.

Box 4

FINANCING CONDITIONS OF NON-FINANCIAL CORPORATIONS IN THE EURO AREA

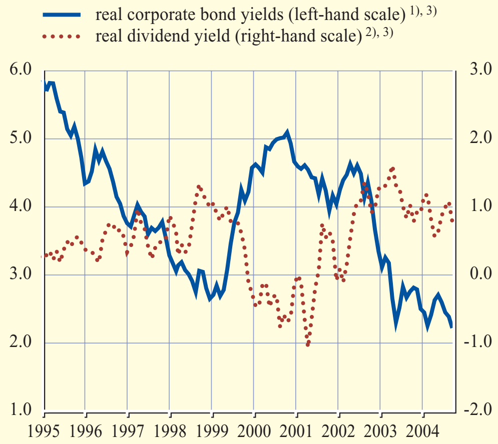
Overall, the financing conditions of euro area non-financial corporations are, at present, favourable. However, in 2004 the financing flows of non-financial corporations have thus far been subdued. This box focuses on the costs of financing of non-financial corporations and identifies a number of factors that could explain the still moderate growth of financing flows to non-financial corporations in the euro area.

The costs of debt financing

The real costs of debt financing of non-financial corporations remain at a very low level. For example, the real cost of market-based debt (measured as a weighted average of investment-grade bond yields and high-yield bond yields deflated by the Consensus Economics inflation expectations for four years ahead[1]) currently stands at a historically low level (see Chart A). This development reflects the general decline in interest rates over the period and, more recently, the improvement in the credit risk outlook of the corporate sector (as also reflected in the low corporate bond spreads (see Chart 24 in Section 2.6)).

Chart A Real market-based financing costs of non-financial corporations

(percentages per annum)



Sources: Thomson Financial Datastream and ECB calculations.
1) Bond yields of non-financial corporations rely on an index by Merrill Lynch referring to investment grade non-financial corporations as well as on a high yield index. Prior to April 1998, only national data are available (Belgium, France, Germany, Italy, the Netherlands and Spain). Yields are aggregated using GDP weights corresponding to the purchasing power parity in 2001.
2) Dividend yield is defined as the annual dividend, anticipated by market participants, as a percentage to the share price.
3) Deflated by the Consensus Economics inflation expectations.

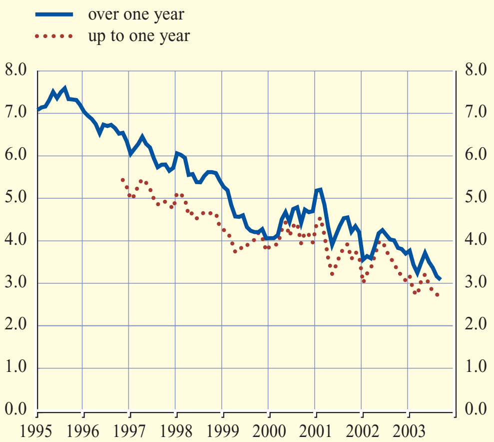
The current favourable cost of debt financing is also reflected in low real MFI interest rates on loans to non-financial corporations (see Charts B and C). It is difficult to make a historical comparison because the statistical definition of bank interest rates has changed since the introduction of the new harmonised MFI interest rate statistics in January 2003. Nevertheless, focusing on changes, real long-term bank interest rates declined by around 4 percentage points between 1995 and end-2002 (see Chart B). Moreover, the downward trend has continued in 2003 and 2004, albeit at a somewhat more moderate pace (see Chart C, based on the new MFI interest rate statistics).

As regards more recent developments, the real rates on MFI loans to non-financial corporations increased slightly in the third quarter of 2004, but remained at a very low level overall. There is also some evidence that, while non-financial corporations have recently lengthened the maturity of their debt, the relative share of loans taken with a short-term rate fixation, or even a floating rate, has increased in parallel.

1 See also Box 3 entitled “Measuring real interest rates in the euro area countries” in the September 2004 issue of the Monthly Bulletin for a discussion of deflation measures.

Chart B Real retail bank lending interest rates to enterprises [1)]

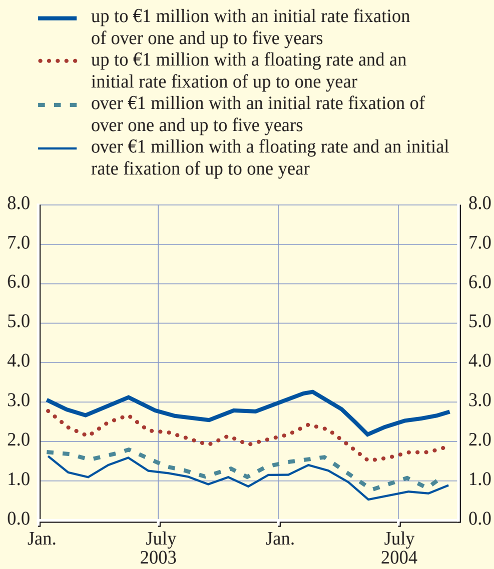
(percentages per annum)



Source: ECB.
1) Corporate bank lending rates are deflated by the actual HICP.

Chart C Real MFI interest rates on loans to non-financial corporations [1)]

(percentages per annum, weight-adjusted [2)])



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

In addition, the spreads between MFI interest rates on loans to non-financial corporations and comparable market rates have either remained stable or declined somewhat in the course of 2004, most probably reflecting banks' perception of a more positive corporate credit risk outlook (as also confirmed by the October 2004 bank lending survey[2]). Nevertheless, bank-based credit spreads have declined more moderately in recent years and remain somewhat higher than market-based credit spreads, in particular as regards the spreads on smaller-sized loans. This could indicate that MFIs have been more reluctant than market participants in general to take risks on lending to non-financial corporations, reflecting, in part, the different nature of non-financial corporations that obtain debt financing through banks (predominantly small and medium-sized enterprises) and through capital markets (i.e. larger companies).

Overall, bank interest rate costs of non-financial corporations have declined in recent years. For example, in September 2004 the interest payments bill on outstanding MFI loans to non-financial corporations (as measured by the outstanding amounts multiplied by their corresponding interest rates) amounted to around €131 billion. This compares with €145 billion in January 2003.

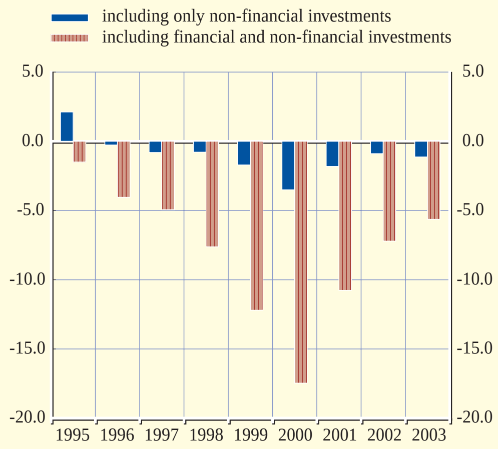
2 See Box 2 entitled "The results of the October 2004 bank lending survey for the euro area" in the November 2004 issue of the Monthly Bulletin.

The costs of equity financing

By contrast with real debt financing costs, measures of the real cost of equity financing currently stand at a higher level than in 2000 and 2001. As illustrated in Chart A, a measure of the real cost of equity (approximated as the real dividend yield[3]), while having declined from its peak in early 2003, remained considerably higher than the (very low) level observed in 2000 and early 2001. However, taking a longer-term perspective this measure of the current real cost of equity is only moderately higher than the level observed in the second half of the 1990s.

Chart D Net lending/borrowing of non-financial corporations [1)]

(as a percentage of GDP)



Source: ECB.
1) Net lending (+) or net borrowing (-) is calculated as the sum of gross savings and net capital transfers minus either non-financial investments only or the sum of non-financial and financial investments. Non-financial investments comprise gross capital formation and acquisitions less disposals of non-produced, non-financial assets.

Financing flows

Despite the benign overall developments in debt financing conditions, non-financial corporations have only to a limited degree assumed new debt in 2004. Thus, for most of 2004, the annual growth rate of debt financing of euro area non-financial corporations has been relatively subdued, at a level below 4% (see Section 2.4). While it has picked up in recent quarters, mainly owing to an increase in loan financing, it remains at a relatively low level from a historical perspective.

Several factors may explain the continued moderate rate of growth of financing flows to non-financial corporations. First, there is some evidence that profitability has increased, boosting internal savings and lowering firms' demand for external financing (see Chart 27 in Section 2.8 and the results of the October 2004 bank lending survey). Second, the still high corporate indebtedness (see Chart E in Box 3) is likely to have induced many firms to spend their retained profits on restructuring and reducing their debt, for example by buying back (redeeming) their outstanding debt securities. Third, non-financial corporations may have adopted a cautious "wait and see" approach with regard to the financing of additional large capital investments. This interpretation is supported by evidence of a reduced financing gap as compared with the peak of 2000 (see Chart D). Preliminary estimates suggest that the financing gap was further reduced in 2004.

Turning to equity financing, the primary equity market in the euro area continued to be sluggish in 2004 (see Chart 11 in Section 2.2), reflecting both subdued investor demand and indications of a still relatively high cost of equity (see Chart A). The somewhat uncertain environment was also reflected in the postponement of a number of planned initial public offerings (IPOs). It is likely that the low net issuance of quoted shares to some extent also reflects the limited need for external financing sources at the current juncture of the economic cycle, in particular as M&A activity in 2004 has thus far remained subdued. At the same time, it has to be noted that while

3 A rise in the dividend yield is assumed to imply a higher cost of equity; see also Box 5 entitled "Activity in the euro area initial public offering market" in the December 2002 issue of the Monthly Bulletin.

current primary equity market activity may look weak by comparison with 1999-2001, the latter was heavily influenced by extremely buoyant issuance by the telecommunications, media and technology sectors.

All in all, the costs of various sources of debt financing have declined over the past few years. The nevertheless still relatively moderate external financing flows to the corporate sector are consistent with the picture of an only gradual economic recovery, in which companies are on average recording rising profits but have not yet started to invest in fixed capital on a large scale.

FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

The latest data available on financial investment by the non-financial sector refer to the second quarter of 2004. They indicate a slight increase in the annual rate of growth, to 4.7%, from 4.4% in the first quarter (see Table 5). This increase has been driven by a rise in the growth of long-term financial investment.

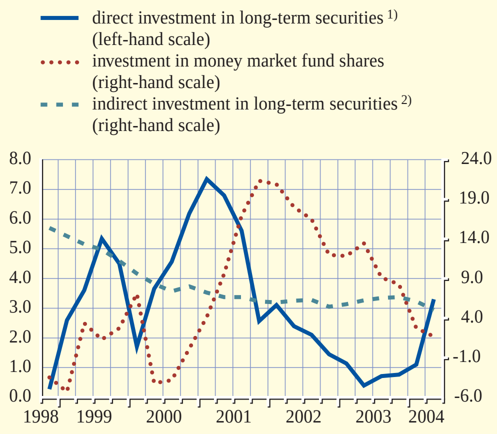
The data for the second quarter support and offer further insight into the conclusions drawn previously on the basis of the monetary data. The reversal of past portfolio shifts observed since mid-2003 continued, albeit at a gradual pace, as funds were transferred from safe and liquid short-term instruments to longer-term, riskier assets. Notably, the growth of financial investment in long-term instruments increased substantially, driven mainly by purchases of equity and of long-term securities other than shares. At the same time, growth in money market fund shares, which are typically held as an alternative to equity investments at times of heightened economic and financial uncertainty, decreased further in the second quarter of 2004.

Financial account data offer some further insight into these developments. They indicate that the normalisation of portfolio allocation behaviour took place through a recovery in direct holdings of long-term financial instruments (both long-term securities other than shares, and quoted shares). At the same time, growth in indirect holdings of securities (via investment in non-monetary mutual fund shares and in insurance products) recorded a decrease (see Chart 15). This could be an indication of a recovery in the risk appetite of the non-financial sectors since the third quarter of 2003, in the context of improved bond and equity market performance, followed by the positive holding gains on securities held by the non-financial sectors over four successive quarters (see Table 5).

The rise in equity prices, which has offset the effect of the increase in the debt of the non-financial sector, has stabilised the ratio of debt

Chart 15 Short-term and long-term financial investment of the non-financial sector

(annual percentage changes)



Source: ECB.
1) Net purchase of long-term debt securities and quoted shares.
2) Net purchase of mutual fund shares, except money-market fund shares, and insurance products.

Table 5 Financial investment of the euro area non-financial sector

	Outstanding amount as a percentage of financial investment[1)]	Annual growth rates									
		2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Financial investment	**100**	**4.2**	**4.4**	**4.0**	**4.3**	**4.6**	**4.7**	**4.5**	**4.4**	**4.7**	**.**
Currency and deposits	38.0	4.8	4.7	5.0	5.9	6.5	6.6	5.6	5.3	5.3	.
Securities other than shares	12.5	1.8	2.4	1.3	-0.5	-2.2	-3.4	-2.2	-0.2	4.0	.
of which: short-term	1.2	-27.3	-15.6	-13.9	-17.9	-16.0	-25.6	-16.4	-4.8	15.0	.
of which: long-term	11.2	6.3	5.2	3.4	1.6	-0.7	-0.7	-0.5	0.3	3.0	.
Mutual fund shares	12.0	6.0	6.2	4.7	5.6	7.1	6.9	6.9	4.6	2.2	.
of which: mutual fund shares, excluding money market fund shares	9.3	4.3	4.4	3.4	4.5	5.8	6.4	6.5	5.2	2.4	.
of which: money market fund shares	2.7	18.0	16.5	12.0	11.8	13.4	9.1	8.3	2.7	1.7	.
Quoted shares	13.1	0.1	-0.1	0.2	0.8	1.2	2.2	2.0	2.0	3.6	.
Insurance technical reserves	24.5	7.1	7.1	6.4	6.3	6.5	6.6	6.7	6.4	6.1	.
M3[2)]		7.2	7.2	7.0	8.3	8.6	7.6	7.2	5.3	5.3	6.0
Annual gains and losses in the holdings of securities by the non-financial sector (as a percentage of GDP)		-9.8	-8.8	-13.7	-17.1	-6.4	2.0	4.0	7.5	3.5	

Source: ECB.
Note: See also Table 3.1 in the "Euro area statistics" section of the Monthly Bulletin.
1) As at the end of the second quarter of 2004. Figures may not add up due to rounding.
2) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sector except central government and non-monetary financial institutions) with euro area MFIs and central government.

to financial assets in the sector at a level close to 90%, indicating a slight improvement in the balance sheet position of the non-financial sector compared with 2003.

2.5 MONEY MARKET INTEREST RATES

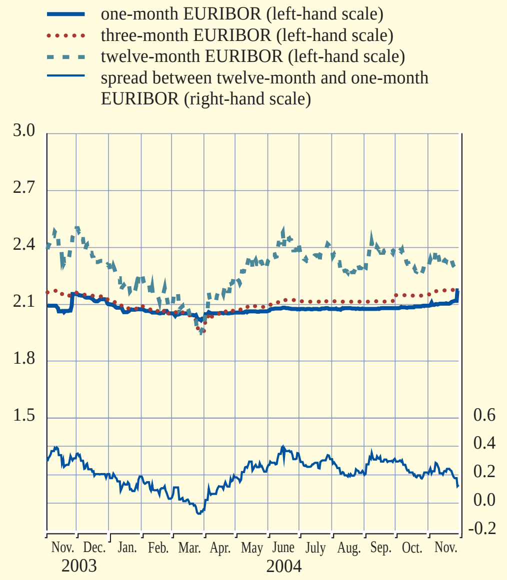
After declining in July and August, longer-term money market interest rates have remained broadly stable over the past three months. With shorter-term interest rates increasing slightly, the slope of the money market yield curve has flattened a little since the end of August.

Shorter-term money market interest rates have increased moderately over the past few months, although they remain at levels only slightly above the 2.0% minimum bid rate in the Eurosystem's main refinancing operations (see Chart 16). In contrast, longer-term money market rates have remained broadly stable and on 1 December were close to the levels observed at the end of August 2004. Consequently, the slope of the money market yield curve has flattened somewhat over the past three months. The spread between the twelve-month and the one-month EURIBOR stood at 11 basis points on 1 December 2004 (see Chart 16), 9 basis points lower than the level observed at the end of August.

Market participants have revised downwards their expectations about the course of short-term interest rates during the first half of 2005. This is illustrated by the development of the interest rates implied by the three-month EURIBOR futures (see Chart 17). The rates implied by three-

Chart 16 Short-term money market interest rates

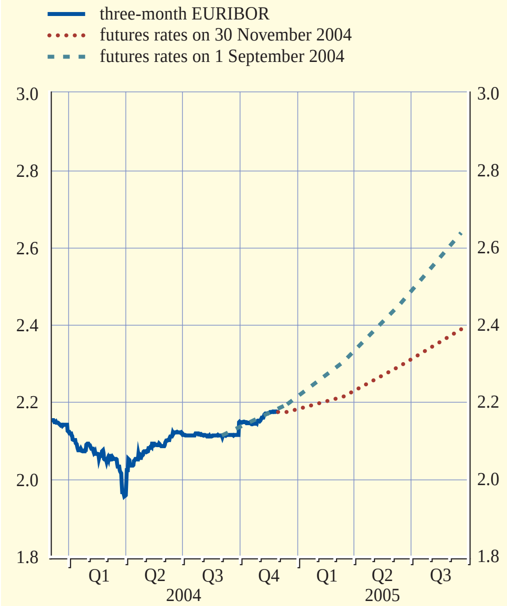
(percentages per annum; percentage points; daily data)



Source: Reuters.

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.

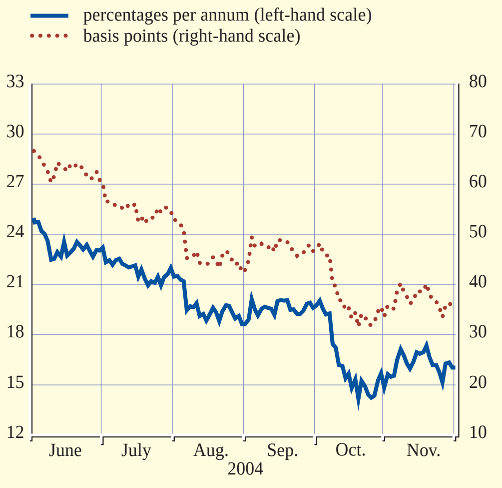
month EURIBOR futures contracts maturing in March and June 2005 decreased by 9 and 17 basis points between the end of August and 1 December 2004, to stand at 2.20% and 2.28% respectively.

The implied volatilities derived from options on the three-month EURIBOR futures rates have decreased further over the past three months, standing at levels which are low by historical standards (see Chart 18). This suggests that, at the current juncture, uncertainty among market participants with regard to developments in short-term interest rates in the coming months is relatively low.

For most of the period between the end of August and 1 December 2004, liquidity and interest rate conditions in the money market were relatively stable (see Chart 19). The marginal and weighted average rates in the Eurosystem's main refinancing operations increased slightly during this period to stand at 6 basis points above the minimum bid rate. With the exception of the last few days of the reserve maintenance periods ending on 7 September, 11 October and 8 November 2004, the EONIA (euro overnight index average) has remained broadly stable (see Box 5). In the three longer-term refinancing operations of the Eurosystem settled on 30 September, 28 October and 25 November, the tender rates were between 4 and 9 basis points below the three-month EURIBOR prevailing on those dates.

Chart 18 Implied volatilities derived from options on three-month EURIBOR futures maturing in June 2005

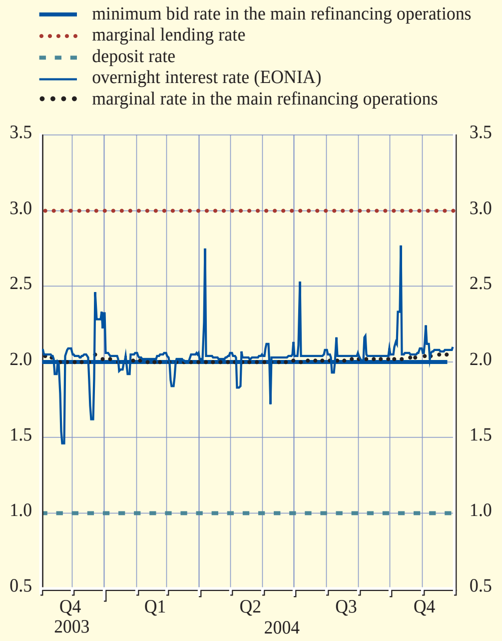
(percentages per annum; basis points; daily data)



Sources: Bloomberg 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 ECB's Monthly Bulletin).

Chart 19 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

Box 5

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 11 AUGUST TO 8 NOVEMBER 2004

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 7 September, 11 October and 8 November 2004.

Liquidity needs of the banking system

Banks' liquidity needs continued to grow in the period under review (see Chart A). The main contributing factor was the growth in net autonomous factors (i.e. the liquidity factors which do not normally stem from the use of monetary policy instruments), which absorbed €191.5 billion on average during the review period. This represents the highest level registered since January 1999. The increase is primarily attributable to the continued growth in banknotes in circulation, which reached a record average level of €465.8 billion. Government deposits were also high, ranging from approximately €40 to €78 billion during the period under review. Reserve requirements were stable, while excess reserves (i.e. current account holdings in excess of reserve requirements) fluctuated modestly around an average value of €0.60 billion. This average level, although on the low side, is within the range of average values seen in previous periods (see Chart B).

Liquidity supply and interest rates

In parallel with the growing demand for liquidity, the volume of open market operations increased (see Chart A). The allotment amount in the main refinancing operation (MRO) settled on 25 October was €268 billion, the highest since the start of 1999.

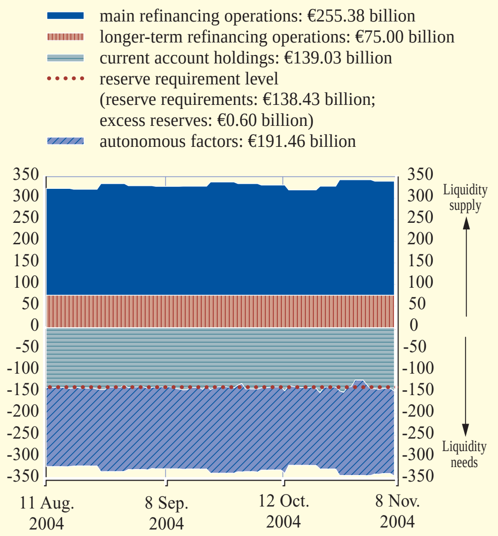
Nevertheless, the ratio between bids submitted by counterparties and satisfied bids (the bid-cover ratio) increased in the period under review, standing at 1.35 on average.

In all MROs settled during the period, the ECB allotted the benchmark amount (i.e. the allotment required to establish balanced liquidity conditions on the basis of the ECB's overall liquidity forecast). The differences between the marginal and the weighted average rates at which funds were allotted in the tenders were either 0 or 1 basis point. The difference between the minimum bid rate and the marginal rate grew from 1 basis point in mid-August to 4 basis points by the start of November.

Generally, the EONIA (euro overnight index average) was relatively stable during most of the period under review, although it followed the same slightly increasing trend as the marginal rate

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.

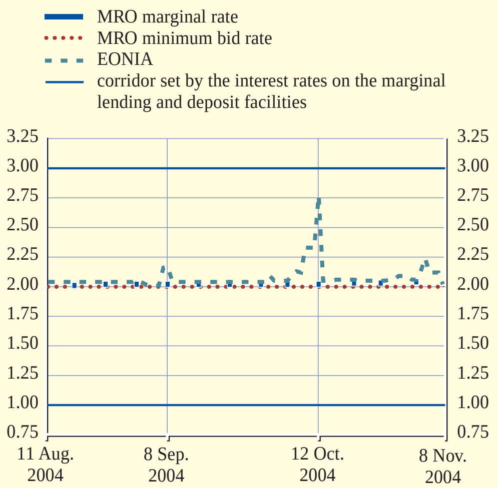
Chart B Excess reserves [1]

(EUR billions, average level in each maintenance period)

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

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

(see Chart C). As usual, the EONIA increased at month-ends and exhibited higher volatility in the week between the last MRO allotment and the end of the respective maintenance period.

After the last MRO allotment of the maintenance period ending 7 September, the EONIA initially declined to levels only slightly above the minimum bid rate of 2%, as market participants appeared to perceive liquidity conditions to be loose. On the last two days of the maintenance period, the EONIA rose to around 2.15% even though liquidity conditions were relatively loose. The period ended with a net recourse to the deposit facility of €2.2 billion.

At the end of the following maintenance period, the EONIA jumped to 2.13% on the settlement day of the last MRO, on expectations of tight liquidity. On this occasion, liquidity conditions were in fact tight. On 11 October, the last day of the maintenance period, there was a net recourse to the marginal lending facility of €7.6 billion, with the EONIA rising to 2.77%.

A similar pattern of volatility and market expectations of tight liquidity conditions emerged after the allotment of the last MRO of the maintenance period ending on 8 November. On Thursday 4 November, the EONIA increased to 2.24%. In response to this development, the ECB communicated on the subsequent morning that it did not foresee a large liquidity imbalance on the last day of the maintenance period but that it stood ready to counter any such imbalance via a fine tuning operation. On the last day of the maintenance period, a shortage of €6.5 billion became likely. Consequently, the ECB injected this amount via a fine-tuning operation. As a result, the EONIA fell and ended at 2.02% on that day. The decision to fine-tune showed the ECB's desire to address more effectively substantial liquidity imbalances that cause excessive volatility in the overnight rate, notably those resulting from changes in the Eurosystem's forecast for the autonomous liquidity factors at the end of the maintenance period.

2.6 BOND MARKETS

Developments in long-term government bond yields have been decoupling across major markets, especially since the end of October. Euro area and Japanese bond yields have continued the general decline that started in June this year, whereas US bond yields have reversed this trend with increases throughout November. One of the main factors behind the decreasing trend in euro area bond yields over the last couple of months appears to be market participants' concerns about the short-term growth outlook for the euro area economy.

UNITED STATES

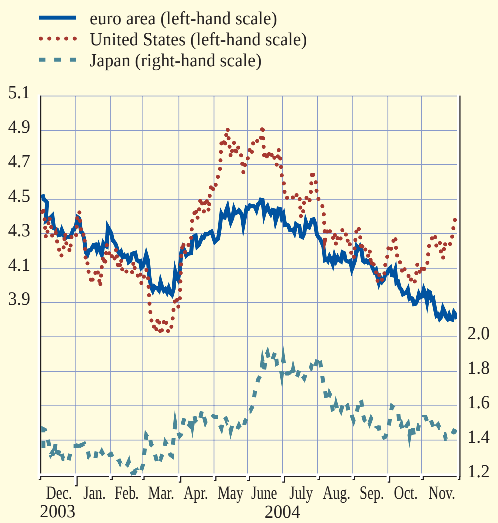
In the United States, long-term bond yields showed an overall increase between the end of August and 1 December, mainly due to the rather strong increases seen in November (see Chart 20). Taking a longer-term perspective, these developments, if confirmed, may indicate that the broad downward trend in US bond yields which has prevailed since June 2004 may have come to a halt. By contrast with the increase in nominal yields, there was a decline in ten-year inflation-indexed bond yields over the same period and a significant increase in the ten-year break-even inflation rate, as measured by the yield differential between comparable nominal and inflation-indexed government bonds. This increase in break-even inflation rates may suggest that market participants perceived inflationary risks in the United States as increasing.

Looking back over the past three months, nominal long-term bond yields initially declined in September and October, following data releases on economic activity and inflation in the United States that was weaker than expected by the market. Bond yields were particularly affected by the employment reports, which were perceived as disappointing by market participants. In combination with the increase in oil prices seen throughout September and October, this appears to have led market participants to revise downward somewhat their expectations for the US economy. The effects on long and medium-term bond yields following the increase in policy rates by the Federal Reserve in September appears to have been relatively muted, as the move appeared to have been largely expected by financial market participants.

The declines in bond yields were, however, reversed in November following the release of employment data which indicated improvements in labour market conditions and stronger than expected producer and consumer price increases. Growing inflationary concerns among market participants and their anticipation of a swifter pace of increase in policy rates appear to have triggered bond yield increases across the entire maturity spectrum throughout November. Between the end of October and 1 December 2004, ten-year nominal government bond yields in the United States increased by around 30 basis points, to stand at around 4.4% on the latter date. Over the

Chart 20 Long-term government bond yields

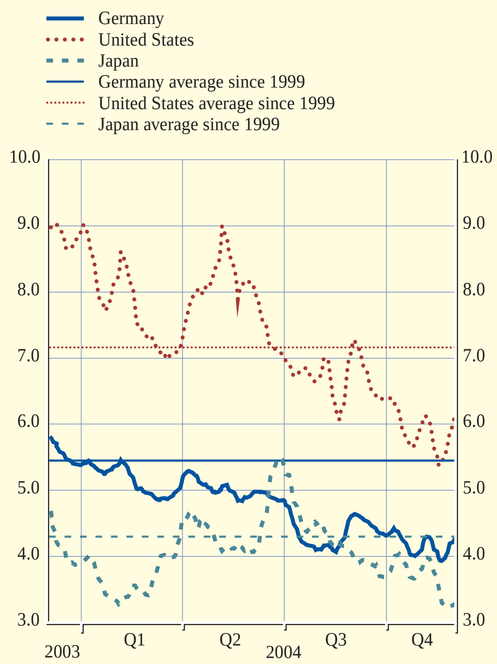
(percentages per annum; daily data)



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

Chart 21 Implied bond market volatility

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



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

same period, the yields on ten-year inflation-indexed government bonds increased slightly to stand at around 1.2% on 1 December, and the ten-year break-even inflation rate increased by around 30 basis points in November, to stand at 2.8% on 1 December.

Bond market participants appear to have become slightly less uncertain during the past few months about future movements in long-term bond yields. The ten-day moving average of the implied volatility on ten-year US Treasury future contracts has continued to decline over the last three months and by 1 December stood at a level lower than its average since 1999 (see Chart 21 and Box 6 entitled "Recent trends in implied bond market volatility").

Box 6

RECENT TRENDS IN IMPLIED BOND MARKET VOLATILITY

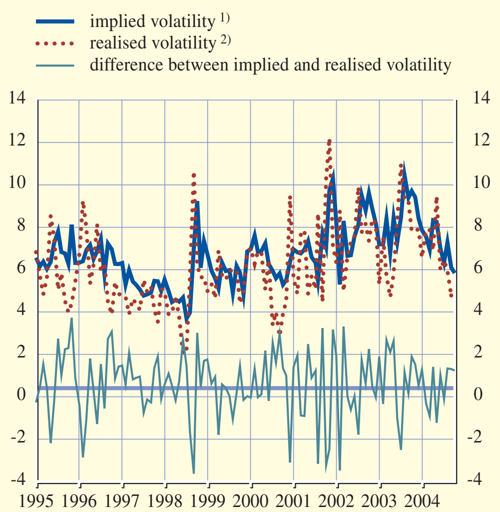
Over the last few quarters there has been a marked decline in options-based implied volatility across a wide range of financial asset classes, such as equities, government bonds and exchange rates. Some concerns have been raised that these declines in implied volatility might have gone too far, implying higher risks of a later upward correction. In the previous issue of the Monthly Bulletin, this topic was analysed for stock markets, using the US market as an example.[1] This box follows up on this issue with an investigation of developments in implied volatility of US long-term government bonds.

Chart A shows the implied volatility, which measures market participants' near-term expectations of future bond market volatility extracted from option prices, on US ten-year Treasury note futures contracts with 22 trading days to maturity since January 1990, together with the realised bond market volatility over the subsequent 22 trading days. A comparison of the two series therefore provides information on whether and to what extent market participants' expected volatility deviated from the realised outcome in each month.

Several inferences can be drawn from the chart. First, neither implied nor realised volatility are currently at levels which are unusually low from a historical perspective. Second, implied and realised volatility show a fairly high degree of co-movement.

Chart A Implied and realised volatility in the US long-term bond market

(percentages per annum; monthly data; January 1995 to October 2004)



Sources: Bloomberg and ECB calculations.
Note: The straight line shows the average spread in the difference between implied and realised volatility.
1) Each month the implied volatility is extracted from options on ten-year Treasury note futures contracts with 22 days to maturity.
2) Calculated as the standard deviation of the daily changes in the logarithm of the futures price over the 22 days to maturity.

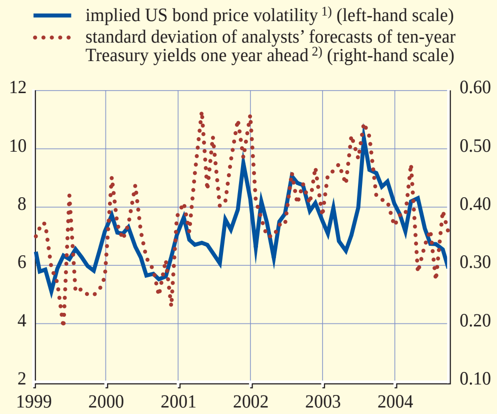
1 See the box entitled "Recent trends in implied stock market volatility" in the November 2004 issue of the Monthly Bulletin.

Particularly in periods when implied volatility is high, realised volatility also tends to be high, and vice versa.[2] Third, implied volatility has declined steadily for more than a year, and so has realised volatility.

The difference between implied and realised volatility for the US long-term bond market is also shown in Chart A. Any systematic pattern in this difference, for example a relatively long series of expectation errors of the same sign, could indicate a potential mispricing. As is evident from this time series, there are no indications that implied volatility in recent years has systematically under or overpredicted realised volatility, as should happen if implied volatility were to be driven by factors other than market participants' expected volatility. Instead it appears that implied volatility has declined because market participants have expected lower realised volatility, and they have, at least so far, been correct.

Chart B Measures of uncertainty in the US long-term bond market

(percentages per annum; monthly data; January 1999 to October 2004)



Sources: Bloomberg, Consensus Economics and ECB calculations.
1) Extracted from options on ten-year Treasury note futures contracts on the 15th of each month.
2) The dates of the survey do not necessarily coincide exactly with the dates of the implied volatility.

The recent decline in implied bond market volatility goes hand in hand with a survey-based measure of bond market uncertainty, namely the standard deviation of a number of analysts' forecasts of ten-year US Treasury yields one year ahead. This index measures the level of disagreement among market participants rather than aggregated uncertainty.[3] Chart B nonetheless shows a quite remarkable co-movement of this indicator with the developments in implied bond market volatility, particularly since mid-2003.

Summing up, the empirical evidence presented here on the basis of the predictive content of implied volatility does not suggest any major mispricing of options on long-term US bonds. Instead, it suggests that the recent decline in implied bond market volatility is due to the fact that market participants have correctly anticipated lower future realised bond market volatility. This, in turn, is consistent with a normalisation process following a period of above-average implied and realised bond market volatility.

2 The implied volatility series tends, on average, to be slightly higher than realised volatility, probably reflecting several measurement biases in the two series. For a discussion of these biases, see B. J. Christensen and N. R. Prabhala (1998), "The relation between implied and realized volatility", *Journal of Financial Economics,* 50, pp. 125-50.

3 For a discussion of disagreement versus uncertainty, see Lahiri, Teigland and Zaporowski, 1988, "Interest Rates and the Subjective Probability Distributions and Inflation Forecasts", *Journal of Money, Credit and Banking*, 20, pp. 233-48.

JAPAN

In Japan, long-term government bond yields have declined somewhat overall over the past three months, with some pronounced swings during that period (see Chart 20). Following small declines throughout September, partly due to general market concerns with regard to the impact of increasing oil prices on the economy, data releases at the end of September and the beginning of October were perceived positively by the market and provided support for bond yield increases, although bond yields declined again later in October.

More recently, significantly weaker than expected data on real GDP growth for the third quarter appears to have triggered downward revisions in market participants' short-term growth expectations. This in turn prompted declines in bond yields. Between the end of October and 1 December ten-year government bond yields decreased by around 5 basis points, to stand at around 1.5% on the latter date.

Market participants' uncertainty about future bond yield developments in Japan, as measured by implied bond market volatility, has decreased steadily over the past three months and remains at a level below its average since 1999.

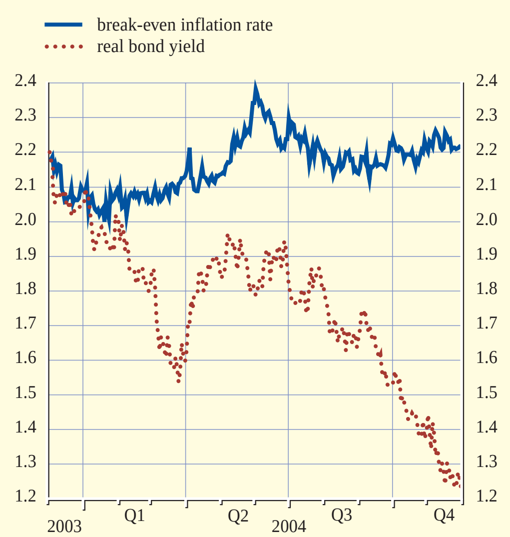
EURO AREA

Long-term bond yields in the euro area continued to decrease between the end of August and 1 December, following the downward trend witnessed from mid-June. Owing to the divergence in interest rate developments between the United States and the euro area, the differential between US and euro area ten-year government bond yields widened markedly over this period and stood at around 60 basis points on 1 December. This was the largest differential observed since August 2000.

The decline in long-term bond yields in the euro area seemed to mainly reflect some downward adjustment in market participants' short-term expectations of economic growth in the euro area, triggered by higher oil prices, weaker than expected real GDP growth figures in the euro area and, possibly, the appreciation of the euro vis-à-vis the US dollar. Correspondingly, real long-term bond yields, as measured by the yields on ten-year French index-linked government bonds (indexed to the euro area HICP excluding tobacco), also declined significantly during this period (see Chart 22), reaching the lowest levels since 2001, when the first ten-year French bond linked to euro area inflation was issued. By contrast, market participants' long-term inflation expectations, as measured by the ten-year break-even inflation rate (calculated as the yield differential between comparable French nominal and index-linked government bonds), appeared to remain broadly unchanged from the end of August.

Chart 22 Euro area real bond yield and break-even inflation rate

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.
Note: Real bond yields are derived from the market prices of French government bonds which are indexed to the euro area HICP (excluding tobacco prices) and which mature in 2012. The method used to calculate the break-even inflation rate was outlined in Box 2 of the February 2002 issue of the Monthly Bulletin.

While remaining below the highs reached at the beginning of June 2004, break-even inflation remains at relatively high levels.

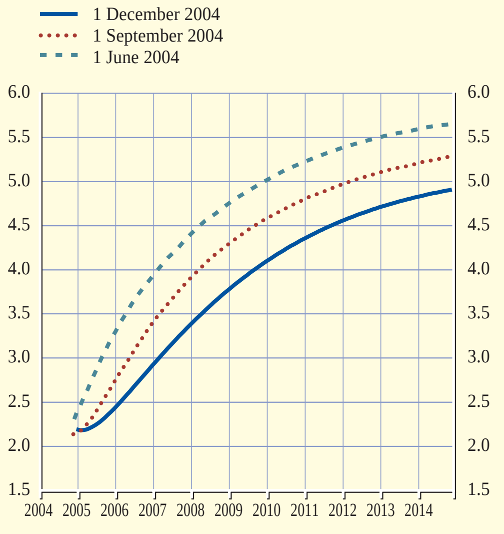
More recently, ten-year nominal government bond yields declined by around 15 basis points between the end of October and 1 December. The yield on ten-year index-linked government bonds also declined by some 15 basis points over the same period and stood at around 1.2% on the latter date. At the same time, the ten-year break-even inflation rate remained stable throughout the period, to stand at 2.2% on 1 December.

The decline in long-term bond yields was accompanied by a downward shift in the entire forward curve, which was more pronounced at the long end (see Chart 23). At the same time, the degree of uncertainty prevailing in the euro area bond markets, as measured by the implied volatility of options on German long-term government bond futures, has decreased slightly over the past three months and on 1 December stood at a relatively low level, significantly below its average since 1999.

In the euro area corporate bond market, the level of corporate bond spreads has fluctuated somewhat over the past three months, but, overall, has declined slightly since the end of August, thus remaining at a relatively low level (see Chart 24). More recently, the differential between the yields on bonds issued by BBB-rated corporations and on comparable government bonds in the euro area decreased to a level of around 70 basis points between the end of October and 1 December. These recent developments in corporate bond spreads may partly reflect the low level of volatility in financial markets and may also suggest that market participants perceive corporate credit risk in the euro area as being relatively low.

Chart 23 Implied forward euro area overnight interest rates

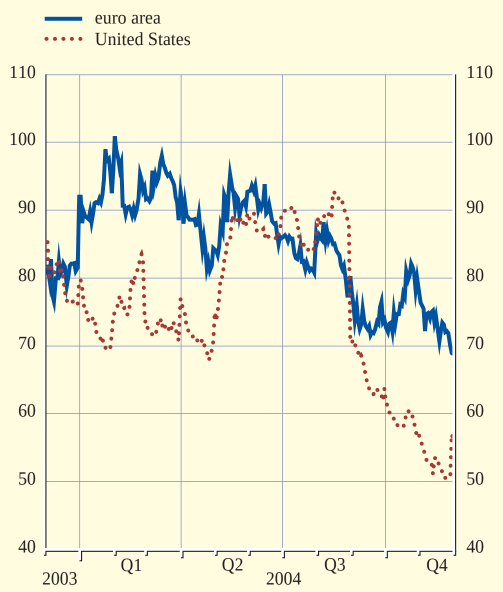
(percentages per annum; daily data)



Source: ECB estimate.
Note: The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to calculate these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

Chart 24 Corporate bond spreads in the euro area and the United States

(basis points; daily data; BBB rating)



Sources: Thomson Financial Datastream and ECB calculations.
Note: Corporate bond spreads are calculated as the difference between seven to ten-year corporate bond yields and seven to ten-year government bond yields.

2.7 INTEREST RATES ON LOANS AND DEPOSITS

In the third quarter of 2004 most MFI interest rates on new business remained broadly unchanged or declined slightly.

During the third quarter of the year most short-term MFI interest rates remained largely unchanged, with the exception of an increase of around 40 basis points in the rates on short-term consumer credit. This increase seemed to be due mainly to a shift of new business towards the relatively expensive credit card financing of consumption in a few countries (see Chart 25 and Table 6).

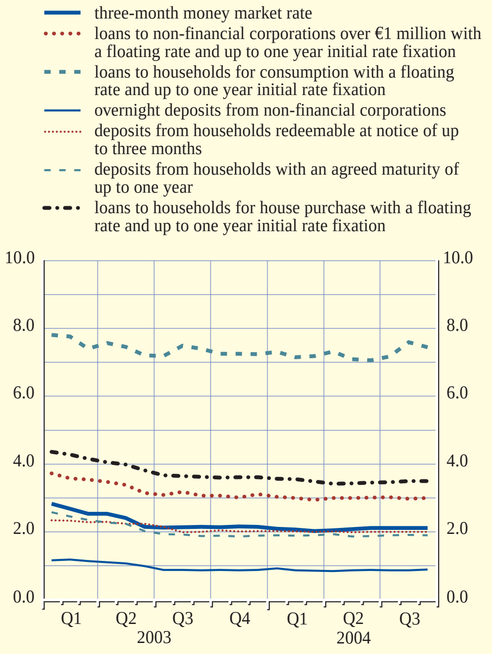
Looking at a somewhat longer period, most short-term MFI interest rates on deposits remained broadly unchanged in the first three quarters of 2004. These developments mirror the sideward movement of the money market rate during this period (the three-month money market rate declined by only a few basis points in the same period).

By contrast, most short-term lending rates declined somewhat between December 2003 and September 2004. For example, both the rates on loans to households for house purchase (with a floating rate and an initial rate fixation of up to one year) and on large loans to non-financial corporations (over €1 million with a floating rate and an initial rate fixation of up to one year) decreased by more than 10 basis points over the period. At the same time the rate on bank overdrafts to non-financial corporations declined even more strongly, by 20 basis points. The relatively strong decline in these short-term lending rates implies a decline in the bank margins of the corresponding credit categories, probably reflecting some downward movement of credit risks for these loan categories. There was a smaller decline, by only a few basis points, in the rate on small loans to non-financial corporations (up to €1 million with a floating rate and an initial rate fixation of up to one year) (see also Box 4).

Long-term MFI interest rates declined slightly in the third quarter of 2004 (see Chart 26). The only notable exception was an increase, by 15 basis points, in the rate on large loans to non-financial corporations (over €1 million with a floating rate and an initial rate fixation of

Chart 25 Short-term MFI interest rates and a short-term market rate

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



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

Table 6 MFI interest rates on new business

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

	2004 Apr.	2004 May	2004 June	2004 July	2004 Aug.	2004 Sep.	Change in basis points up to Sep. 2004: 2003 Jan.	2003 Dec.	2004 June	2004 Aug.
MFI interest rates on deposits										
Deposits from households										
with an agreed maturity of up to one year	1.94	1.86	1.88	1.90	1.92	1.90	-69	1	2	-2
with an agreed maturity of over two years	2.44	2.42	2.45	2.54	2.61	2.48	-58	-5	3	-13
redeemable at notice of up to three months	2.01	2.00	2.00	2.00	2.00	2.00	-34	-2	0	0
redeemable at notice of over three months	2.57	2.55	2.54	2.54	2.53	2.52	-76	-16	-2	-1
Overnight deposits from non-financial corporations	0.85	0.87	0.88	0.87	0.87	0.90	-26	2	2	3
Deposits from non-financial corporations										
with an agreed maturity of up to one year	1.97	1.96	1.99	1.99	1.98	2.00	-72	0	1	2
with an agreed maturity of over two years	3.28	3.60	3.56	3.61	3.70	3.52	-34	3	-4	-18
MFI interest rates on loans										
Loans to households for consumption										
with a floating rate and an initial rate fixation of up to one year	7.32	7.09	7.06	7.18	7.59	7.44	-37	20	38	-15
Loans to households for house purchase										
with a floating rate and initial rate fixation of up to one year	3.42	3.43	3.45	3.46	3.49	3.50	-86	-11	5	1
with an initial rate fixation of over five and up to ten years	4.82	4.79	4.81	4.80	4.88	4.75	-62	-25	-6	-13
Bank overdrafts to non-financial corporations	5.52	5.46	5.44	5.37	5.40	5.38	-82	-20	-6	-2
Loans up to €1 million to non-financial corporations										
with a floating rate and an initial rate fixation of up to one year	3.94	3.99	3.97	4.02	4.02	3.99	-88	-3	2	-3
with an initial rate fixation of over five years	4.74	4.64	4.72	4.68	4.71	4.70	-45	-11	-2	-1
Loans over €1 million to non-financial corporations										
with a floating rate and an initial rate fixation of up to one year	3.00	3.00	3.01	3.03	2.98	3.00	-73	-11	-1	2
with an initial rate fixation over five years	4.18	4.32	4.16	4.31	4.18	4.31	-23	-3	15	13
Memo items										
Three-month money market interest rate	2.05	2.09	2.11	2.12	2.11	2.12	-71	-3	1	1
Two-year government bond yield	2.39	2.55	2.74	2.70	2.53	2.60	-4	2	-14	7
Five-year government bond yield	3.31	3.50	3.60	3.49	3.33	3.35	-5	-24	-25	2

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

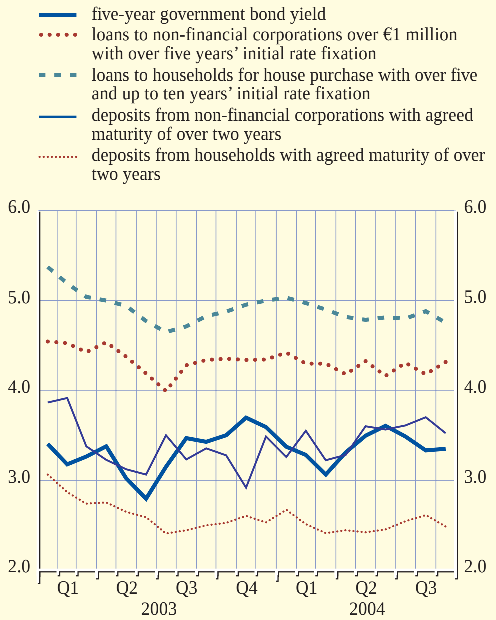
up to one year). Overall, long-term interest rates declined by less than 10 basis points in the third quarter of 2004, which was less than the decline in comparable market rates (the five-year government bond yield declined by 25 basis points in the same period). The less volatile movements of most interest rates on long-term loans as compared with market rates with similar maturities (see Chart 26) reflect the traditional sluggish pass-through of long-term MFI interest rates, which points to interest rate smoothing behaviour on the part of banks for these loan categories.

Taking a longer-term perspective, during the first three quarters of 2004 long-term MFI interest rates on deposits declined slightly overall, but considerably less than the more volatile market rates of comparable maturities (the five-year government bond yield declined by about 25 basis points over this period). For example, the long-term rates on deposits from households decreased by some 5-15 basis points during this period, while the long-term rate on deposits taken from non-financial corporations remained broadly unchanged since December 2003.

With respect to long-term rates on loans, the rate on loans to households for house purchase (with an initial rate fixation of over five and up to ten years) declined by 25 basis points between December 2003 and September 2004, which was in line with developments in comparable market rates. Over the same period, the long-term rates on loans to non-financial corporations (with an initial rate fixation of over five years) declined somewhat less, by around 5-10 basis points. The stronger relative decline in interest rates and corresponding margins on loans for house purchase than on loans to non-financial corporations probably reflects a perception on the part of MFIs of an improvement in the collateralisation of the former loan category. Support for this conjecture can be found, for example, in the net easing of credit standards applied to the approval of loans to households for house purchase reported in the October 2004 bank lending survey (see the box entitled "The results of the October 2004 bank landing survey for the euro area" in the November 2004 issue of the Monthly Bulletin).

Chart 26 Long-term MFI interest rates and a long-term market rate

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



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

2.8 EQUITY MARKETS

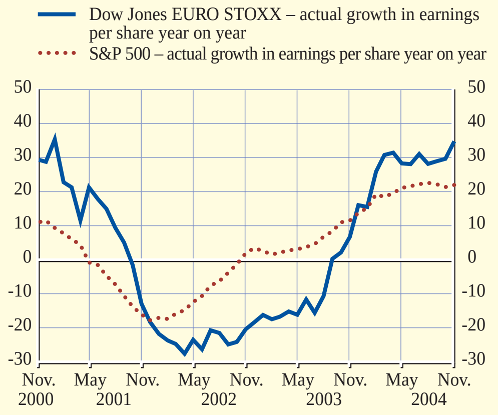
Stock prices in the euro area and the United States have been increasing since the year-lows reached in mid-August 2004. It is likely that this largely reflects further improvements in corporate profitability. At the same time, the overall impact of oil prices on the corporate earnings outlook as perceived by market participants appears to have remained limited in both stock markets. Implied stock market volatility, an indicator of market participants' uncertainty about future stock price developments, has decreased in the euro area and the United States during the past few months and continues to remain at relatively low level as compared with recent years.

UNITED STATES

Overall, stock prices in the United States have been increasing since the equity market reached its lowest level of the year in mid-August (see Chart 28), apparently driven by increases in actual earnings by listed companies. According to Thomson Financial Datastream, earnings of constituent corporations of the Standard and Poor's 500 index continue to grow rapidly (see Chart 27). The overall increase has occurred despite a number of emerging growth concerns among

Chart 27 Growth in earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream I/B/E/S and ECB calculations.

market participants following increases in oil prices and weaker than expected macroeconomic data in the United States in September and October.

More recently, stock prices, as measured by the Standard and Poor's 500 index, increased by 5% between the end of October and 1 December. This increase coincided with declines in oil prices following the year-highs reached in the latter part of October. In addition, better than expected data for the US labour market appeared to have improved the markets' perceptions of economic growth in the United States. At the same time, some downward pressure on stock prices is likely to have emanated from higher long-term interest rates in the United States.

Overall, stock market uncertainty, as measured by the implied volatility derived from options on the Standard & Poor's 500 index, has declined during the past three months. The level of stock market volatility has remained well below its average since 1999 (see Chart 29).

JAPAN

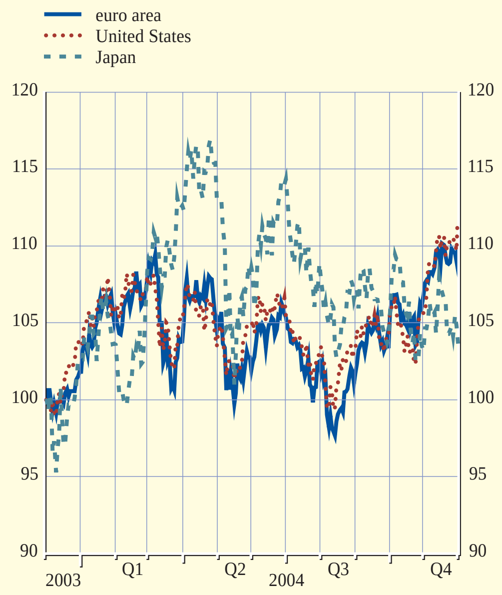
In Japan, stock prices have decreased amid relatively wide swings during the past three months, despite the increases recorded in other major markets. The overall increase in oil prices during this period appears to have put downward pressure on stock prices owing to concerns on the part of market participants about its impact on the Japanese economy and, in particular, on Japanese exporters. These effects seem to have outweighed the support for stock prices from improving corporate earnings, lower bond yields and a number of macroeconomic data releases perceived by the market as better than expected, in particular around the end of September and the beginning of October.

More recently, between the end of October and 1 December, Japanese stock prices, as measured by the Nikkei 225 index, remained broadly unchanged. This development seemed to reflect countervailing factors. On the one hand corporate profitability appeared to be improving. In addition, stock prices were probably supported by the decline in long-term interest rates and oil prices in November. On the other hand, real GDP growth for the third quarter of 2004 was markedly weaker than expected by market participants. This, in turn, is likely to have prompted downward adjustments to markets' growth expectations. In addition, the strengthening of the Japanese yen against the US dollar over the period may have increased market participants' concerns with regard to the competitiveness of Japanese companies.

Implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, has decreased overall over the past three months and by 1 December remained at a level below its average since 1999.

Chart 28 Stock price indices

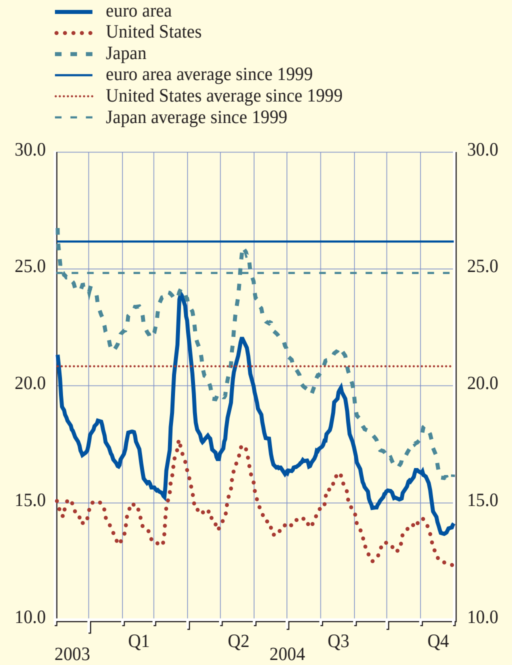
(index: 1 December 2003 = 100; daily data)



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

Chart 29 Implied stock market volatility

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



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

EURO AREA

In the euro area, stock prices have been increasing since the end of August. As in the United States, improved profitability of euro area corporations appears to have been the main driver behind this development. This is also supported by data from Thomson Financial Datastream, which point to continuing increases in the growth of actual corporate earnings. In addition, euro area stock prices may have benefited from declines in long-term interest rates. However, the high level of oil prices may have put some downward pressure on the corporate earnings outlook as perceived by market participants.

More recently, stock prices, as measured by the Dow Jones EURO STOXX index, continued to show an overall increase, of around 4%, in the period between the end of October and 1 December 2004. The decrease in oil prices in November is likely to have also contributed positively to this development, in addition to the above-mentioned improvements in corporate profitability and lower long-term interest rates. Stock market uncertainty, as indicated by the ten-day moving average of implied stock market volatility extracted from options on the Dow Jones EURO STOXX 50 index, decreased further in November. On 1 December, implied stock market volatility was well below its average since 1999 (see Chart 29).

With regard to recent sectoral developments, stock prices increased in all but one of the ten main economic sectors of the Dow Jones EURO STOXX index between the end of September and 1 December (see Table 7), and, overall, the increases appear to be broadly based. The technology and telecommunications sectors all fared markedly better than the total market index in this period, with increases in excess of 10%. By contrast, the health care sector underperformed significantly, with a slight decrease, which may, in part, reflect recent US investigations into the safety of drugs produced by most major pharmaceutical companies. The appreciation of the euro vis-à-vis the US dollar throughout November does not appear to have affected the typically export-sensitive sectors, such as the technology and industrial sectors.

Table 7 Price changes and historical volatility in the Dow Jones EURO STOXX economic sector indices

(price changes as percentages of end-of-period prices; historical volatility as percentages per annum)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Techno-logy	Tele-communi-cations	Utility	EURO STOXX
Share of sector in market capitalisation *(end-of-period data)*	4.9	6.9	11.1	11.6	30.3	4.1	9.1	6.0	9.2	6.9	100.0
Price changes *(end-of-period data)*											
2003 Q3	4.4	2.8	5.7	-2.9	0.5	-2.1	6.2	5.9	-3.1	-3.6	1.1
2003 Q4	15.5	7.8	9.8	12.0	16.8	13.2	13.6	12.6	13.1	15.1	13.5
2004 Q1	-4.7	2.0	1.0	0.4	-0.9	11.6	1.3	10.1	4.0	7.2	1.9
2004 Q2	6.7	2.4	5.1	5.2	1.5	4.2	2.5	-13.6	-0.6	5.1	1.7
2004 Q3	1.5	-6.4	-9.0	3.3	-0.8	6.0	0.1	-13.0	-1.4	0.8	-2.1
October	1.5	0.2	0.4	0.3	3.8	-1.6	0.2	8.1	5.7	5.3	2.6
November	5.8	4.4	1.7	2.1	3.0	-0.4	3.2	1.7	5.4	-0.4	2.8
End-September to 1 December 2004	6.7	5.4	3.4	2.3	7.1	-0.1	3.6	12.7	10.3	5.6	5.8
Volatilities *(period averages)*											
2003 Q3	23.3	16.7	16.8	18.3	18.6	17.8	15.1	33.4	14.7	13.5	16.6
2003 Q4	17.5	14.6	15.1	13.9	14.5	17.2	12.8	23.9	13.2	11.2	14.0
2004 Q1	15.2	17.2	15.0	16.6	15.6	16.4	15.3	26.9	18.3	14.3	14.3
2004 Q2	16.1	14.7	14.4	14.5	15.6	15.8	15.8	30.3	15.0	13.4	14.1
2004 Q3	13.1	13.6	12.7	12.8	11.6	12.4	11.7	25.3	11.7	8.6	11.2
October	16.6	13.8	15.4	14.0	14.0	19.6	13.4	26.6	16.6	10.5	14.0
November	10.6	8.9	9.2	9.9	8.1	15.6	8.4	14.6	11.3	9.8	8.2
End-September to 1 December 2004	14.3	12.1	13.0	12.4	11.9	17.8	11.8	21.9	14.8	10.6	11.8

Sources: Thomson Financial Datastream and ECB calculations.
Notes: Historical volatilities are calculated as the annualised standard deviation of daily index level changes over the period. Sector indices are shown in the "Euro area statistics" section of this issue of the Monthly Bulletin.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area inflation fell in November 2004 to 2.2%, after having increased by 0.3 percentage point to 2.4% in October. Both the increase in October and the subsequent fall in November appear to have reflected developments in the energy component, which, in turn, has mirrored oil price movements. At earlier stages of the production chain, survey data point towards continued upward price pressures on account of high commodity prices. As a result, annual inflation rates are expected to remain above 2% over the coming months. However, the most recent data on labour cost developments suggest that annual wage growth in the euro area remained moderate in the third quarter of 2004. Barring any further price shocks, this should help to contain domestic inflationary pressures in the medium term, although upside risks remain.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR NOVEMBER 2004

According to Eurostat's flash estimate, euro area HICP inflation declined to 2.2% in November 2004, from 2.4% in the previous month (see Table 8). Although no detailed breakdown is currently available, it appears that the contribution from the energy component has decreased as a result of the recent fall in oil prices. There is, however, some uncertainty surrounding this estimate, given the preliminary nature of the data.

HICP INFLATION IN OCTOBER 2004

Driven mainly by energy price developments, overall HICP inflation in the euro area rose from 2.1% in September 2004 to 2.4% in October. This outcome was 0.1 percentage point below Eurostat's flash estimate released at the end of October. At the same time, HICP inflation excluding unprocessed food and energy remained unchanged at 2.0% between September and October.

The year-on-year rate of change in energy prices rose sharply from 6.4% in September 2004 to 9.8% in October. This rise resulted from oil price increases in October and also from the fall in energy prices at the same time last year (i.e. a base effect). A more detailed look at the individual items shows that prices of liquid fuels and fuels for personal transportation contributed

Table 8 Price developments

(annual percentage changes, unless otherwise indicated)

	2002	2003	2004 June	2004 July	2004 Aug.	2004 Sep.	2004 Oct.	2004 Nov.
HICP and its components								
Overall index [1]	2.3	2.1	2.4	2.3	2.3	2.1	2.4	*2.2*
Energy	-0.6	3.0	5.9	5.9	6.5	6.4	9.8	.
Unprocessed food	3.1	2.1	1.2	0.7	-0.2	-1.5	-1.2	.
Processed food	3.1	3.3	3.8	3.8	3.6	3.3	2.8	.
Non-energy industrial goods	1.5	0.8	0.9	0.7	0.9	0.8	0.8	.
Services	3.1	2.5	2.6	2.7	2.7	2.6	2.6	.
Other price indicators								
Industrial producer prices	-0.1	1.4	2.4	2.9	3.1	3.3	.	.
Oil prices (EUR per barrel)	26.5	25.1	29.3	30.7	34.1	35.0	39.4	34.5
Non-energy commodity prices	-0.9	-4.5	21.9	18.0	11.0	6.9	3.7	0.4

Sources: Eurostat, Thomson Financial Datastream and HWWA.
1) HICP inflation in November 2004 refers to Eurostat's flash estimate.

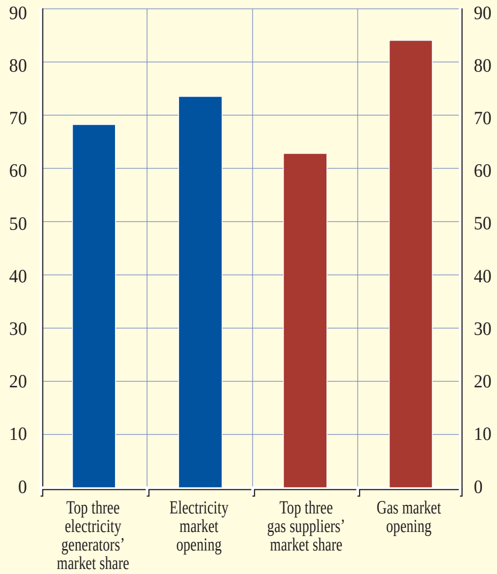
Box 7

COMPETITION AND PRICE DEVELOPMENTS IN THE EURO AREA ELECTRICITY AND GAS MARKETS

As regards the electricity and gas markets, there is some evidence that regulatory reforms can result in downward price effects, but only if the regulatory framework ensures a sufficient level of de facto competition. Despite progress in the formal opening-up of these markets in the euro area, actual competition is so far often still limited, especially in the gas market, thus curbing the potential favourable price effects of regulatory reforms. This box first reviews the de jure and de facto levels of competition in the euro area electricity and gas markets, and then discusses the recent evolution of energy prices.

Energy markets in the euro area have been dominated largely by national and regional monopolies constituted by vertically integrated companies that generate, sell and distribute electricity and gas. The European Union, however, has embarked upon a programme to create a common European energy market with similar competitive conditions across all Member States.[1] To this end, the European Commission set a timetable for opening up the energy market, with a deadline of 1 July 2004 for non-household users and 1 July 2007 for household users. Some Member States have already gone beyond the minimum requirements for market opening in these two industries and have formally opened their energy markets fully to competition. Other Member States, however, have so far failed to keep to the schedule for compulsory (partial) market opening. Although businesses should have been allowed to freely choose their suppliers of electricity and gas from 1 July 2004, the majority of the euro area countries have not yet implemented the necessary legislation.

Chart A Percentage share of the euro area energy market open to competition and the top three generators' market share in 2003



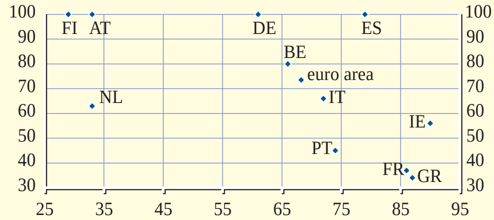
Sources: European Commission and ECB calculations.
Note: The ECB's calculation of the euro area market shares is based on electricity and gas demand weights in 2003. For the gas market, the data for Greece, Portugal and Finland are missing. For the top three gas suppliers' market share, the data for Luxembourg are missing and, for Italy, the market share of the biggest supplier has been used.

Chart A shows the percentage of euro area electricity and gas markets open to competition in 2003. More than 70% of the euro area electricity market and more than 80% of the gas market are now formally open to competition. However, both markets are still highly concentrated given that the biggest three electricity and gas suppliers still retain a market share of 68% and 63% respectively. This suggests that, despite progress in the formal opening-up of these markets, de facto competition is still fairly limited.[2] In the electricity market, this is mainly due to dominant incumbents, especially in the

1 Other core objectives of EU energy policy not covered in this box include the security of supply and environmental protection.
2 See also S. Speck and M. Mulder, "Competition on European energy markets – Between policy ambitions and practical restrictions", CPB Document No 33, CPB Netherlands Bureau for Economic Policy Analysis, The Hague, July 2003.

Chart B Electricity market opening and concentration in the euro area in 2003

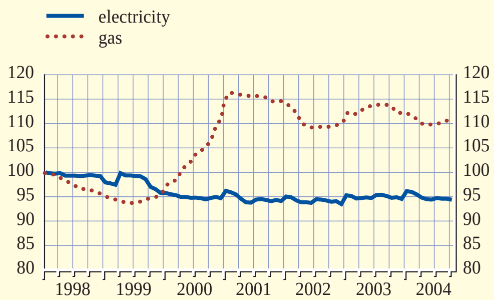
(percentages; the horizontal axis shows the market share of the biggest three electricity generators; the vertical axes show the electricity market opening)



Sources: European Commission and ECB calculations.
Note: The ECB's calculation of the euro area market shares is based on electricity demand weights in 2003. Luxembourg, which has a zero market share of electricity generation, is not shown in the chart.

Chart C Electricity and gas price indices relative to the overall HICP in the euro area

(January 1998 = 100)



Sources: Eurostat and ECB calculations.

field of electricity generation, and the fact that there is insufficient interconnection of electricity networks within and between Member States. In the gas market, the main obstacles hampering competition are disparities in network access tariffs across countries and regions, the concentration of gas production and imports amongst only a few companies, and the slow development of gas trading hubs.

Looking at the degree of market opening in conjunction with the market share of the three biggest generators, France, Portugal, Greece and Ireland appear to have the least competitive markets amongst the euro area countries (see Chart B), exhibiting both a low degree of formal market opening (de jure competition) and a high concentration of electricity generation (concentration can be seen as an indicator of de facto competition).

Assessing the impact of competition on electricity and gas prices is particularly difficult because prices are strongly affected by factors unrelated to the chosen regulatory regime, such as the mix of primary energy sources, oil price developments and country-specific effects (e.g. caused by indirect taxation). Increased domestic competition, however, is expected to reduce profit margins, bringing prices increasingly into line with costs and generating benefits for consumers.[3]

Looking at developments in the HICP sub-indices for electricity and gas during the period from January 1998 to October 2004 relative to those in the overall HICP in the euro area (Chart C), the electricity sub-index shows a downward trend. During this period, the electricity price index for the euro area fell by 5.6% relative to the overall euro area HICP, thus suggesting that the opening-up of the market has triggered some price reductions. By contrast, the gas sub-index rose by 11.2% relative to the overall index over the same period. This increase is, however, concentrated over the pre-deregulation period (1998 to 2001). Since 2002, the gas sub-index

3 Several empirical studies provide quantitative evidence of the sector-specific and economy-wide benefits of regulatory reforms in the energy markets. Increased competition is generally associated with a fall in price levels, an expansion in output and gains in labour productivity (for an overview, see the report entitled "Price effects of regulatory reform in selected network industries", ECB, March 2001).

Table Electricity and gas price levels in the euro area

	1996	1997	1998	1999	2000	2001	2002	2003
Electricity prices – industrial users (in euro per 100 kWh)	7.6	7.2	7.1	6.9	6.4	6.5	6.4	6.6
Coefficient of variation	16.4	16.9	17.2	17.0	16.4	19.9	20.4	15.9
Max./min.	1.9	2.0	2.0	2.1	2.0	2.3	2.1	1.6
Electricity prices – households (in euro per 100 kWh)	11.9	11.6	11.5	11.5	11.0	10.9	10.9	11.0
Coefficient of variation	25.7	27.0	27.4	27.3	27.0	26.9	23.9	23.3
Max./min.	2.5	2.7	2.7	2.5	2.8	2.6	2.4	2.4
Gas prices – industrial users (in euro per Gigajoule)	3.9	4.3	4.1	3.6	4.8	6.4	5.7	5.8
Coefficient of variation	16.5	15.3	17.1	16.2	13.5	16.6	12.9	11.4
Max./min.	1.6	1.5	1.7	1.6	1.5	1.6	1.6	1.5
Gas prices – households (in euro per Gigajoule)	7.2	7.6	7.5	7.0	7.9	9.6	9.1	9.4
Coefficient of variation	17.9	26.3	14.5	16.0	16.4	21.9	20.7	17.4
Max./min.	1.8	3.3	1.6	1.7	1.7	2.1	2.0	1.8

Sources: Eurostat and ECB calculations.
Notes: The euro area weighted average is computed using available country data and country weights from the HICP electricity/gas sub-indices. The coefficient of variation is unweighted. The "max./min." is the ratio of the highest to the lowest price amongst the euro area countries.

has been moving downwards relative to the overall index. As mentioned previously, the evolution of gas prices only partially reflects changes in the level of competition as these prices are largely affected by the underlying evolution of world energy prices, most notably oil prices, and the exchange rate of the euro. Moreover, the formal opening-up of the gas market is a recent phenomenon, the effects of which are likely to take some time to feed through into prices.

Creating a single EU market for electricity and gas is likely to reduce price differentials across countries. At the moment, however, price level differences across euro area countries,[4] as measured by the (unweighted) coefficient of variation, are considerable (see table above). Moreover, the ratio of the highest to the lowest price amongst the euro area countries ("max./min.") has, in general, declined only marginally over the 1996-2003 period, thus suggesting that there are still marked price level differences in these sectors, both between countries and the various types of users. Differences of this magnitude are unlikely to be caused by cost differentials only and indicate, as discussed earlier, substantial differences in the level of competition.

Some of the distinctive features of these sectors, such as long-term supply contracts in the gas industry and the long lead times for creating new electricity generation capacity, make very rapid changes unlikely. More generally, regulatory reforms in the electricity and gas sectors can only result in downward price effects and benefits for consumers if the regulatory framework ensures de jure and de facto competition. For the time being, however, the regulatory reform agenda in these important network industries has not been completed.

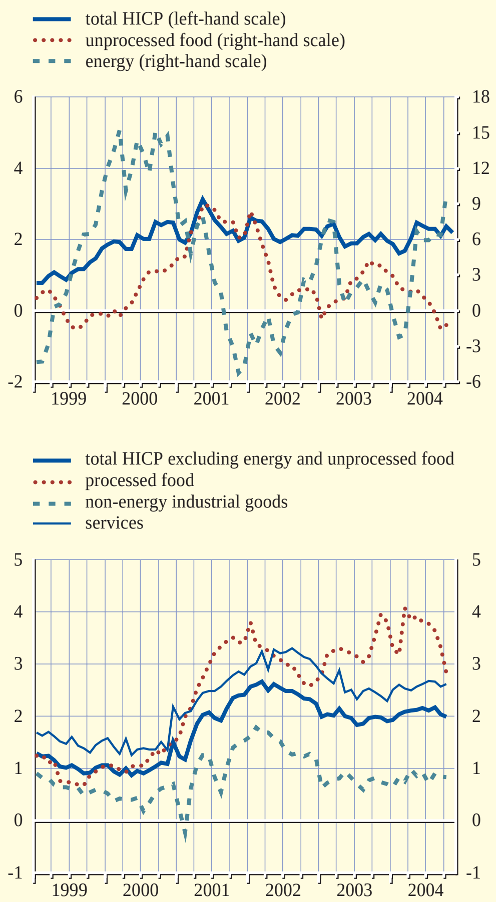
4 Prices are net of taxes.

3.1 percentage points to the total increase of 3.4 percentage points in energy price inflation, while prices of electricity and gas together explained the remaining 0.3 percentage point. Box 7 reviews developments in competition within the electricity and gas markets in the euro area and assesses its impact on prices. In contrast to energy prices, unprocessed food prices continued to decline in year-on-year terms in October 2004, but to a lesser extent than in September.

The unchanged annual rate of increase in the HICP excluding unprocessed food and energy between September and October reflects slight declines or no change in the main components. The year-on-year rate of change in processed food prices decreased from 3.3% in September to 2.8% in October (see Chart 30). This moderation in processed food price inflation was broadly based across sub-components, including tobacco, for which the impact from recent tax increases is starting to fade. The year-on-year rate of change in services prices remained unchanged at 2.6% in October 2004, reflecting moderate movements across sub-components. Finally, the annual rate of change in non-energy industrial goods prices also remained unchanged from September, at 0.8%. There was a further fall in the prices of leisure-related goods (such as goods related to the media and hobbies, sport and photographic equipment and electronic appliances), but clothing prices continued to rise strongly, in line with the slightly accentuated seasonal movements observed in most recent years. Overall, for the non-energy industrial goods component, there is as yet no evidence of significant indirect effects from past increases in oil prices. Box 8 considers the possible impact on clothing prices of the removal of trade restrictions in January 2005.

Chart 30 Breakdown of HICP inflation into its main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

Box 8

POSSIBLE IMPACT OF THE REMOVAL OF TRADE QUOTAS FOR TEXTILES AND CLOTHING

In January 2005 all remaining quota restrictions on the global trade in textiles and clothing will be eliminated. This represents the last, but most significant, stage of the gradual phasing-out of these quotas carried out over the last ten years. In the euro area, the removal of trade quotas may be expected to result in lower consumer prices for textiles and clothing, and a decrease in production and employment in these sectors. Although quantifying the precise impact is difficult, on balance the gains from lower prices, higher efficiency and increased trade volumes are expected to outweigh the negative adjustment effects on production and employment in these sectors brought about by trade liberalisation. This box considers what is likely to happen when trade restrictions are removed, the factors that may determine the scale of the impact and the lessons to be learned from other countries which have already removed trade restrictions.

Over the last 50 years international trade in textiles and clothing has been restricted by a combination of quota, tariff and non-tariff barriers. A succession of agreements, ending with the Multi-Fibre Arrangement (MFA), has placed quotas or quantity restrictions on trade in textiles and clothing. The impact of quotas on trade is particularly undesirable, as it increases prices for consumers and results in the inefficient allocation and fragmentation of production across countries. However, the Uruguay Round of trade negotiations (concluded in 1994) paved the way for the elimination of quota restrictions with the adoption of the Agreement on Textiles and Clothing (ATC). Under the ATC, existing quotas were to be phased out in four stages over a ten-year period, with the last 49% of quotas due to be removed by January 2005 (see table below).

Table Removal of volume restrictions on trade in textiles and clothing

Date	Percentage share of initial quota levels to be eliminated	Accumulated percentage of initial quota levels eliminated
January 1995	16	16
January 1998	17	33
January 2002	18	51
January 2005	49	100

Source: H. Nordås. “The global textile and clothing industry post the Agreement on Textiles and Clothing”, WTO Discussion Paper No 5, 2004.

Clothing plays an important role in consumer price developments, as it accounts for approximately 6% of the overall HICP. The external dimension is also important, as approximately 25% of domestic demand for clothing is met by imports from outside the euro area. As regards employment and output, although the significance of the textiles and clothing sectors has been declining over the last few decades, these sectors currently account for approximately 10% of manufacturing employment and 6% of manufacturing output.

Thus, the removal of these quotas could have a number of important consequences for the euro area. First, there should be some downward pressure on consumer prices. This is because lower-cost producers, whose access to the euro area market was previously restricted, could obtain a larger share. Total production costs should also be driven down, as production processes, which were previously fragmented, should become more efficient. Second, there may be some adverse impact on output and employment in the textiles and clothing sectors. However, as producers have had ten years to prepare for the removal of quotas, this impact should be attenuated.

However, quantifying the impact of the removal of trade quotas is difficult for a number of reasons. On the one hand, although over 50% of quotas should already have been eliminated prior to 2005, it appears that the phasing-out of quotas was effectively backloaded, with less sensitive quotas being eliminated first. This means that the impact from eliminating the remaining quotas could be proportionately larger. On the other hand, the fact that the phasing-out has been gradual should mean that it has, at least in part, already been factored into investment decisions, although the entry of China to the World Trade Organisation may increase imports from Asia. Moreover, the European Commission has recently proposed seven actions to enhance the competitiveness of the European textiles industry. These include boosting research and development and training, ensuring open markets and stepping up the fight against counterfeiting.[1] In spite of these measures, net trade (exports minus imports) is likely to continue to decline. Other factors having an impact on the likely effect of the removal of quotas include the fact that tariffs will remain in place and that, although quotas are to be removed, safeguard measures may still be applied under specific circumstances. Furthermore, it is not known a priori to what extent and how quickly retailers will pass on their lower costs to consumer prices. Data show that historically there is some correlation, with a lag, between import unit values and the subsequent impact on consumer prices. Looking ahead, import price decreases brought about by the removal of quotas should be regarded as permanent and should lead to a higher pass-through than in the case of temporary import price movements.

Evidence from other countries which have already liberalised trade in textiles and clothing indicates that, while there has generally been a significant impact on both prices and trade, the pattern and extent of the impact has been different across countries, possibly reflecting different market forces. In Norway, which reduced tariffs as well as eliminating quotas, there was a significant decline of 16% in consumer clothing prices between 1995 and 2001.[2] In Sweden, which eliminated quotas on textile and clothing imports in 1991 but had to reintroduce them prior to entry into the EU in 1995, there was a marked increase in imports from China. Although there was little visible impact on consumer prices, this might be linked to changes in the Swedish tax system and the depreciation of the krona, both of which occurred at around the same time. In Australia, which dismantled quotas in 1992-93 and reduced tariffs over the period 1992-2005, there was an increase in imports which was larger than the decrease in domestic output, although consumer prices remained fairly stable.[3]

In conclusion, the elimination of quota restrictions on textiles and clothing presents opportunities and challenges for the textiles and clothing industry, retailers and consumers. Although the precise effects are difficult to quantify, the ending of restrictions should result in significant net benefits for the euro area, mainly via downward pressure on consumer prices. Furthermore, these gains are likely to be maximised in markets characterised by a high degree of competition, underscoring the need for ongoing product market reform.

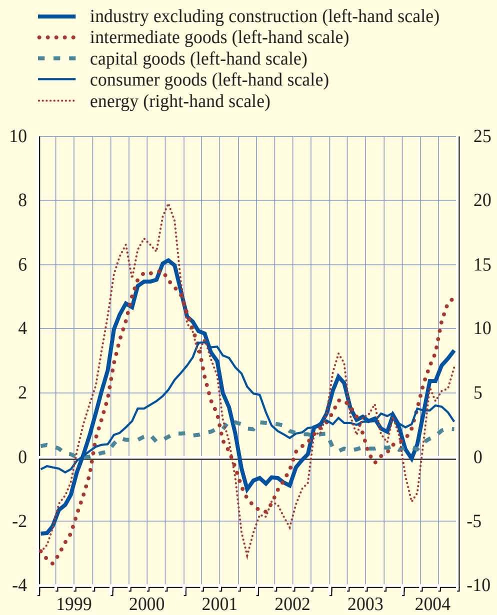
1 Commission Communication of 13 October 2004 entitled "Textiles and clothing after 2005 – Recommendations of the High Level Group for textiles and clothing".
2 For a further discussion of this point, see the box entitled "Why have clothing prices fallen?" in Norges Bank's Inflation Report 2/2002.
3 "Study on the implications of the 2005 trade liberalisation in the textile and clothing sector", IFM and Partners, February 2004.

3.2 PRODUCER PRICES

The year-on-year rate of change in the overall PPI excluding construction increased further, to 3.3% in September 2004, from 3.1% in August, reflecting additional rises in the year-on-year rates of change in energy and – to a lesser extent – intermediate goods prices (see Chart 31). At the same time, the year-on-year rate of change in the PPI excluding construction and energy was unchanged at 2.3% in September 2004, as compared with August.

Chart 31 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

The year-on-year rate of change in energy producer prices increased to 7.0% in September, from 5.4% in the previous month. This partly reflected the increase in oil prices in euro terms observed in September, which was reinforced by a base effect. The year-on-year rate of change in intermediate goods prices rose further in September to reach 5.0%, up from 4.8% in August. In the consumer goods industries, the year-on-year rate of change decreased further, to 1.1% in September 2004, from 1.4% in August, owing to a fall in the year-on-year rate of change in prices of non-durable consumer goods, in particular food. These developments are consistent with the evolution of food commodity prices, which have declined since May 2004. The rates of change in durable consumer goods and capital goods industries both remained unchanged between August and September 2004.

Survey data on input prices suggest that further increases in producer prices can be expected in the coming months, though at a moderating pace. In the manufacturing sector, the Eurozone Input Price Index from the Purchasing Managers' Survey declined in November 2004, although still indicating that input prices in the manufacturing sector rose further in that month. High oil prices and supply shortages were cited as factors driving up input costs. At the same time, while still indicating an increase in output prices, the index for prices charged by manufacturers also declined in November, from its high level in October.

3.3 LABOUR COST INDICATORS

Initial indications of labour cost developments in the third quarter of 2004 have become available with the calculation of the euro area indicator of negotiated wages. Between the second and third quarters, the year-on-year rate of growth of this indicator declined by 0.2 percentage point, to stand at 2.0% (see Table 9). Thus, the latest developments in negotiated wages provide the first tentative evidence that annual wage growth in the euro area has remained moderate in the second half of 2004, thereby limiting inflationary pressures arising from the labour market. The annual rate of increase in negotiated wages has gradually fallen since mid-2002 (see Chart 32). In 2004 (using data up to the third quarter), negotiated wage growth has averaged 2.2%, which is 0.2 and 0.5 percentage point lower than in 2003 and 2002, respectively. Notably, negotiated wages have never increased at a rate below 2% since the first quarter of 1992, when the series begins.

Table 9 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Negotiated wages	2.7	2.4	2.4	2.2	2.3	2.2	2.0
Total hourly labour costs	3.7	2.8	2.8	2.1	2.7	2.1	.
Gross monthly earnings	3.0	2.7	2.6	2.5	.	.	.
Compensation per employee	2.5	2.4	2.5	2.1	2.0	2.0	.
Memo items:							
Labour productivity	0.3	0.4	0.2	0.6	1.2	1.7	.
Unit labour costs	2.2	2.0	2.2	1.5	0.9	0.3	.

Sources: Eurostat, national data and ECB calculations.

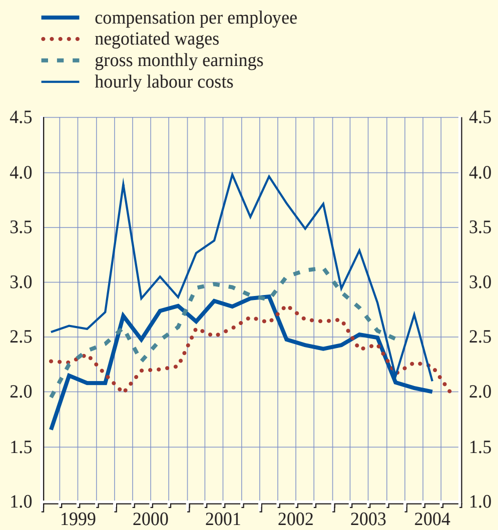
All other available indicators of labour cost developments also support the view that wage growth has remained moderate recently, although they only extend up to the second quarter of 2004. According to the latest national accounts data released by Eurostat, annual growth in euro area compensation per employee remained unchanged at 2.0% in the second quarter, while hourly labour costs in the non-agricultural business sector grew by 2.1% year on year, down from 2.7% in the previous quarter. In addition, reflecting the latest developments in compensation per employee and an increase in productivity growth, the annual rate of change in unit labour costs continued to fall to 0.3% in the second quarter of 2004, down from 0.9% in the first quarter. Looking ahead, price pressures stemming from labour costs should remain relatively subdued as a result of the continued weakness of the labour market and favourable labour productivity developments.

3.4 THE OUTLOOK FOR INFLATION

Overall, it is expected that HICP inflation will be strongly influenced by its energy component for some time and will, as a result, remain above 2% in the coming months. Beyond the short term, however, moderate wage growth, in part reflecting the lack of pressure from the labour market, should contain the build-up of domestic inflationary pressures. At the same time, there are upward risks. The outlook for inflation is based on the assumption that oil prices will decline in line with current market expectations. Apart from its direct effect on inflation, a further rise in oil prices would also increase the risk of indirect and second-round effects stemming from wage and price-setting behaviour. Importantly, the outlook is also conditional on the assumption that the contribution to inflation from fiscal measures declines from the high levels that currently prevail. For a more in-depth analysis of the economic outlook, see Section 6 ("Eurosystem staff macroeconomic projections for the euro area").

Chart 32 Selected labour cost indicators

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest release of euro area national accounts data confirmed that the pace of the recovery moderated during the third quarter of 2004, following higher real GDP growth in the first half of the year. The breakdown of demand components for the third quarter shows a negative contribution of net exports to real GDP growth and weak private consumption growth, while investment strengthened and inventory changes also provided a strong positive contribution. Available information points to ongoing growth for both industry and services at the beginning of the fourth quarter, although at a more moderate pace than in the first half of this year. Labour market conditions continue to improve gradually. Looking ahead, while downside risks to the outlook for real GDP growth exist, the basic determinants for continuing growth in 2005 remain in place.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's first estimate of the euro area national accounts for the third quarter of 2004 confirmed that quarter-on-quarter real GDP growth was 0.3%, compared with 0.5% in the second quarter and 0.7% in the first quarter (see Chart 33). This release points to a moderation of the ongoing recovery during the summer.

Regarding the composition of demand, the contribution of net trade to growth was strongly negative due to a decline in export growth and robust import growth. Ongoing weakness in private consumption also contributed to the slowdown. At the same time, investment rebounded and inventories provided a strong positive contribution to GDP growth. As regards the sectoral breakdown, lower GDP growth in the third quarter was accounted for by both industry and services.

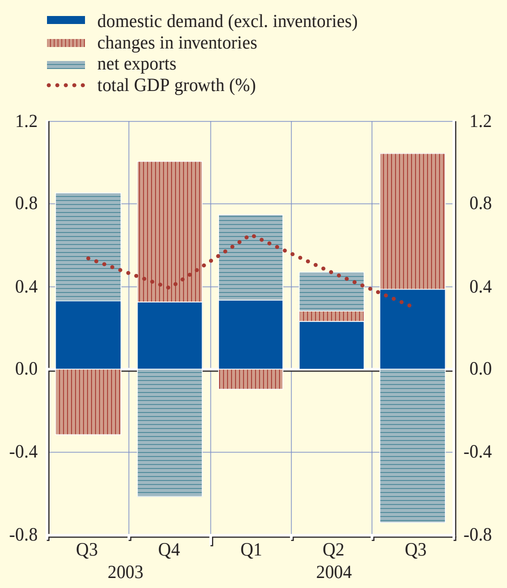
SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The latest data for the industrial sector show that production growth continued in the third quarter of 2004 but at a lower rate than in the second quarter, in line with national accounts data on value added. Euro area industrial production (excluding construction) increased in September 2004 compared with the previous month, following weak industrial production in August which was partly accounted for by special factors in some countries. For the third quarter as a whole, industrial production growth was weaker compared with the second quarter (see Chart 34).

From a sectoral perspective, industrial production growth in the third quarter moderated in the sectors producing intermediate goods and capital goods. Consumer goods production growth was negative in the third quarter, largely due to developments in the durable consumer goods sub-sector.

Chart 33 Real GDP growth and contributions

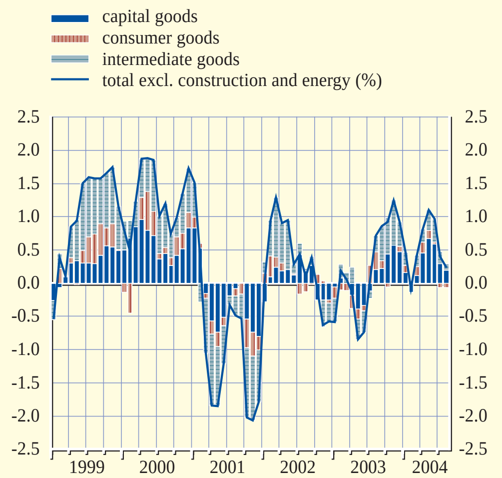
(growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Chart 34 Industrial production growth and contributions

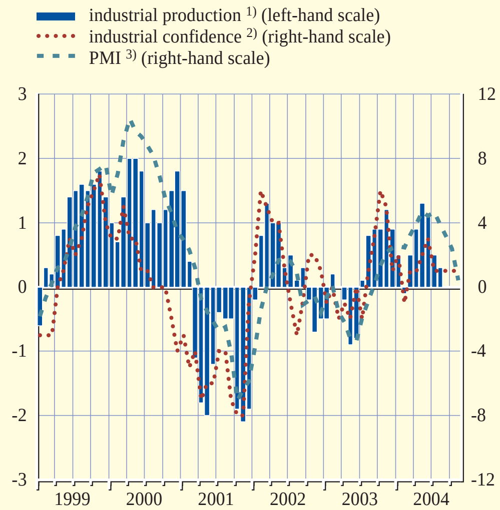
(growth rate and percentage point contributions; seasonally adjusted)



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

Chart 35 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



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

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

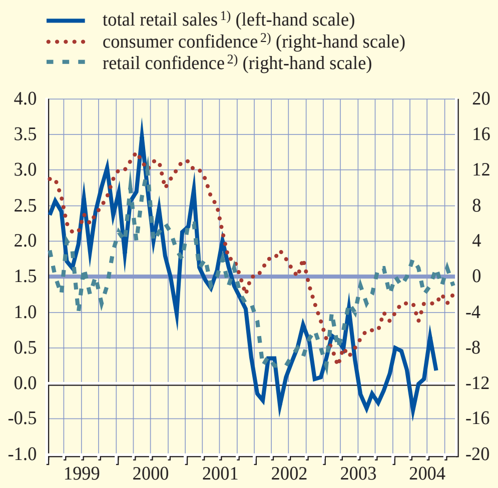
Survey data for the manufacturing sector in November 2004 suggest that industrial production continued to grow during the first two months of the fourth quarter, albeit at a moderate pace. For the services sector, recent indications remain broadly consistent with a continued expansion of output in this sector also.

According to the European Commission Business Survey, industrial confidence was unchanged in November, for the second consecutive month (see Chart 35). It thus remained at its highest level since March 2001. The assessment of order books and stocks contributed negatively to the overall confidence indicator in November, whereas production expectations remained stable. By contrast, the Purchasing Managers' Index (PMI) for the manufacturing sector decreased in November, for the fourth consecutive month. This decline was mainly driven by a strong decrease in output and new orders. However, the PMI remains at a level which would still indicate positive growth in industrial activity.

As regards the services sector, the European Commission Business Survey's confidence indicator decreased in November 2004. Over the first eleven months of 2004, confidence in the services sector remained broadly unchanged. At the cut-off date for this issue of the Monthly Bulletin, the PMI for business activity in the services sector was only available up to October 2004. It remained consistent with ongoing growth in market services. However, its evolution since January 2004 suggests that growth in recent months may have been lower than earlier this year.

Chart 36 Retail sales and confidence in the retail and household sectors

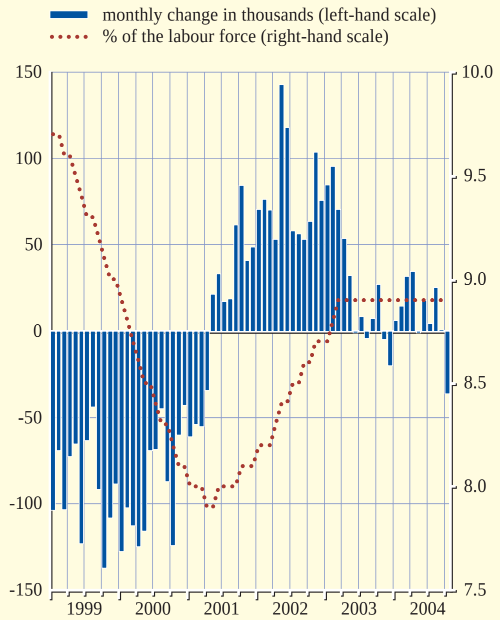
(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month centred moving averages; working-day adjusted.
2) Percentage balances; seasonally and mean adjusted. For consumer confidence, euro area results from January 2004 onwards are not fully comparable with previous figures due to changes in the questionnaire used for the French survey.

Chart 37 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

INDICATORS OF HOUSEHOLD SPENDING

Available monthly indicators of household spending in the third quarter of 2004 are in line with national accounts data showing weak private consumption growth in the third quarter compared with the second quarter.

Euro area retail sales were stable month on month in September, following a decline of 0.7% in August (see Chart 36). For the third quarter as a whole, retail sales fell by 0.2%, making a negative contribution to private consumption growth of around 0.1 percentage point. With regard to the first indications for the fourth quarter, new passenger car registrations in the euro area increased by 3.1% month on month in October, following a decline of 2.6% in the third quarter. Consumer confidence slightly increased in November, reversing the decline observed in October but remaining below its historical average. Low consumer confidence thus possibly remained a factor weighing on private consumption growth in the first two months of the fourth quarter.

4.2 LABOUR MARKET

UNEMPLOYMENT

The euro area unemployment rate remained at 8.9% in October 2004, unchanged since March 2003 (see Chart 37). However, the number of unemployed declined by 36,000 in October, compared with an average monthly increase of 10,000 in the third quarter. This is the first decline recorded since December 2003 and follows the positive signs observed in previous months, showing a deceleration in the increase of the number of unemployed.

Table 10 Employment growth

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

	Annual rates		Quarterly rates				
	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
Whole economy	0.5	0.1	0.1	0.0	0.1	0.1	0.2
of which:							
Agriculture and fishing	-2.1	-2.2	-0.3	0.0	0.0	-0.8	-0.3
Industry	-1.2	-1.5	-0.3	-0.5	-0.5	-0.2	0.0
Excluding construction	-1.4	-2.0	-0.5	-0.5	-0.6	-0.4	-0.2
Construction	-0.6	-0.1	0.4	-0.4	-0.1	0.2	0.4
Services	1.4	0.9	0.3	0.2	0.3	0.2	0.3
Trade and transport	0.3	0.5	0.3	0.4	0.2	0.2	0.3
Finance and business	2.4	1.2	0.1	0.4	0.6	0.4	0.5
Public administration	1.8	1.0	0.3	-0.1	0.2	0.1	0.3

Sources: Eurostat and ECB calculations.

EMPLOYMENT

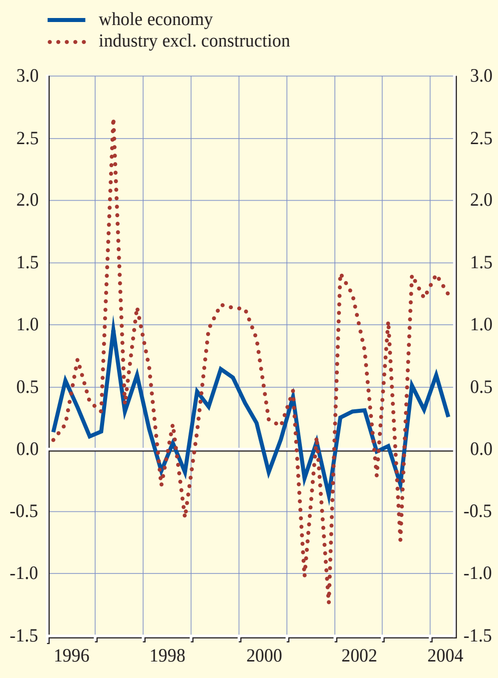
Revised employment figures point to slightly higher employment growth in the second quarter of 2004 than previously estimated. Employment increased by 0.2% in the second quarter of 2004, compared with 0.1% in the first quarter (see Table 10). This improvement reflects both a stabilisation in industrial employment and higher employment growth in services. As real GDP and industrial production growth were higher than employment growth over the first half of this year, in line with the usual lagged response of employment to activity, labour productivity increased during this period (see Chart 38). The increase was particularly strong in the industrial sector, where productivity is more sensitive to the cycle than in other sectors. In the second quarter of 2004, labour productivity growth for the whole economy was 0.3% quarter on quarter and 1.7% year on year.

Short-term indicators point to ongoing employment growth in the second half of 2004, but no significant improvement in the pace of growth is suggested. As regards the manufacturing sector, employment expectations improved compared with the third quarter of 2004, according to European Commission Business and Consumer Surveys available up to November. However, the PMI for manufacturing employment does not point to an expansion in employment in the first two months of the fourth quarter.

For the services sector, there is some deterioration in employment expectations in the first two months of the fourth quarter, according to the EC Surveys. However, the

Chart 38 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Source: Eurostat.

PMI for employment in services increased slightly in October, signalling an expansion in services employment growth for the third consecutive month.

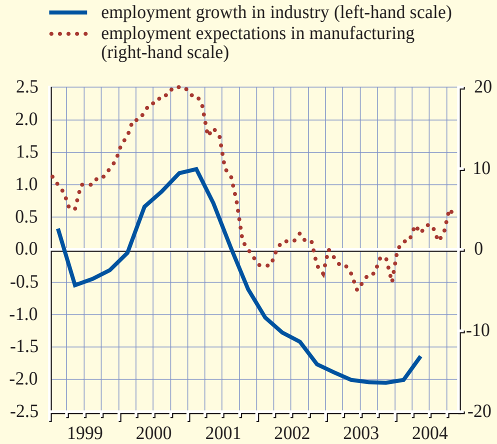
All in all, available information points to a gradual improvement in labour market conditions in the second half of the year.

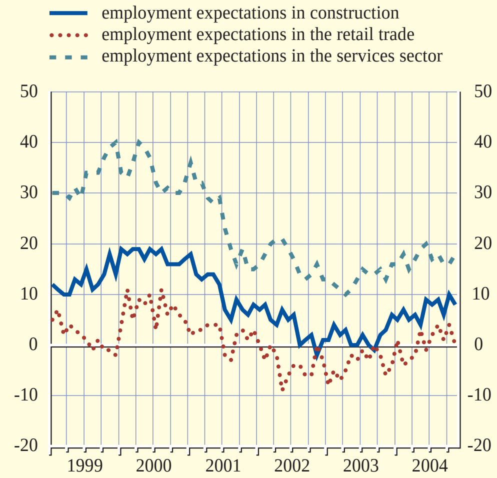
4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

While the pace of the recovery moderated during the third quarter of 2004, following higher growth rates in the first half of the year, the basic determinants for continuing growth remain in place. On the external side, euro area exports should continue to benefit from positive global demand conditions despite some moderation. On the domestic side, investment should benefit from the supportive global environment, the very favourable financing conditions in the euro area, improvements in profits and greater corporate efficiency stemming from business restructuring. Moreover, scope exists in the euro area as a whole for a strengthening of private consumption, particularly if a strong commitment is made to fiscal consolidation and structural reforms, thereby reducing uncertainty surrounding the extent and pace of progress in these fields. However, downside risks to this outlook remain, stemming in particular from potentially unfavourable developments in the oil market. In order to limit such risks, second-round effects in wage and price-setting must be avoided and fiscal authorities should refrain from taking measures which would prolong or distort the necessary adjustment process. For a more detailed analysis of the economic outlook, see Section 6 ("Eurosystem staff macroeconomic projections for the euro area").

Chart 39 Employment growth and employment expectations

(annual percentage changes; percentage balances)





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

5 FISCAL DEVELOPMENTS

The fiscal situation in the euro area remains a cause of concern. Aggregate fiscal imbalances are only expected to start declining next year and at a slow pace. A significant number of euro area countries will continue to be above or come close to the 3% deficit threshold in 2004-05, while only a few countries are expected to make progress in fiscal consolidation. Insufficient ambition in fiscal plans is coupled with a lack of comprehensive reform strategies and shortcomings in data reporting.

In the current round of stability programmes, countries with imbalances should provide credible commitments to their obligations under the Treaty and the Stability and Growth Pact. In so doing, they should make use of the improved economic environment for a timely elimination of fiscal imbalances. The respect of the Treaty obligations, coupled with a strict implementation of the excessive deficit procedure of the Stability and Growth Pact, is pivotal for maintaining confidence in the sustainability of public finances in all euro area countries.

FISCAL DEVELOPMENTS IN 2004

Public finances in the euro area continue to deteriorate. According to the European Commission's autumn forecast, the average general government deficit ratio in the euro area will worsen – from 2.7% of GDP in 2003 to 2.9% in 2004 – for the fourth year in a row (see Table 11). This constitutes an additional deterioration compared with the Commission's spring forecast, which had projected the deficit ratio to remain unchanged (see Table 10 in the June 2004 issue of the Monthly Bulletin). The average primary surplus is expected to decline to 0.5% of GDP. Three countries – Germany, Greece and France – are expected to record deficit ratios in excess of the 3% reference value; and another three countries – Italy, the Netherlands and Portugal – are expected to report budgetary positions at or very close to the deficit limit. For Germany and France, this is the

Table 11 Forecasts of fiscal developments in the euro area

(as a percentage of GDP)

	2000	2001	2002	2003	2004	2005
Economic Forecasts, European Commission, autumn 2004						
a. Total revenue	47.2	46.5	46.1	46.3	45.6	45.5
b. Total expenditure	48.1	48.2	48.5	49.0	48.5	48.0
of which:						
c. Interest expenditure	4.1	4.0	3.6	3.5	3.4	3.3
d. Primary expenditure (b - c)	44.1	44.2	44.8	45.5	45.1	44.7
Budget balance (a - b)	-0.9	-1.7	-2.4	-2.7	-2.9	-2.5
Primary budget balance (a - d)	3.1	2.3	1.3	0.7	0.5	0.8
Cyclically adjusted budget balance	-1.7	-2.3	-2.4	-2.2	-2.5	-2.1
Gross debt	70.4	69.4	69.4	70.7	71.1	71.1
Memo item: real GDP (annual percentage change)	3.5	1.6	0.9	0.6	2.1	2.0
Stability programmes, European Commission figures on the basis of member countries' updated stability programmes, March 2004						
Budget balance			-2.2	-2.7	-2.3	-1.8
Primary budget balance				0.8	1.0	1.5
Cyclically adjusted budget balance				-2.1	-1.8	-1.4
Gross debt			69.1	70.1	70.0	69.4
Memo item: real GDP (annual percentage change)			0.9	0.6	2.0	2.5

Sources: European Commission and ECB calculations.
Note: Figures exclude proceeds from the sale of UMTS licences and may not add up due to rounding.

third consecutive year that the deficit has been above the reference value; in the case of Greece, data revisions have been significant and have resulted in deficit ratios above the reference value over many years.

The Commission's fiscal forecast shows a significant worsening of the expected budget outcome compared with the average of the budget targets set in the updated stability programmes of end-2003 and the beginning of 2004. The average euro area deviation for 2004 amounts to 0.6% of GDP. Most member countries are projected to miss their targets. More specifically, some of the countries with significant imbalances are expected to report large deviations.

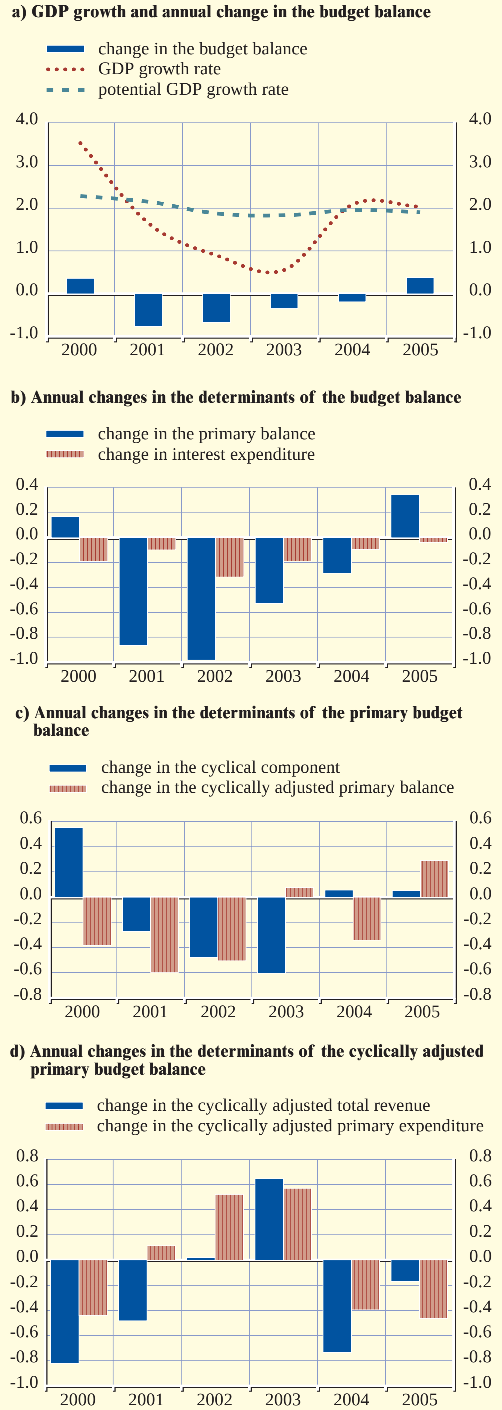
The Commission projects a further increase of the aggregate euro area debt ratio in 2004, rising by 0.4 percentage point to 71.1% of GDP in 2004. Of the seven countries expecting debt ratios higher than 60% of GDP, only Belgium will record a significant decline compared with 2003. Discrepancies between deficit and debt developments – the so-called deficit-debt adjustments – are estimated to adversely affect the evolution of public debt in some countries, including Greece and Italy, which have already recorded a very high debt ratio.

FACTORS UNDERLYING BUDGETARY DEVELOPMENTS IN 2004

According to the Commission's autumn forecast, the further weakening of budgetary positions in 2004 is mainly due to a slightly expansionary fiscal stance. With interest expenditure projected to decline only marginally, the primary and overall balances are expected to deteriorate by roughly the same amount (see Chart 40 a and b). GDP growth is estimated to increase marginally faster than potential growth, so that the economic environment will have a very small positive effect on the budget evolution. The deterioration of the budgetary position of the euro area in 2004 therefore reflects a loosening of budget policies, which is illustrated by the deterioration in the cyclically adjusted primary balance of about 0.3 percentage point of GDP (see Chart 40 c).

Chart 40 Determinants of budgetary developments

(in percentage points of GDP; percentage changes)



Sources: European Commission, autumn 2004 and ECB calculations.

Average euro area developments mask some divergence in country developments. While most countries report a worsening of their underlying balances, the others maintain a broadly neutral fiscal stance, with some structural consolidation efforts implemented only in few cases. All three very highly indebted countries (Belgium, Greece and Italy) will continue to benefit from interest expenditure savings, with a favourable effect on overall budgetary positions. This partly compensates for the underlying worsening of the primary balances in these countries.

The slightly looser fiscal stance results from a strategy of tax cuts and the gradual phasing-out of temporary adjustment measures, only partly financed by savings in primary expenditure. As Chart 40 d shows, cyclically adjusted revenue will decline significantly. This is mainly the result of cuts in direct taxes and social security contributions and the fall of capital revenue due to the gradual vanishing of temporary measures. These revenue-reducing factors are partly compensated by increases in indirect taxes. There is also evidence of expenditure restraint (mainly via public consumption and social benefits), which is causing the cyclically adjusted primary expenditure ratio to fall for the first time since 2000. However, the size of the adjustment is adversely affected by some expenditure overruns and falls short of the aggregate impact of tax cuts.

PROSPECTS FOR PUBLIC FINANCES IN 2005

For 2005 the Commission projects a reduction in the euro area average deficit ratio to 2.5% of GDP. Both a marginal decline in interest expenditure and a moderate improvement of the primary balance will contribute to this development (see Table 11 and Chart 40). The debt ratio is expected to stabilise compared to 2004.

Developments at the euro area level again disguise a diverse country situation. Half of the euro area countries will continue to report significant fiscal imbalances. Germany and Greece are expected to continue reporting deficit ratios above the 3% reference value. The re-emergence of a deficit above the threshold is also projected in Portugal. Moreover, France, Italy and the Netherlands are likely to post deficits close to or at 3%. The other euro area countries will record less significant deficits or, in one case, a surplus. Less than half of the euro area countries are projected to be in a close-to-balance or in surplus position.

Most of the budgetary improvement expected for 2005 is driven by a tightening of the fiscal stance, while economic growth is expected to remain near potential. Restraints on primary expenditure, partly compensated by planned additional tax cuts, will be the main force driving the budgetary improvement. More specifically, the cyclically adjusted primary expenditure ratio will decline by a similar amount to 2004, while the cyclically adjusted revenue ratio will decline much less strongly. This will lead to a modest consolidation effort of about 0.3 percentage point of GDP for the average of the euro area. First indications are that social payments and unemployment-related outlays are bound to grow at moderate rates in 2005. This is also in line with the pick-up of domestic demand and the lagged impact on public expenditure of growth recovering in 2004. In the design of budget policy, temporary measures will still play a relevant role in a number of countries.

ASSESSMENT OF PUBLIC FINANCE DEVELOPMENTS

Public finance developments continue to be worrisome in the euro area for three reasons. First, projected consolidation efforts over the years 2004-05 in countries with significant imbalances are mostly unambitious, and the improved economic environment is sometimes used for additional fiscal give-aways rather than for speeding up adjustment. Fiscal developments are therefore not expected to comply in most cases with the Eurogroup agreement of a minimum adjustment of the underlying budget balance by 0.5 percentage point of GDP, or with the specific requirements set out in the ECOFIN Council opinions. In particular, Germany and Greece are not projected to correct their excessive deficit in 2005. Moreover, in a few countries, deficits are on the rise and there are significant risks that more breaches of the 3% of GDP reference value than projected might occur. In addition, protracted fiscal imbalances in the euro area have reversed the process of debt reduction in many countries and for the aggregate as a whole.

A second concern is the composition of the budgetary adjustment adopted in many countries. Implemented and planned budgetary adjustments often rely on temporary measures, which do not result in the much needed structural improvement of public finances. Although the role of temporary measures is to be reduced, it is still significant in a number of countries, notably those with deficits around 3% of GDP. It is worthwhile noting that several member countries, including the euro area's three largest, have taken important steps towards reforming their social security systems, and aggregate expenditure restraint seems to be exercised more successfully than in the past. However, such restraint is often not ambitious and does not feature as part of a comprehensive and confidence-enhancing strategy that is required by the Lisbon agenda and the Broad Economic Policy Guidelines.

Third, in a few cases, large ex post corrections of statistical series have taken place with a major downward revision of public finance outcomes and an upward revision of the accumulated stock of public debt. Deficient reporting and ex post revisions have undermined the accurate and timely identification of imbalances and adjustment needs and have caused serious delays in the implementation of policy measures. By adding uncertainty to fiscal monitoring and reducing the value of multilateral surveillance procedures, they also cast a wider shadow on the credibility and effectiveness of the whole fiscal framework. Good standards in statistical reporting are a precondition for strict surveillance and effective peer pressure, which are indispensable to preserving sound fiscal policies. In its statements on statistics, the ECOFIN Council emphasised its commitment to support measures that will improve the quality and reliability of budgetary data (see Box 9).

Box 9

GOOD STANDARDS FOR COMPILING AND REPORTING GOVERNMENT FINANCE STATISTICS

The recent revisions in fiscal data have led to concerns about the quality and reliability of government finance statistics in the EU. At the same time, it is clear that the compilation and reporting of these statistics should not be vulnerable to political and electoral cycles in any Member State.

A number of steps need to be undertaken to ensure the quality of government finance statistics and their reporting to the European Commission:

– The European System of Accounts (ESA 95) should be fully respected when recording any kind of expenditure and revenue for the purpose of the excessive deficit procedure. Recording should be done consistently across countries and over time.

– Countries should consider the quality and integrity of their statistics as a priority matter and apply high standards in the domain of statistics. At the European level, common standards should be agreed that reinforce the independence, integrity and accountability of the National Statistical Institutes (NSIs) and also help to enhance confidence in the quality of government finance statistics. These standards and their application should be reviewed regularly at the EU level.

– The current biannual notification of deficit, debt, investment and interest expenditure should be complemented by making available a complete set of government accounts, including breakdowns of expenditure, revenue, deficit, debt and the deficit-debt adjustment.

– A more formal delegation should be granted to the NSIs – and where applicable the NCBs, insofar as they are concerned – of the responsibility for supplying the actual budgetary data in the framework of excessive deficit procedure notifications.

STRATEGY FOR FISCAL POLICIES

All member countries are in the process of finalising their updated stability programmes and submitting them to the Commission by the end of 2004. All countries, especially those with large fiscal imbalances, face the challenge of preparing plans which are consistent with their commitments under the Stability and Growth Pact and support confidence in their consolidation and reform efforts and the EU fiscal framework.

More specifically, countries with excessive deficits should correct this situation as soon as possible and not later than the date specified in their commitments. In cases of non-compliance, further procedural steps by the ECOFIN Council would be warranted. Moreover, the recurrence of excessive deficits needs to be avoided. For those euro area countries which do not have a budgetary position close to balance or in surplus, budgetary consolidation should be guided by the fiscal strategy agreed by the Eurogroup in October 2002, under which underlying deficit ratios should be cut by at least 0.5 percentage point of GDP per year.

The economic recovery under way offers an opportunity to accelerate the process of fiscal consolidation. Growth dividends in the form of higher tax revenues should be assigned to reduce budget imbalances. Determined fiscal consolidation would prevent the repeat of mistakes from the past when pro-cyclical policies were implemented in “good times” and the opportunity to achieve significant budgetary improvement was missed.

Fiscal consolidation plans should be part of a structural reform agenda that favours growth, competitiveness and employment. Expenditure reforms are crucial not only for consolidation without tax increases but also for paving the way for further tax cuts and making tax-benefit systems more growth-friendly. Expenditure restraint and reform are therefore central to creating a solid ground for lasting consolidation, increased confidence and more dynamic growth, which are also the objectives of the European growth strategy. The quality of public finances is also relevant for creating a more dynamic environment. Productive investment in infrastructure and human capital needs to be prioritised over current transfer. Such fiscal strategies will also renew confidence in the institutional underpinning of EMU, thus contributing to a favourable climate for growth and macroeconomic stability in the euro area.

THE CRUCIAL ROLE OF THE EXCESSIVE DEFICIT PROCEDURE IN ENSURING FISCAL SUSTAINABILITY

It is worthwhile re-emphasising the importance of adhering strictly to the "minimum" requirements for fiscal prudence as set out in the Treaty. They demand that excessive deficits – i.e. breaches of the 3% of GDP deficit limit – be avoided and that any such breaches be corrected in a timely manner. They also require that public debt ratios remain below 60% or at least approach this ratio at a satisfactory pace. The Stability and Growth Pact contains, among other things, the excessive deficit procedure, which is pivotal to ensuring the strict implementation of the Treaty provisions.

Why is this important? Macroeconomic and price stability with favourable financing conditions hinges on the sustainability of public finances. Sustainability, in turn, is determined by the public borrowing requirements of governments and the willingness of financial markets to provide the necessary financing. If deficits are high and the stock of debt is rising, the borrowing requirement is augmented. Moreover, high deficits are more risky for sustainability when trend growth is weak because the debt stock (and the borrowing requirement) rises faster relative to the size of the economy than in a fast-growing economy. In addition, the prospect of large obligations (e.g. from social security systems) may increase the expectation of future government financing needs.

The more of these factors come together, the more likely it is that, over time, governments will only be able to finance such imbalances at increased costs both for the country (via higher risk premia) and the euro area as a whole (via higher average implicit interest rates). A situation may arise in which governments cannot get the type of financing (e.g. long-term rather than short-term debt) and ultimately even the amount of financing they need.

This risk can be much exacerbated by volatile financial market conditions. While in good times, the deficit and debt threshold, which allows governments to finance all their obligations in the short run (to be "liquid") and the long run (to be "solvent") is normally high, certain events can cause this threshold to shrink strongly. In the past, this has not always been a gradual development, i.e. one that gives governments sufficient time to adjust: it can happen very swiftly and with little forewarning. As a result, a vicious circle of growing financing needs and shrinking willingness to finance these needs may develop. This could force governments to make drastic fiscal adjustments to avoid reneging on their obligations.

While the current environment is still benign, it is very important not to forget that this situation cannot be taken for granted. All countries and, thereby, the euro area as a whole need to get into a financial position that provides sufficient safety margins for worst case scenarios, even if these perhaps look very demanding in good times.

Compliance with the deficit and debt criteria is critical in EMU because it provides minimal safety margins. In particular, the 3% of GDP deficit limit – if implemented credibly – provides an anchor for expectations of fiscal discipline and future debt developments. It is therefore an important signal of fiscal soundness for financial markets and the public. This not only secures favourable financing conditions and stable markets now, but also reduces the risk of future financial volatility spilling over into government debt markets in the euro area and undermining sustainability.

These considerations also underpin concerns arising from the above assessment and experience of fiscal and economic developments since the start of Stage Three of EMU. Not only fiscal deficits in a number of countries have come close to or exceeded the 3% threshold, but also average deficits have been near or above this threshold since 1999. Moreover, economic growth in many countries has slowed and potential growth is now lower than before. Public debt ratios have continued to creep up or declined too little, also in light of the upcoming challenges related to population ageing. But even if compliance with the Treaty criteria had been pursued consistently, it is important to keep in mind that they are only the minimum criteria for fiscal prudence in the long run. More ambitious deficit and debt targets are needed, especially in countries with high implicit liabilities and low growth.

6 EUROSYSTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 20 November 2004, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.[1] *Average annual real GDP growth is estimated at between 1.6% and 2.0% in 2004. It is projected to be between 1.4% and 2.4% in 2005 and between 1.7% and 2.7% in 2006. The average rate of increase in the overall Harmonised Index of Consumer Prices (HICP) is estimated to amount to between 2.1% and 2.3% in 2004. It is projected to range between 1.5% and 2.5% in 2005 and between 1.0% and 2.2% in 2006.*

The staff projections are based on a series of assumptions with regard to interest rates, exchange rates, oil prices, world trade outside the euro area and fiscal policies. In particular, the technical assumption is made that short-term market interest rates and bilateral exchange rates will remain unchanged over the projection horizon. The technical assumptions with regard to long-term interest rates and both oil and non-energy commodity prices are based on market expectations.[2] The fiscal policy assumptions are based on national budget plans in the individual euro area countries. They include only those policy measures that have already been approved by parliament or that have been specified in detail and are likely to pass the legislative process.

To express the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out by euro area central banks over a number of years. The width of the ranges is twice the average absolute value of these differences.

THE INTERNATIONAL ENVIRONMENT

The world economic cycle appears to have reached its peak and oil prices have increased in 2004, while economic policies are expected to gradually return to a more neutral stance. World economic growth, while remaining robust over the horizon, is therefore projected to weaken slightly over the next two years. At the same time, the increase in oil and non-energy commodity prices will result in higher global inflation.

Real GDP growth in the United States is also expected to remain robust, but to decrease gradually from the rapid pace witnessed in the second half of 2003 and early 2004. GDP growth in non-Japan Asia is expected to remain well above the global average, notwithstanding the higher oil prices and the tightening of economic policy in China. Growth in the other large economies is projected to remain dynamic. In addition, the countries that joined the EU on 1 May 2004 are expected to continue to post a relatively strong pace of growth.

Annual growth in w*orld real GDP outside the euro area* is estimated to average about 5.5% in 2004. It is projected to decline to about 4.5% in both 2005 and 2006. Growth in the *euro area's external export markets* is estimated at 8.7% in 2004 and projected to decline to about 8.0% and 7.5% in 2005 and 2006, respectively.

1 The Eurosystem staff projections are produced jointly by experts from both the ECB and the euro area NCBs. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001.

2 Short-term interest rates as measured by the three-month EURIBOR are assumed to remain constant at 2.16% over the projection horizon. The technical assumption of constant exchange rates implies that the EUR/USD exchange rate stays at 1.29 over the horizon and that the effective exchange rate of the euro is 6.1% higher than the average for 2003. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile from an average of 4.2% in 2004 to an average of 4.5% in 2006. Annual average non-energy commodity prices are assumed to increase by 18% in USD terms in 2004, to remain broadly unchanged in 2005 and to again increase by 5% in 2006. Based on the path implied by futures markets, annual average oil prices are assumed to increase to USD 44.4 per barrel in 2005, from USD 39.0 per barrel in 2004, and to decline to USD 40.8 in 2006.

REAL GDP GROWTH PROJECTIONS

The first Eurostat estimate shows the quarter-on-quarter growth rate of euro area real GDP at 0.3% in the third quarter of this year, following rates of 0.7% and 0.5% in the first and second quarters, respectively. Quarter-on-quarter growth rates are expected to return to levels close to 0.5% over the projection horizon. As a result, average annual real GDP growth is estimated to range between 1.6% and 2.0% in 2004. It is projected to be between 1.4% and 2.4% in 2005 and between 1.7% and 2.7% in 2006. Export growth, as implied by the assumption of continued strength in foreign demand, is expected over the horizon to continue to support economic activity, while domestic demand should grow at a stable pace.

Total employment is projected to gain some strength over the horizon. The labour supply is expected to increase as improved job prospects and structural labour market reforms in various euro area countries lead to rising participation rates. The projections for the labour supply and employment imply that the unemployment rate should start to decline in the second half of 2005.

Among the domestic expenditure components of GDP, average annual growth in *private consumption* is estimated to range between 0.9% and 1.3% in 2004, as restrained wage income growth and strong increases in energy prices have a negative impact on household purchasing power. Consumption is projected to grow at rates between 1.1% and 2.1% in 2005, and at rates between 1.2% and 2.8% in 2006. Households' real disposable income will be supported by stronger employment growth, by higher real wages as a result of lower inflation, and by a positive contribution by other income components. The household saving ratio is projected to remain roughly constant over the projection horizon. While consumer confidence should increase as labour market conditions improve somewhat, the level of saving is expected to remain relatively high due to concerns about the development of public finances and, in particular, the longer-term prospects for public health care and pension systems. On the basis of current budget plans, it is also assumed that the contribution of *government consumption* to real GDP growth will decline slightly over the projection horizon.

Total fixed investment is estimated to have picked up somewhat in the second half of 2004. The average annual rate of growth is estimated to amount to between 1.2% and 2.2% in 2004. It is projected to be between 1.7% and 4.7% in 2005 and between 2.1% and 5.3% in 2006. The recovery in total investment growth would be due mainly to *business investment*, which should benefit from favourable credit conditions and higher corporate earnings, as well as from the improving demand prospects. *Residential private investment* is projected to experience moderate rates of growth over the horizon.

The average annual rate of change in total exports is estimated to range between 4.5% and 7.3% in 2004. It is projected to be between 4.6% and 7.8% in 2005 and between 4.8% and 8.0% in 2006.[3] Extra-euro area export market shares are projected to remain roughly stable over the horizon, following the significant decline in 2003 as a result of primarily the appreciation of the euro. The average annual rate of growth in total imports is expected to be broadly in line with that of exports. The projection for imports reflects the pattern of total final expenditure in the euro area, but also some delayed upward impact of the past appreciation of the euro. On balance, net trade is not expected to contribute significantly to GDP growth over the projection horizon, with export and import growth roughly offsetting one another.

3 Trade projections are consistent with national account data. They therefore include intra-euro area trade.

PRICE AND COST PROJECTIONS

The average rate of increase in the overall HICP is estimated to amount to between 2.1% and 2.3% in 2004. It is projected to be between 1.5% and 2.5% in 2005, and between 1.0% and 2.2% in 2006. The assumptions for oil prices imply a significant positive contribution of the energy component to HICP inflation in 2005, but a small negative contribution in 2006. The rate of increase in the non-energy component of the HICP is projected to decline slightly in 2005, reflecting limited increases in import prices and a continuation of contained domestic cost pressures. In addition, the fiscal assumptions for 2005 and 2006 imply a smaller contribution from increases in indirect taxes and administered prices, as compared with the significant contribution from measures implemented in 2004.

Notwithstanding the recent increase in oil prices, import prices are estimated to have remained, on average, relatively subdued in 2004, owing to the delayed impact of the euro's appreciation. The assumptions for commodity prices and exchange rates imply that import prices will increase modestly over the projection horizon.

The growth in nominal compensation per employee is assumed to remain moderate over the horizon. This projection not only takes into account current wage settlements and the projected modest improvement in labour market conditions, but also embodies the judgement that second-round effects of higher oil prices on nominal compensation will remain contained. The projections for real GDP growth and employment imply that labour productivity growth, although declining slightly over the horizon, will remain robust. As a result of these developments in wages and productivity, unit labour cost growth is projected to remain contained in both 2005 and 2006.

Table 12 Macroeconomic projections

(average annual percentage changes)[1)]

	2003	2004	2005	2006
HICP	2.1	2.1-2.3	1.5-2.5	1.0-2.2
Real GDP	0.5	1.6-2.0	1.4-2.4	1.7-2.7
Private consumption	1.1	0.9-1.3	1.1-2.1	1.2-2.8
Government consumption	1.6	0.9-2.1	0.3-1.3	0.7-1.7
Gross fixed capital formation	-0.6	1.2-2.2	1.7-4.7	2.1-5.3
Exports (goods and services)	0.2	4.5-7.3	4.6-7.8	4.8-8.0
Imports (goods and services)	2.0	5.0-7.6	4.8-8.2	4.8-8.2

1) For each variable and horizon, ranges are based on the average absolute difference between the actual outcomes and past projections by euro area central banks. The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.

Box 10

COMPARISON WITH THE ECB STAFF MACROECONOMIC PROJECTIONS OF SEPTEMBER 2004

The technical assumptions for oil prices and exchange rates have been subject to important revisions in comparison with the ECB staff macroeconomic projections published in the September 2004 issue of the Monthly Bulletin. Oil prices are now 21% higher than assumed in the projections of September, whereas the nominal effective exchange rate of the euro is 4.2% higher. The revisions of the technical assumptions for interest rates are small.

A major change in comparison with the ECB staff macroeconomic projections published in the September 2004 issue of the Monthly Bulletin is a downward shift in the ranges projected for real GDP growth in 2005. This is broadly explained by the aforementioned upward shifts in the technical assumptions for both oil prices and the effective exchange rate of the euro. In addition, the somewhat lower than previously expected outturn with respect to real GDP growth in the third quarter of the current year mechanically reduces average annual real GDP growth for 2005.

The ranges projected for the HICP remain unchanged for 2004, but have been adjusted slightly upwards for 2005 in comparison with the projections of September 2004. This upward shift is limited, because the impact of higher oil prices is moderated by the upward shift in the assumptions for exchange rates. The revisions to the projections for unit labour costs are small.

Comparison of macroeconomic projections

(average annual percentage changes)

	2003	2004	2005
HICP – December 2004	2.1	2.1-2.3	1.5- 2.5
HICP – September 2004	2.1	2.1-2.3	1.3-2.3
Real GDP – December 2004	0.5	1.6 -2.0	1.4-2.4
Real GDP – September 2004	0.5	1.6-2.2	1.8 -2.8

Box 11

FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another, or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time and use different methods to derive assumptions for fiscal, financial and external variables, including oil prices. The forecasts covered by the Consensus Economics Forecasts and the ECB Survey of Professional Forecasters use a variety of unspecified assumptions. In contrast to the Eurosystem staff projections, the other forecasts are typically not conditioned on the assumption that short-term interest rates will remain unchanged over the projection horizon.

Despite different assumptions, there is a consensus in the forecasts currently available from other institutions that euro area annual GDP growth will average between 1.9% and 2¼% in 2005 and between 2¼% and 2½% in 2006. The forecasts for 2005 are very similar. For 2006, the forecasts made by the European Commission and the Survey of Professional Forecasters predict annual GDP growth of 2.2%, whereas the OECD predicts a growth rate of 2.5%.

It should be borne in mind that both the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. For 2004, the non-working-day-adjusted average annual growth rate of euro area GDP will be around ¼ percentage point higher than the working-day-adjusted growth rate, owing to the greater number of working days this year. Both the IMF and the European Commission forecasts thus include, in working-day-adjusted terms, an increase in euro area GDP growth in 2005. The Eurosystem staff macroeconomic projections and the OECD forecasts report working-day-adjusted annual growth rates, whereas the other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

Table A Comparison of forecasts for euro area real GDP growth

(annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Oct. 2004	2.1	2.0	2.2
IMF	Sep. 2004	2.2	2.2	n.a.
OECD	Nov. 2004	1.8	1.9	2.5
Consensus Economics Forecasts	Nov. 2004	1.9	1.9	n.a.
Survey of Professional Forecasters	Nov. 2004	1.9	2.0	2.2

Sources: European Commission Economic Forecasts Autumn 2004; IMF World Economic Outlook September 2004; OECD Economic Outlook No 76; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters. The European Commission forecasts and the IMF World Economic Outlook report growth rates that are not working-day-adjusted.

The forecasts anticipate annual average HICP inflation to decline to between 1.8% and 1.9% in 2005, except for the OECD which predicts a level of 2.0%. For 2006, both the European Commission and the OECD predict that HICP inflation will decline to 1.7%, while the Survey of Professional Forecasters shows HICP inflation at 1.9%.

Table B Comparison of forecasts for euro area overall HICP inflation

(annual percentage changes)

	Date of release	2004	2005	2006
European Commission	Oct. 2004	2.1	1.9	1.7
IMF	Sep. 2004	2.1	1.9	n.a.
OECD	Nov. 2004	2.1	2.0	1.7
Consensus Economics Forecasts	Nov. 2004	2.2	1.9	n.a.
Survey of Professional Forecasters	Nov. 2004	2.1	1.9	1.9

Sources: European Commission Economic Forecasts Autumn 2004; IMF World Economic Outlook September 2004; OECD Economic Outlook No 76; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.

7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

7.1 EXCHANGE RATES

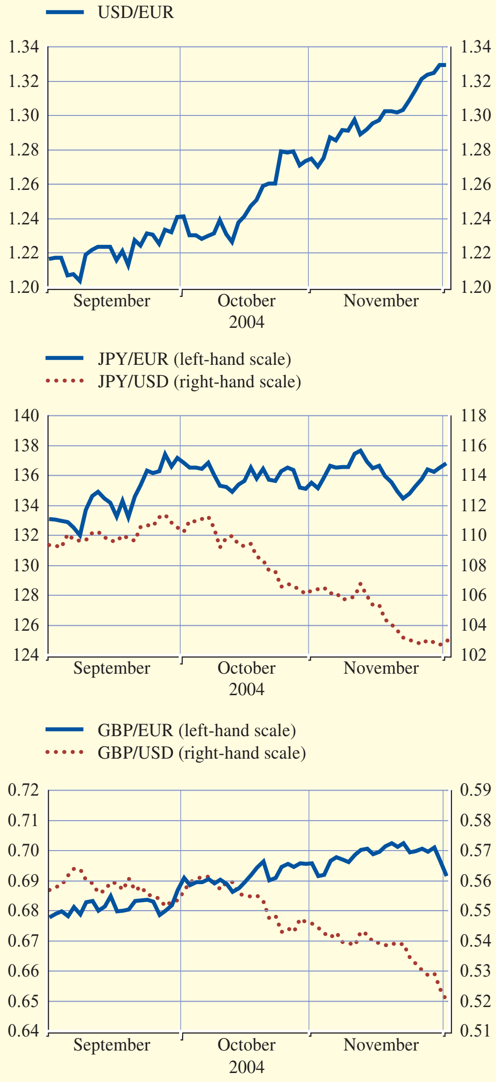
In November and early December the euro continued to strengthen significantly against the US dollar, which experienced a broad-based depreciation, against the Chinese renminbi and, to a lesser extent, the Japanese yen. The weakening of the US currency was mainly associated with the concentration by financial markets on the high and persistent US current account deficit and the underlying fiscal deficit. The euro's appreciation against these currencies was only partially compensated by its depreciation against the pound sterling, the Swiss franc, the Swedish krona, the Korean won, the Polish zloty and the Czech koruna.

US DOLLAR/EURO

In November and early December the euro continued to appreciate against the US dollar (see Chart 41), exceeding the levels observed at the beginning of the year. The broad-based depreciation of the US dollar since the second half of October appears to be related to a renewed focus on the US current account deficit and its financing. Data releases indicating resilient US consumption expenditure have not supported the US currency, possibly reflecting the fact that it may reinforce the growth differential between the United States and other major industrialised countries and therefore deepen the US current account deficit. On 10 November the Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points to 2%, thereby closing the differential between the key policy interest rates in the United States and the euro area. This decision had, however, been widely expected among market participants and did not have a notable impact on developments in foreign exchange markets. On 1 December the euro stood at USD 1.33, 4.4% stronger than its end-October level and 17.5% higher than its 2003 average.

Chart 41 Patterns in exchange rates

(daily data)



Source: ECB.

JAPANESE YEN/EURO

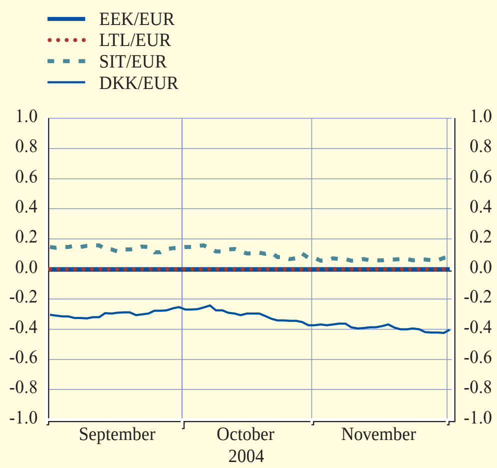
Amid some fluctuations in the course of November, the euro had also strengthened against the Japanese yen by early December (see Chart 41). Over the reference period, the Japanese currency appreciated vis-à-vis the US dollar to its highest level in almost four years, despite data releases indicating that exports and the Japanese economic recovery might be slowing down. On 1 December the euro was quoted at JPY 136.8, about 1.3% above its end-October level and 4.5% higher than its 2003 average.

EU MEMBER STATES' CURRENCIES

In ERM II the Danish krone and the Slovenian tolar continued to move within narrow ranges close to their respective central parities (see Chart 42). The Estonian kroon and the Lithuanian litas remained unchanged relative to their ERM II central parities, in line with these countries' unilateral commitments to maintain currency board arrangements within the standard ERM II fluctuation bands.

Chart 42 Patterns in exchange rates within ERM II

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



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

For much of November, the euro continued to appreciate, albeit moderately, against the pound sterling (see Chart 41). The weakening of the pound over this period continued to be associated with decreasing house prices and indications of moderating economic growth in the United Kingdom, which also raised uncertainty among market participants about the outlook for the UK economy. Towards the end of November and into early December, the pound rebounded so that on 1 December the euro traded against the pound sterling at GBP 0.69, that is slightly lower than its level at the end of October and close to its 2003 average. In the period under review the euro also continued to appreciate relative to the Latvian lats, which is partially linked through its exchange rate regime to the US dollar, but it further depreciated against the Czech koruna, the Polish zloty, the Slovak koruna and the Swedish krona. The euro remained broadly stable vis-à-vis the Cypriot pound, the Hungarian forint and the Maltese lira.

OTHER CURRENCIES

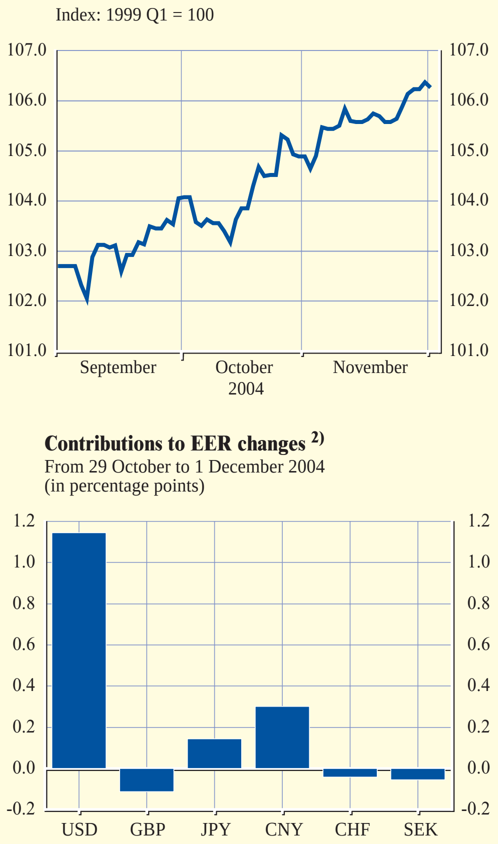
The euro depreciated somewhat vis-à-vis the Swiss franc, which seems to have benefited from safe-haven considerations amid the broad-based decline of the US dollar. Other notable developments in November included the continued appreciation of the Korean won against all other major currencies.

EFFECTIVE EXCHANGE RATE OF THE EURO

On 1 December the nominal effective exchange rate of the euro – as measured against the currencies of the 23 most important trading partners of the euro area – was 1.3% above its end-October level and 6.4% higher than its average level in 2003 (see Chart 43). The appreciation of the euro in effective terms continued to be driven by its strengthening against the US dollar, the Chinese renminbi and the Japanese yen – currencies with a high or relatively high weight in the trade-weighted effective exchange rate basket – which was only partly counterbalanced by its depreciation against the pound sterling, the Swiss franc, the Swedish krona, the Korean won, the Polish zloty and the Czech koruna.

Chart 43 Euro effective exchange rate and its decomposition [1]

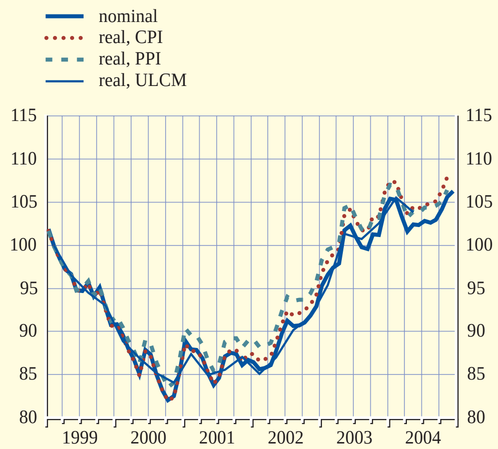
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-23 changes are displayed only for the currencies of the six main trading partners of the euro area. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

Chart 44 Euro nominal and real effective exchange rates [1]

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



Source: ECB.
1) An upward movement of the EER-23 indices represents an appreciation of the euro. The latest observations for monthly data are for November 2004. In the case of the ULCM-based real EER-23, the latest observation is for the second quarter of 2004 and is partly based on estimates.

The various measures of the real effective exchange rates of the euro – based on different cost and price indices – show a high degree of co-movement (see Chart 44). The euro's appreciation over the past two months has also translated into a rise in the real effective exchange rate indices close to the levels experienced at the beginning of the year. In November the real effective exchange rate index based on consumer prices was 6.1% above its average level in 2003, while it was 4.2% above this level if based on developments in producer prices.

7.2 BALANCE OF PAYMENTS

Having grown strongly since the second half of 2003, the value of exports of goods and services – as recorded in the euro area balance of payments – fell by 0.8% in the third quarter of 2004. This was partly due to the slowdown in euro area foreign demand, to some extent reflecting waning global growth momentum. Meanwhile, amid higher oil prices, the value of imports of goods and services continued to grow rapidly over the same period, contributing to a €17.5 billion decline in the trade surplus in the third quarter of 2004. In the twelve-month period to September 2004, combined direct and portfolio investment flows were close to balance, compared with net inflows of €77.3 billion a year earlier. At the end of 2003, the international investment position of the euro area vis-à-vis the rest of the world recorded net liabilities of €760 billion, representing 10.5% of GDP.

CURRENT ACCOUNT AND TRADE

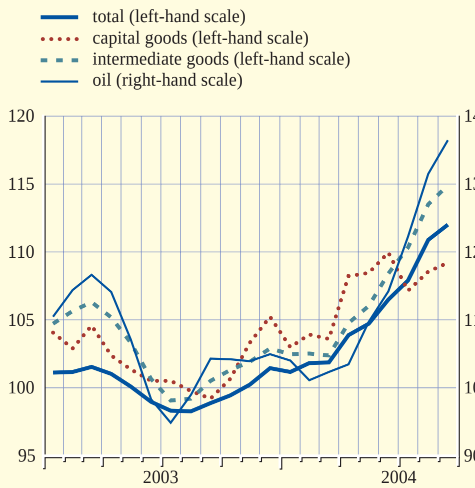
The seasonally adjusted current account of the euro area registered a deficit of €3.2 billion in September 2004 (corresponding to a €0.3 billion deficit in non-seasonally adjusted terms). This reflects deficits in income and current transfers that were only partially offset by surpluses in both goods and, to a lesser extent, services (see Section 7.1 of the "Euro area statistics" section). Compared with the revised €0.5 billion surplus in August 2004, the seasonally adjusted current account balance declined by €3.7 billion in September. This was mainly due to an increase in the income account deficit and small declines in the surpluses for both goods and services.

Having grown strongly since the second half of 2003, the seasonally adjusted value of exports of goods and services fell by 0.8% in the third quarter of 2004. This was partly due to the slowdown in foreign demand during this period (see Charts C.29 and C.30 in Section 7.1 of the "Euro area statistics" section). Meanwhile, imports of goods and services continued to grow, rising by 4.4% in the third quarter of 2004, after 5.7% in the second quarter. This largely reflects an increase in total goods imports, with oil price hikes sparking a significant rise in the value of oil imports. However, the development of other import categories, such as capital goods, was more subdued (see Chart 45). Against this background, the goods surplus contracted by €14.9 billion in the third quarter of 2004.

Taking a longer-term perspective, the cumulated current account surplus of the euro area stood at €40.4 billion (about 0.5% of GDP) in the twelve-month period ending in September 2004, compared with €26.3 billion a year earlier (see Chart 46). This increase reflected a rise of €6 billion in the combined surplus for goods and services and reductions of around €4 billion in the deficits for both income and current transfers.

Chart 45 Extra-euro area import values for selected commodities [1)]

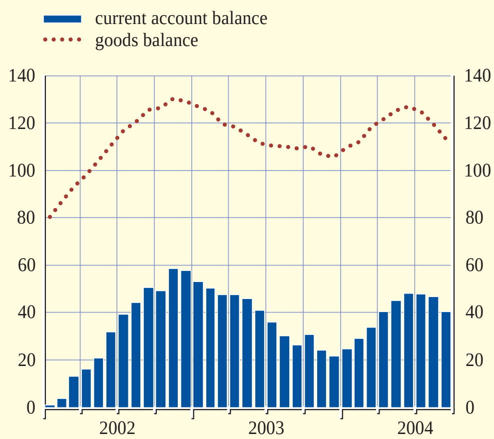
(indices; January 2004 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
1) Latest observations are for September 2004.

Chart 46 The euro area current account and goods balances

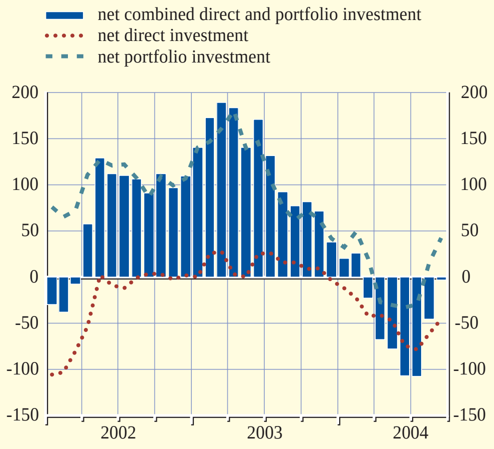
(EUR billions; monthly data; seasonally adjusted; 12-month cumulated data)



Source: ECB.

Chart 47 Net direct and portfolio investment flows

(EUR billions; 12-month cumulated data)



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

FINANCIAL ACCOUNT

Euro area combined direct and portfolio investment recorded large net inflows of €44.9 billion in September 2004, reflecting net inflows in equity securities (€23.2 billion), debt instruments (€16.4 billion) and, to a lesser extent, direct investment (€5.3 billion). The developments in direct investment were largely accounted for by net investment in the form of equity capital and reinvested earnings by non-resident companies in their euro area affiliates. Net inflows in portfolio investment were driven by net sales of foreign equities by euro area residents and by net purchases of euro area bonds and notes by non-residents.

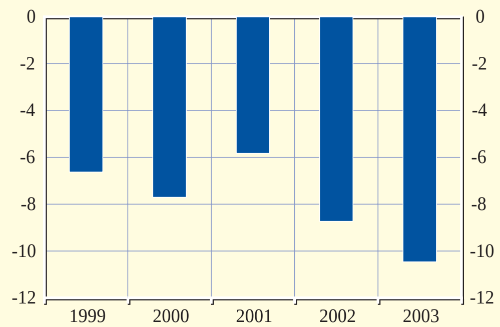
In the twelve-month period to September 2004, combined direct and portfolio investment flows were close to balance, compared with net inflows of €77.3 billion a year earlier (see Chart 47). This reflects a switch from net inflows to net outflows in direct investment and lower net inflows in portfolio investment. The shift in net direct investment flows stemmed mainly from a sizeable decline in foreign direct investment inflows into the euro area, which was larger than the decline in euro area direct investment abroad. The decrease in net portfolio investment inflows resulted mainly from an increase in net purchases of foreign equity securities and money market instruments by euro area residents. These developments could be explained by the weaker economic performance of the euro area relative to other regions of the world, particularly in the first half of 2004. However, the trend in combined direct and portfolio investment has changed since July, possibly reflecting a renewed appeal of euro area financial instruments among external investors and base effects: debt instruments recorded considerable net sales in July and August 2003 and these are no longer taken into consideration in the twelve-month period to September 2004.

INTERNATIONAL INVESTMENT POSITION OF THE EURO AREA

Table 7.4 in the “Euro area statistics” section presents figures for the international investment position (i.i.p.) of the euro area, which are also now available for 2003. The i.i.p. reports the external assets and liabilities of the euro area at the end of the calendar year, with positions in direct and portfolio investment, financial derivatives, other investment and reserve assets.

At the end of 2003, the i.i.p. of the euro area vis-à-vis the rest of the world recorded net liabilities of €760 billion (representing 10.5% of GDP). This reflects an increase of €142

Chart 48 The international investment position of the euro area as a percentage of GDP [1]



Source: ECB.
1) A negative number denotes a net debtor position.

billion in net liabilities compared with the revised stock at the end of 2002, which was equivalent to 8.7% of GDP (see Chart 48). The increase in the net debtor position partly reflects unfavourable valuation effects on external assets (which are mainly denominated in foreign currencies) resulting from the appreciation of the euro in 2003.

With regard to data revisions, the euro area liabilities were revised upwards in both the direct and portfolio investment positions in 2001 and 2002, mainly due to a change in the reporting system and data collection methods, which improved the quality of the statistics. These methodological changes brought about an upward increase in the overall net debtor position of the euro area vis-à-vis the rest of the world during the entire period. In particular, as a result of the statistical revisions, the net debt position of the euro area as a percentage of GDP increased from 2.8% to 5.8% in 2001 and from 4.1% to 8.7% in 2002.

EURO AREA STATISTICS

CONTENTS[1]

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

WHAT'S NEW

A new split for the euro area international investment position has been introduced in this issue. Table 5 in Section 7.4 displays "loans" separated from "currency and deposits" in the assets of the euro area non-MFI's. An analogous split for the balance of payments flows was introduced in the August 2004 issue (Table 9 in Section 7.1).

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2002	7.7	6.6	7.3	-	5.4	21.5	3.32	4.92
2003	11.0	8.0	8.1	-	5.0	20.7	2.33	4.16
2003 Q4	11.0	7.9	7.6	-	5.3	22.1	2.15	4.36
2004 Q1	11.1	7.2	6.5	-	5.4	16.7	2.06	4.15
Q2	10.3	6.0	5.4	-	5.6	11.3	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	10.5	2.12	4.21
2004 June	9.5	5.6	5.3	5.2	6.0	11.1	2.11	4.44
July	10.1	5.9	5.5	5.4	6.2	10.9	2.12	4.34
Aug.	9.2	5.7	5.6	5.7	6.1	10.4	2.11	4.17
Sep.	9.7	6.3	6.0	5.8	6.5	9.6	2.12	4.11
Oct.	9.0	6.4	5.8	.	6.8	.	2.15	3.98
Nov.	.	.	.	.	.	.	2.17	3.87

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2002	2.3	-0.1	3.7	0.9	-0.5	81.5	0.5	8.4
2003	2.1	1.4	2.8	0.5	0.3	81.0	0.1	8.9
2003 Q4	2.0	1.0	2.1	0.8	1.4	81.1	0.2	8.9
2004 Q1	1.7	0.2	2.7	1.4	1.0	80.7	0.2	8.9
Q2	2.3	2.0	2.1	2.1	3.0	81.1	0.3	8.9
Q3	2.2	3.1	.	1.8	2.5	81.6	.	8.9
2004 June	2.4	2.4	-	-	3.4	-	-	8.9
July	2.3	2.9	-	-	2.4	81.6	-	8.9
Aug.	2.3	3.1	-	-	1.7	-	-	8.9
Sep.	2.1	3.3	-	-	3.3	-	-	8.9
Oct.	2.4	.	-	-	.	81.7	-	8.9
Nov.	2.2	.	-	-	.	-	-	.

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-23 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2002	68.0	128.9	2.1	107.3	366.1	89.2	90.3	0.9456
2003	35.0	105.3	-3.4	41.7	306.5	99.9	101.7	1.1312
2003 Q4	23.4	29.9	-8.7	9.3	306.5	102.2	104.3	1.1890
2004 Q1	17.2	28.6	-23.6	-3.1	308.4	104.7	106.7	1.2497
Q2	12.7	32.7	-19.2	20.9	301.4	102.1	104.1	1.2046
Q3	9.6	24.8	6.1	15.1	298.2	102.8	104.9	1.2220
2004 June	7.0	12.0	-13.8	31.7	301.4	102.3	104.2	1.2138
July	3.9	13.9	-8.5	-30.7	301.3	102.8	104.7	1.2266
Aug.	4.9	6.0	9.3	6.3	301.7	102.7	104.8	1.2176
Sep.	0.7	4.9	5.3	39.6	298.2	103.0	105.1	1.2218
Oct.	.	.	.	.	294.7	104.2	106.3	1.2490
Nov.	.	.	.	.	.	105.6	107.9	1.2991

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.
1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the technical notes for details.
2) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
3) For the definition of the trading partner groups and other information, please refer to the General notes.

I MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	2004 5 Nov.	2004 12 Nov.	2004 19 Nov.	2004 26 Nov.
Gold and gold receivables	130,423	130,406	130,379	130,344
Claims on non-euro area residents in foreign currency	166,082	165,900	167,722	164,892
Claims on euro area residents in foreign currency	17,879	17,583	17,483	18,083
Claims on non-euro area residents in euro	7,440	7,575	7,682	7,366
Lending to euro area credit institutions in euro	339,510	333,052	337,515	345,005
Main refinancing operations	264,501	258,000	262,500	269,998
Longer-term refinancing operations	75,000	75,000	75,000	75,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	2	37	2	0
Credits related to margin calls	7	15	13	7
Other claims on euro area credit institutions in euro	2,246	1,885	1,645	1,662
Securities of euro area residents in euro	69,534	70,287	71,024	71,163
General government debt in euro	42,063	42,049	42,049	42,049
Other assets	118,069	118,342	118,338	118,501
Total assets	893,246	887,079	893,837	899,065

2. Liabilities

	2004 5 Nov.	2004 12 Nov.	2004 19 Nov.	2004 26 Nov.
Banknotes in circulation	473,975	473,399	472,002	473,554
Liabilities to euro area credit institutions in euro	142,515	138,338	136,995	137,730
Current accounts (covering the minimum reserve system)	141,304	138,247	136,920	137,667
Deposit facility	1,211	91	75	56
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	0	7
Other liabilities to euro area credit institutions in euro	125	125	125	125
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	62,512	61,856	68,910	73,742
Liabilities to non-euro area residents in euro	9,444	9,303	9,383	9,639
Liabilities to euro area residents in foreign currency	262	302	253	254
Liabilities to non-euro area residents in foreign currency	10,337	9,866	11,406	9,303
Counterpart of special drawing rights allocated by the IMF	5,807	5,807	5,807	5,807
Other liabilities	57,706	57,518	58,388	58,342
Revaluation accounts	70,696	70,696	70,696	70,696
Capital and reserves	59,867	59,869	59,872	59,873
Total liabilities	893,246	887,079	893,837	899,065

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders: Minimum bid rate	Variable rate tenders: Marginal rate [4]	Variable rate tenders: Weighted average rate	Running for (...) days
	1	2	3	4	5	6	7
Main refinancing operations							
2004 4 Aug.	342,842	359	255,000	2.00	2.01	2.02	7
11	336,449	348	247,500	2.00	2.01	2.02	7
18	332,633	368	246,000	2.00	2.01	2.02	7
25	339,539	366	259,000	2.00	2.02	2.02	7
1 Sep.	343,768	333	254,000	2.00	2.02	2.02	7
8	326,708	339	252,500	2.00	2.02	2.02	7
15	332,636	357	253,000	2.00	2.02	2.02	7
22	331,112	380	262,500	2.00	2.02	2.02	7
29	327,330	353	259,000	2.00	2.02	2.03	6
5 Oct.	325,420	298	255,500	2.00	2.02	2.03	7
12	338,406	345	244,500	2.00	2.02	2.03	8
20	380,224	382	253,000	2.00	2.03	2.03	5
25	355,097	356	268,000	2.00	2.03	2.04	9
3 Nov.	381,182	331	264,500	2.00	2.04	2.04	6
9	358,101	316	258,000	2.00	2.04	2.04	8
17	384,039	341	262,500	2.00	2.05	2.05	7
24	368,690	346	270,000	2.00	2.05	2.06	7
1 Dec.	370,856	323	273,500	2.00	2.05	2.06	7
Longer-term refinancing operations							
2003 27 Nov.	25,402	128	15,000	-	2.12	2.13	91
18 Dec.	24,988	114	15,000	-	2.12	2.14	105
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91

2. Other tender operations

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

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
5) This operation was conducted with a maximum rate of 3.00%.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]:	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Q1	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
2004 Apr.	12,088.2	6,474.0	451.3	1,492.1	911.8	2,759.0
May	12,141.3	6,506.8	442.3	1,499.1	898.2	2,794.9
June	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2
July	12,182.0	6,517.4	442.6	1,527.7	857.0	2,837.3
Aug.	12,167.6	6,470.3	446.4	1,531.1	884.2	2,835.5
Sep.	12,209.6	6,488.0	435.3	1,535.3	880.8	2,870.3

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
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
Q2	136.4	137.1	0.7	0.0	2.00
2004 6 July	138.0	138.8	0.8	0.0	2.00
10 Aug.	138.5	139.1	0.6	0.0	2.01
7 Sep.	138.7	139.3	0.6	0.0	2.02
11 Oct.	138.7	139.3	0.6	0.0	2.02
8 Nov.	137.8	138.4	0.7	0.0	2.03
7 Dec.	137.9	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
Q2	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
2004 6 July	308.2	245.4	75.0	0.3	0.0	0.1	0.0	449.1	65.0	-24.1	138.8	588.1
10 Aug.	300.8	253.6	75.0	0.0	0.0	0.2	0.0	460.9	61.1	-31.8	139.1	600.1
7 Sep.	299.4	251.6	75.0	0.1	0.0	0.2	0.0	462.8	56.3	-32.4	139.3	602.3
11 Oct.	298.8	256.4	75.0	0.3	0.0	0.0	0.0	465.1	58.2	-32.1	139.3	604.4
8 Nov.	298.3	257.9	75.0	0.1	0.2	0.3	0.0	469.7	55.1	-32.1	138.4	608.4

Source: ECB.
1) End of period.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.0	11.9	132.9
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Q1	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
Q2	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
2004 July	1,192.2	548.7	22.2	0.6	525.8	148.5	134.0	1.8	12.7	-	13.2	312.6	14.2	154.9
Aug.	1,175.0	527.1	22.2	0.6	504.3	151.1	135.6	1.8	13.7	-	13.2	313.3	14.3	156.1
Sep.	1,193.5	544.3	22.2	0.6	521.5	150.7	135.2	1.9	13.6	-	13.5	308.8	14.2	162.1
Oct. (p)	1,224.8	572.6	22.2	0.6	549.8	152.9	137.3	1.7	13.9	-	13.8	307.2	14.2	164.2
	MFIs excluding the Eurosystem													
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,799.8	12,114.4	819.1	7,101.8	4,193.5	2,947.6	1,246.0	425.7	1,275.9	67.3	895.1	2,566.8	161.8	1,046.9
2004 Q1	20,395.0	12,217.9	823.3	7,170.1	4,224.5	3,081.2	1,305.6	431.6	1,344.0	78.0	926.4	2,832.0	160.0	1,099.5
Q2	20,757.2	12,434.0	818.3	7,319.8	4,296.0	3,157.8	1,351.7	444.4	1,361.7	76.8	948.7	2,869.8	159.7	1,110.4
2004 July	20,855.1	12,540.7	824.6	7,355.8	4,360.3	3,170.7	1,347.8	446.6	1,376.3	78.4	936.8	2,870.5	160.4	1,097.5
Aug.	20,869.6	12,511.3	819.2	7,347.5	4,344.6	3,177.0	1,349.0	446.2	1,381.9	77.2	925.6	2,909.7	160.4	1,108.4
Sep.	20,981.4	12,569.2	812.0	7,403.3	4,353.9	3,186.1	1,355.7	442.9	1,387.5	77.4	920.1	2,902.9	161.0	1,164.7
Oct. (p)	21,176.1	12,679.9	812.0	7,447.7	4,420.2	3,207.2	1,352.2	447.6	1,407.5	78.1	925.5	2,908.7	161.5	1,215.2

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Q1	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Q2	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
2004 July	1,192.2	478.5	388.2	58.5	16.5	313.2	-	1.6	146.7	24.2	152.8
Aug.	1,175.0	475.7	367.4	58.2	15.9	293.2	-	1.6	151.5	23.3	155.5
Sep.	1,193.5	480.6	380.4	57.8	16.3	306.3	-	1.6	148.5	23.6	158.8
Oct. (p)	1,224.8	486.9	401.4	64.1	18.2	319.2	-	1.6	147.5	24.2	163.2
	MFIs excluding the Eurosystem										
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.5	1,108.7	2,594.2	1,431.7
2003	19,799.8	0.0	10,773.3	132.3	6,277.6	4,363.5	649.3	3,160.3	1,151.0	2,607.6	1,458.4
2004 Q1	20,395.0	0.0	10,863.5	140.7	6,310.3	4,412.5	680.0	3,303.4	1,160.4	2,833.8	1,553.7
Q2	20,757.2	0.0	11,087.8	156.6	6,408.5	4,522.8	686.0	3,369.3	1,177.7	2,871.5	1,564.9
2004 July	20,855.1	0.0	11,158.1	143.0	6,422.1	4,592.9	691.5	3,401.6	1,181.6	2,874.7	1,547.5
Aug.	20,869.6	0.0	11,113.1	134.8	6,401.4	4,576.8	701.3	3,417.8	1,182.3	2,880.7	1,574.4
Sep.	20,981.4	0.0	11,170.6	146.3	6,441.7	4,582.6	687.0	3,447.5	1,182.4	2,839.2	1,654.7
Oct. (p)	21,176.1	0.0	11,287.9	130.1	6,493.7	4,664.1	695.1	3,476.9	1,186.6	2,824.2	1,705.4

Source: ECB.

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

2.2 Consolidated balance sheet of euro area MFIs

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

1. Assets

	Total	Loans to euro area residents: Total	General government	Other euro area residents	Holdings of securities other than shares issued by euro area residents: Total	General government	Other euro area residents	Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2002	13,931.2	7,618.5	837.2	6,781.2	1,588.1	1,221.0	367.1	572.7	2,839.5	179.5	1,132.9
2003	14,554.4	7,944.2	841.7	7,102.5	1,794.5	1,367.5	427.0	623.8	2,884.8	174.1	1,133.0
2004 Q1	15,063.5	8,016.8	846.0	7,170.8	1,867.6	1,434.5	433.1	649.4	3,152.7	173.9	1,203.1
Q2	15,331.3	8,160.9	840.5	7,320.4	1,931.6	1,485.2	446.3	662.9	3,181.1	173.8	1,221.1
2004 July	15,351.7	8,203.3	846.8	7,356.5	1,930.2	1,481.8	448.4	650.4	3,183.1	174.7	1,210.2
Aug.	15,385.3	8,189.6	841.5	7,348.1	1,932.6	1,484.6	448.0	643.3	3,223.0	174.6	1,222.2
Sep.	15,487.2	8,238.1	834.2	7,403.9	1,935.6	1,490.9	444.8	642.3	3,211.7	175.2	1,284.2
Oct. (p)	15,597.0	8,282.6	834.3	7,448.3	1,938.8	1,489.5	449.3	647.4	3,215.9	175.7	1,336.8
	Transactions										
2002	605.9	301.9	-9.3	311.2	72.6	43.6	29.1	7.7	245.1	-1.3	-19.9
2003	772.7	388.5	13.7	374.8	172.3	118.0	54.3	19.4	224.4	-3.6	-28.4
2004 Q1	428.7	83.8	5.7	78.1	56.4	53.4	3.0	24.6	212.0	-0.4	52.3
Q2	269.8	150.1	-7.1	157.2	65.3	51.0	14.3	8.4	33.0	1.6	11.4
2004 July	8.1	43.0	6.4	36.7	-5.0	-4.4	-0.6	-11.4	-7.8	0.9	-11.5
Aug.	40.3	-8.5	-5.3	-3.3	-0.4	0.0	-0.4	-6.8	45.4	0.0	10.7
Sep.	143.2	55.8	-7.0	62.8	4.8	7.8	-3.0	-2.2	22.8	0.6	61.4
Oct. (p)	136.7	48.8	0.2	48.5	2.3	-2.1	4.4	3.8	30.0	0.4	51.5

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units 1)	Debt securities issued 2)	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.1	1,550.9	10.8
2003	14,554.4	397.9	153.6	6,294.4	582.0	1,875.1	1,010.7	2,635.1	1,597.8	7.8
2004 Q1	15,063.5	399.6	183.8	6,326.1	602.0	1,948.1	1,025.9	2,857.4	1,699.1	21.5
Q2	15,331.3	423.0	223.7	6,426.9	609.2	1,996.9	1,024.2	2,895.0	1,716.0	16.4
2004 July	15,351.7	436.2	201.5	6,438.7	613.1	2,014.2	1,028.8	2,898.9	1,700.3	19.9
Aug.	15,385.3	433.4	193.0	6,417.4	624.1	2,023.9	1,038.4	2,904.1	1,729.8	21.2
Sep.	15,487.2	438.0	204.0	6,458.0	609.7	2,047.9	1,039.7	2,862.8	1,813.5	13.5
Oct. (p)	15,597.0	444.4	194.2	6,511.8	617.0	2,057.2	1,042.2	2,848.3	1,868.6	13.3
	Transactions									
2002	605.9	101.4	-5.8	225.3	70.0	114.7	39.7	76.6	-107.4	91.3
2003	772.7	79.0	12.9	319.2	58.0	141.7	39.0	131.1	-72.9	64.7
2004 Q1	428.7	1.7	30.2	24.1	21.3	58.9	8.2	174.7	120.5	-11.0
Q2	269.8	23.4	39.4	102.5	2.8	48.8	9.3	32.3	13.6	-2.2
2004 July	8.1	13.2	-22.2	10.6	3.9	12.3	3.7	-6.9	-7.5	0.9
Aug.	40.3	-2.8	-8.5	-19.1	11.0	11.8	5.5	15.6	20.2	6.7
Sep.	143.2	4.6	11.1	45.4	-13.2	32.0	4.7	-12.3	69.0	1.9
Oct. (p)	136.7	6.3	-9.9	57.5	7.6	14.7	1.3	10.4	40.9	7.9

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

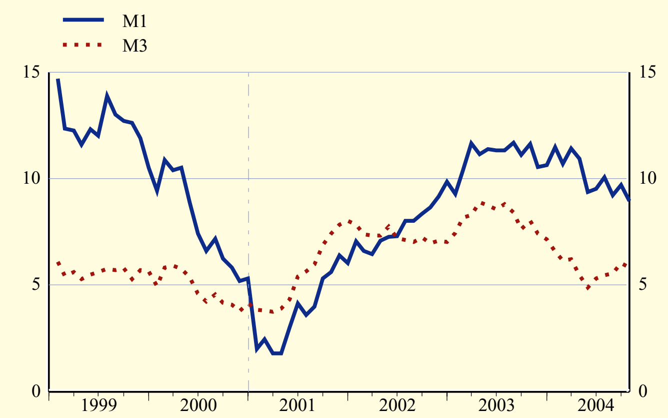
2.3 Monetary statistics

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

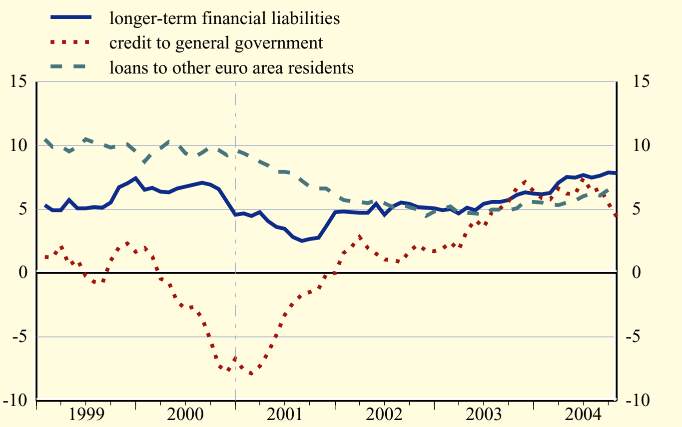
1. Monetary aggregates [1] and counterparts

	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	Net external assets [2]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2002	2,441.7	2,475.9	4,917.6	852.5	5,770.2	-	3,989.2	2,072.2	7,723.3	6,778.9	184.3
2003	2,676.1	2,559.6	5,235.7	908.4	6,144.1	-	4,143.5	2,225.7	8,156.0	7,100.9	222.5
2004 Q1	2,769.2	2,552.2	5,321.4	900.6	6,222.0	-	4,242.2	2,263.5	8,239.0	7,165.0	320.7
Q2	2,790.3	2,581.9	5,372.2	926.7	6,298.9	-	4,309.0	2,311.5	8,400.4	7,293.2	272.8
2004 July	2,831.2	2,592.8	5,424.1	932.5	6,356.5	-	4,341.6	2,329.2	8,453.5	7,348.8	283.5
Aug.	2,837.5	2,604.1	5,441.6	940.2	6,381.7	-	4,370.3	2,340.9	8,473.2	7,371.1	316.6
Sep.	2,868.0	2,621.9	5,489.9	934.7	6,424.6	-	4,395.1	2,334.5	8,520.0	7,417.2	338.1
Oct. (p)	2,880.4	2,644.4	5,524.9	939.6	6,464.5	-	4,416.1	2,335.3	8,575.1	7,465.2	349.8
					Transactions						
2002	218.5	90.8	309.3	70.1	379.3	-	197.0	35.4	350.0	314.4	170.2
2003	259.3	116.2	375.5	35.4	410.9	-	246.6	134.0	448.9	375.6	94.3
2004 Q1	92.0	-14.0	78.0	-3.7	74.3	-	74.8	25.5	88.7	73.8	89.9
Q2	20.6	31.9	52.4	23.0	75.4	-	76.6	46.7	165.0	135.9	-38.0
2004 July	40.9	10.0	50.9	5.7	56.5	-	26.7	16.7	52.1	56.2	11.6
Aug.	6.7	11.8	18.5	7.8	26.3	-	27.7	8.9	25.1	27.4	28.1
Sep.	32.5	20.1	52.5	-5.7	46.8	-	38.3	-4.6	52.9	53.2	26.5
Oct. (p)	13.9	24.4	38.3	4.0	42.3	-	26.6	0.2	57.9	52.2	12.7
					Growth rates						
2002 Dec.	9.8	3.8	6.7	8.9	7.0	7.2	5.1	1.7	4.7	4.8	170.2
2003 Dec.	10.7	4.7	7.7	4.1	7.2	7.1	6.2	6.4	5.8	5.6	94.3
2004 Mar.	11.4	2.1	6.8	3.1	6.2	6.0	7.1	6.6	5.8	5.3	96.1
June	9.5	1.7	5.6	3.5	5.3	5.2	7.7	7.4	6.2	6.0	1.1
2004 July	10.1	1.7	5.9	2.9	5.5	5.4	7.5	6.4	6.3	6.2	39.6
Aug.	9.2	2.0	5.7	4.9	5.6	5.7	7.6	6.6	6.0	6.1	101.9
Sep.	9.7	2.8	6.3	4.5	6.0	5.8	7.9	5.5	6.3	6.5	123.6
Oct. (p)	9.0	3.7	6.4	2.8	5.8	.	7.8	4.4	6.6	6.8	131.1

C1 Monetary aggregates
(annual growth rates; seasonally adjusted)



C2 Counterparts
(annual growth rates; seasonally adjusted)



Source: ECB.
1) Monetary liabilities of MFIs and central government (post office, treasury) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, M3: see glossary).
2) Values in section 'growth rates' are sums of the transactions during the 12 months ending in the period indicated.

2.3 Monetary statistics

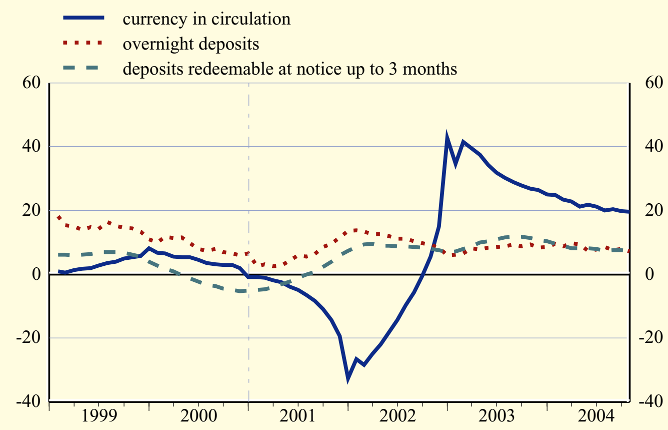
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2002	332.3	2,109.4	1,077.0	1,399.0	240.4	484.5	127.6	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.6	1,037.0	1,522.6	222.4	597.7	88.4	1,791.2	90.6	1,253.1	1,008.7
2004 Q1	406.2	2,363.1	1,003.9	1,548.3	214.4	596.5	89.7	1,857.2	90.1	1,268.3	1,026.6
Q2	420.5	2,369.7	995.2	1,586.7	220.2	611.5	95.0	1,900.6	89.1	1,298.5	1,020.7
2004 July	425.2	2,406.0	998.3	1,594.5	228.6	611.2	92.7	1,917.2	89.4	1,307.4	1,027.6
Aug.	433.2	2,404.3	996.3	1,607.8	227.8	618.5	93.8	1,932.1	89.3	1,311.4	1,037.5
Sep.	439.8	2,428.1	1,003.5	1,618.4	226.3	615.7	92.8	1,952.8	88.4	1,318.1	1,035.7
Oct. (p)	446.3	2,434.1	1,023.3	1,621.1	224.6	622.6	92.4	1,958.1	89.4	1,328.0	1,040.5
					Transactions						
2002	99.3	119.2	0.4	90.4	10.7	70.6	-11.3	126.0	-10.0	41.6	39.4
2003	77.8	181.5	-27.3	143.5	-8.9	59.5	-15.3	157.9	-13.2	63.2	38.7
2004 Q1	18.6	73.4	-39.5	25.5	-7.0	0.1	3.2	50.1	-0.5	14.3	10.9
Q2	14.4	6.2	-6.6	38.5	5.4	10.6	6.9	41.7	-1.0	30.7	5.2
2004 July	4.7	36.2	2.2	7.8	8.4	-0.3	-2.4	11.7	0.3	8.7	6.0
Aug.	8.0	-1.3	-1.5	13.3	-0.8	7.3	1.3	17.0	-0.1	5.1	5.7
Sep.	6.6	25.8	9.4	10.7	-1.5	-1.6	-2.6	30.3	-0.9	7.2	1.7
Oct. (p)	6.5	7.5	21.5	2.8	-1.6	7.1	-1.5	11.8	1.0	10.3	3.5
					Growth rates						
2002 Dec.	42.6	6.0	0.0	6.9	4.7	17.1	-8.2	7.9	-8.8	3.6	4.0
2003 Dec.	24.9	8.6	-2.6	10.4	-3.9	11.4	-15.4	9.5	-12.7	5.3	3.9
2004 Mar.	22.7	9.7	-6.1	8.2	-1.2	7.0	-8.8	10.8	-9.9	5.5	4.5
June	21.1	7.7	-6.9	8.0	2.0	4.7	-0.3	10.5	-7.1	7.0	5.1
2004 July	20.0	8.5	-6.3	7.4	1.8	3.5	2.0	10.2	-4.9	7.2	4.4
Aug.	20.3	7.5	-5.7	7.5	4.5	5.0	5.7	10.6	-3.3	7.0	4.2
Sep.	19.9	8.0	-4.1	7.6	3.7	4.2	8.7	11.2	-3.0	7.2	3.9
Oct. (p)	19.6	7.2	-1.6	7.3	1.9	4.5	-5.6	10.8	-2.1	7.5	3.9

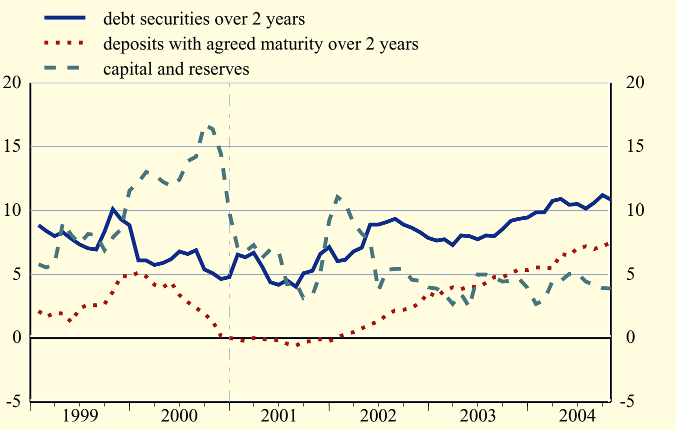
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

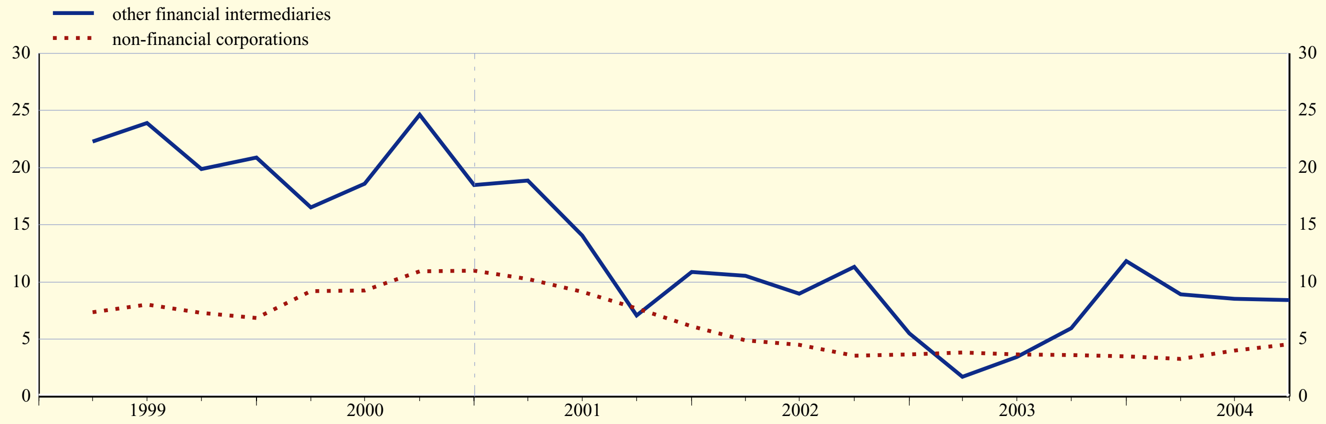
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.4	22.1	511.6	321.9	3,034.2	958.7	527.0	1,548.5
2004 Q1	46.3	32.2	503.8	303.8	3,055.3	955.1	526.2	1,574.0
Q2	53.7	39.8	509.7	305.7	3,093.3	966.4	537.2	1,589.7
2004 July	56.7	41.9	506.0	302.7	3,101.7	963.4	540.7	1,597.5
Aug.	53.9	39.1	490.4	287.1	3,095.4	946.7	545.0	1,603.7
Sep.	52.8	37.9	507.4	301.4	3,106.4	952.2	545.2	1,609.0
Oct. (p)	54.9	39.2	511.4	304.9	3,124.1	960.3	545.9	1,617.9
	Transactions							
2002	-4.1	-8.0	23.9	14.2	106.2	-25.8	32.3	99.8
2003	4.2	2.2	54.6	26.6	103.9	-7.5	15.8	95.6
2004 Q1	10.7	10.0	-3.0	-11.8	22.1	-3.6	3.9	21.8
Q2	7.0	7.3	8.5	4.5	59.8	16.1	11.6	32.0
2004 July	2.9	2.0	-4.4	-3.2	9.4	-2.7	3.9	8.2
Aug.	-2.7	-2.8	-12.3	-12.5	-5.3	-16.4	4.3	6.8
Sep.	-1.0	-1.1	18.7	15.3	15.0	6.8	0.9	7.2
Oct. (p)	2.2	1.4	5.4	4.4	20.0	8.8	1.7	9.5
	Growth rates							
2002 Dec.	-10.3	-28.4	5.5	5.1	3.7	-2.5	6.6	7.2
2003 Dec.	11.9	11.7	11.8	8.9	3.5	-0.8	3.1	6.5
2004 Mar.	8.7	6.4	8.9	3.0	3.3	-2.4	3.6	6.9
June	18.9	25.7	8.6	3.1	4.0	-2.1	6.4	7.2
2004 July	15.3	26.2	8.8	5.5	4.4	-1.0	6.0	7.4
Aug.	21.7	37.1	7.0	3.2	4.1	-1.6	5.7	7.3
Sep.	18.4	32.6	8.4	5.7	4.6	-0.6	6.0	7.4
Oct. (p)	9.7	14.9	9.2	7.6	5.2	1.5	5.6	7.4

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



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

2.4 MFI loans, breakdown [1]

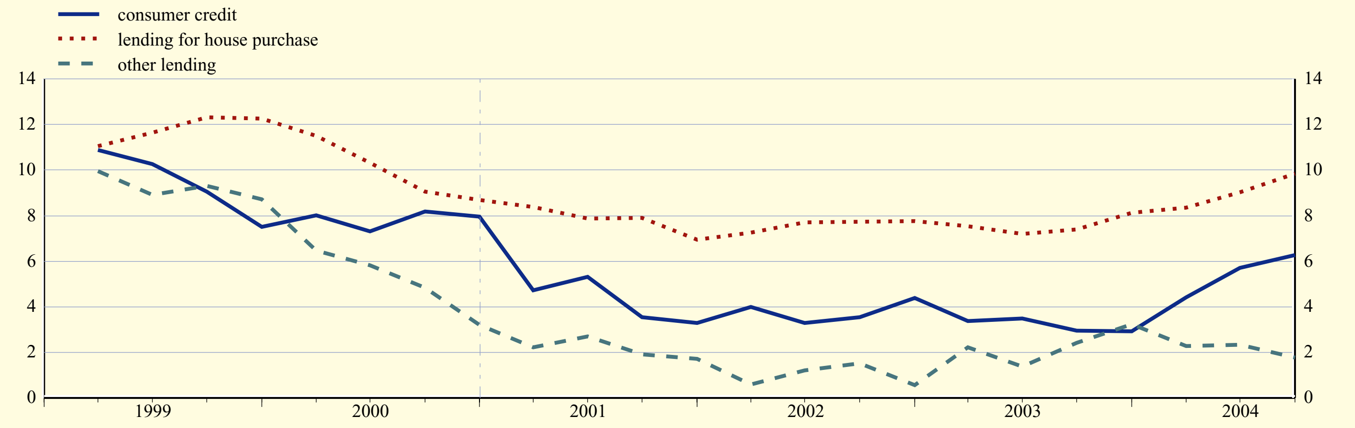
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.5	14.3	63.3	2,282.8	675.6	145.0	95.5	435.1
2004 Q1	3,564.7	484.6	109.9	182.3	192.3	2,400.3	14.2	61.6	2,324.5	679.8	141.8	95.1	442.9
Q2	3,663.2	502.2	115.1	187.2	199.9	2,463.8	15.2	64.7	2,383.9	697.1	147.5	99.2	450.4
2004 July	3,691.5	504.0	113.9	188.6	201.5	2,491.6	14.9	65.2	2,411.6	695.9	143.9	99.4	452.6
Aug.	3,707.8	504.8	114.6	188.2	202.0	2,508.6	14.8	65.5	2,428.4	694.3	142.4	99.2	452.7
Sep.	3,736.6	507.9	115.8	188.6	203.4	2,534.4	15.0	65.9	2,453.5	694.4	144.8	98.7	450.8
Oct. (p)	3,757.3	509.4	115.2	189.6	204.5	2,553.3	15.5	66.6	2,471.2	694.7	143.9	99.4	451.4
	Transactions												
2002	182.2	21.9	7.1	5.4	9.4	156.8	-0.3	2.3	154.9	3.6	-3.0	2.2	4.4
2003	212.1	13.7	8.7	6.4	-1.4	177.7	-5.9	1.7	181.8	20.7	-6.5	-5.0	32.2
2004 Q1	48.2	2.1	-1.6	1.8	1.9	44.8	0.0	-0.8	45.6	1.2	-2.3	0.4	3.2
Q2	82.0	13.5	4.8	3.6	5.1	59.9	0.9	2.6	56.5	8.5	3.1	1.0	4.4
2004 July	28.7	1.9	-1.3	1.4	1.7	27.9	-0.4	0.5	27.8	-1.0	-3.5	-0.1	2.6
Aug.	17.1	1.1	0.7	-0.5	0.8	17.2	-0.1	0.3	16.9	-1.2	-1.5	-0.1	0.5
Sep.	30.2	2.8	1.4	0.5	0.9	26.4	0.2	0.5	25.7	1.1	2.6	-0.4	-1.1
Oct. (p)	20.9	1.3	-0.5	0.6	1.2	19.7	0.6	0.4	18.7	0.0	-0.9	0.8	0.0
	Growth rates												
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.8	-1.4	3.7	8.0	0.6	-1.9	2.1	1.2
2003 Dec.	6.4	2.9	8.4	3.6	-0.2	8.1	-26.4	2.6	8.7	3.3	-4.3	-5.1	8.5
2004 Mar.	6.6	4.4	0.1	6.3	5.3	8.4	4.7	-3.3	8.8	2.3	-1.1	-1.9	4.4
June	7.3	5.7	3.3	5.9	6.9	9.0	9.1	1.0	9.3	2.3	-1.4	1.7	3.8
2004 July	7.3	5.5	3.7	5.9	6.2	9.2	7.7	0.6	9.5	2.4	-0.9	1.5	3.7
Aug.	7.5	6.5	6.2	6.2	7.0	9.3	5.7	0.6	9.6	2.1	-0.4	1.6	3.1
Sep.	7.8	6.3	5.0	5.5	7.8	9.9	4.5	0.7	10.2	1.8	0.1	-0.4	2.8
Oct. (p)	7.8	5.9	4.0	5.3	7.7	9.8	9.9	0.1	10.1	2.0	1.2	0.8	2.6

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1]

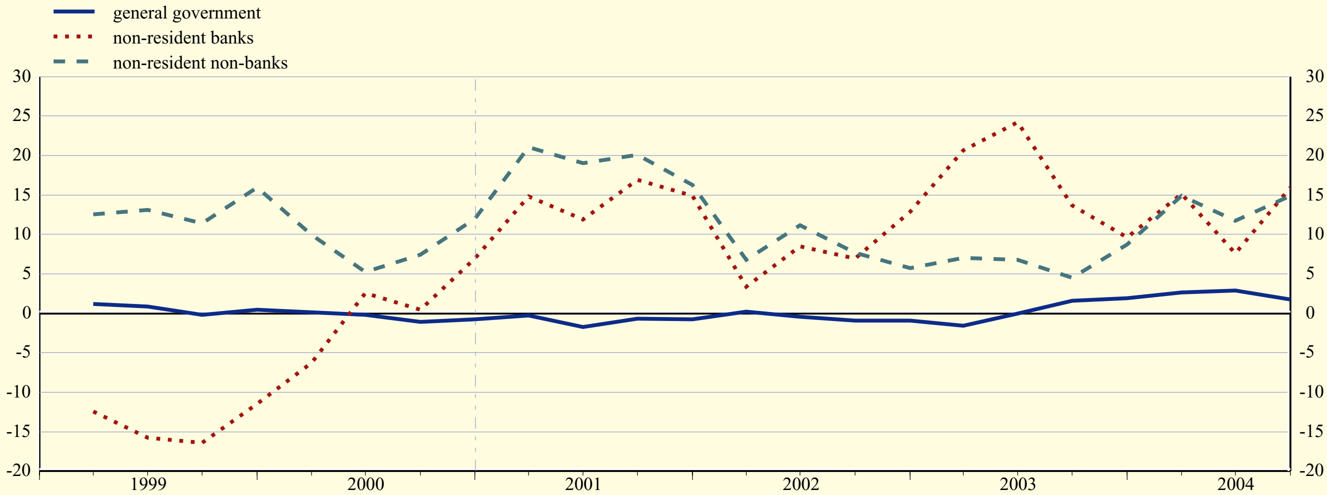
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.1	130.0	265.1	388.9	35.0	1,762.7	1,182.2	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	388.5	38.9	1,955.5	1,308.6	646.9	61.1	585.8
Q2	818.3	129.7	253.4	391.4	43.7	1,965.3	1,322.7	642.6	60.8	581.8
Q3 (p)	812.0	126.2	252.3	390.5	43.0	1,965.7	1,317.4	648.3	60.9	587.4
	Transactions									
2002	-7.8	-11.2	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003	15.3	-4.3	-12.3	16.6	15.3	159.8	109.5	50.0	-4.9	54.8
2004 Q1	5.7	5.7	-3.9	0.1	3.9	163.9	107.3	56.3	1.7	54.6
Q2	-6.7	-5.9	-8.5	2.8	4.8	5.4	11.1	-5.8	-0.5	-5.4
Q3 (p)	-5.9	-3.3	-1.0	-0.9	-0.7	22.3	7.8	14.4	0.1	14.3
	Growth rates									
2002 Dec.	-1.0	-7.7	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.2	-4.4	4.4	77.5	9.3	9.6	8.7	-7.5	10.8
2004 Mar.	2.7	0.9	-2.2	3.0	63.2	15.1	15.1	14.9	4.1	16.1
June	2.9	1.9	-4.0	4.2	54.4	8.9	7.6	11.7	2.8	12.8
Sep. (p)	1.7	-1.8	-4.1	3.8	40.7	15.6	15.9	14.9	1.9	16.4

C7 Loans to government and non-euro area residents

(annual growth rates)



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

2.5 Deposits held with MFIs, breakdown [1]

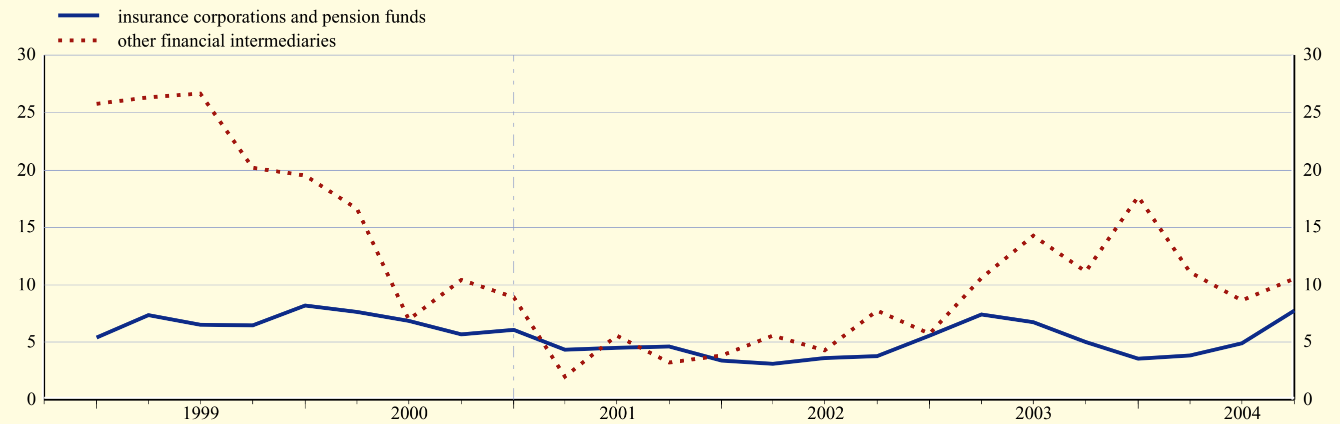
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	541.9	58.9	41.7	420.5	1.3	0.3	19.1	568.9	183.1	130.6	144.6	6.1	0.1	104.4
2004 Q1	556.6	64.7	42.2	426.1	1.3	0.3	22.0	587.8	197.0	119.7	147.1	7.8	0.1	116.1
Q2	565.3	59.9	42.1	439.8	1.3	1.0	21.2	597.2	194.3	122.3	155.1	8.3	0.1	117.2
2004 July	567.0	55.8	46.2	440.8	1.3	1.0	21.9	595.0	186.7	123.2	158.0	8.4	0.1	118.6
Aug.	566.4	53.7	46.9	441.2	1.3	1.0	22.3	590.8	176.5	128.0	161.8	8.2	0.1	116.1
Sep.	573.8	61.7	47.4	442.4	1.2	1.0	20.0	598.9	189.7	120.3	164.8	8.1	0.1	115.9
Oct. (p)	578.5	58.4	48.9	445.8	1.3	1.3	22.8	620.8	187.1	133.6	166.9	8.4	0.1	124.6
	Transactions													
2002	27.6	7.8	-	-	-	-	1.4	26.6	-4.7	-	-	-	-	12.8
2003	18.7	1.7	-3.0	18.8	0.3	-0.1	1.1	86.1	27.9	-0.4	39.3	3.2	0.0	16.0
2004 Q1	14.4	5.7	0.3	5.6	0.0	0.0	2.8	14.9	13.9	-14.7	1.4	1.6	0.0	12.7
Q2	7.9	-4.9	0.0	13.7	0.0	0.0	-0.9	12.2	-1.3	3.9	8.3	0.6	0.0	0.8
2004 July	1.6	-4.1	4.0	1.0	0.0	0.0	0.7	-2.6	-7.7	0.8	2.9	0.0	0.0	1.4
Aug.	-0.3	-2.1	0.8	0.5	0.0	0.0	0.4	-4.6	-10.2	4.3	3.9	-0.1	0.0	-2.4
Sep.	7.3	8.1	0.6	1.0	-0.1	0.0	-2.3	9.6	13.9	-7.2	3.3	-0.1	0.0	-0.2
Oct. (p)	4.6	-3.3	1.6	3.1	0.0	0.3	2.8	23.1	-2.1	13.7	2.3	0.4	0.0	8.8
	Growth rates													
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.6	2.9	-6.6	4.7	40.9	-12.5	6.0	17.7	18.1	-0.4	37.2	71.4	-	17.1
2004 Mar.	3.9	5.1	9.9	2.4	40.8	1.8	18.6	11.1	17.2	-13.1	22.6	47.9	-	17.9
June	4.9	-6.4	12.7	6.4	40.0	3.8	-6.3	8.6	7.8	-10.1	18.6	44.6	-	20.5
2004 July	5.6	0.3	19.0	5.1	32.5	3.1	3.6	9.2	9.1	-9.3	22.6	51.7	-	14.1
Aug.	5.9	4.5	19.7	4.3	18.7	7.1	16.6	9.3	6.3	-5.8	25.0	67.5	-	11.3
Sep.	7.7	7.3	46.7	4.8	13.6	6.7	6.8	10.5	7.4	-6.0	27.2	63.8	-	12.8
Oct. (p)	8.2	10.0	32.7	5.1	3.3	38.4	24.2	11.1	7.6	1.9	26.0	48.8	-	7.9

C8 Deposits by financial intermediaries

(annual growth rates)



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

2.5 Deposits held with MFIs, breakdown [1]

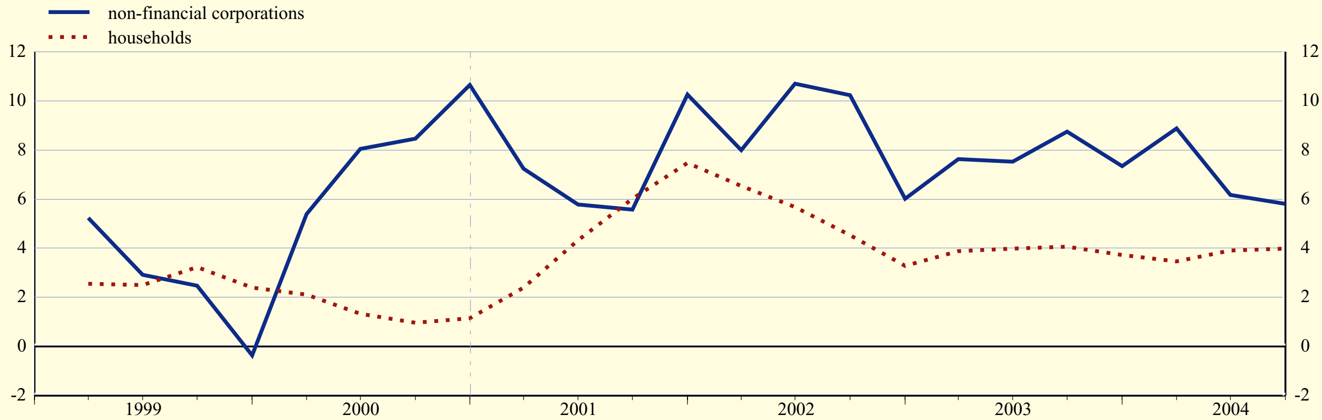
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,049.3	633.3	280.2	66.2	38.1	1.5	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,035.9	624.2	275.9	68.5	39.9	1.7	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
Q2	1,052.6	650.6	265.6	68.9	41.0	1.0	25.5	4,055.5	1,367.5	517.0	612.4	1,422.3	85.8	50.4
2004 July	1,053.5	642.0	271.0	71.4	41.6	1.0	26.5	4,069.2	1,372.1	517.0	613.3	1,428.3	85.9	52.6
Aug.	1,052.9	639.2	271.0	70.7	42.2	1.0	28.8	4,053.7	1,351.0	515.2	615.8	1,431.3	85.8	54.6
Sep.	1,066.5	656.7	269.6	70.9	42.6	1.1	25.6	4,060.7	1,363.3	512.2	614.2	1,431.8	85.5	53.7
Oct. (p)	1,071.6	647.9	284.0	70.2	42.5	1.1	25.9	4,078.3	1,376.9	509.3	617.4	1,434.2	86.0	54.4
	Transactions													
2002	57.6	30.2	-	-	-	-	-1.2	120.6	65.3	-	-	-	-	-1.9
2003	72.2	41.5	54.2	-29.8	10.2	0.4	-4.2	142.6	95.4	-70.8	36.0	117.4	-13.7	-21.8
2004 Q1	-14.9	-9.6	-5.6	2.6	1.9	0.2	-4.2	17.7	8.5	-17.7	7.7	21.9	-1.7	-1.0
Q2	20.6	27.8	-8.9	0.9	1.1	0.0	-0.3	53.5	43.7	-11.0	3.3	21.2	-2.4	-1.5
2004 July	0.3	-8.9	5.2	2.4	0.6	0.0	1.0	13.6	4.9	-0.4	0.9	5.9	0.1	2.1
Aug.	0.8	-2.3	0.9	-0.7	0.6	0.0	2.3	-15.5	-21.0	-1.7	2.2	3.1	-0.1	2.0
Sep.	15.5	18.3	-0.5	0.4	0.4	0.0	-3.2	7.9	12.5	-2.3	-1.6	0.5	-0.3	-0.9
Oct. (p)	6.8	-8.1	15.1	-0.5	0.0	0.0	0.3	18.5	13.9	-2.5	3.4	2.5	0.5	0.7
	Growth rates													
2002 Dec.	6.0	5.3	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.4	6.8	23.4	-30.7	41.5	49.6	-12.4	3.7	7.9	-11.4	6.4	9.3	-13.2	-29.2
2004 Mar.	8.9	11.9	3.2	13.3	23.1	20.6	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
June	6.2	10.1	-3.5	14.9	17.1	20.6	-13.5	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
2004 July	6.8	10.6	-3.2	16.7	17.8	21.5	-6.2	4.0	7.8	-7.8	4.7	6.6	-5.5	-15.9
Aug.	6.2	10.9	-5.1	10.8	18.0	22.0	-1.1	3.6	6.2	-7.7	5.0	6.3	-4.0	-10.4
Sep.	5.8	9.6	-2.7	10.1	18.8	17.3	-16.1	4.0	7.1	-7.5	4.7	6.4	-3.5	-4.5
Oct. (p)	5.8	8.7	0.0	10.5	17.3	21.3	-17.6	4.4	7.9	-7.4	5.1	6.3	-3.0	-2.9

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1)]

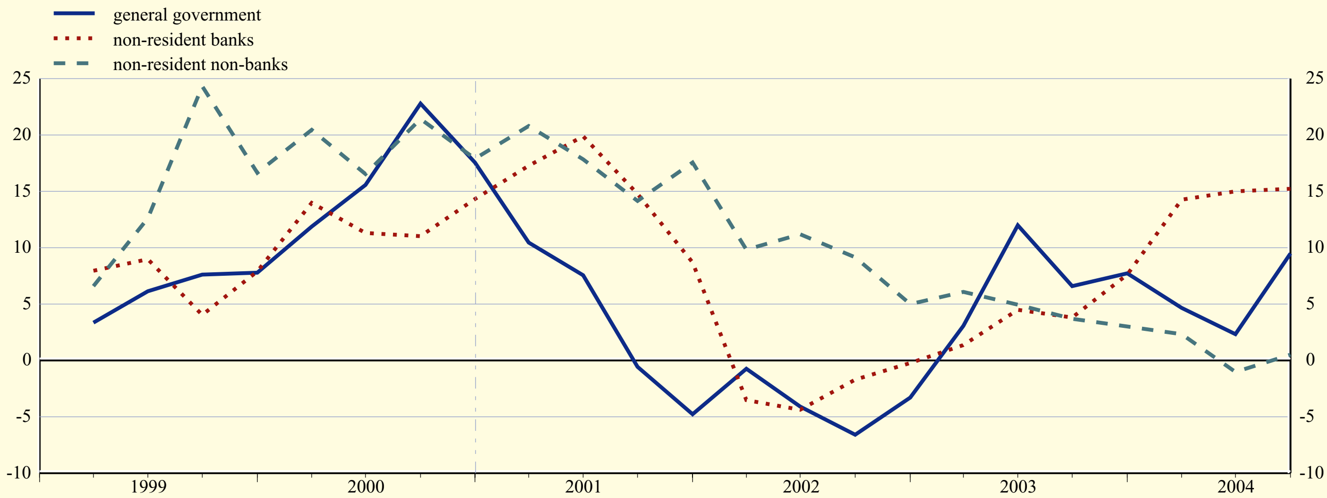
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,245.1	1,580.9	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,471.5	1,788.9	682.6	102.0	580.6
Q3 (p)	288.2	146.3	32.9	66.5	42.5	2,451.9	1,764.0	687.9	104.8	583.2
	Transactions									
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	138.5	117.5	21.1	-1.3	22.4
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	155.3	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.3	41.3	-20.1	1.2	-21.3
Q3 (p)	-4.9	-10.3	2.3	2.1	1.1	6.7	-5.4	12.1	2.7	9.3
	Growth rates									
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.1	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep. (p)	9.5	13.1	5.0	3.6	11.0	10.7	15.2	0.5	12.2	-1.3

C10 Deposits by government and non-euro area residents

(annual growth rates)



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

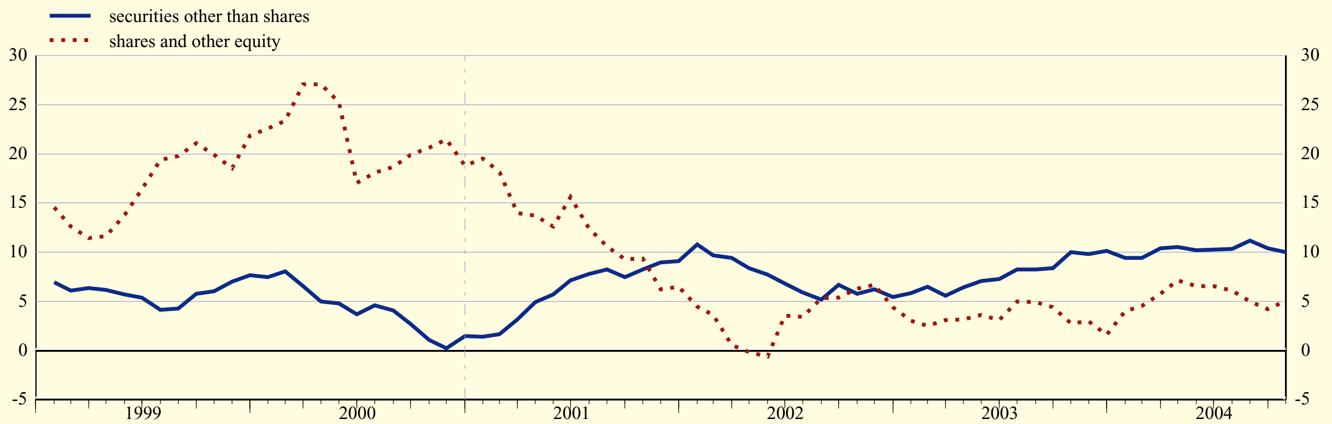
2.6 MFI holdings of securities, breakdown [1)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.9	1,218.5	57.4	1,230.4	15.6	407.2	18.6	629.3	1,068.7	279.7	615.4	173.7
2004 Q1	3,767.1	1,283.1	60.9	1,287.9	17.8	413.5	18.0	685.9	1,115.8	285.7	640.7	189.5
Q2	3,854.8	1,298.9	62.8	1,334.2	17.6	426.3	18.1	697.0	1,154.8	294.7	654.0	206.0
2004 July	3,900.0	1,313.8	62.5	1,330.4	17.4	429.4	17.3	729.2	1,151.3	295.2	641.6	214.5
Aug.	3,918.5	1,318.6	63.3	1,332.1	16.9	429.2	17.0	741.5	1,143.8	291.0	634.5	218.2
Sep.	3,915.0	1,325.1	62.5	1,339.7	15.9	425.4	17.5	728.9	1,127.0	286.8	633.3	207.0
Oct. (p)	3,942.9	1,345.6	61.8	1,331.8	20.4	430.1	17.5	735.6	1,135.9	287.5	638.0	210.3
	Transactions											
2002	168.1	47.2	0.2	38.6	-0.6	25.9	3.5	53.4	42.7	14.0	7.0	21.8
2003	331.3	91.6	6.2	80.3	1.1	51.9	2.3	98.0	16.0	7.2	19.5	-10.7
2004 Q1	153.1	61.3	0.1	45.8	1.3	4.1	-1.3	41.8	44.7	6.1	24.6	14.0
Q2	90.9	15.2	2.0	44.9	0.0	13.8	0.1	14.9	26.1	6.2	8.4	11.5
2004 July	41.3	17.9	-0.9	-4.3	-0.2	0.5	-1.0	29.2	-1.2	0.8	-11.4	9.5
Aug.	20.1	4.7	1.7	-0.5	-0.5	-0.2	-0.2	15.1	-6.5	-4.0	-6.8	4.3
Sep.	9.7	7.9	1.3	8.8	-0.4	-4.1	1.0	-4.8	-18.7	-4.5	-2.2	-12.0
Oct. (p)	35.8	20.2	1.2	-8.5	4.7	4.2	0.4	13.6	6.3	0.2	3.7	2.4
	Growth rates											
2002 Dec.	5.5	4.4	-0.6	3.7	-3.3	8.1	23.6	10.1	4.4	5.5	1.3	13.6
2003 Dec.	10.1	8.1	12.6	7.0	7.0	14.7	11.5	17.6	1.6	2.7	3.5	-5.8
2004 Mar.	10.4	9.6	6.1	7.3	6.1	10.7	5.2	19.1	5.8	6.2	7.5	-0.3
June	10.3	9.4	6.7	8.6	10.3	10.3	2.5	15.7	6.5	6.3	5.3	11.1
2004 July	10.3	9.5	4.3	7.2	6.1	11.3	-6.9	19.1	6.1	5.3	3.9	14.4
Aug.	11.2	10.0	12.7	7.6	5.1	10.2	-5.7	21.7	5.0	3.7	2.6	14.6
Sep.	10.4	10.6	13.2	6.6	0.4	7.6	-3.1	19.9	4.2	2.8	3.1	10.1
Oct. (p)	10.0	11.3	14.1	4.5	34.8	6.5	-1.0	20.4	5.1	2.3	4.4	11.3

C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

2.7 Revaluation of selected MFI balance sheet items [1]

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.3	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Q1	-1.3	-0.5	-0.2	-0.6	-1.3	-0.1	0.0	-1.1	-2.5	-1.0	-0.1	-1.4
Q2	-0.5	-0.2	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.0	-0.4	0.0	-0.7
2004 July	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2
Aug.	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.2	-0.1	0.0	-0.2
Sep.	-0.2	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.4	-0.1	0.0	-0.2
Oct. (p)	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.4	-0.1	0.0	-0.3

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
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.6	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Q1	-6.2	-3.3	-0.6	-2.3	-0.9	-0.3	-0.5
Q2	-2.9	-2.0	0.2	-1.1	0.7	0.2	0.5
2004 July	-0.5	-0.3	-0.1	-0.1	-0.1	0.0	-0.1
Aug.	-0.4	-0.1	0.0	-0.2	0.0	0.0	0.0
Sep.	-0.9	-0.5	-0.1	-0.4	0.0	0.0	0.0
Oct. (p)	-0.7	-0.3	0.0	-0.3	0.0	0.0	0.0

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
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.7	-0.4	3.1	-0.1	-1.2	-0.1	-2.0	19.2	7.9	5.0	6.4
2004 Q1	16.6	2.5	0.3	11.1	0.1	1.5	0.0	1.0	2.3	-0.3	1.0	1.7
Q2	-8.6	-0.8	0.0	-5.0	0.0	-0.8	0.0	-2.1	0.1	-0.6	0.0	0.7
2004 July	0.2	-0.7	0.0	0.5	0.0	0.2	0.0	0.1	-2.3	-0.3	-1.0	-1.0
Aug.	2.3	0.0	0.0	2.2	0.0	0.0	0.0	0.0	-1.0	-0.1	-0.2	-0.6
Sep.	-0.3	0.0	-0.1	-1.1	0.0	0.4	0.0	0.5	1.8	0.3	0.7	0.7
Oct. (p)	1.4	0.5	0.0	0.6	-0.1	0.5	-0.1	0.0	2.7	0.7	1.1	1.0

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

1. Deposits

	MFIs [2)]							Non-MFIs						
	All currencies outstanding amount	Euro [3)]	Non-euro currencies					All currencies outstanding amount	Euro [3)]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003	4,363.5	91.2	8.8	5.4	0.5	1.5	0.9	6,409.8	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,522.8	90.3	9.7	5.7	0.5	1.5	1.3	6,565.1	97.1	2.9	1.7	0.3	0.1	0.4
Q3 (p)	4,582.6	90.5	9.5	5.6	0.5	1.5	1.3	6,588.0	97.1	2.9	1.8	0.3	0.1	0.4
	By non-euro area residents													
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,788.9	45.1	54.9	36.8	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3 (p)	1,764.0	46.8	53.2	35.9	1.7	3.1	9.6	687.9	52.9	47.1	29.9	1.8	1.9	9.8

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro [3)]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3 (p)	3,598.3	84.2	15.8	8.0	1.8	2.0	2.6

Source: ECB.

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

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

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

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

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

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2002	4,017.8	-	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3
2003	4,193.5	-	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3
2004 Q1	4,224.5	-	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4
Q2	4,296.0	-	-	-	-	-	-	8,138.1	96.4	3.6	1.6	0.2	1.3	0.4
Q3 (p)	4,353.9	-	-	-	-	-	-	8,215.2	96.5	3.5	1.6	0.2	1.3	0.4
	To non-euro area residents													
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6
2003	1,182.2	50.2	49.8	29.5	4.7	2.3	9.3	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.6	4.7	2.5	9.4	646.9	40.0	60.0	41.9	2.5	4.4	8.0
Q2	1,322.7	49.2	50.8	30.9	4.7	2.4	9.2	642.6	38.6	61.4	42.6	2.4	4.4	8.8
Q3 (p)	1,317.4	51.1	48.9	30.4	3.7	2.2	9.0	648.3	40.5	59.5	41.8	2.5	4.4	7.4

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003	1,275.9	95.5	4.5	2.1	0.3	0.5	1.4	1,671.7	98.0	2.0	1.1	0.5	0.1	0.2
2004 Q1	1,344.0	95.5	4.5	2.1	0.3	0.4	1.5	1,737.2	97.9	2.1	1.1	0.5	0.1	0.2
Q2	1,361.7	95.4	4.6	2.2	0.4	0.4	1.4	1,796.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3 (p)	1,387.5	95.5	4.5	2.1	0.3	0.5	1.4	1,798.6	98.1	1.9	1.0	0.5	0.1	0.2
	Issued by non-euro area residents													
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003	275.5	44.9	55.1	35.1	1.2	0.6	16.2	353.8	45.8	54.2	36.0	5.9	1.1	6.4
2004 Q1	307.1	44.4	55.6	34.2	1.2	0.6	17.3	378.8	44.3	55.7	35.9	6.2	0.8	7.2
Q2	310.7	46.0	54.0	33.0	1.1	0.6	16.9	386.3	44.9	55.1	33.8	6.7	1.0	7.4
Q3 (p)	321.5	47.3	52.7	32.5	1.0	0.5	16.3	407.4	44.0	56.0	32.8	7.3	0.8	8.6

Source: ECB.

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

2.9 Aggregated balance sheet of euro area investment funds [1]
(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares: 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
2003 Q1	2,746.9	217.2	1,331.8	70.6	1,261.2	767.3	205.8	116.7	108.1
Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4	3,175.0	235.2	1,389.4	67.4	1,322.0	1,033.7	243.9	133.7	139.1
2004 Q1	3,353.6	266.5	1,433.9	70.3	1,363.6	1,102.8	262.6	136.7	151.2
Q2 (p)	3,365.8	245.1	1,428.5	69.2	1,359.3	1,117.3	277.5	139.7	157.8

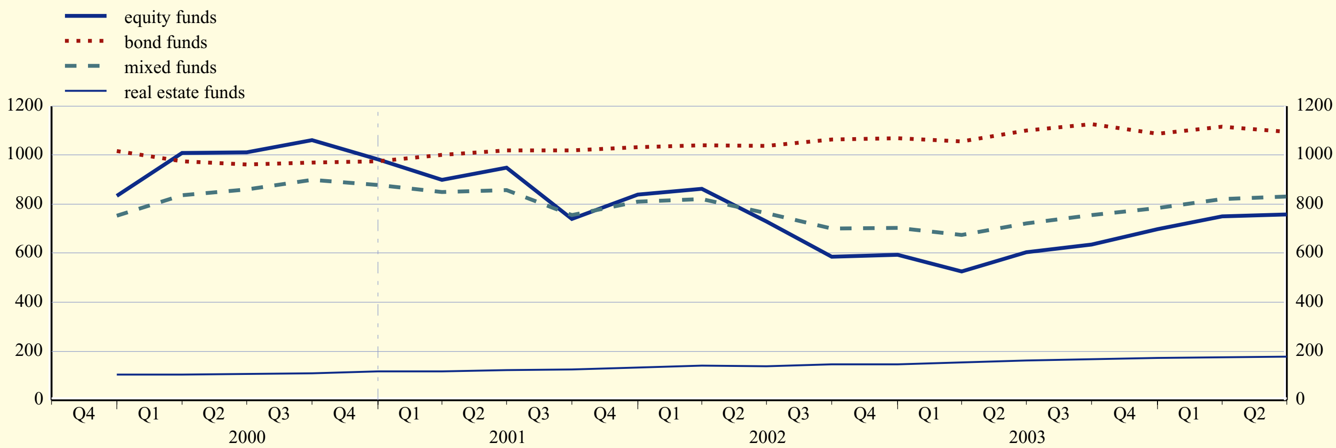
2. Liabilities

	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2003 Q1	2,746.9	40.2	2,628.3	78.4
Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1	3,353.6	49.6	3,171.2	132.8
Q2 (p)	3,365.8	50.2	3,188.6	127.1

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2003 Q1	2,746.9	525.9	1,054.1	675.3	153.9	337.7	1,975.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.4	374.4	2,140.4	819.1
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.0	836.6
Q4	3,175.0	697.8	1,086.6	783.4	171.7	435.6	2,318.2	856.8
2004 Q1	3,353.6	750.5	1,116.6	821.2	175.9	489.5	2,470.6	883.1
Q2 (p)	3,365.8	756.5	1,094.5	830.4	179.0	505.4	2,478.8	887.0

C12 Total assets of investment funds
(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares: Total	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
					Equity funds				
2003 Q1	525.9	24.5	30.2	2.8	27.5	438.5	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.5	32.8	32.2	3.0	29.2	635.7	23.4	-	26.5
Q2 (p)	756.5	31.4	31.8	3.3	28.5	642.8	25.2	-	25.3
					Bond funds				
2003 Q1	1,054.1	77.5	899.8	35.8	864.0	26.6	18.6	-	31.5
Q2	1,099.5	82.4	927.8	33.0	894.8	31.1	20.9	-	37.3
Q3	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4	1,086.6	82.5	905.9	31.6	874.3	31.0	21.6	-	45.5
2004 Q1	1,116.6	97.3	918.4	35.3	883.1	32.9	21.4	-	46.6
Q2 (p)	1,094.5	79.3	909.8	36.3	873.5	33.0	21.9	-	50.5
					Mixed funds				
2003 Q1	675.3	50.4	300.8	21.8	278.9	209.9	83.7	0.7	29.9
Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4	783.4	49.5	324.0	22.1	301.9	272.5	100.5	0.3	36.7
2004 Q1	821.2	52.9	333.9	21.2	312.6	287.0	107.2	0.3	39.9
Q2 (p)	830.4	52.3	340.1	22.3	317.8	279.1	115.0	0.3	43.6
					Real estate funds				
2003 Q1	153.9	14.7	8.3	0.5	7.7	0.7	8.6	115.1	6.5
Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1	175.9	14.7	9.1	0.6	8.5	0.8	7.7	135.6	8.0
Q2 (p)	179.0	15.0	8.5	0.6	7.9	0.6	7.7	138.6	8.6

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
				General public funds			
2003 Q1	1,975.5	165.6	882.6	599.9	155.1	101.3	71.0
Q2	2,140.4	181.6	912.3	691.7	168.3	104.2	82.2
Q3	2,249.0	199.0	927.6	736.5	176.6	108.9	100.4
Q4	2,318.2	191.7	913.6	815.8	183.8	115.4	98.0
2004 Q1	2,470.6	219.3	948.9	878.2	198.8	117.5	107.8
Q2 (p)	2,478.8	202.3	944.9	890.4	211.3	119.9	109.9
				Special investors' funds			
2003 Q1	771.4	51.6	449.2	167.4	50.7	15.4	37.1
Q2	819.1	51.0	470.4	189.2	56.1	16.5	36.0
Q3	836.6	49.3	477.7	195.8	58.0	17.4	38.4
Q4	856.8	43.4	475.9	217.9	60.1	18.3	41.2
2004 Q1	883.1	47.2	485.0	224.6	63.8	19.1	43.3
Q2 (p)	887.0	42.7	483.6	226.9	66.2	19.8	47.8

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total	Currency and deposits									Memo: deposits of non-banks with banks outside the euro area
		Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003 Q1	14,469.1	5,637.8	290.7	4,948.4	1,836.2	1,572.0	1,434.1	106.1	176.2	222.5	323.9
Q2	14,968.9	5,751.6	311.9	5,029.7	1,918.4	1,560.2	1,456.4	94.7	200.3	209.6	329.8
Q3	15,074.8	5,756.2	322.7	5,071.2	1,956.6	1,555.8	1,469.5	89.3	183.9	178.4	345.4
Q4	15,466.2	5,873.6	352.4	5,182.4	2,027.5	1,557.8	1,511.9	85.2	153.6	185.2	348.4
2004 Q1	15,648.7	5,907.7	350.8	5,180.4	2,021.0	1,543.6	1,534.5	81.2	183.8	192.8	394.9
Q2	15,921.7	6,044.2	372.0	5,263.1	2,101.6	1,528.3	1,553.9	79.4	223.7	185.3	.
	Transactions										
2003 Q1	156.1	42.2	3.1	-3.2	-29.3	-11.2	43.0	-5.7	32.8	9.4	32.2
Q2	213.6	131.9	21.3	86.3	84.0	-8.5	22.2	-11.4	24.1	0.3	11.4
Q3	133.4	12.6	11.4	12.4	6.9	-3.7	13.0	-3.9	-13.7	2.5	17.2
Q4	153.7	125.0	29.7	118.8	79.3	8.4	36.4	-5.2	-30.3	6.8	10.9
2004 Q1	139.5	30.9	-1.6	-5.3	-7.4	-16.5	22.5	-3.9	30.2	7.6	40.6
Q2	282.9	135.8	21.3	82.5	78.8	-14.5	20.1	-1.9	39.4	-7.4	.
	Growth rates										
2003 Q1	4.3	5.9	31.2	4.4	7.4	-0.2	7.3	-10.6	5.1	14.5	13.7
Q2	4.6	6.5	27.6	4.5	7.6	-0.9	8.9	-19.0	22.3	13.7	22.6
Q3	4.7	6.6	23.9	4.8	8.2	-0.6	9.1	-23.5	22.8	13.4	24.5
Q4	4.5	5.6	21.2	4.3	7.6	-0.9	8.1	-23.4	9.5	8.9	24.5
2004 Q1	4.4	5.3	20.9	4.3	8.9	-1.3	6.6	-23.0	5.9	7.7	24.8
Q2	4.7	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	4.5	.

	Securities other than shares			Shares [2]				Insurance technical reserves		
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares		Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
							Money market fund shares			
	12	13	14	15	16	17	18	19	20	21
	Outstanding amounts									
2003 Q1	1,953.3	190.2	1,763.1	3,276.9	1,536.1	1,740.8	396.6	3,601.1	3,252.2	349.0
Q2	1,947.9	165.0	1,783.0	3,591.3	1,754.1	1,837.3	402.7	3,678.0	3,324.8	353.2
Q3	1,944.2	165.9	1,778.3	3,630.0	1,768.5	1,861.5	406.6	3,744.4	3,388.1	356.3
Q4	1,932.4	177.8	1,754.7	3,868.5	1,993.6	1,874.9	404.3	3,791.7	3,432.4	359.3
2004 Q1	1,944.2	178.6	1,765.6	3,945.7	2,022.3	1,923.5	418.6	3,851.0	3,484.4	366.7
Q2	1,985.7	196.0	1,789.7	3,993.2	2,084.0	1,909.3	423.3	3,898.5	3,529.3	369.2
	Transactions									
2003 Q1	-23.2	-24.5	1.3	65.5	2.9	62.6	29.8	71.6	65.3	6.3
Q2	-40.2	-18.2	-22.0	61.5	23.7	37.8	3.6	60.4	56.1	4.3
Q3	11.5	0.0	11.4	50.5	33.2	17.3	2.5	58.8	55.7	3.2
Q4	9.3	8.5	0.8	-25.1	-24.8	-0.3	-10.3	44.5	42.2	2.3
2004 Q1	15.7	0.5	15.2	24.3	-1.2	25.5	15.0	68.6	60.2	8.4
Q2	41.2	15.7	25.5	54.9	56.6	-1.8	-0.4	51.0	47.5	3.5
	Growth rates									
2003 Q1	-0.5	-17.9	1.6	2.8	0.8	5.6	11.8	6.3	6.6	3.6
Q2	-2.2	-16.0	-0.7	3.8	1.2	7.1	13.4	6.5	6.8	3.7
Q3	-3.4	-25.6	-0.7	4.6	2.2	6.9	9.1	6.6	6.9	3.4
Q4	-2.2	-16.4	-0.5	4.4	2.0	6.9	8.3	6.7	6.9	4.7
2004 Q1	-0.2	-4.8	0.3	3.4	2.0	4.6	2.7	6.4	6.6	5.2
Q2	4.0	15.0	3.0	2.9	3.6	2.2	1.7	6.1	6.2	4.9

Source: ECB.

1) Covering deposits with euro area central government (S.1311 in ESA 95), other financial intermediaries (S.123 in ESA 95) and insurance corporations and pension funds (S.125 in ESA 95).

2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from banks outside the euro area by non-banks
		Total		General government			Non-financial corporations			Households 1)			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2003 Q1	15,607.8	8,142.7	7,168.9	884.2	68.5	815.7	3,609.7	1,194.5	2,415.3	3,648.8	286.8	3,362.0	256.4
Q2	16,176.7	8,243.1	7,236.3	877.2	69.7	807.5	3,651.8	1,213.2	2,438.6	3,714.1	291.4	3,422.6	253.8
Q3	16,245.3	8,327.6	7,293.7	885.8	70.8	815.0	3,657.7	1,184.8	2,472.9	3,784.2	286.0	3,498.2	275.6
Q4	16,567.1	8,468.4	7,397.1	956.4	80.6	875.8	3,660.8	1,164.7	2,496.0	3,851.2	287.4	3,563.8	266.5
2004 Q1	16,907.2	8,519.5	7,466.6	961.0	84.7	876.3	3,655.6	1,161.5	2,494.1	3,902.9	281.9	3,621.0	304.1
Q2	17,129.0	8,668.4	7,597.6	953.7	90.1	863.6	3,699.5	1,168.9	2,530.6	4,015.2	294.0	3,721.2	.
	Transactions												
2003 Q1	266.5	94.4	67.0	5.7	7.9	-2.2	45.5	18.7	26.8	43.3	-7.6	50.8	7.1
Q2	236.3	116.9	84.8	-4.6	3.2	-7.8	52.0	24.3	27.7	69.5	5.3	64.2	2.6
Q3	137.1	81.7	58.7	8.6	1.1	7.6	1.9	-25.9	27.8	71.2	-4.7	75.9	22.9
Q4	112.6	113.7	119.2	22.3	9.9	12.5	17.7	-15.9	33.6	73.7	4.6	69.1	-1.3
2004 Q1	195.2	47.8	76.1	6.0	4.0	2.0	-14.0	-6.3	-7.7	55.8	-4.0	59.7	32.6
Q2	270.7	154.2	134.6	-8.9	5.4	-14.3	67.4	13.4	53.9	95.7	8.8	86.9	.
	Growth rates												
2003 Q1	4.4	4.8	4.1	-1.5	28.5	-3.4	4.6	-0.8	7.5	6.7	-0.3	7.4	-4.1
Q2	4.8	4.9	4.0	0.9	34.4	-1.3	4.3	1.4	5.8	6.5	-1.5	7.3	3.6
Q3	5.2	5.5	4.4	2.8	33.0	0.8	4.5	1.0	6.2	7.1	-1.4	7.9	16.1
Q4	4.8	5.0	4.6	3.6	36.2	1.2	3.3	0.1	4.8	7.1	-0.8	7.8	12.9
2004 Q1	4.4	4.4	4.7	3.7	26.5	1.7	1.6	-2.0	3.4	7.4	0.4	8.0	22.1
Q2	4.4	4.8	5.4	3.2	29.2	1.0	2.0	-2.9	4.4	8.0	1.6	8.5	.

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2003 Q1	4,848.0	4,284.2	529.9	3,754.3	563.8	167.2	396.6	2,116.2	219.4	281.4
Q2	4,990.4	4,402.6	563.6	3,838.9	587.8	166.4	421.4	2,452.0	205.7	285.6
Q3	4,978.2	4,394.3	557.8	3,836.5	583.9	165.0	418.8	2,475.4	174.3	289.8
Q4	4,898.0	4,307.9	539.1	3,768.8	590.1	164.1	426.0	2,728.6	181.7	290.4
2004 Q1	5,067.5	4,473.0	576.2	3,896.8	594.5	180.4	414.1	2,836.7	189.0	294.4
Q2	5,134.8	4,528.0	593.6	3,934.4	606.8	191.4	415.4	2,845.3	181.9	298.7
	Transactions									
2003 Q1	158.6	129.6	49.9	79.7	29.0	22.3	6.7	-0.2	9.5	4.2
Q2	101.3	85.5	33.9	51.6	15.7	-0.6	16.4	14.5	-0.6	4.2
Q3	44.8	42.4	-5.8	48.2	2.4	-0.9	3.3	4.0	2.4	4.2
Q4	-12.9	-20.8	-18.4	-2.4	7.8	-0.8	8.7	0.4	7.4	4.1
2004 Q1	134.4	135.0	35.7	99.3	-0.7	16.2	-16.8	1.6	7.3	4.0
Q2	114.8	100.2	17.2	83.0	14.6	10.8	3.7	4.7	-7.1	4.3
	Growth rates									
2003 Q1	6.3	6.0	16.7	4.7	8.1	15.3	5.3	0.4	14.7	5.4
Q2	7.1	6.5	15.5	5.3	11.6	27.7	6.1	0.7	13.4	5.8
Q3	6.6	6.2	14.5	5.1	9.8	20.0	6.1	0.9	13.2	5.8
Q4	6.2	5.7	12.4	4.8	10.3	13.7	9.1	0.8	8.9	6.0
2004 Q1	5.5	5.7	8.6	5.2	4.5	8.2	2.9	1.0	7.5	5.9
Q2	5.6	5.8	5.1	5.9	4.1	15.2	-0.3	0.4	4.8	5.8

Source: ECB.
1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2003 Q1	3,336.7	535.8	61.7	454.2	1.6	18.3	332.9	63.6	269.3	1,382.8	56.3	1,326.5
Q2	3,471.0	537.8	63.8	450.5	1.3	22.3	337.4	65.1	272.3	1,412.0	54.3	1,357.7
Q3	3,524.1	532.9	57.5	455.3	1.4	18.7	339.4	65.8	273.5	1,433.4	57.1	1,376.3
Q4	3,633.6	541.9	58.9	462.3	1.6	19.1	328.0	66.7	261.3	1,461.1	58.3	1,402.9
2004 Q1	3,783.4	556.6	64.7	468.3	1.7	22.0	338.2	69.4	268.8	1,530.7	56.2	1,474.5
Q2	3,809.4	565.4	59.9	481.9	2.3	21.2	335.3	71.0	264.3	1,537.1	52.8	1,484.3
	Transactions											
2003 Q1	67.4	12.4	4.3	7.8	-0.2	0.5	-8.7	-6.3	-2.4	54.0	7.1	46.9
Q2	43.0	2.3	2.3	-3.9	0.0	3.9	4.4	1.4	3.0	18.9	-2.2	21.0
Q3	34.1	-6.3	-6.4	3.8	0.1	-3.8	2.0	0.7	1.3	22.5	2.8	19.6
Q4	60.2	10.2	1.6	8.0	0.2	0.5	-11.4	0.9	-12.2	37.2	1.2	36.0
2004 Q1	93.0	14.4	5.7	5.8	0.0	2.8	10.0	2.7	7.3	42.2	-1.8	44.0
Q2	34.5	7.9	-4.9	13.7	0.0	-0.9	-2.8	1.6	-4.5	28.0	-3.4	31.4
	Growth rates											
2003 Q1	5.9	7.4	37.1	4.8	-17.5	3.3	-1.4	-11.4	1.4	10.0	18.9	9.6
Q2	6.8	6.7	28.9	3.9	-9.5	17.4	-0.6	-11.9	2.6	12.0	41.9	11.1
Q3	6.6	5.0	11.8	3.6	-12.4	28.2	0.8	-11.6	4.4	10.1	22.0	9.7
Q4	6.1	3.6	3.0	3.5	4.7	6.1	-4.0	-4.7	-3.8	9.9	18.0	9.6
2004 Q1	6.9	3.9	5.0	3.0	24.7	18.7	1.5	9.0	-0.2	8.7	0.1	9.1
Q2	6.4	4.9	-6.4	6.9	30.5	-6.3	-0.6	9.1	-3.0	9.2	-2.1	9.6

	Main financial assets					Main liabilities							
	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Mutual fund shares				Total				Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims
				Money market fund shares				Taken from euro area MFIs					
	13	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2003 Q1	973.4	409.5	563.9	60.1	111.7	3,586.1	61.0	42.7	10.9	101.5	3,412.8	2,899.0	513.7
Q2	1,070.0	471.9	598.1	64.5	113.7	3,692.6	60.6	44.8	11.1	134.3	3,486.6	2,966.3	520.3
Q3	1,103.4	489.4	614.0	60.8	115.1	3,757.5	62.7	44.3	11.7	133.5	3,549.7	3,024.6	525.1
Q4	1,186.1	540.9	645.2	64.5	116.4	3,812.4	51.9	35.4	12.1	153.8	3,594.5	3,065.1	529.4
2004 Q1	1,238.3	557.5	680.7	63.9	119.7	3,879.1	61.6	46.3	12.2	153.7	3,651.5	3,111.3	540.3
Q2	1,251.1	555.1	696.0	65.0	120.5	3,930.2	69.6	53.7	12.7	154.2	3,693.6	3,150.3	543.3
	Transactions												
2003 Q1	7.0	-4.0	11.0	2.1	2.6	83.7	15.2	11.3	0.0	-0.9	69.4	60.1	9.3
Q2	15.3	4.0	11.4	4.7	2.0	62.2	-0.3	2.3	0.2	4.5	57.8	51.2	6.6
Q3	14.5	4.9	9.6	-4.2	1.4	58.0	2.0	-0.5	0.5	0.0	55.5	50.8	4.7
Q4	22.7	7.0	15.8	4.3	1.4	32.8	-10.8	-8.9	0.5	3.9	39.2	35.5	3.8
2004 Q1	23.2	2.0	21.2	-0.7	3.2	76.8	9.6	10.7	0.0	0.7	66.5	54.6	11.8
Q2	0.6	-8.5	9.1	0.1	0.9	53.5	7.6	7.0	0.4	-0.9	46.4	42.3	4.1
	Growth rates												
2003 Q1	3.0	-0.3	6.3	19.6	6.2	5.9	7.6	8.5	0.6	-0.1	6.4	6.8	3.9
Q2	3.5	-0.4	7.0	23.2	5.9	6.0	0.9	4.6	1.2	1.8	6.4	6.9	4.0
Q3	4.9	0.1	8.6	18.5	4.8	6.4	6.7	9.5	7.9	3.2	6.6	7.1	3.6
Q4	5.8	2.6	8.4	12.1	6.9	6.8	13.0	12.9	11.1	6.7	6.7	7.0	4.8
2004 Q1	7.8	4.3	10.3	6.9	7.2	6.4	0.9	8.6	11.3	8.9	6.4	6.6	5.2
Q2	5.7	1.1	9.3	-0.7	6.1	6.0	14.1	18.8	13.2	2.7	6.0	6.2	4.7

Source: ECB.
1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	350.6	1,137.7	-797.1	10.1	0.0	1,938.7	-0.2	390.9	330.7	464.6	491.4	224.1	37.2
1998	411.4	1,201.7	-823.6	33.2	0.2	2,412.6	11.0	419.6	360.1	515.3	845.0	213.7	47.9
1999	448.8	1,290.5	-863.7	21.8	0.2	3,113.5	1.3	559.2	429.1	878.8	942.2	259.2	43.6
2000	485.6	1,389.8	-913.1	25.6	-16.7	2,911.7	1.3	350.9	264.6	829.9	1,189.1	251.3	24.5
2001	459.8	1,441.9	-973.6	-10.5	2.0	2,600.5	-0.5	577.2	449.0	733.0	605.8	248.8	-12.9
2002	390.6	1,428.4	-1,021.6	-17.3	1.1	2,309.0	0.9	653.7	279.4	636.5	467.0	220.8	50.7
2003	392.1	1,440.1	-1,053.7	5.3	0.5	2,409.6	1.7	665.0	417.6	588.5	454.1	240.5	42.1

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,574.3	668.9	489.9	634.3	525.2	256.0
2002	466.8	1,478.5	-1,021.6	9.9	2,232.8	571.8	442.0	619.1	376.3	223.6
2003	420.6	1,469.3	-1,053.7	5.0	2,381.1	670.1	510.4	544.3	413.4	243.0

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	641.9	101.6	44.6	169.2	235.4	91.3	590.5	766.2	99.7	355.5	299.6
2002	172.1	757.6	-580.8	517.6	32.5	-55.7	174.3	253.7	108.8	633.2	580.9	21.0	353.3	191.4
2003	157.7	745.6	-597.1	358.6	66.3	-57.9	110.8	191.4	75.2	644.7	441.1	55.0	176.8	196.2

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	165.1	376.0	-211.5	429.2	69.3	-20.8	192.5	217.6	424.6	615.6	169.7	168.3	3,818.3	16.1
1998	176.7	388.0	-216.2	446.4	92.9	-119.0	287.4	209.3	408.4	593.5	214.6	213.3	3,924.7	15.1
1999	188.2	417.6	-231.5	474.8	122.6	-28.5	195.8	245.2	394.7	580.0	268.4	266.9	4,086.0	14.2
2000	197.7	438.3	-241.6	434.9	66.2	35.3	122.6	245.9	406.2	607.7	226.4	224.7	4,290.2	14.2
2001	184.5	446.3	-259.0	415.5	180.7	82.7	45.8	229.1	423.9	649.7	176.2	174.3	4,576.1	14.2
2002	162.5	454.4	-279.4	481.3	221.0	83.1	-2.1	211.3	430.6	671.7	213.2	211.0	4,711.4	14.3
2003	166.0	462.0	-290.7	533.2	226.6	16.6	80.6	229.8	437.1	694.1	262.2	259.9	4,853.8	14.3

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

FINANCIAL MARKETS

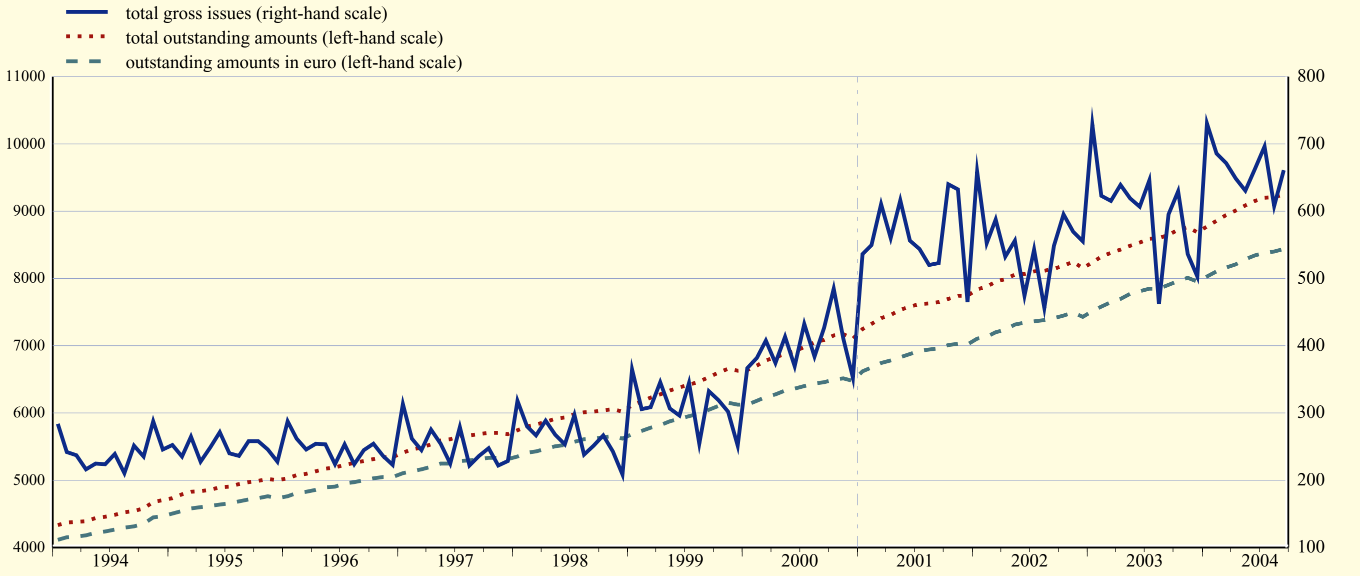
4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro [1]				By euro area residents							
					Total				Of which in euro			
	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2003 Sep.	9,101.1	615.6	524.5	91.1	8,645.4	594.9	530.9	64.0	91.4	93.4	94.3	55.1
Oct.	9,158.7	635.5	578.8	56.7	8,719.3	629.7	561.6	68.1	91.3	93.7	94.7	58.1
Nov.	9,226.2	556.0	491.2	64.8	8,757.5	536.4	490.1	46.3	91.5	93.2	92.4	46.8
Dec.	9,191.0	520.5	551.9	-31.5	8,683.1	502.5	555.6	-53.0	91.6	93.7	94.6	-54.4
2004 Jan.	9,262.7	738.2	664.1	74.1	8,775.3	730.5	643.5	87.0	91.5	94.2	94.7	78.6
Feb.	9,339.7	698.9	622.2	76.7	8,852.4	686.0	605.1	80.8	91.6	94.6	94.2	78.6
Mar.	9,448.6	716.8	607.5	109.3	8,938.4	671.8	595.5	76.3	91.3	92.7	95.3	55.4
Apr.	9,474.7	648.6	624.3	24.3	9,006.1	648.5	586.9	61.6	91.2	93.2	95.0	47.0
May	9,574.6	649.1	549.5	99.6	9,088.8	630.8	543.5	87.3	91.2	93.9	94.9	76.6
June	9,681.3	709.6	601.7	107.8	9,154.2	662.8	597.5	65.3	91.2	94.3	94.7	59.0
July	9,701.8	707.8	685.5	22.3	9,197.5	696.0	653.1	42.9	91.1	93.9	94.6	36.3
Aug.	9,735.5	623.3	588.9	34.4	9,213.7	608.0	588.5	19.5	91.1	94.6	94.8	17.7
Sep.	9,847.8	723.8	611.6	112.2	9,248.2	660.6	616.7	43.9	91.3	94.8	94.4	43.9
						Long-term						
2003 Sep.	8,230.4	179.8	102.5	77.3	7,785.6	173.4	102.6	70.8	91.4	91.6	90.3	66.2
Oct.	8,285.3	179.2	125.5	53.7	7,838.3	168.3	120.4	47.8	91.3	91.7	94.0	41.1
Nov.	8,336.8	143.4	93.3	50.1	7,874.6	136.5	90.3	46.2	91.5	89.6	88.0	42.7
Dec.	8,331.4	119.3	119.5	-0.2	7,851.1	112.1	113.6	-1.5	91.6	90.4	93.0	-4.3
2004 Jan.	8,389.9	195.5	136.4	59.2	7,899.6	178.1	137.9	40.3	91.6	92.8	90.9	40.1
Feb.	8,476.2	193.9	108.7	85.3	7,983.2	183.1	98.3	84.9	91.7	92.2	87.9	82.5
Mar.	8,538.6	213.1	149.8	63.3	8,049.3	189.1	131.5	57.6	91.4	86.7	94.1	40.3
Apr.	8,580.1	163.6	123.8	39.7	8,100.1	155.4	110.2	45.3	91.2	88.5	94.6	33.3
May	8,682.0	174.6	72.1	102.6	8,184.5	156.6	67.7	88.9	91.3	89.3	90.8	78.3
June	8,766.7	203.1	120.5	82.6	8,255.2	179.9	112.7	67.1	91.3	92.9	92.3	63.1
July	8,803.3	190.5	152.4	38.1	8,292.4	174.5	138.3	36.2	91.2	91.3	93.7	29.8
Aug.	8,833.3	90.9	60.5	30.4	8,311.7	79.8	58.4	21.4	91.2	86.5	91.5	15.6
Sep.	8,928.6	192.9	98.9	94.0	8,362.8	159.0	101.6	57.4	91.3	91.2	88.8	54.8

C13 Total outstanding amounts and gross issues of securities other than shares issued by euro area residents

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions, unless otherwise indicated; nominal values)

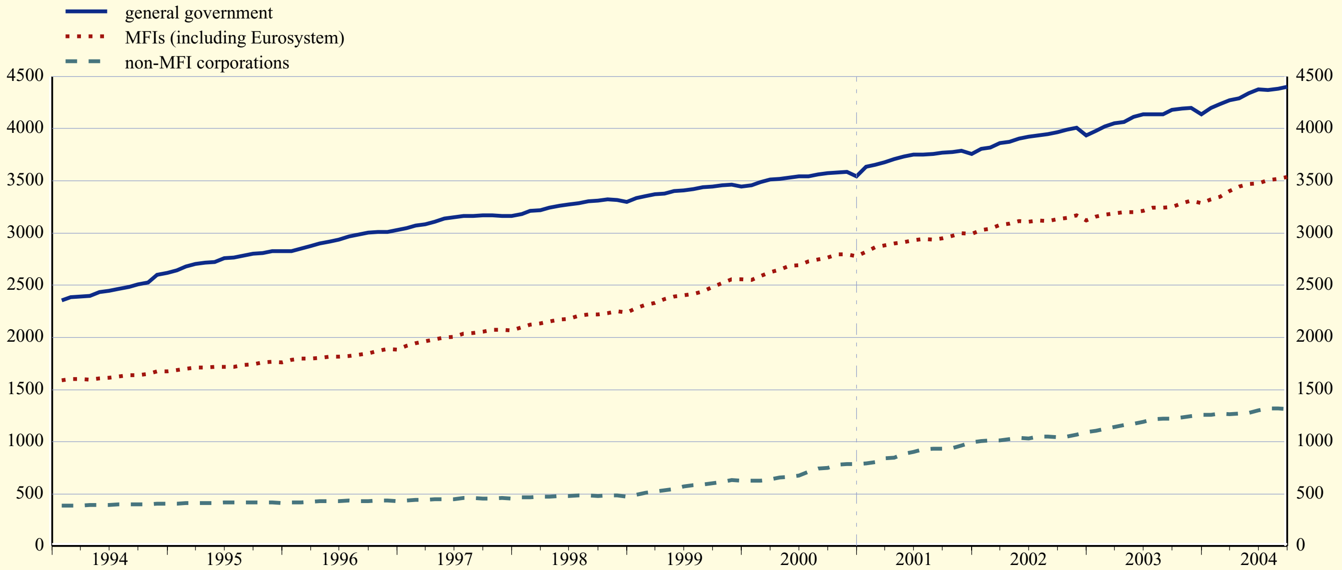
1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2003 Sep.	8,645.4	3,247.0	649.1	570.5	3,969.5	209.2	91.4	85.5	86.2	87.8	97.4	95.5
Oct.	8,719.3	3,288.7	660.5	576.0	3,981.3	212.8	91.3	85.3	86.5	87.6	97.4	95.5
Nov.	8,757.5	3,310.8	668.3	577.3	3,983.9	217.3	91.5	85.5	86.9	87.9	97.5	95.6
Dec.	8,683.1	3,287.5	682.7	575.8	3,918.8	218.2	91.6	85.5	87.8	88.0	97.7	95.4
2004 Jan.	8,775.3	3,319.6	683.8	575.2	3,974.7	221.9	91.5	85.4	87.6	87.7	97.6	95.5
Feb.	8,852.4	3,347.2	692.5	578.5	4,006.2	228.1	91.6	85.6	88.0	87.6	97.6	95.6
Mar.	8,938.4	3,403.0	687.0	576.0	4,041.4	230.9	91.3	85.2	87.7	87.4	97.4	95.5
Apr.	9,006.1	3,443.0	693.3	578.2	4,059.6	232.1	91.2	84.9	87.8	87.3	97.4	95.4
May	9,088.8	3,469.4	693.0	586.5	4,106.3	233.7	91.2	84.8	88.0	87.3	97.5	95.6
June	9,154.2	3,477.0	714.2	589.5	4,135.1	238.3	91.2	84.7	88.5	87.1	97.4	95.5
July	9,197.5	3,508.0	724.5	596.9	4,131.0	237.1	91.1	84.6	88.6	86.8	97.5	95.5
Aug.	9,213.7	3,515.5	726.0	592.4	4,141.3	238.5	91.1	84.6	88.8	86.9	97.5	95.5
Sep.	9,248.2	3,534.4	728.0	585.1	4,159.7	241.0	91.3	84.7	89.2	87.0	97.6	95.7
						Long-term						
2003 Sep.	7,785.6	2,890.3	641.0	472.6	3,576.1	205.7	91.4	85.9	86.1	86.4	97.2	95.7
Oct.	7,838.3	2,922.8	652.3	475.9	3,577.8	209.4	91.3	85.7	86.4	86.2	97.3	95.6
Nov.	7,874.6	2,937.3	659.9	479.8	3,583.8	213.9	91.5	85.8	86.8	86.6	97.4	95.8
Dec.	7,851.1	2,927.4	673.6	483.5	3,551.9	214.8	91.6	86.0	87.6	86.9	97.5	95.5
2004 Jan.	7,899.6	2,941.8	675.2	478.7	3,586.0	217.9	91.6	85.9	87.5	86.3	97.5	95.6
Feb.	7,983.2	2,977.3	684.3	481.6	3,616.5	223.6	91.7	86.0	87.8	86.3	97.5	95.7
Mar.	8,049.3	3,028.9	679.1	475.5	3,638.8	227.0	91.4	85.7	87.6	85.8	97.3	95.7
Apr.	8,100.1	3,059.4	685.0	471.1	3,657.1	227.6	91.2	85.4	87.7	85.5	97.3	95.6
May	8,184.5	3,091.4	684.9	478.3	3,700.9	229.0	91.3	85.2	87.9	85.6	97.4	95.7
June	8,255.2	3,098.9	706.0	483.4	3,733.6	233.4	91.3	85.2	88.4	85.4	97.3	95.8
July	8,292.4	3,122.9	716.2	491.8	3,729.6	231.9	91.2	85.0	88.5	85.1	97.4	95.8
Aug.	8,311.7	3,133.0	717.0	488.5	3,739.9	233.2	91.2	84.9	88.7	85.1	97.4	95.8
Sep.	8,362.8	3,164.6	719.1	488.2	3,754.8	236.1	91.3	85.0	89.1	85.3	97.5	95.9

C14 Outstanding amounts of securities other than shares by sector

(EUR billions; end-of-period outstanding amounts; nominal values)



Source: ECB.

4.2 Securities other than shares issued by euro area residents by original maturity and sector of the issuer

(EUR billions, unless otherwise indicated; nominal values)

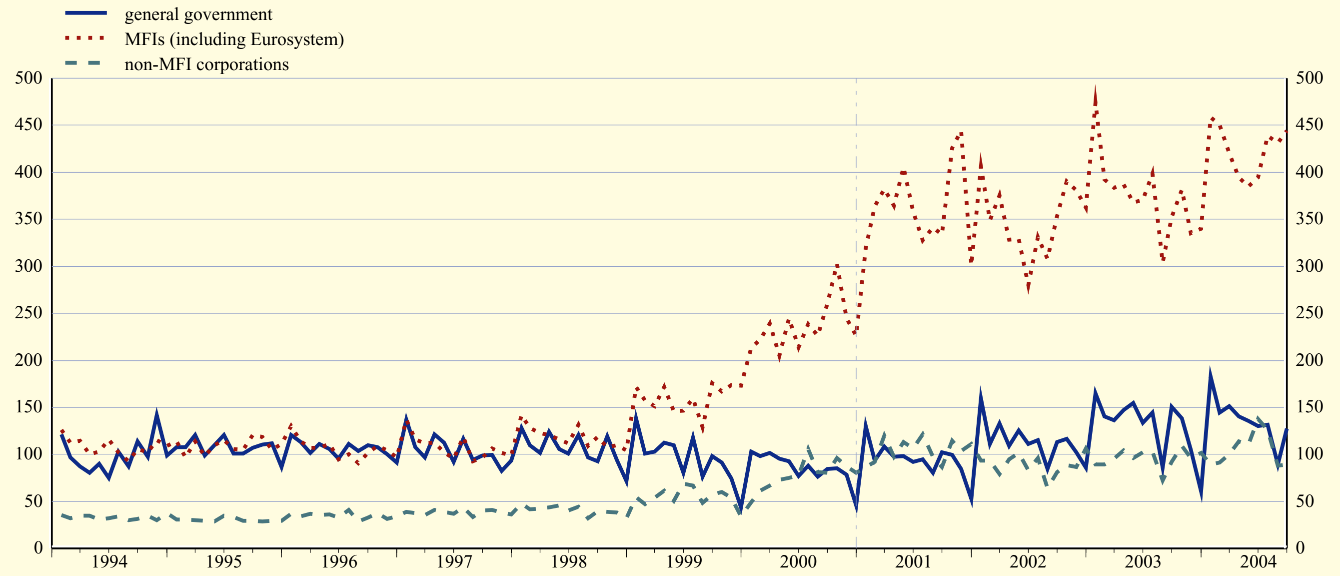
2. Gross issues

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2003 Sep.	594.9	352.0	22.0	70.3	140.7	9.9	93.4	90.3	98.7	96.5	98.5	96.5
Oct.	629.7	381.6	21.4	87.9	130.7	8.0	93.7	91.5	95.8	96.3	98.1	94.0
Nov.	536.4	335.2	20.2	75.7	97.4	7.8	93.2	92.0	86.7	95.9	96.2	98.2
Dec.	502.5	340.1	28.2	73.2	55.5	5.6	93.7	92.6	97.1	94.6	99.3	79.8
2004 Jan.	730.5	458.5	8.5	80.8	173.6	9.2	94.2	92.9	90.8	95.8	97.1	97.4
Feb.	686.0	449.9	18.3	73.2	136.1	8.5	94.6	93.3	95.8	96.1	97.5	97.8
Mar.	671.8	420.1	10.9	89.5	143.2	8.0	92.7	90.9	89.5	97.1	95.5	94.1
Apr.	648.5	394.3	19.9	94.0	134.9	5.3	93.2	90.8	92.9	96.8	97.6	97.2
May	630.8	384.5	10.0	100.7	130.5	5.2	93.9	91.8	89.3	97.1	98.0	97.9
June	662.8	394.3	33.5	104.4	122.1	8.5	94.3	92.6	98.0	95.7	97.6	94.5
July	696.0	438.6	24.5	101.6	127.5	3.9	93.9	92.6	92.3	94.9	98.0	92.1
Aug.	608.0	430.9	10.7	77.1	85.3	4.0	94.6	93.7	87.5	97.2	97.9	98.4
Sep.	660.6	443.9	14.1	75.0	120.3	7.4	94.8	93.4	90.9	98.1	98.4	97.5
	Long-term											
2003 Sep.	173.4	65.0	18.9	3.6	78.8	7.1	91.6	79.6	98.6	96.6	99.0	98.8
Oct.	168.3	75.7	17.5	10.7	58.9	5.5	91.7	84.4	96.1	89.4	100.0	94.5
Nov.	136.5	62.4	16.6	10.7	40.9	5.8	89.6	86.9	85.2	91.2	93.5	99.6
Dec.	112.1	63.0	24.9	9.6	11.4	3.2	90.4	88.5	97.6	81.5	98.6	68.1
2004 Jan.	178.1	72.4	5.0	7.4	86.9	6.3	92.8	87.4	88.7	80.7	98.2	99.4
Feb.	183.1	85.7	15.0	6.2	70.2	6.0	92.2	86.5	96.0	88.5	98.2	99.0
Mar.	189.1	98.5	8.1	5.0	72.0	5.6	86.7	79.5	88.2	92.3	95.4	95.7
Apr.	155.4	69.3	15.9	4.8	63.0	2.5	88.5	79.3	93.8	78.3	97.5	100.0
May	156.6	68.1	6.8	9.4	69.7	2.7	89.3	79.9	86.6	85.3	98.8	99.6
June	179.9	66.7	29.8	14.5	63.5	5.5	92.9	88.2	98.0	82.1	97.4	99.1
July	174.5	71.4	20.8	17.9	62.9	1.4	91.3	85.9	93.2	85.4	98.3	100.0
Aug.	79.8	40.7	6.9	2.2	28.5	1.5	86.5	79.0	83.5	79.4	98.0	95.8
Sep.	159.0	82.2	11.8	4.3	55.8	4.8	91.2	85.2	90.6	91.5	99.5	99.6

C15 Gross issues of securities other than shares by sector

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

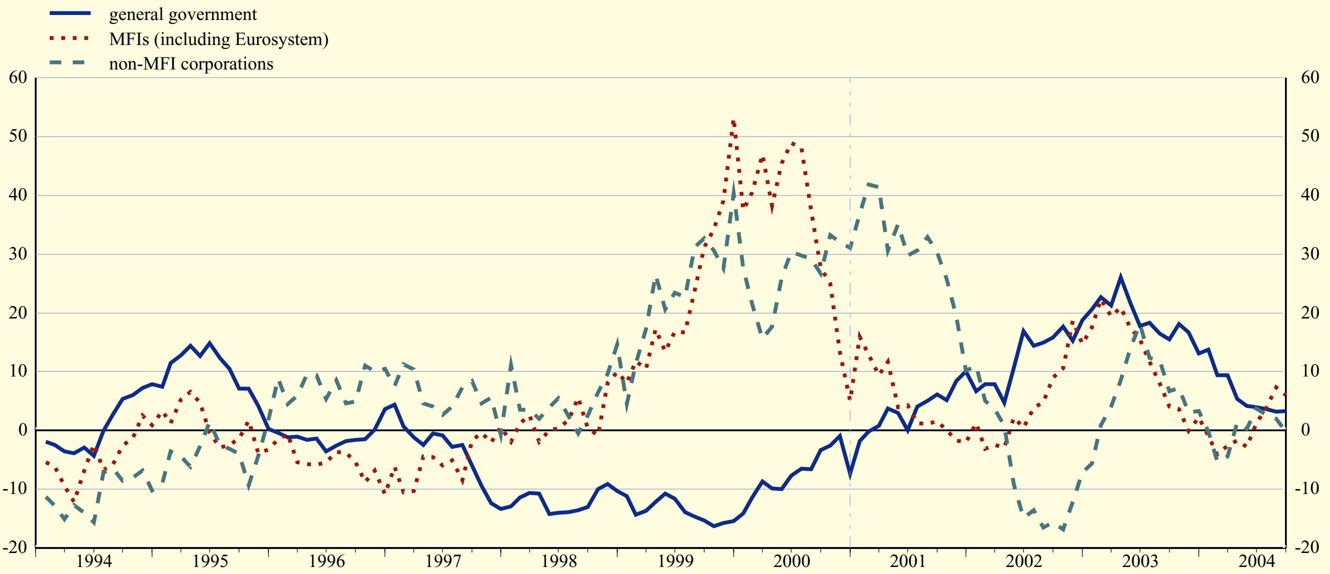


Source: ECB.

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

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro-system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	In all currencies combined													
2003 Sep.	6.9	113.3	4.6	18.6	28.4	9.1	5.7	4.9	23.3	9.4	125.3	4.1	6.7	16.7
Oct.	7.2	114.2	5.5	19.5	29.0	10.2	5.4	4.6	21.5	10.3	128.3	3.6	7.2	13.7
Nov.	7.0	114.8	5.3	19.0	27.9	10.1	5.2	4.4	23.1	7.3	128.3	-0.1	3.1	9.7
Dec.	7.4	114.1	6.2	17.3	23.6	10.6	5.5	4.7	22.3	6.9	120.8	2.2	3.3	20.5
2004 Jan.	7.1	115.3	5.9	15.5	23.2	7.4	5.7	4.9	21.9	5.2	127.6	-0.9	-0.2	16.6
Feb.	7.0	116.3	6.2	14.2	21.8	6.4	5.7	4.9	21.1	1.4	127.0	-4.1	-5.3	-8.0
Mar.	7.1	117.3	7.4	11.4	18.5	3.9	5.6	4.9	20.6	2.3	129.7	-2.6	-4.4	-15.0
Apr.	7.1	118.1	7.9	10.0	16.5	3.1	5.6	5.0	18.7	1.7	132.1	-1.8	1.3	-5.9
May	7.1	119.3	8.3	9.2	15.4	2.7	5.5	4.9	17.6	0.7	131.9	-2.8	0.3	-5.8
June	7.3	120.1	8.4	9.9	16.0	3.2	5.8	5.2	17.4	2.8	131.6	1.3	3.7	-7.1
July	7.3	120.7	8.4	9.5	14.2	4.3	5.7	5.2	16.0	3.6	132.6	4.0	2.7	-6.9
Aug.	7.5	121.0	8.9	9.1	14.3	3.4	6.0	5.4	16.8	4.8	132.3	7.3	2.0	0.6
Sep.	7.3	121.5	9.1	8.5	12.8	3.5	5.5	4.9	15.3	4.0	130.3	6.0	-0.2	8.8
	In euro													
2003 Sep.	6.6	112.8	3.3	22.0	35.1	10.2	5.5	4.8	21.9	11.5	128.7	8.5	5.9	16.7
Oct.	7.0	113.6	4.2	23.1	36.3	11.0	5.3	4.6	20.9	12.5	131.5	7.7	6.8	14.1
Nov.	6.8	114.2	4.2	22.3	34.3	10.9	5.1	4.3	22.4	9.3	132.2	3.1	2.3	9.4
Dec.	7.1	113.5	5.0	19.7	27.8	11.4	5.5	4.7	21.3	8.8	124.0	5.6	2.9	18.9
2004 Jan.	6.9	114.6	4.9	17.4	27.2	7.5	5.7	5.0	21.2	5.9	130.3	-0.5	-0.9	16.3
Feb.	7.0	115.7	5.4	16.4	26.3	6.4	5.8	5.1	20.4	2.0	129.6	-3.7	-5.7	-8.5
Mar.	6.8	116.5	6.4	12.9	22.4	3.3	5.6	4.9	19.8	2.7	132.1	-2.2	-4.7	-16.0
Apr.	6.7	117.2	6.6	11.3	20.0	2.4	5.6	5.0	18.2	1.4	134.3	-2.9	1.2	-8.2
May	6.6	118.3	6.8	10.6	19.0	2.1	5.5	4.9	17.5	0.6	134.0	-3.5	0.0	-6.6
June	6.9	119.1	6.9	11.1	19.7	2.1	5.8	5.3	17.1	2.3	133.4	-0.1	4.0	-7.2
July	6.9	119.6	6.9	10.9	18.1	3.1	5.9	5.3	15.9	2.7	134.4	1.7	2.4	-9.3
Aug.	7.1	119.9	7.2	10.4	18.1	2.1	6.1	5.6	16.8	3.3	134.8	3.9	2.4	-2.0
Sep.	6.9	120.5	7.8	9.6	16.1	2.3	5.5	5.0	15.4	3.3	133.0	4.3	0.7	6.2

C16 Annual growth rates of short-term debt securities by sector of the issuer in all currencies combined
(percentage changes)

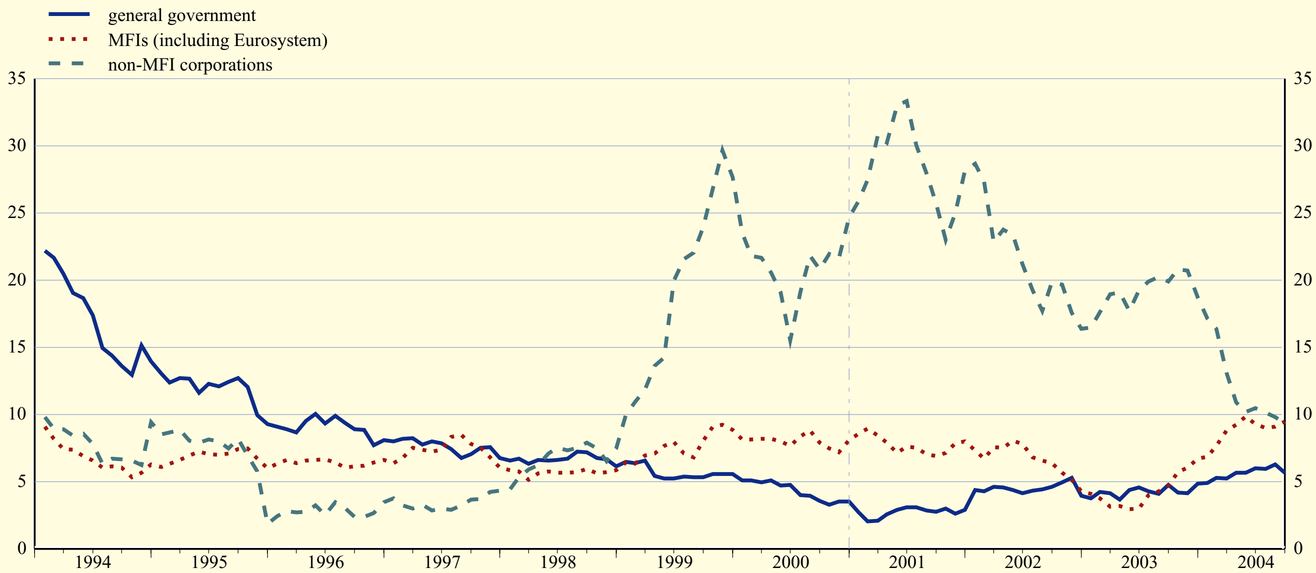


Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

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

Short-term				Long-term									
corporations	General government			Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			
Non-financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	Other general gov.	
15	16	17	18	19	20	21	22	23	24	25	26	27	
						In all currencies combined							
5.9	15.5	15.5	14.5	6.7	112.1	4.7	19.9	28.6	9.8	4.7	3.8	23.5	2003 Sep.
6.7	18.1	18.3	-2.9	6.9	112.8	5.7	20.8	29.3	10.9	4.2	3.3	22.0	Oct.
2.5	16.7	17.0	-3.7	7.0	113.5	6.0	20.7	28.2	11.8	4.1	3.2	23.6	Nov.
1.8	13.1	13.3	-5.6	7.4	113.5	6.7	18.7	23.7	12.5	4.8	3.9	22.9	Dec.
-1.4	13.8	13.6	31.3	7.3	114.0	6.9	17.1	23.3	9.4	4.9	4.0	21.7	2004 Jan.
-5.1	9.4	9.2	21.1	7.7	115.3	7.7	16.4	22.2	9.0	5.3	4.4	21.1	Feb.
-3.5	9.4	9.4	9.6	7.6	116.1	8.8	13.1	19.0	5.6	5.2	4.4	20.9	Mar.
2.0	5.4	5.2	21.7	7.7	116.7	9.2	10.9	16.9	3.3	5.7	5.0	18.6	Apr.
0.8	4.2	4.1	17.4	7.8	118.0	9.8	10.2	15.7	3.2	5.6	5.0	17.7	May
4.7	4.0	3.8	23.3	7.9	119.0	9.3	10.5	16.3	2.9	6.0	5.4	17.3	June
3.5	3.6	3.4	19.0	7.7	119.5	9.0	10.2	14.4	4.5	6.0	5.4	15.9	July
2.1	3.2	2.9	37.0	7.8	119.8	9.1	9.8	14.5	3.7	6.3	5.7	16.5	Aug.
-1.0	3.3	2.9	40.2	7.6	120.7	9.5	9.3	12.9	4.5	5.7	5.1	14.9	Sep.
						In euro							
5.0	15.4	15.4	14.5	6.1	111.2	2.7	24.0	35.4	11.4	4.5	3.7	22.0	2003 Sep.
6.2	18.1	18.3	-5.1	6.4	111.9	3.8	25.2	36.7	12.2	4.0	3.2	21.3	Oct.
1.7	16.9	17.1	-7.0	6.6	112.5	4.3	24.7	34.7	13.2	4.0	3.1	23.0	Nov.
1.5	13.3	13.5	-4.7	6.9	112.5	5.0	21.6	27.9	13.7	4.7	3.9	21.8	Dec.
-2.3	13.9	13.7	40.2	7.0	113.1	5.6	19.6	27.4	10.0	4.9	4.1	20.9	2004 Jan.
-5.5	9.3	9.2	23.3	7.5	114.4	6.5	19.1	26.9	9.4	5.4	4.6	20.4	Feb.
-3.7	9.0	9.1	4.1	7.3	115.0	7.5	15.1	23.1	5.1	5.3	4.5	20.0	Mar.
2.0	5.1	5.0	17.5	7.3	115.5	7.8	12.5	20.5	2.5	5.6	5.0	18.2	Apr.
0.6	4.1	4.0	19.9	7.3	116.8	8.1	11.9	19.5	2.5	5.7	5.0	17.4	May
5.0	3.7	3.6	18.9	7.4	117.7	7.8	11.9	20.1	1.4	6.1	5.4	17.1	June
3.4	3.5	3.4	14.6	7.4	118.2	7.5	11.8	18.6	3.0	6.1	5.6	16.0	July
2.8	3.0	2.7	33.1	7.5	118.5	7.6	11.3	18.5	2.0	6.4	5.9	16.6	Aug.
0.2	3.2	2.9	37.7	7.3	119.3	8.2	10.5	16.3	2.8	5.8	5.3	15.1	Sep.

C17 Annual growth rates of long-term debt securities by sector of the issuer in all currencies combined
(percentage changes)



Source: ECB.

4.4 Quoted shares issued by euro area residents [1]

(EUR billions, unless otherwise indicated; market values)

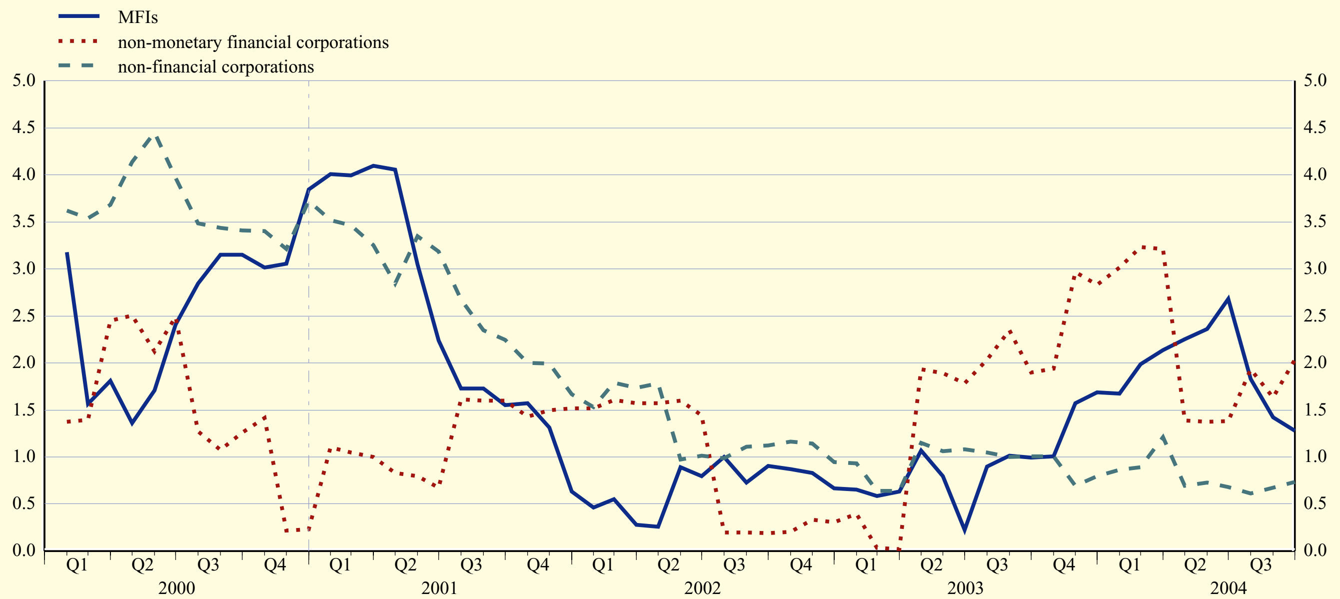
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 Sep.	2,982.8	100.6	1.0	412.6	0.9	276.3	0.2	2,293.9	1.1
Oct.	3,252.7	100.7	1.0	446.9	0.9	321.2	0.2	2,484.5	1.2
Nov.	3,436.6	100.8	1.0	487.4	0.8	345.9	0.3	2,603.3	1.1
Dec.	3,118.2	100.8	0.8	450.7	0.7	283.6	0.3	2,383.9	0.9
2003 Jan.	2,978.3	100.8	0.8	425.8	0.6	261.1	0.4	2,291.4	0.9
Feb.	2,884.9	100.8	0.6	425.3	0.6	270.8	0.0	2,188.8	0.6
Mar.	2,763.4	100.8	0.6	413.0	0.6	236.2	0.0	2,114.2	0.6
Apr.	3,112.9	101.5	1.2	471.4	1.1	291.8	1.9	2,349.7	1.1
May	3,145.6	101.5	1.1	476.7	0.8	291.3	1.9	2,377.5	1.1
June	3,256.1	101.5	1.0	504.2	0.2	300.6	1.8	2,451.3	1.1
July	3,366.4	101.7	1.1	528.0	0.9	330.9	2.0	2,507.5	1.0
Aug.	3,413.3	101.7	1.1	506.5	1.0	325.5	2.3	2,581.3	1.0
Sep.	3,276.6	101.7	1.1	494.8	1.0	307.1	1.9	2,474.6	1.0
Oct.	3,483.9	101.8	1.1	535.2	1.0	333.2	1.9	2,615.5	1.0
Nov.	3,546.8	101.8	1.0	549.5	1.6	337.9	3.0	2,659.5	0.7
Dec.	3,647.3	102.0	1.1	569.5	1.7	348.6	2.8	2,729.2	0.8
2004 Jan.	3,788.5	102.0	1.2	584.1	1.7	372.3	3.0	2,832.0	0.9
Feb.	3,851.9	102.1	1.3	587.9	2.0	374.3	3.2	2,889.7	0.9
Mar.	3,766.4	102.4	1.5	571.9	2.1	355.0	3.2	2,839.5	1.2
Apr.	3,748.3	102.5	1.0	579.4	2.3	361.1	1.4	2,807.9	0.7
May	3,687.7	102.5	1.0	568.1	2.4	350.6	1.4	2,769.1	0.7
June	3,790.0	102.6	1.1	582.5	2.7	362.0	1.4	2,845.6	0.7
July	3,679.7	102.6	0.9	562.3	1.8	354.0	1.9	2,763.4	0.6
Aug.	3,673.7	102.6	0.9	562.5	1.4	353.1	1.6	2,758.0	0.7
Sep.	3,761.7	102.7	0.9	579.6	1.3	362.3	2.0	2,819.8	0.7

C18 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

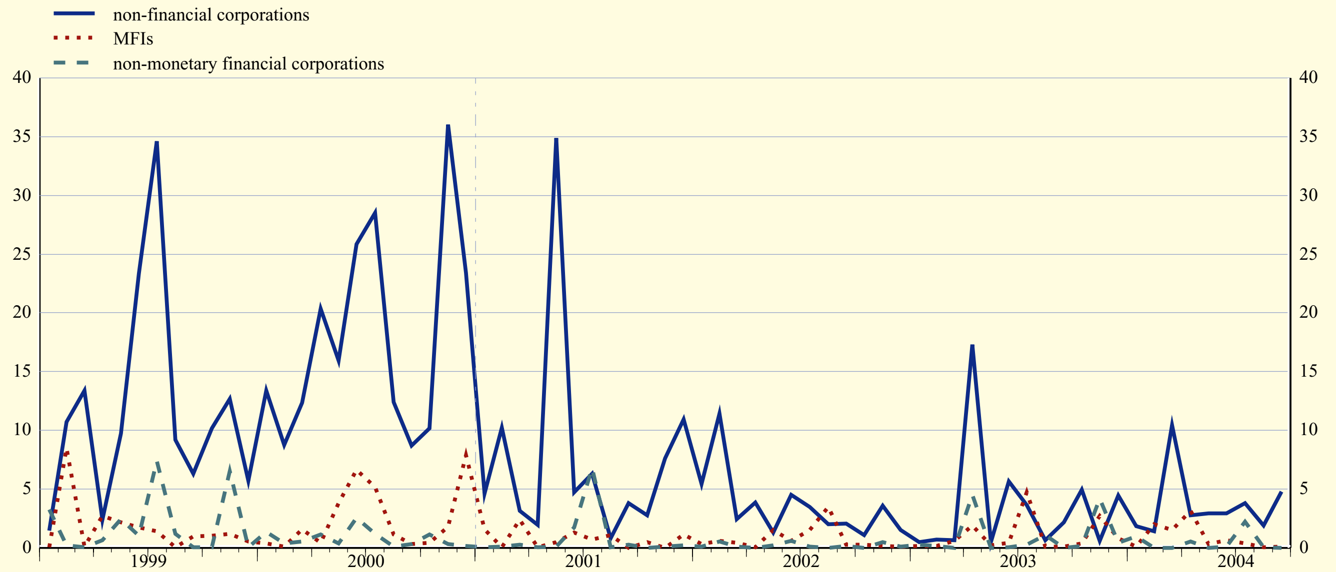
1) For the calculation of the index and the growth rates, see the Technical notes.

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

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2002 Sep.	2.5	0.4	2.0	0.3	0.1	0.1	0.2	0.0	0.2	2.0	0.3	1.8
Oct.	1.3	0.1	1.2	0.3	0.0	0.2	0.0	0.0	0.0	1.1	0.1	1.0
Nov.	4.3	0.7	3.6	0.2	0.4	-0.2	0.5	0.0	0.5	3.6	0.3	3.3
Dec.	1.7	0.5	1.3	0.1	0.0	0.1	0.1	0.1	0.0	1.5	0.4	1.1
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
Feb.	1.0	1.3	-0.3	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
Mar.	1.2	0.7	0.5	0.6	0.1	0.5	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.8	18.9	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.6	12.7
May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	1.9	6.7	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.7	1.9
Aug.	1.8	1.2	0.6	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.1	-0.4
Sep.	2.3	1.8	0.5	0.1	0.1	0.0	0.0	1.3	-1.3	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.1	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.5	4.2	0.8	0.1	0.8	0.4	0.8	-0.4	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.7	2.1	1.6	0.7	1.6	-1.0	0.1	0.0	0.1	2.9	0.4	2.5
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5

C19 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)



Source: ECB.

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [1]	With agreed maturity			Redeemable at notice [1,2]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 Oct.	0.69	1.88	2.16	2.51	2.05	2.73	0.88	1.99	2.23	3.89	1.99
Nov.	0.70	1.88	2.24	2.61	2.01	2.70	0.87	1.97	2.36	2.69	1.97
Dec.	0.69	1.89	2.40	2.41	2.02	2.68	0.86	2.00	2.44	3.34	1.99
2004 Jan.	0.69	1.90	2.38	2.74	2.03	2.65	0.93	1.99	2.08	3.10	1.95
Feb.	0.69	1.89	2.16	2.45	2.02	2.63	0.86	1.98	2.22	3.60	1.98
Mar.	0.70	1.91	2.13	2.31	2.00	2.59	0.86	1.96	2.16	3.35	1.98
Apr.	0.70	1.96	2.13	2.41	2.02	2.57	0.85	1.97	2.04	3.46	1.95
May	0.70	1.86	2.15	2.43	2.00	2.55	0.86	1.96	2.06	3.74	1.95
June	0.70	1.87	2.21	2.42	2.00	2.55	0.87	1.98	2.27	3.76	1.98
July	0.70	1.90	2.21	2.54	1.99	2.55	0.86	1.99	2.59	4.00	1.99
Aug.	0.71	1.91	2.18	2.67	2.00	2.53	0.87	1.98	2.36	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.31	3.68	1.99

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

	Bank overdraft [1]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [3]	By initial rate fixation				Annual percentage rate of charge [3]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 Oct.	9.71	7.21	6.91	8.10	7.98	3.61	4.01	4.87	4.78	4.36	4.04	5.09	5.20
Nov.	9.64	7.58	6.78	7.96	7.89	3.59	4.09	4.93	4.84	4.39	4.15	5.24	5.17
Dec.	9.69	7.64	6.54	7.66	7.69	3.62	4.18	5.01	4.89	4.41	3.86	4.98	5.08
2004 Jan.	9.87	7.63	7.22	8.56	8.35	3.61	4.30	5.02	4.85	4.47	4.08	5.10	5.18
Feb.	9.81	7.45	7.06	8.49	8.20	3.54	4.22	4.96	4.86	4.31	4.13	5.07	5.04
Mar.	9.71	7.38	6.90	8.37	8.05	3.47	4.14	4.87	4.71	4.28	3.96	5.06	4.96
Apr.	9.73	7.35	6.65	8.30	7.86	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95
May	9.68	7.33	6.77	8.27	7.96	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94
June	9.55	7.12	6.74	8.42	7.96	3.42	4.12	4.81	4.69	4.17	3.93	4.97	5.01
July	9.57	7.18	6.86	8.52	8.07	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01
Aug.	9.62	7.67	6.89	8.58	8.26	3.50	4.19	4.86	4.65	4.29	3.91	5.07	5.02
Sep.	9.61	7.45	6.96	8.45	8.18	3.49	4.07	4.76	4.66	4.23	3.90	4.98	5.00

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

	Bank overdraft [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2003 Oct.	5.46	4.13	4.80	4.81	3.07	3.25	4.33
Nov.	5.41	4.08	4.93	4.72	3.01	3.29	4.24
Dec.	5.58	4.03	4.79	4.85	3.12	3.41	4.29
2004 Jan.	5.67	4.01	4.88	4.87	3.02	3.39	4.29
Feb.	5.63	4.00	4.93	4.78	3.00	3.19	4.30
Mar.	5.56	3.95	4.81	4.73	2.95	3.27	4.37
Apr.	5.51	3.88	4.75	4.69	3.00	3.28	4.21
May	5.46	4.00	4.62	4.59	3.00	3.30	4.21
June	5.46	3.97	4.81	4.71	2.99	3.26	4.08
July	5.36	4.02	4.85	4.65	3.02	3.28	4.27
Aug.	5.37	4.06	4.89	4.73	2.99	3.12	4.30
Sep.	5.37	4.00	4.85	4.68	2.99	3.37	4.45

Source: ECB.

1) For this instrument category, new business and outstanding amounts coincide. End-of-period.

2) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.

3) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises an interest rate component and a component of other (related) charges, such as the cost of inquiries, administration, preparation of documents, guarantees, etc.

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents
(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

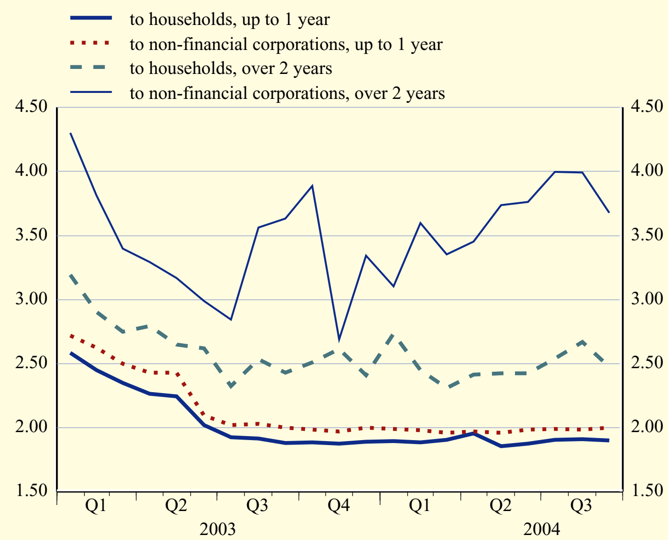
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight 1)	With agreed maturity		Redeemable at notice 1),2)		Overnight 1)	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 Oct.	0.69	1.97	3.47	2.05	2.73	0.88	2.12	4.33	2.03
Nov.	0.70	1.98	3.44	2.01	2.70	0.87	2.13	4.43	1.98
Dec.	0.69	1.97	3.54	2.02	2.68	0.86	2.14	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.03	2.65	0.93	2.09	4.28	1.95
Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.09	4.22	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.08	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.09	4.17	1.92
May	0.70	1.89	3.28	2.00	2.55	0.86	2.07	4.15	1.93
June	0.70	1.88	3.27	2.00	2.55	0.87	2.09	4.11	1.94
July	0.70	1.89	3.25	1.99	2.55	0.86	2.10	4.10	1.96
Aug.	0.71	1.89	3.22	2.00	2.53	0.87	2.13	4.02	1.97
Sep.	0.72	1.89	3.22	2.00	2.52	0.90	2.13	3.97	1.97

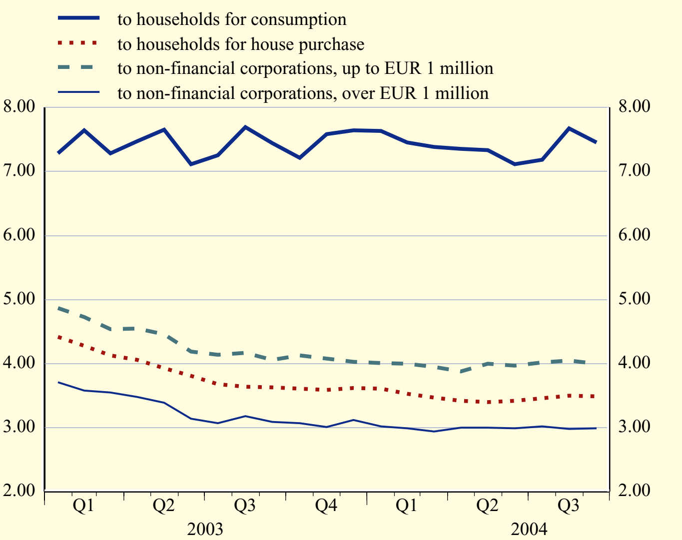
5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 Oct.	5.00	4.92	5.20	8.13	7.13	5.84	4.56	4.12	4.71
Nov.	4.97	4.90	5.17	7.98	7.09	5.82	4.52	4.18	4.67
Dec.	5.09	4.88	5.14	8.04	7.05	6.00	4.56	4.23	4.66
2004 Jan.	5.05	4.89	5.11	8.15	7.02	5.92	4.58	4.07	4.56
Feb.	5.01	4.91	5.11	8.13	7.16	5.95	4.62	4.06	4.58
Mar.	4.98	4.82	5.03	8.05	7.17	5.89	4.56	3.96	4.61
Apr.	4.90	4.75	5.01	8.03	7.08	5.85	4.51	3.91	4.59
May	4.89	4.72	4.99	7.99	7.04	5.82	4.50	3.87	4.55
June	4.87	4.69	4.97	7.93	6.99	5.80	4.47	3.89	4.53
July	4.91	4.63	4.94	7.93	6.98	5.76	4.48	3.88	4.50
Aug.	4.88	4.58	4.91	7.93	6.95	5.77	4.45	3.84	4.48
Sep.	4.82	4.58	4.90	8.06	7.14	5.85	4.46	3.99	4.52

C20 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)



C21 New loans at floating rate and up to 1 year initial rate fixation
(percentages per annum excluding charges; period averages)



Source: ECB.

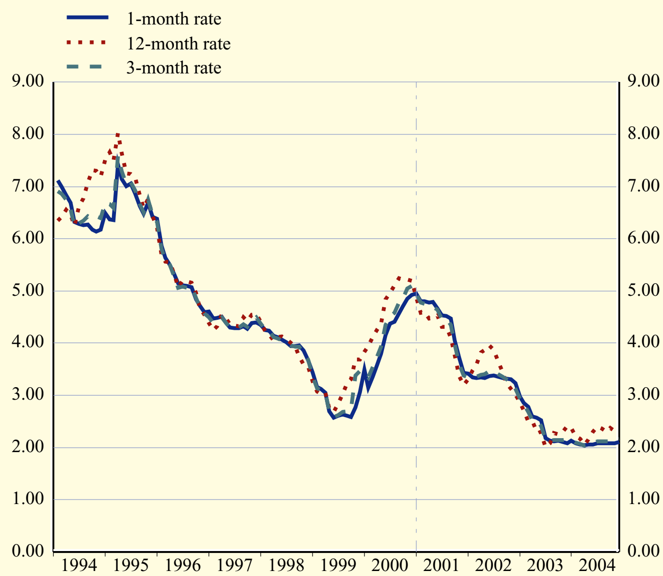
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.15	4.08	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2003 Q3	2.07	2.13	2.14	2.15	2.20	1.13	0.05
Q4	2.02	2.11	2.15	2.20	2.36	1.17	0.06
2004 Q1	2.02	2.06	2.06	2.07	2.15	1.12	0.05
Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
2003 Nov.	1.97	2.09	2.16	2.22	2.41	1.17	0.06
Dec.	2.06	2.13	2.15	2.20	2.38	1.17	0.06
2004 Jan.	2.02	2.08	2.09	2.12	2.22	1.13	0.06
Feb.	2.03	2.06	2.07	2.09	2.16	1.12	0.05
Mar.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05

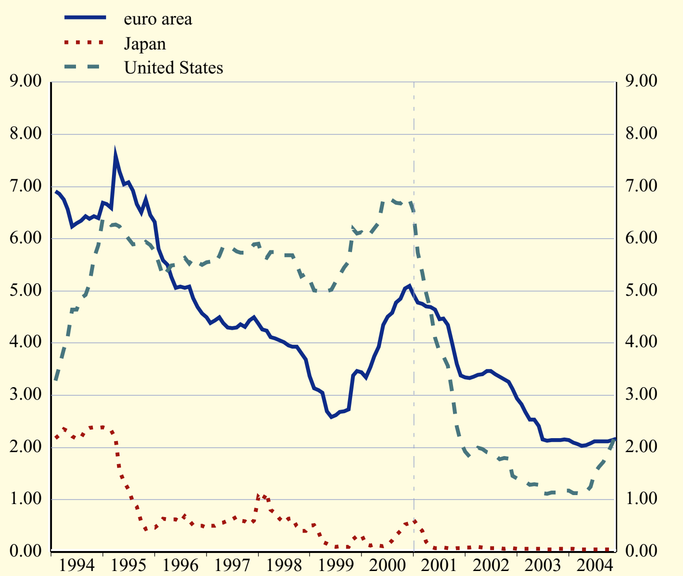
C22 Euro area money market rates

(monthly; percentages per annum)



C23 3-month money market rates

(monthly; percentages per annum)

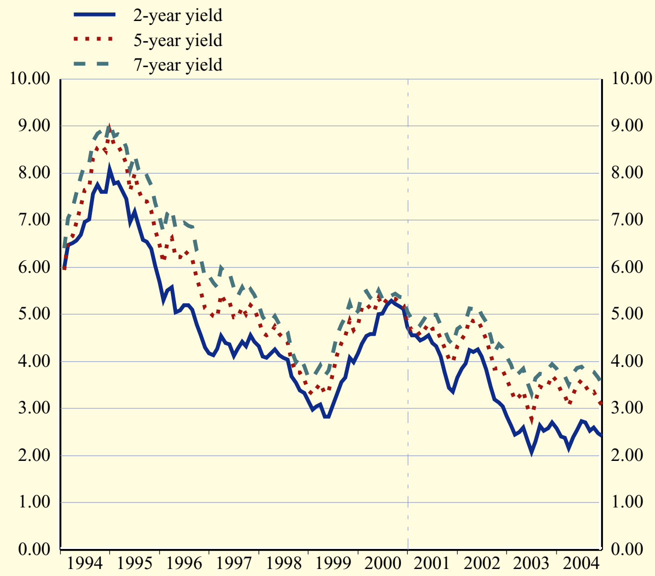


Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.

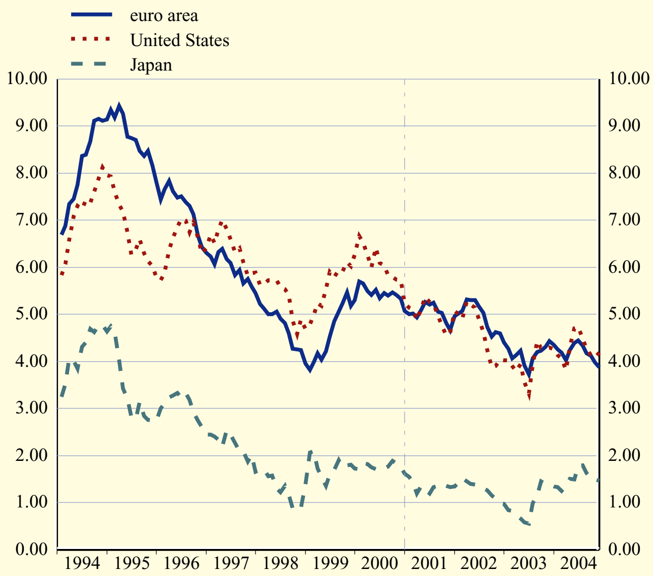
4.7 Government bond yields
(percentages per annum; period averages)

	Euro area [1)]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
2001	4.11	4.23	4.49	4.79	5.03	5.01	1.34
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2003 Q3	2.48	2.77	3.34	3.70	4.16	4.21	1.19
Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
2003 Nov.	2.70	2.99	3.70	3.94	4.44	4.29	1.38
Dec.	2.58	2.88	3.59	3.85	4.36	4.26	1.35
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46

C24 Euro area government bond yields
(monthly; percentages per annum)



C25 10-year government bond yields
(monthly; percentages per annum)



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

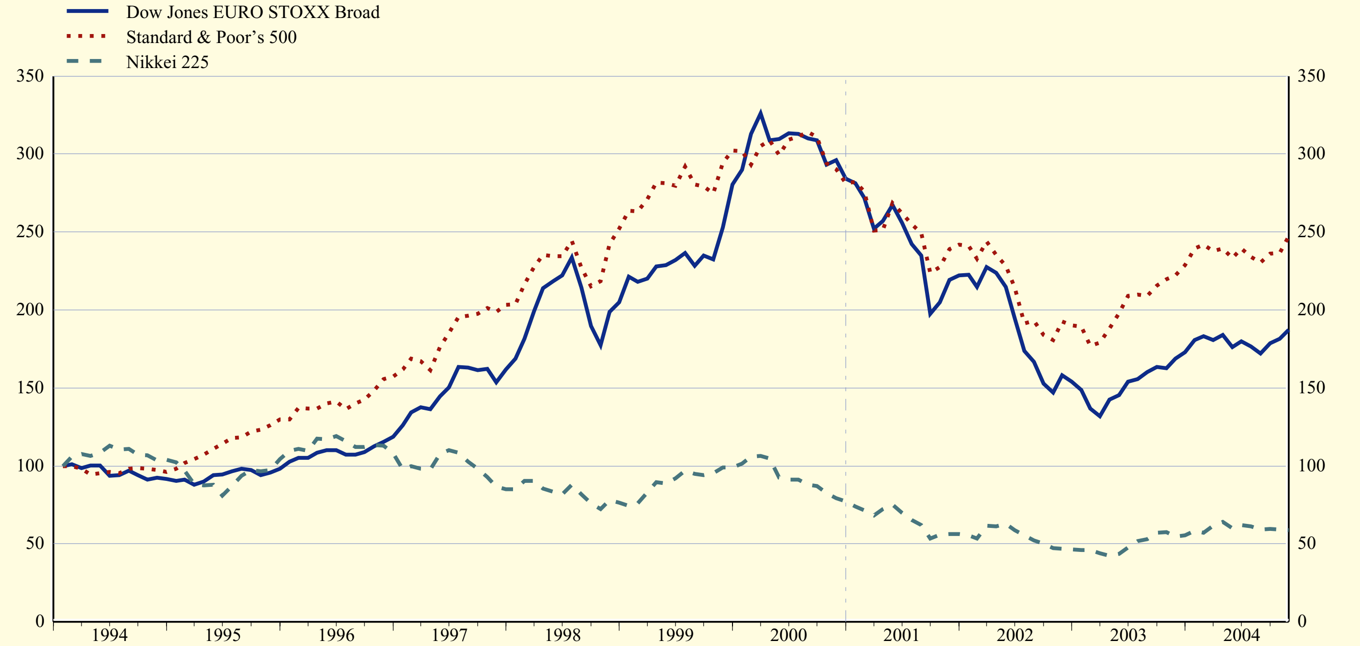
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	336.3	4,049.7	296.0	284.5	263.7	341.4	321.6	310.0	530.6	309.6	541.2	540.2	1,193.8	12,114.5
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2003 Q3	221.7	2,511.5	225.1	152.1	199.7	265.8	209.9	224.9	285.9	216.0	347.4	304.6	1,000.3	10,063.2
Q4	233.0	2,614.3	233.7	160.2	211.2	266.7	221.9	240.2	317.5	219.7	360.6	320.2	1,057.1	10,423.3
2004 Q1	251.6	2,846.5	245.0	166.9	222.1	279.9	240.5	257.1	353.0	248.7	405.3	366.6	1,132.7	10,996.9
Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
2003 Nov.	233.9	2,618.1	237.5	163.1	212.9	262.0	223.0	241.5	325.4	217.0	358.7	319.3	1,050.3	10,205.4
Dec.	239.6	2,702.2	242.0	160.4	214.5	274.5	230.1	247.9	320.2	231.0	374.4	331.5	1,081.2	10,315.9
2004 Jan.	250.6	2,839.1	250.3	165.6	221.7	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.9	10,876.4
Feb.	253.9	2,874.8	244.7	168.4	224.1	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.5	10,618.6
Mar.	250.5	2,829.0	240.3	166.7	220.9	286.3	236.1	254.1	351.4	254.5	399.3	379.3	1,124.0	11,441.1
Apr.	255.0	2,860.9	247.6	168.3	227.8	300.2	241.0	262.6	321.3	264.7	402.0	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	160.8	223.0	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.6	11,141.0
June	249.8	2,792.2	246.1	164.9	227.9	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.8
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5

C26 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5

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)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total [2]	100.0	100.0	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	1	2	3	4	5	6	7	8	9	10
2000	106.0	2.1	2.5	1.5	-	-	-	-	-	-
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2003 Q3	113.4	2.0	1.7	2.5	0.5	0.6	1.5	0.1	0.5	0.6
Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.8	1.1	-0.1	0.4	3.3	0.6
Q3	115.9	2.2	2.0	2.6	0.5	0.4	-0.3	0.1	1.9	0.7
2004 June	115.9	2.4	2.2	2.6	0.1	0.1	0.3	0.1	-0.7	0.3
July	115.7	2.3	2.1	2.7	0.1	0.2	-0.4	-0.2	0.6	0.2
Aug.	115.9	2.3	2.1	2.7	0.3	0.1	-0.3	0.3	1.5	0.3
Sep.	116.1	2.1	1.8	2.6	0.0	-0.1	-0.1	0.0	-0.1	0.1
Oct.	116.5	2.4	2.2	2.6	0.3	0.0	-0.1	0.1	2.9	0.2
Nov. [3]	.	2.2	.	.	.	.	.	.	.	.

	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 [2]	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2000	1.4	1.2	1.8	3.0	0.5	13.0	1.5	1.3	2.5	-7.1	2.4	2.5
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2003 Q3	3.2	3.1	3.4	1.0	0.7	2.1	2.4	1.9	2.8	-0.4	2.6	3.2
Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
2004 June	2.8	3.8	1.2	2.0	0.9	5.9	2.3	1.8	3.0	-2.0	2.5	5.0
July	2.6	3.8	0.7	1.8	0.7	5.9	2.5	1.9	2.9	-2.4	2.6	5.3
Aug.	2.1	3.6	-0.2	2.1	0.9	6.5	2.5	2.0	2.9	-2.5	2.6	5.2
Sep.	1.4	3.3	-1.5	2.0	0.8	6.4	2.5	1.9	2.7	-2.8	2.5	5.2
Oct.	1.2	2.8	-1.2	2.7	0.8	9.8	2.6	2.1	2.8	-2.5	2.4	5.2

Sources: Eurostat and ECB calculations.
1) Data prior to 2001 refer to the Euro 11.
2) Referring to the index period 2004. Due to rounding, component weights might not add up to the total.
3) Estimate based on first releases by Germany, Spain and Italy (and, when available, by other Member States), as well as on early information on energy prices.

2. Industry and commodity prices

	Industrial producer prices											World market prices of raw materials [1]		Oil prices [2] (EUR per barrel)
	Industry excluding construction									Construction [3]	Manufacturing	Total		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy				Total excluding energy	
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total [4]	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5		89.5	100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	100.0	5.3	2.5	5.0	0.6	1.6	1.4	1.6	16.4	2.5	4.8	51.9	20.4	31.0
2001	102.0	2.0	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.4	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	0.9	-4.0	-4.5	25.1
2003 Q3	103.2	1.1	0.5	0.0	0.3	1.2	0.6	1.3	3.1	2.0	0.4	-6.5	-5.8	25.1
Q4	103.4	1.0	0.6	0.3	0.3	1.2	0.5	1.3	2.0	1.6	0.5	-4.2	-1.2	24.5
2004 Q1	103.9	0.2	0.8	1.0	0.3	1.1	0.4	1.3	-2.6	1.8	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.6	3.7	2.4	2.5	28.8	20.9	29.3
Q3	106.4	3.1	2.4	4.7	0.9	1.3	0.8	1.4	5.8	.	3.5	26.9	11.9	33.3
2004 June	105.5	2.4	2.0	3.3	0.7	1.6	0.6	1.7	4.4	-	2.8	27.8	21.9	29.3
July	106.0	2.9	2.3	4.2	0.8	1.5	0.7	1.7	5.2	-	3.2	24.9	18.0	30.7
Aug.	106.4	3.1	2.5	4.8	0.9	1.4	0.8	1.5	5.4	-	3.5	25.5	11.0	34.1
Sep.	106.6	3.3	2.5	5.0	0.9	1.1	0.8	1.1	7.0	-	3.8	30.5	6.9	35.0
Oct.	.	.	.	.	.	.	.	.	.	-	.	35.1	3.7	39.4
Nov.	.	.	.	.	.	.	.	.	.	-	.	21.0	0.4	34.5

3. Hourly labour costs [5]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2000	100.0	3.1	3.5	2.0	3.0	3.6	3.7	2.2
2001	103.5	3.6	3.7	3.0	3.4	4.0	3.2	2.6
2002	107.4	3.7	3.6	4.1	3.7	4.0	3.5	2.7
2003	110.4	2.8	2.7	3.1	2.9	3.3	2.7	2.4
2003 Q3	110.8	2.8	2.7	3.2	3.0	3.1	2.8	2.4
Q4	111.3	2.1	2.1	2.4	2.1	2.7	2.2	2.2
2004 Q1	112.1	2.7	2.7	2.7	3.0	3.0	2.6	2.3
Q2	112.6	2.1	2.2	1.9	2.3	2.0	2.1	2.2
Q3	.	.	.	.	.	.	.	2.0

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 8 in Table 3 in Section 5.1).
1) Refers to the prices expressed in euro.
2) Brent Blend (for one-month forward delivery).
3) Residential buildings, based on non-harmonised data.
4) In 2000.
5) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, components are not consistent with the total.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

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

	Total (index 2000 = 100)	Total	By economic activity: Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2000	100.0	1.4	0.8	-0.3	1.7	0.3	3.7	1.6
2001	102.6	2.6	2.4	2.7	3.9	0.8	3.3	2.8
2002	104.8	2.2	-0.2	0.8	2.6	1.8	3.7	2.5
2003	106.9	2.0	4.1	1.1	3.8	1.7	1.9	2.5
2003 Q2	107.1	2.5	6.1	2.4	3.7	2.2	2.4	2.5
Q3	107.2	2.2	5.8	1.7	4.0	1.2	1.1	3.4
Q4	107.1	1.5	3.3	0.2	3.7	2.0	1.8	1.6
2004 Q1	107.1	0.9	-4.4	0.4	2.6	0.6	1.4	1.6
Q2	107.5	0.3	-5.2	-2.4	1.2	-0.5	1.1	2.1
	Compensation per employee							
2000	100.0	2.7	2.1	3.4	2.6	1.8	2.4	2.8
2001	102.8	2.8	1.9	2.6	3.0	2.7	2.4	3.0
2002	105.4	2.5	2.8	2.4	2.8	2.7	2.0	2.8
2003	107.9	2.4	2.4	3.2	3.4	1.9	1.7	2.4
2003 Q2	107.7	2.5	4.1	3.3	4.0	2.4	2.2	2.0
Q3	108.3	2.5	1.8	3.2	3.7	1.4	1.3	3.3
Q4	108.5	2.1	2.0	3.1	3.3	1.4	1.6	2.1
2004 Q1	109.2	2.0	-1.8	3.7	2.8	0.9	1.2	2.3
Q2	109.8	2.0	-0.7	2.9	1.6	0.5	1.2	3.2
	Labour productivity [2]							
2000	100.0	1.3	1.2	3.7	0.9	1.4	-1.3	1.1
2001	100.2	0.2	-0.5	-0.1	-0.9	1.9	-0.8	0.2
2002	100.5	0.3	3.1	1.6	0.2	0.9	-1.6	0.3
2003	100.9	0.4	-1.6	2.0	-0.3	0.2	-0.2	-0.1
2003 Q2	100.5	0.0	-1.8	0.9	0.2	0.2	-0.2	-0.5
Q3	101.0	0.2	-3.8	1.5	-0.3	0.2	0.2	-0.1
Q4	101.3	0.6	-1.3	2.9	-0.4	-0.5	-0.2	0.4
2004 Q1	102.0	1.2	2.7	3.3	0.2	0.3	-0.2	0.7
Q2	102.2	1.7	4.8	5.4	0.4	1.0	0.1	1.0

5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand: Total	Private consumption	Government consumption	Gross fixed capital formation	Exports [3]	Imports [3]
	1	2	3	4	5	6	7	8
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.3	2.4	2.0	1.4	0.8
2002	105.0	2.6	2.1	2.3	2.1	1.8	-0.4	-1.7
2003	107.2	2.1	1.8	2.0	2.2	1.3	-0.6	-1.2
2003 Q3	107.5	2.1	1.8	1.9	2.8	1.2	-0.7	-1.6
Q4	108.0	2.0	1.6	1.9	1.6	1.2	-0.8	-1.9
2004 Q1	108.5	1.9	1.5	1.6	1.6	1.9	-0.7	-2.1
Q2	109.1	2.1	2.0	2.0	1.8	2.7	1.3	0.8
Q3	109.7	2.0	2.1	2.1	1.4	3.1	1.8	2.1

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

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2000	6,580.8	6,521.5	3,767.7	1,309.1	1,418.6	26.1	59.3	2,440.5	2,381.1
2001	6,847.3	6,730.0	3,926.7	1,372.7	1,441.3	-10.7	117.3	2,555.3	2,438.1
2002	7,082.5	6,896.0	4,040.4	1,444.9	1,428.1	-17.5	186.5	2,594.7	2,408.1
2003	7,265.4	7,105.0	4,160.0	1,500.5	1,439.5	5.0	160.4	2,584.9	2,424.5
2003 Q3	1,824.1	1,775.1	1,043.4	379.3	359.5	-7.0	49.0	650.9	601.9
Q4	1,838.4	1,796.2	1,048.4	378.7	364.8	4.3	42.2	653.9	611.7
2004 Q1	1,858.8	1,812.4	1,060.0	381.3	367.1	4.0	46.4	664.4	618.0
Q2	1,879.6	1,832.0	1,067.2	386.4	371.9	6.5	47.6	691.4	643.8
Q3	1,895.5	1,860.8	1,076.2	392.0	376.4	16.3	34.7	702.8	668.2
	percentage of GDP								
2003	100.0	97.8	57.3	20.7	19.8	0.1	2.2	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2003 Q3	0.5	0.0	0.3	0.6	0.3	-	-	2.6	1.3
Q4	0.4	1.0	0.0	0.5	1.0	-	-	0.3	2.0
2004 Q1	0.7	0.2	0.6	0.1	-0.3	-	-	1.5	0.5
Q2	0.5	0.3	0.2	0.4	0.3	-	-	3.1	2.8
Q3	0.3	1.1	0.2	0.8	0.6	-	-	1.2	3.2
	annual percentage changes								
2000	3.5	3.0	2.8	2.3	4.9	-	-	12.2	11.1
2001	1.6	0.9	1.9	2.4	-0.4	-	-	3.3	1.6
2002	0.9	0.3	0.6	3.1	-2.7	-	-	1.9	0.5
2003	0.5	1.2	1.0	1.6	-0.5	-	-	0.2	1.9
2003 Q3	0.4	0.8	0.8	1.6	-0.2	-	-	0.2	1.3
Q4	0.8	1.5	0.5	1.5	0.3	-	-	0.3	2.1
2004 Q1	1.4	1.2	1.0	1.7	0.8	-	-	3.6	3.1
Q2	2.1	1.6	1.1	1.7	1.3	-	-	7.6	6.7
Q3	1.8	2.7	1.0	1.9	1.6	-	-	6.1	8.7
	contributions to annual percentage changes of GDP in percentage points								
2000	3.5	3.0	1.6	0.5	1.1	-0.1	0.5	-	-
2001	1.6	0.9	1.1	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.3	0.4	0.6	-0.6	-0.1	0.6	-	-
2003	0.5	1.1	0.5	0.3	-0.1	0.4	-0.6	-	-
2003 Q3	0.4	0.8	0.5	0.3	0.0	0.0	-0.4	-	-
Q4	0.8	1.4	0.3	0.3	0.1	0.8	-0.7	-	-
2004 Q1	1.4	1.1	0.5	0.3	0.2	0.1	0.3	-	-
Q2	2.1	1.6	0.6	0.3	0.3	0.3	0.5	-	-
Q3	1.8	2.6	0.6	0.4	0.3	1.3	-0.8	-	-

Source: Eurostat.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.

2) Including acquisitions less disposals of valuables.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices): Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	Intermediate consumption of FISIM [1]	Taxes less subsidies on products
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2000	6,082.1	145.4	1,366.6	337.0	1,278.2	1,648.0	1,306.8	203.1	701.9
2001	6,344.6	150.8	1,405.0	351.5	1,348.3	1,722.6	1,366.4	211.9	714.6
2002	6,565.2	148.6	1,429.7	363.8	1,389.2	1,799.0	1,434.9	222.5	739.8
2003	6,732.4	151.7	1,434.9	374.6	1,419.0	1,871.1	1,481.1	229.9	762.9
2003 Q3	1,692.7	38.2	358.8	94.0	356.9	470.7	374.0	57.8	189.2
Q4	1,701.7	38.7	361.8	95.3	358.0	474.6	373.2	57.5	194.2
2004 Q1	1,720.9	38.5	366.0	96.7	361.6	480.3	377.8	57.8	195.7
Q2	1,743.3	38.2	372.7	98.7	365.3	486.3	382.1	58.6	194.8
Q3	1,756.9	37.7	376.6	98.6	367.1	491.0	385.9	58.4	197.0
	percentage of value added								
2003	100.0	2.3	21.3	5.6	21.1	27.8	22.0	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2003 Q3	0.6	-0.9	0.9	-0.2	0.7	0.6	0.4	0.4	0.2
Q4	0.3	1.4	0.6	0.0	-0.1	0.2	0.5	-0.6	0.8
2004 Q1	0.7	3.0	1.0	0.3	0.8	0.5	0.3	-0.4	0.1
Q2	0.7	0.0	1.1	0.4	0.7	0.8	0.4	0.8	-1.7
Q3	0.2	0.9	0.2	-0.7	0.3	0.1	0.3	0.2	1.5
	annual percentage changes								
2000	3.8	-0.3	4.3	2.7	4.5	4.5	2.7	7.2	1.7
2001	1.9	-1.1	0.3	-0.4	3.4	3.0	1.6	4.7	0.3
2002	0.9	0.8	0.1	-0.6	1.2	0.8	2.2	0.3	-0.2
2003	0.5	-3.9	0.0	-0.6	0.7	1.1	1.0	1.3	0.7
2003 Q3	0.5	-5.7	-0.6	-0.4	1.0	1.3	0.9	1.5	0.3
Q4	0.7	-2.6	0.8	-0.4	0.5	1.1	1.1	0.0	0.8
2004 Q1	1.3	1.5	1.2	0.3	1.5	1.4	1.2	-0.1	1.9
Q2	2.3	3.5	3.6	0.5	2.2	2.0	1.5	0.2	-0.7
Q3	1.9	5.4	2.9	0.0	1.7	1.5	1.4	0.0	0.7
	contributions to annual percentage changes of value added in percentage points								
2000	3.8	0.0	1.0	0.2	1.0	1.2	0.6	-	-
2001	1.9	0.0	0.1	0.0	0.7	0.8	0.3	-	-
2002	0.9	0.0	0.0	0.0	0.3	0.2	0.4	-	-
2003	0.5	-0.1	0.0	0.0	0.2	0.3	0.2	-	-
2003 Q3	0.5	-0.1	-0.1	0.0	0.2	0.3	0.2	-	-
Q4	0.7	-0.1	0.2	0.0	0.1	0.3	0.2	-	-
2004 Q1	1.3	0.0	0.3	0.0	0.3	0.4	0.3	-	-
Q2	2.3	0.1	0.8	0.0	0.5	0.5	0.3	-	-
Q3	1.9	0.1	0.6	0.0	0.4	0.4	0.3	-	-

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

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

3. Industrial production

	Total	Industry excluding construction: Total (s.a. index 2000 = 100)	Industry excluding construction: Total	Industry excluding construction and energy: Total	Intermediate goods	Capital goods	Consumer goods: Total	Consumer goods: Durable	Consumer goods: Non-durable	Energy	Construction	Manufacturing
% of total 1)	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	4.9	100.1	5.2	5.2	6.2	8.2	1.7	6.1	0.9	1.9	2.5	5.6
2001	0.6	100.5	0.4	0.2	-0.7	1.8	0.4	-2.0	0.8	1.4	0.8	0.3
2002	-0.3	99.9	-0.5	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.2	0.7	-0.8
2003	0.3	100.3	0.3	0.0	0.2	0.0	-0.5	-4.3	0.2	3.0	-0.1	0.0
2003 Q4	1.4	101.2	1.4	1.4	1.4	1.9	0.0	-1.4	0.2	2.8	0.5	1.4
2004 Q1	1.4	101.3	1.0	1.0	0.8	0.7	0.5	1.1	0.4	2.1	1.4	0.9
Q2	3.1	102.4	3.0	3.1	2.7	4.8	1.5	3.1	1.2	2.7	-0.9	3.3
Q3	.	102.6	2.5	2.6	3.1	4.6	0.4	-0.9	0.6	1.9	.	2.8
2004 Apr.	1.8	102.0	1.8	1.8	1.9	2.5	0.9	2.6	0.6	2.2	-1.8	1.9
May	3.6	102.6	3.8	3.9	3.2	5.6	2.4	5.2	1.9	3.7	-1.1	4.1
June	4.0	102.5	3.4	3.5	3.0	6.2	1.2	1.6	1.2	2.3	0.2	3.8
July	.	102.7	2.4	2.5	3.5	3.7	0.0	0.5	-0.1	0.9	.	2.6
Aug.	.	102.2	1.7	1.9	2.1	4.4	0.5	-1.1	0.7	1.0	.	2.2
Sep.	.	103.0	3.3	3.1	3.5	5.7	0.6	-2.0	1.1	3.9	.	3.3
	month-on-month percentage changes (s.a.)											
2004 Apr.	0.2	-	0.4	0.5	1.3	0.9	0.1	0.5	0.1	-1.7	-0.4	0.5
May	0.5	-	0.5	0.6	0.0	1.1	0.1	0.2	0.1	0.3	-0.2	0.6
June	0.2	-	-0.1	-0.2	0.1	0.0	-0.4	-1.5	-0.2	0.2	1.2	-0.1
July	.	-	0.3	0.4	1.0	0.2	0.2	1.0	0.1	-0.7	.	0.3
Aug.	.	-	-0.6	-0.7	-0.7	-0.3	-0.4	-2.7	0.0	0.9	.	-0.6
Sep.	.	-	0.8	0.7	0.5	1.1	0.1	0.2	0.0	0.0	.	0.6

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

	Industrial new orders: Manufacturing 2) (current prices): Total (s.a. index 2000 = 100)	Industrial new orders: Total	Industrial turnover: Manufacturing (current prices): Total (s.a. index 2000 = 100)	Industrial turnover: Total	Retail sales: Current prices: Total	Retail sales: Constant prices: Total (s.a. index 2000 = 100)	Constant prices: Total	Food, beverages, tobacco	Non-food	Non-food: Textiles, clothing, footwear	Non-food: Household equipment	New passenger car registrations: Total (s.a. thousands 3))	New passenger car registrations: Total
% of total 1)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000	100.2	12.2	100.0	10.8	4.1	100.0	2.1	1.9	2.0	1.0	4.1	977	-1.8
2001	98.5	-1.5	102.1	1.9	4.0	101.7	1.7	1.7	1.5	0.7	-0.2	968	-0.8
2002	98.0	-0.6	101.4	-0.6	1.9	101.7	0.0	0.9	-0.6	-2.0	-2.0	925	-4.4
2003	98.5	0.6	101.0	-0.3	1.8	102.0	0.3	1.1	-0.3	-2.7	0.1	912	-1.5
2003 Q4	101.5	4.2	101.8	0.5	1.5	101.9	-0.1	0.2	-0.3	-3.5	0.3	922	-2.5
2004 Q1	101.5	4.9	103.9	2.5	1.1	102.4	0.5	0.4	0.4	-1.9	2.1	912	0.9
Q2	107.7	11.8	106.0	6.3	1.1	102.3	0.0	-0.4	0.3	-0.4	2.3	926	3.0
Q3	105.8	7.8	106.3	5.5	1.1	102.1	0.2	-0.3	0.5	0.8	1.9	901	-3.5
2004 May	112.1	16.4	102.7	3.4	0.4	101.0	-1.6	-1.8	-1.5	-3.4	1.1	923	4.1
June	106.1	12.7	108.5	11.2	1.6	102.9	1.2	0.8	1.6	1.3	3.6	926	0.7
July	105.5	5.3	106.0	2.3	1.3	102.6	0.6	0.5	0.8	1.1	2.3	909	-1.8
Aug.	104.9	10.8	105.0	9.2	1.7	101.8	0.0	-1.6	1.0	1.8	1.8	871	-9.4
Sep.	106.9	8.1	108.0	6.0	0.9	102.0	0.0	0.2	-0.1	-0.4	1.7	925	-0.6
Oct.	.	.	.	.	.	.	.	.	.	.	.	954	3.9
	month-on-month percentage changes (s.a.)												
2004 May	-	6.7	-	-3.8	-0.8	-	-1.9	-1.5	-1.7	-4.0	-1.0	-	-0.5
June	-	-5.4	-	5.6	1.2	-	1.9	1.5	2.0	4.1	1.5	-	0.3
July	-	-0.5	-	-2.3	-0.3	-	-0.3	0.3	-0.6	-0.1	-0.6	-	-1.9
Aug.	-	-0.6	-	-0.9	0.0	-	-0.8	-1.1	-0.7	-1.9	-0.6	-	-4.1
Sep.	-	1.8	-	2.9	-0.1	-	0.1	0.7	0.0	-1.1	0.6	-	6.2
Oct.	-	.	-	.	.	-	.	.	.	.	.	-	3.1

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [3),4)] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2000	114.1	4	2	4	16	84.5	1	4	1	1	2
2001	100.8	-9	-15	14	1	83.0	-5	2	-10	14	2
2002	94.4	-11	-25	11	3	81.5	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2003 Q3	94.2	-11	-27	11	4	81.1	-17	-4	-20	38	-8
Q4	97.7	-7	-22	9	8	81.1	-16	-5	-17	33	-9
2004 Q1	98.8	-7	-21	10	11	80.7	-14	-4	-13	30	-9
Q2	100.0	-5	-16	8	10	81.1	-15	-3	-15	32	-8
Q3	100.6	-4	-12	8	9	81.6	-14	-4	-13	29	-8
2004 June	99.7	-4	-15	8	10	-	-14	-3	-14	31	-8
July	99.8	-4	-12	8	8	81.6	-14	-4	-14	30	-9
Aug.	100.9	-4	-12	7	8	-	-14	-4	-14	30	-7
Sep.	101.0	-3	-12	8	11	-	-13	-3	-12	28	-7
Oct.	101.3	-3	-11	7	10	81.7	-14	-4	-13	29	-8
Nov.	100.8	-3	-12	8	10	-	-13	-4	-14	29	-5

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2000	-5	-13	3	-2	-1	17	11	30	36	23	33
2001	-11	-16	-4	-7	-5	17	-1	15	16	8	20
2002	-19	-27	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	11
2003 Q3	-21	-28	-15	-10	-15	17	1	5	-1	4	13
Q4	-20	-27	-11	-8	-12	15	3	10	6	11	15
2004 Q1	-19	-28	-9	-8	-12	15	1	11	6	6	20
Q2	-16	-23	-9	-8	-10	15	2	11	5	11	17
Q3	-16	-24	-7	-8	-10	14	0	11	6	11	18
2004 June	-15	-24	-6	-10	-14	16	0	10	4	11	15
July	-16	-25	-7	-9	-10	15	-1	11	6	12	16
Aug.	-15	-24	-6	-7	-10	12	2	12	7	12	17
Sep.	-16	-22	-9	-9	-11	16	0	11	4	9	20
Oct.	-14	-23	-5	-7	-13	14	7	12	7	12	17
Nov.	-13	-19	-7	-9	-15	12	-1	10	5	8	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 from January 1985.

3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.

4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.

5) The confidence indicators are calculated as simple averages of the components shown; the assessment of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]
(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	84.2	15.8	4.6	18.8	7.1	25.2	14.5	29.8
	1	2	3	4	5	6	7	8	9	10
2000	131.428	2.2	2.5	0.6	-1.5	0.6	1.9	3.1	5.9	1.6
2001	133.275	1.4	1.6	0.2	-0.4	0.3	0.6	1.5	3.9	1.4
2002	133.980	0.5	0.7	-0.2	-2.1	-1.4	-0.6	0.3	2.4	1.8
2003	134.144	0.1	0.1	0.2	-2.2	-2.0	-0.1	0.5	1.2	1.0
2003 Q2	134.057	0.1	0.1	0.1	-2.7	-2.0	0.2	0.4	1.0	1.3
Q3	134.088	0.2	0.1	0.3	-1.9	-2.0	-0.1	0.9	1.1	0.9
Q4	134.184	0.2	0.1	0.6	-1.2	-2.0	-0.2	1.1	1.2	0.6
2004 Q1	134.259	0.2	0.1	0.4	-1.2	-2.1	0.1	1.1	1.3	0.5
Q2	134.538	0.3	0.2	0.9	-1.0	-1.6	0.3	1.1	1.7	0.4
	quarter-on-quarter changes (s.a.)									
2003 Q2	0.122	0.1	0.1	0.2	-0.3	-0.5	0.4	0.3	0.1	0.3
Q3	0.031	0.0	-0.1	0.5	0.0	-0.5	-0.4	0.4	0.4	-0.1
Q4	0.096	0.1	0.0	0.3	0.0	-0.6	-0.1	0.2	0.6	0.2
2004 Q1	0.075	0.1	0.1	-0.2	-0.8	-0.4	0.2	0.2	0.4	0.1
Q2	0.279	0.2	0.1	0.6	-0.3	-0.2	0.4	0.3	0.5	0.3

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		50.2		49.8	
	1	2	3	4	5	6	7	8	9	10
2000	11.608	8.4	8.881	7.3	2.727	16.7	5.499	7.0	6.109	10.4
2001	11.084	8.0	8.539	7.0	2.546	15.8	5.338	6.7	5.746	9.7
2002	11.806	8.4	9.181	7.4	2.626	16.4	5.841	7.3	5.966	9.9
2003	12.534	8.9	9.797	7.8	2.737	17.2	6.292	7.9	6.243	10.2
2003 Q3	12.578	8.9	9.840	7.8	2.738	17.3	6.314	7.9	6.264	10.2
Q4	12.599	8.9	9.878	7.8	2.721	17.3	6.324	7.9	6.275	10.2
2004 Q1	12.610	8.9	9.876	7.8	2.734	17.4	6.322	7.9	6.288	10.2
Q2	12.676	8.9	9.932	7.9	2.744	17.4	6.358	7.9	6.318	10.2
Q3	12.708	8.9	9.961	7.9	2.748	17.4	6.376	7.9	6.332	10.2
2004 May	12.670	8.9	9.930	7.9	2.739	17.4	6.356	7.9	6.314	10.2
June	12.687	8.9	9.945	7.9	2.742	17.4	6.363	7.9	6.324	10.2
July	12.691	8.9	9.954	7.9	2.737	17.4	6.364	7.9	6.327	10.2
Aug.	12.717	8.9	9.965	7.9	2.752	17.5	6.379	7.9	6.338	10.2
Sep.	12.717	8.9	9.963	7.9	2.755	17.5	6.385	7.9	6.332	10.2
Oct.	12.681	8.9	9.933	7.9	2.748	17.4	6.371	7.9	6.310	10.2

Sources: ECB calculations based on Eurostat data (in Table 1 in Section 5.3) and Eurostat (Table 2 in Section 5.3).

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2003.
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
1995	46.9	46.4	11.5	9.1	2.0	13.3	0.9	17.3	8.4	5.5	2.4	0.4	0.3	42.4
1996	47.6	47.3	11.9	9.2	2.3	13.4	0.8	17.5	8.7	5.6	2.4	0.4	0.3	43.1
1997	47.9	47.4	12.1	9.2	2.6	13.6	0.7	17.5	8.7	5.5	2.4	0.5	0.4	43.6
1998	47.3	47.0	12.4	9.7	2.3	14.2	0.7	16.4	8.5	4.9	2.4	0.3	0.3	43.3
1999	47.8	47.5	12.8	9.8	2.6	14.4	0.6	16.4	8.4	5.0	2.3	0.3	0.3	43.8
2000	47.5	47.2	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.3	0.3	43.6
2001	46.8	46.6	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.3	0.3	42.8
2002	46.3	45.9	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.3	0.3	42.3
2003	46.3	45.7	11.8	9.3	2.2	13.9	0.4	16.2	8.5	4.8	2.3	0.7	0.5	42.4

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
1995	52.0	47.6	11.2	4.8	5.8	25.9	22.7	2.3	0.6	4.4	2.7	1.7	0.1	46.2
1996	52.0	48.1	11.2	4.8	5.8	26.3	23.2	2.3	0.6	3.9	2.6	1.3	0.0	46.2
1997	50.6	46.9	11.1	4.7	5.2	26.0	23.1	2.1	0.6	3.6	2.4	1.2	0.1	45.4
1998	49.6	45.8	10.7	4.6	4.8	25.7	22.6	2.1	0.6	3.8	2.5	1.3	0.1	44.8
1999	49.1	45.2	10.7	4.7	4.3	25.6	22.5	2.1	0.5	3.9	2.5	1.4	0.1	44.8
2000	48.5	44.6	10.6	4.7	4.1	25.3	22.2	1.9	0.5	3.9	2.5	1.3	0.1	44.4
2001	48.6	44.6	10.5	4.8	4.0	25.3	22.3	1.9	0.5	4.0	2.6	1.4	0.0	44.6
2002	48.7	44.9	10.6	4.9	3.7	25.6	22.8	1.9	0.5	3.8	2.5	1.3	0.0	45.0
2003	49.1	45.2	10.7	4.9	3.5	26.0	23.1	1.8	0.5	3.9	2.6	1.3	0.1	45.6

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
1995	-5.2	-4.4	-0.5	-0.1	-0.2	0.6	20.4	11.2	4.8	5.0	1.9	2.4	8.6	11.8
1996	-4.3	-3.8	-0.4	0.0	-0.1	1.4	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.5	20.2	11.1	4.7	5.0	1.8	2.4	8.4	11.8
1998	-2.3	-2.2	-0.2	0.1	0.1	2.5	19.9	10.7	4.6	5.0	1.8	2.4	8.2	11.7
1999	-1.3	-1.7	-0.1	0.1	0.4	2.9	19.9	10.7	4.7	5.0	1.8	2.3	8.2	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	3.1	19.9	10.6	4.7	5.1	1.8	2.3	8.2	11.7
2001	-1.7	-1.6	-0.4	0.0	0.3	2.3	20.1	10.5	4.8	5.2	1.8	2.2	8.2	11.8
2002	-2.4	-2.0	-0.5	-0.2	0.2	1.3	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1
2003	-2.7	-2.2	-0.4	-0.1	0.0	0.7	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	0.2	1.3	-4.1	-0.9	-1.4	4.4	-0.6	6.0	2.2	-1.5	-2.8	7.1
2001	0.6	-2.8	-3.7	-0.4	-1.5	0.9	-2.6	6.4	-0.1	0.3	-4.4	5.2
2002	0.1	-3.7	-3.7	-0.1	-3.2	-0.2	-2.3	2.8	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-4.6	0.4	-4.1	0.1	-2.4	0.8	-3.2	-1.1	-2.8	2.3

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

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

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

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

	Total	Financial instruments				Holders				
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1994	70.7	2.8	16.2	10.7	41.0	56.3	30.2	9.6	16.5	14.4
1995	74.9	2.8	17.9	10.1	44.1	58.6	32.8	8.7	17.1	16.2
1996	76.1	2.8	17.3	10.2	45.8	59.0	32.7	10.2	16.2	17.1
1997	75.5	2.7	16.3	9.0	47.4	56.7	31.0	11.8	13.9	18.7
1998	73.8	2.7	15.1	7.9	48.1	53.1	28.8	12.7	11.6	20.7
1999	72.8	2.9	14.3	6.8	48.9	48.5	27.1	9.7	11.7	24.4
2000	70.4	2.7	13.2	6.1	48.4	44.2	23.4	9.1	11.7	26.2
2001	69.4	2.7	12.5	6.3	48.0	42.2	22.1	8.3	11.7	27.3
2002	69.4	2.7	11.8	6.6	48.3	39.0	20.5	6.9	11.6	30.4
2003	70.7	2.1	11.8	8.2	48.5	38.8	20.6	7.3	10.8	31.9

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1994	70.7	58.9	5.3	5.9	0.6	12.3	58.3	7.2	17.8	27.1	25.7	68.3	2.3
1995	74.9	62.6	5.6	5.9	0.8	12.9	62.0	5.6	18.9	26.8	29.2	72.7	2.2
1996	76.1	63.8	6.0	5.7	0.5	12.2	63.9	5.3	20.5	25.8	29.7	74.1	2.0
1997	75.5	63.2	6.2	5.5	0.6	11.1	64.3	4.6	19.8	25.9	29.8	73.5	2.0
1998	73.8	62.0	6.2	5.3	0.4	9.4	64.4	4.8	17.1	26.9	29.8	72.0	1.8
1999	72.8	61.2	6.1	5.2	0.3	9.2	63.6	3.2	15.5	27.7	29.7	70.9	2.0
2000	70.4	59.1	6.0	5.0	0.3	8.2	62.2	2.9	15.3	28.3	26.8	68.6	1.8
2001	69.4	58.1	6.2	4.9	0.3	8.7	60.7	1.6	15.9	26.4	27.1	67.9	1.6
2002	69.4	57.8	6.4	4.8	0.3	9.1	60.3	1.6	16.8	25.3	27.3	68.0	1.4
2003	70.7	58.3	6.7	5.2	0.6	9.2	61.5	1.5	15.6	26.4	28.8	69.7	1.0

3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	109.1	60.2	114.0	61.1	56.8	38.3	111.2	5.5	55.9	65.8	53.3	44.6
2001	108.0	59.4	114.7	57.5	56.5	35.9	110.6	5.5	52.9	66.1	55.8	43.8
2002	105.4	60.9	112.5	54.4	58.8	32.7	107.9	5.7	52.6	65.7	58.4	42.6
2003	100.0	64.2	109.9	50.7	63.7	32.1	106.2	5.3	54.1	64.5	60.3	45.6

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

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2)]	Valuation effects [3)]	Other changes in volume [4)]	Aggregation effect [5)]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6)]	MFIs	Other financial corporations	Other creditors [7)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	7.7	5.2	0.4	2.4	-0.3	0.1	2.5	0.0	5.1	5.1	4.1	-0.4	2.6
1996	3.9	4.4	-0.2	0.1	-0.4	0.1	0.1	0.4	3.3	2.4	1.0	1.7	1.4
1997	2.3	2.3	0.5	-0.4	-0.1	0.0	-0.3	-0.8	3.4	0.0	-0.4	2.0	2.3
1998	1.7	1.9	-0.2	0.0	-0.1	0.1	-0.5	-0.7	2.8	-1.1	-0.9	1.4	2.8
1999	1.9	1.5	0.3	0.0	-0.1	0.2	-0.3	-0.8	2.7	-2.6	-0.5	-2.6	4.5
2000	1.0	1.0	0.2	-0.1	0.0	0.0	-0.4	-0.4	1.8	-2.0	-2.4	-0.1	3.0
2001	1.8	1.7	0.1	0.0	0.0	0.1	-0.2	0.4	1.4	-0.3	-0.4	-0.5	2.1
2002	2.2	2.4	-0.4	0.2	0.0	0.1	-0.3	0.6	1.9	-1.8	-0.9	-1.1	4.0
2003	3.1	2.9	0.3	-0.1	0.0	-0.5	0.3	1.8	1.4	0.8	0.7	0.5	2.3

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 [11)]
				Total	Currency and deposits	Securities [10)]	Loans	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	7.7	-5.2	2.5	0.3	0.2	-0.1	0.4	-0.1	-0.4	0.2	0.4	-0.1	2.4	-0.6
1996	3.9	-4.3	-0.5	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.7	-0.4	-0.4	0.1	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.5	-0.8	0.2	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.2	0.5	0.1	0.0	-0.7	-0.8	0.1	0.3	0.3	0.0	0.4
2000	1.0	0.1	1.1	0.6	0.7	0.1	0.2	-0.5	-0.4	0.2	0.2	0.1	-0.1	0.4
2001	1.8	-1.7	0.1	-0.5	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.2	-2.4	-0.2	-0.4	0.0	0.1	0.1	-0.5	-0.4	0.2	-0.4	0.0	0.2	0.4
2003	3.1	-2.7	0.3	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.2	-0.1	0.4

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

6.4 Quarterly revenue, expenditure and deficit/surplus [1]
(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q1	44.1	43.6	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.3
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.7
Q3	45.2	44.7	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.3
Q4	52.0	51.3	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.0	43.5	11.2	13.2	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.4	12.1	12.8	16.0	2.0	0.8	0.4	0.3	41.1
Q4	51.3	50.8	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.5	10.7	12.9	15.5	1.8	0.8	0.4	0.2	39.4
Q2	47.7	47.3	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.1
Q3	44.4	44.0	11.9	12.5	15.8	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.5	0.3	45.3
2002 Q1	42.7	42.2	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.9	12.9	15.8	2.1	1.4	0.6	0.4	41.9
Q3	44.4	44.0	11.5	13.0	15.8	2.0	0.7	0.4	0.3	40.5
Q4	50.6	50.0	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.4
2003 Q1	42.7	42.2	10.0	13.1	15.9	1.7	0.7	0.5	0.2	39.3
Q2	47.2	45.5	12.4	12.9	16.1	2.1	1.2	1.7	1.4	42.8
Q3	43.8	43.3	11.1	12.9	15.9	1.9	0.6	0.5	0.3	40.2
Q4	51.0	50.0	13.5	14.8	16.7	3.2	0.7	1.1	0.3	45.3
2004 Q1	42.2	41.8	9.8	13.1	15.7	1.7	0.6	0.5	0.3	38.9
Q2	45.7	45.1	12.5	13.1	15.7	2.1	0.9	0.6	0.4	41.7

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q1	47.8	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	1.9	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.3	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.7
Q3	47.7	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.7	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.3	10.3	4.4	4.3	24.2	21.2	1.2	3.3	2.0	1.4	-2.6	1.7
Q2	47.1	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	1.2	5.2
Q3	43.7	43.4	10.2	4.5	4.1	24.5	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.7	1.6	3.9	3.2	1.5	0.4	4.3
2001 Q1	45.9	42.5	10.2	4.1	4.1	24.1	21.2	1.2	3.3	2.0	1.4	-2.9	1.2
Q2	47.1	43.6	10.5	4.7	4.0	24.5	21.3	1.4	3.4	2.4	1.1	0.6	4.6
Q3	47.1	43.3	10.2	4.6	4.0	24.6	21.5	1.5	3.7	2.5	1.2	-2.7	1.3
Q4	52.5	47.4	11.2	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	2.0
2002 Q1	46.5	43.1	10.5	4.2	3.8	24.6	21.6	1.2	3.4	2.0	1.4	-3.8	0.1
Q2	47.5	44.1	10.5	4.9	3.7	24.9	21.7	1.3	3.5	2.4	1.1	-1.1	2.6
Q3	47.6	44.0	10.2	4.7	3.7	25.4	21.9	1.4	3.7	2.5	1.1	-3.2	0.5
Q4	52.2	47.7	11.3	5.7	3.5	27.2	23.5	1.5	4.5	2.8	1.6	-1.5	2.0
2003 Q1	47.1	43.6	10.5	4.3	3.7	25.1	22.0	1.1	3.5	2.0	1.5	-4.4	-0.8
Q2	48.2	44.7	10.7	4.8	3.5	25.7	22.3	1.4	3.5	2.4	1.1	-1.0	2.5
Q3	47.9	44.3	10.4	4.8	3.4	25.7	22.2	1.4	3.6	2.6	1.0	-4.1	-0.7
Q4	52.6	47.8	11.3	5.7	3.3	27.4	23.8	1.5	4.8	3.2	1.5	-1.5	1.8
2004 Q1	46.6	43.3	10.4	4.2	3.4	25.2	22.0	1.0	3.3	2.1	1.3	-4.4	-1.0
Q2	47.3	44.0	10.6	4.6	3.3	25.5	22.2	1.3	3.4	2.4	0.9	-1.6	1.7

Source: ECB calculations based on Eurostat and national data.

1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are not included. Including these transactions would increase both revenue and expenditure by, on average, about 0.2% of GDP. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

EXTERNAL TRANSACTIONS AND POSITIONS

7

7.1 Balance of payments

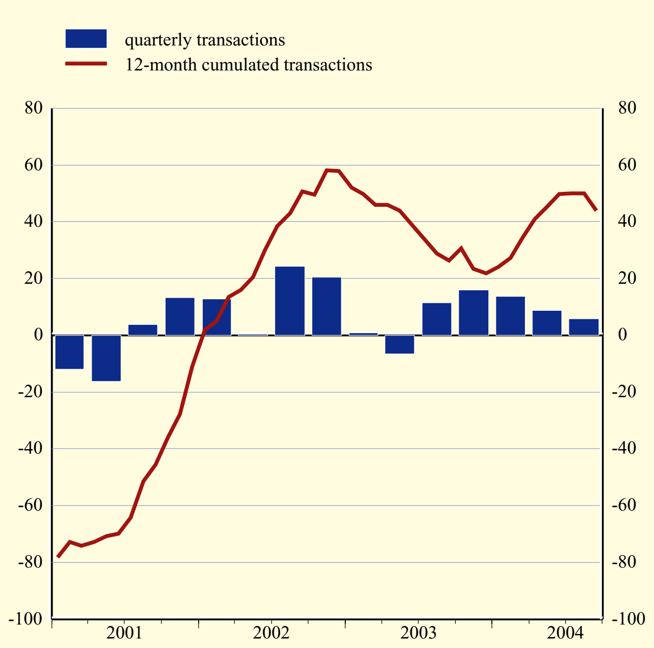
(EUR billions; net transactions)

1. Summary balance of payments

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-11.0	73.4	-0.3	-32.6	-51.5	6.5	-4.6	-45.5	-118.1	66.1	-0.8	-10.5	17.8	50.1
2002	57.8	128.9	16.0	-38.5	-48.6	10.2	68.0	-62.1	2.1	107.3	-10.9	-158.3	-2.3	-5.9
2003	21.8	105.3	17.9	-44.8	-56.5	13.2	35.0	-17.9	-3.4	41.7	-12.4	-73.7	29.9	-17.1
2003 Q3	11.5	36.9	4.4	-10.0	-19.8	2.7	14.2	-12.6	-22.1	-60.3	-4.5	72.3	2.0	-1.6
Q4	15.9	29.9	5.0	-6.3	-12.7	7.5	23.4	-7.5	-8.7	9.3	-3.8	-18.0	13.6	-15.9
2004 Q1	13.6	28.6	0.1	-8.0	-7.0	3.6	17.2	-12.2	-23.6	-3.1	6.6	-1.5	9.4	-5.0
Q2	8.7	32.7	8.8	-16.4	-16.4	4.1	12.7	-11.7	-19.2	20.9	-0.6	-9.9	-2.9	-1.1
Q3	5.8	24.8	4.8	-6.0	-17.8	3.8	9.6	2.8	6.1	15.1	-2.7	-19.6	3.8	-12.4
2003 Sep.	5.7	10.9	1.8	0.2	-7.2	0.2	5.9	-5.0	-10.3	12.8	0.4	-7.9	-0.1	-0.9
Oct.	7.0	13.1	1.8	-4.4	-3.5	1.2	8.2	3.4	-4.3	34.9	1.8	-29.8	0.8	-11.5
Nov.	2.8	8.3	0.8	0.0	-6.4	1.2	4.0	11.7	4.6	1.8	0.6	-0.8	5.5	-15.7
Dec.	6.1	8.4	2.4	-1.9	-2.8	5.1	11.2	-22.6	-8.9	-27.4	-6.2	12.6	7.3	11.4
2004 Jan.	-2.7	5.3	-1.0	-8.6	1.7	0.3	-2.4	-18.7	-7.2	-9.1	1.8	-1.1	-3.0	21.1
Feb.	5.4	9.8	0.4	-0.1	-4.7	2.1	7.5	18.2	9.1	13.3	1.3	-14.1	8.6	-25.7
Mar.	11.0	13.6	0.7	0.7	-4.0	1.2	12.2	-11.7	-25.5	-7.2	3.5	13.8	3.7	-0.4
Apr.	0.2	10.2	1.5	-7.5	-4.0	0.8	1.0	-23.3	-4.7	-9.9	0.5	-6.4	-2.7	22.3
May	2.4	10.5	3.8	-6.0	-5.9	2.3	4.8	9.5	-0.7	-0.8	-1.0	11.0	1.1	-14.3
June	6.0	12.0	3.5	-2.9	-6.6	1.0	7.0	2.1	-13.8	31.7	-0.1	-14.4	-1.3	-9.1
July	2.8	13.9	1.8	-6.6	-6.3	1.1	3.9	-12.0	-8.5	-30.7	-0.9	27.5	0.6	8.0
Aug.	3.3	6.0	1.4	1.1	-5.2	1.6	4.9	6.3	9.3	6.3	-5.0	-8.3	3.9	-11.2
Sep.	-0.3	4.9	1.7	-0.6	-6.3	1.1	0.7	8.5	5.3	39.6	3.2	-38.8	-0.7	-9.3
	12-month cumulated transactions													
2004 Sep.	44.0	116.0	18.7	-36.7	-54.0	18.9	62.9	-28.6	-45.4	42.3	-0.5	-48.9	23.9	-34.4

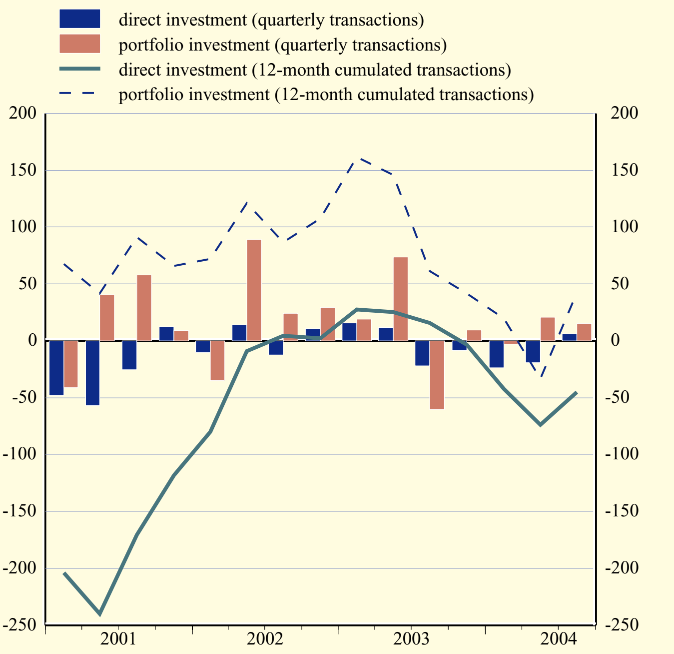
C27 B.o.p. current account balance

(EUR billions)



C28 B.o.p. net direct and portfolio investment

(EUR billions)



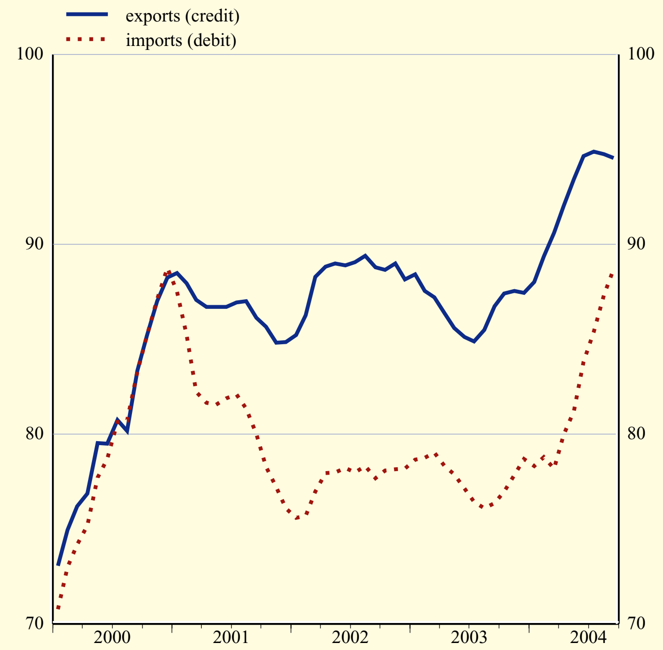
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

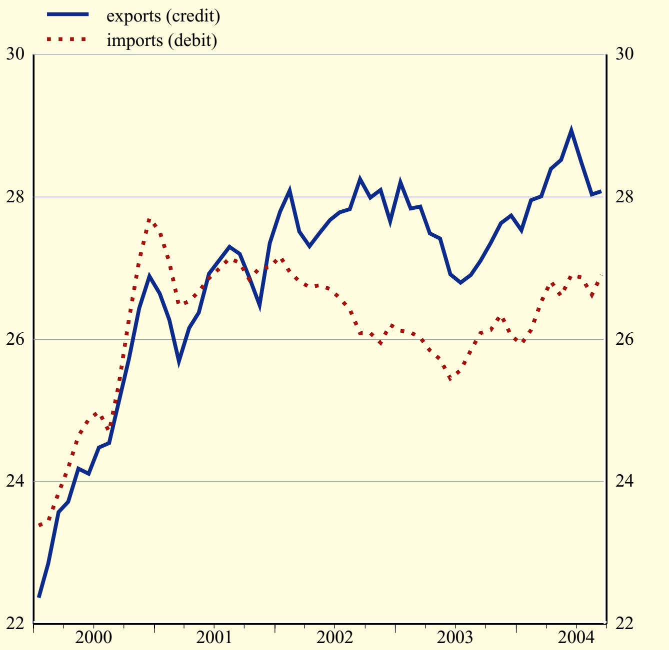
2. Current account
(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11
2003 Q3	418.8	413.5	5.3	260.2	229.1	81.3	78.2	58.0	68.6	19.3	37.5
Q4	422.4	412.0	10.3	262.4	236.1	83.2	78.1	55.8	66.2	20.9	31.6
2004 Q1	435.4	418.9	16.5	271.8	234.5	84.0	79.6	59.4	68.7	20.2	36.0
Q2	451.2	435.2	15.9	283.9	251.4	86.8	80.7	59.9	70.6	20.5	32.5
Q3	445.8	448.1	-2.3	283.7	266.1	84.2	80.7	58.4	65.7	19.5	35.6
2003 Sep.	139.7	136.6	3.1	87.6	77.1	27.1	25.9	18.7	21.2	6.2	12.4
Oct.	139.9	133.8	6.1	87.7	77.6	27.8	26.1	18.1	22.1	6.3	7.9
Nov.	141.0	139.3	1.6	87.2	78.9	28.0	27.0	18.9	21.2	6.8	12.2
Dec.	141.5	138.9	2.6	87.4	79.6	27.5	25.0	18.8	22.8	7.9	11.4
2004 Jan.	142.5	137.6	4.9	89.4	76.5	27.2	25.8	19.1	23.2	6.9	12.1
Feb.	146.7	141.8	4.9	91.4	80.3	29.3	27.5	19.8	22.1	6.3	11.9
Mar.	146.1	139.5	6.6	91.1	77.7	27.6	26.3	20.5	23.5	6.9	12.1
Apr.	149.7	141.9	7.7	93.6	81.9	28.3	26.6	21.1	24.2	6.6	9.2
May	150.8	145.6	5.2	95.6	84.0	29.6	26.9	18.8	23.0	6.8	11.7
June	150.7	147.7	3.0	94.7	85.5	28.8	27.1	20.0	23.4	7.2	11.6
July	147.0	146.5	0.4	94.4	86.7	27.0	26.5	19.5	21.6	6.2	11.8
Aug.	150.1	149.6	0.5	95.1	89.9	28.3	26.2	19.6	21.3	7.0	12.2
Sep.	148.8	152.0	-3.2	94.1	89.5	29.0	28.0	19.3	22.8	6.4	11.7

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



C30 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

3. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001	1,706.5	1,717.6	-11.0	1,034.8	961.4	322.2	322.5	270.7	303.3	78.8	130.3	17.4	10.9
2002	1,721.5	1,663.6	57.8	1,062.9	934.0	333.5	317.5	239.6	278.1	85.4	133.9	19.2	9.0
2003	1,677.5	1,655.7	21.8	1,040.2	934.9	328.8	311.0	227.6	272.5	80.8	137.3	23.3	10.1
2003 Q3	415.9	404.4	11.5	258.0	221.2	87.3	82.9	55.3	65.3	15.2	35.0	4.1	1.5
Q4	434.3	418.4	15.9	272.1	242.2	85.0	79.9	57.9	64.2	19.3	32.0	9.3	1.9
2004 Q1	430.2	416.5	13.6	265.9	237.3	76.0	75.9	56.6	64.7	31.7	38.7	5.1	1.6
Q2	451.5	442.9	8.7	284.3	251.6	87.7	78.9	64.1	80.4	15.4	31.9	5.3	1.2
Q3	442.2	436.4	5.8	280.9	256.1	90.2	85.4	55.7	61.7	15.4	33.2	5.2	1.4
2003 Sep.	140.7	135.1	5.7	89.6	78.7	28.0	26.2	18.4	18.3	4.7	11.9	0.7	0.5
Oct.	148.6	141.7	7.0	97.6	84.5	29.3	27.5	17.4	21.8	4.4	7.9	1.6	0.4
Nov.	135.3	132.5	2.8	87.0	78.6	26.1	25.3	16.5	16.5	5.7	12.1	1.8	0.6
Dec.	150.4	144.2	6.1	87.5	79.1	29.6	27.2	24.0	25.9	9.2	12.0	5.9	0.9
2004 Jan.	139.8	142.5	-2.7	80.9	75.7	23.9	24.9	17.5	26.1	17.5	15.8	0.8	0.5
Feb.	134.9	129.5	5.4	85.7	75.9	24.9	24.5	17.5	17.6	6.7	11.5	2.6	0.5
Mar.	155.5	144.6	11.0	99.3	85.7	27.2	26.5	21.6	20.9	7.4	11.4	1.8	0.6
Apr.	147.9	147.7	0.2	93.2	83.1	27.7	26.1	22.1	29.6	4.9	8.9	1.1	0.4
May	144.3	141.9	2.4	91.8	81.3	29.1	25.4	18.4	24.4	5.0	10.8	2.7	0.3
June	159.3	153.3	6.0	99.3	87.3	30.9	27.4	23.6	26.4	5.6	12.1	1.5	0.5
July	153.2	150.4	2.8	98.4	84.5	30.7	28.9	19.2	25.7	5.0	11.3	1.7	0.6
Aug.	139.2	135.9	3.3	86.3	80.3	29.6	28.2	17.6	16.5	5.7	10.8	2.0	0.4
Sep.	149.8	150.2	-0.3	96.2	91.3	30.0	28.3	18.9	19.4	4.8	11.1	1.6	0.5

4. Income account

	Total		Compensation of employees		Investment income							
					Total		Direct investment					
							Total		Equity		Debt	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12
2001	270.7	303.3	14.7	6.0	256.0	297.3	53.8	48.8	43.4	38.8	10.4	10.1
2002	239.6	278.1	14.8	6.2	224.8	271.9	55.4	55.8	47.2	48.7	8.2	7.1
2003	227.6	272.5	14.7	6.2	212.9	266.2	59.5	63.0	48.9	53.4	10.6	9.7
2003 Q2	61.4	78.7	3.6	1.6	57.8	77.0	18.0	19.1	14.9	16.4	3.1	2.7
Q3	55.3	65.3	3.7	1.7	51.6	63.6	14.1	16.2	11.7	14.4	2.4	1.8
Q4	57.9	64.2	3.9	1.6	54.1	62.6	16.8	16.2	13.7	13.0	3.1	3.2
2004 Q1	56.6	64.7	3.7	1.3	53.0	63.3	15.1	15.0	12.0	12.6	3.1	2.4
Q2	64.1	80.4	3.7	1.6	60.4	78.8	20.9	18.0	17.7	15.4	3.2	2.6

	Investment income							
	Portfolio investment						Other investment	
	Total		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	13	14	15	16	17	18	19	20
2001	85.1	117.1	18.0	45.1	67.1	72.0	117.1	131.5
2002	86.0	122.7	19.8	52.3	66.2	70.4	83.4	93.4
2003	83.7	127.2	19.0	49.8	64.7	77.4	69.8	76.0
2003 Q2	21.9	38.0	6.2	21.4	15.7	16.6	17.9	19.9
Q3	21.4	30.8	4.6	10.3	16.7	20.5	16.1	16.6
Q4	21.4	26.9	4.7	9.7	16.8	17.2	15.8	19.6
2004 Q1	21.6	30.8	4.7	9.4	16.9	21.4	16.2	17.6
Q2	24.3	43.6	8.5	25.8	15.9	17.8	15.1	17.3

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

5. 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 excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-311.9	-232.9	-20.0	-213.0	-79.0	-0.1	-78.8	193.8	134.9	4.0	131.0	58.8	0.9	58.0
2002	-175.1	-173.7	-19.8	-153.9	-1.5	0.0	-1.5	177.2	122.1	2.4	119.7	55.1	0.5	54.7
2003	-130.3	-106.9	2.2	-109.1	-23.4	-0.2	-23.2	126.9	109.6	2.8	106.8	17.3	0.1	17.2
2003 Q3	-36.1	-37.0	-1.4	-35.5	0.9	-0.1	1.0	14.0	16.3	0.0	16.3	-2.3	-0.4	-1.9
Q4	-31.6	-19.3	1.6	-20.9	-12.3	0.2	-12.4	22.9	34.1	0.6	33.5	-11.2	0.5	-11.7
2004 Q1	-27.8	-21.3	-5.8	-15.5	-6.5	-0.1	-6.4	4.2	13.7	-0.6	14.3	-9.5	-0.3	-9.2
Q2	-32.6	-27.4	-3.7	-23.7	-5.2	0.0	-5.2	13.4	8.2	0.6	7.6	5.2	0.8	4.4
Q3	-6.3	-17.2	-0.4	-16.8	11.0	0.0	10.9	12.4	10.2	0.5	9.8	2.1	-0.1	2.2
2003 Sep.	-17.3	-16.7	-0.1	-16.6	-0.6	0.0	-0.6	7.0	11.7	0.3	11.4	-4.7	0.1	-4.8
Oct.	-11.6	-6.5	1.8	-8.3	-5.1	0.0	-5.1	7.2	10.4	0.2	10.3	-3.2	0.3	-3.5
Nov.	0.7	4.1	-1.4	5.4	-3.3	0.1	-3.4	3.8	5.7	0.4	5.3	-1.9	0.1	-2.0
Dec.	-20.8	-16.9	1.1	-18.0	-3.8	0.1	-3.9	11.8	17.9	-0.1	18.0	-6.1	0.1	-6.2
2004 Jan.	-9.4	-4.3	0.3	-4.6	-5.1	0.0	-5.1	2.2	7.8	0.2	7.5	-5.6	-0.1	-5.5
Feb.	-5.8	-3.2	-1.2	-2.0	-2.6	0.0	-2.6	14.9	4.7	0.3	4.4	10.3	-0.1	10.3
Mar.	-12.6	-13.8	-4.9	-8.9	1.2	-0.1	1.3	-12.9	1.2	-1.2	2.4	-14.2	-0.1	-14.1
Apr.	-16.0	-7.6	-0.5	-7.1	-8.4	0.1	-8.5	11.3	5.7	0.2	5.5	5.5	0.0	5.5
May	-4.5	-7.9	-0.1	-7.8	3.3	0.0	3.4	3.8	5.1	0.4	4.7	-1.3	0.3	-1.6
June	-12.1	-12.0	-3.2	-8.8	-0.2	0.0	-0.2	-1.7	-2.6	0.0	-2.6	0.9	0.4	0.5
July	-11.7	-9.7	0.3	-9.9	-2.0	0.0	-2.0	3.2	5.6	0.2	5.4	-2.4	-0.1	-2.3
Aug.	9.6	-5.9	0.2	-6.2	15.5	0.0	15.5	-0.3	-1.6	0.1	-1.8	1.3	0.0	1.3
Sep.	-4.1	-1.6	-0.9	-0.7	-2.5	0.0	-2.5	9.5	6.3	0.2	6.1	3.2	0.0	3.2

6. Portfolio investment by instrument

	Total		Equity		Debt instruments					
					Assets			Liabilities		
	Assets	Liabilities	Assets	Liabilities	Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
	1	2	3	4	5	6	7	8	9	10
2001	-283.8	349.9	-101.6	232.5	-182.2	-156.5	-25.8	117.4	113.3	4.1
2002	-177.4	284.7	-39.0	85.5	-138.4	-89.0	-49.4	199.1	157.2	41.9
2003	-277.0	318.6	-67.6	117.5	-209.4	-179.5	-29.9	201.1	188.7	12.4
2003 Q3	-66.1	5.8	-18.6	27.3	-47.5	-43.1	-4.4	-21.4	-9.9	-11.6
Q4	-64.0	73.4	-25.5	45.5	-38.5	-26.5	-12.0	27.9	33.4	-5.6
2004 Q1	-92.4	89.3	-30.8	24.5	-61.5	-46.9	-14.6	64.8	42.1	22.7
Q2	-52.7	73.6	-16.2	-5.9	-36.5	-31.5	-5.0	79.5	81.1	-1.6
Q3	-61.7	76.8	0.6	33.2	-62.3	-41.0	-21.3	43.6	50.8	-7.2
2003 Sep.	-18.8	31.6	-3.6	11.0	-15.2	-8.6	-6.6	20.6	13.0	7.6
Oct.	-32.7	67.6	-14.7	22.4	-18.0	-11.9	-6.1	45.2	26.7	18.5
Nov.	-21.2	23.0	-3.6	11.1	-17.5	-15.8	-1.7	11.8	12.5	-0.6
Dec.	-10.2	-17.2	-7.2	12.0	-3.0	1.2	-4.2	-29.2	-5.7	-23.5
2004 Jan.	-47.2	38.0	-10.2	1.5	-37.0	-19.3	-17.6	36.5	25.8	10.7
Feb.	-19.0	32.3	-9.8	20.5	-9.2	-3.0	-6.2	11.8	11.0	0.8
Mar.	-26.2	19.0	-10.9	2.5	-15.3	-24.6	9.2	16.5	5.3	11.2
Apr.	-26.2	16.2	1.6	-19.8	-27.7	-9.6	-18.1	36.0	36.2	-0.2
May	-12.9	12.1	-1.3	0.4	-11.6	-15.8	4.2	11.6	15.5	-3.8
June	-13.6	45.3	-16.4	13.4	2.8	-6.0	8.8	31.9	29.4	2.4
July	-33.7	3.0	-3.0	8.7	-30.7	-12.4	-18.3	-5.7	-1.5	-4.2
Aug.	-30.8	37.1	-10.7	15.6	-20.1	-14.1	-6.0	21.4	13.0	8.4
Sep.	2.8	36.7	14.3	8.9	-11.5	-14.4	2.9	27.9	39.2	-11.4

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

7. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	-0.4	4.0	-105.2	-2.1	-103.2	0.2	-67.1	-89.6	-1.2	-88.4	-2.4	-40.7	17.3	-0.1	17.3
2002	-0.4	-7.6	-31.0	-4.4	-26.6	-0.7	-17.4	-71.0	-0.9	-70.1	2.0	-31.9	-19.5	-1.1	-18.5
2003	-0.3	-12.9	-54.4	-2.6	-51.8	-2.4	-45.1	-132.0	-0.2	-131.8	0.2	-41.3	11.2	0.4	10.8
2003 Q3	-0.1	-6.2	-12.3	-0.8	-11.5	-1.4	-8.4	-33.3	-0.4	-32.9	0.1	-1.0	-3.6	-0.1	-3.5
Q4	0.0	-3.6	-21.9	-0.4	-21.5	-0.4	-7.3	-18.9	-0.4	-18.5	-0.2	-13.1	1.3	1.3	0.0
2004 Q1	0.0	-6.0	-24.8	-0.9	-24.0	-0.5	-26.3	-20.2	-0.6	-19.6	-0.2	-10.6	-3.8	-1.1	-2.7
Q2	0.0	-12.4	-3.7	-0.7	-3.0	0.4	-8.8	-23.1	-0.2	-22.9	0.1	-7.2	2.1	-2.6	4.7
Q3	0.0	-2.8	3.5	.	.	0.6	-26.6	-15.0	.	.	-0.1	-12.8	-8.4	.	.
2003 Sep.	0.0	-3.1	-0.5	-	-	-0.7	-3.0	-4.9	-	-	-0.1	-1.6	-4.9	-	-
Oct.	0.0	-4.7	-10.0	-	-	-0.4	-1.6	-9.9	-	-	-0.1	-4.1	-2.0	-	-
Nov.	0.0	1.4	-5.0	-	-	0.0	-8.4	-7.4	-	-	-0.1	-2.7	1.1	-	-
Dec.	0.0	-0.3	-6.9	-	-	0.0	2.8	-1.6	-	-	0.0	-6.4	2.3	-	-
2004 Jan.	0.0	-3.4	-6.8	-	-	0.0	-13.0	-6.3	-	-	0.1	-15.5	-2.3	-	-
Feb.	0.1	-3.1	-6.7	-	-	0.0	-1.6	-1.4	-	-	-0.2	-5.5	-0.4	-	-
Mar.	0.0	0.5	-11.4	-	-	-0.4	-11.6	-12.5	-	-	0.0	10.4	-1.1	-	-
Apr.	0.0	-1.0	2.5	-	-	0.2	-2.8	-7.0	-	-	0.0	-15.3	-2.8	-	-
May	0.0	-1.8	0.5	-	-	0.2	-7.4	-8.6	-	-	-0.2	2.6	1.8	-	-
June	0.0	-9.7	-6.7	-	-	0.0	1.4	-7.5	-	-	0.3	5.5	3.1	-	-
July	0.0	-9.0	6.0	-	-	-0.3	-13.1	1.0	-	-	0.3	-18.3	-0.3	-	-
Aug.	0.0	-4.2	-6.4	-	-	0.3	-14.0	-0.5	-	-	-0.1	-2.5	-3.4	-	-
Sep.	0.0	10.4	3.9	-	-	0.6	0.5	-15.5	-	-	-0.2	7.9	-4.8	-	-

8. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors		
								Total		Long-term		Short-term				
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities
						Currency and deposits									Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2001	-268.6	258.1	0.2	4.4	3.0	-	-0.4	-229.3	233.0	-47.0	22.8	-182.3	210.2	-42.5	-	21.1
2002	-224.6	66.3	-0.9	19.3	0.1	-	-8.2	-168.0	25.8	-34.4	52.3	-133.6	-26.4	-55.8	-	29.3
2003	-241.8	168.0	-0.8	10.2	-0.4	-	-3.8	-154.7	137.6	-59.8	66.0	-94.8	71.6	-85.9	-	24.0
2003 Q3	90.5	-18.2	0.3	5.8	-0.3	-	5.3	88.2	-8.0	-11.9	10.6	100.1	-18.6	2.3	-	-21.4
Q4	-79.0	61.0	-0.7	-0.6	3.2	-	-4.6	-71.3	53.8	-16.5	18.1	-54.8	35.7	-10.1	-	12.4
2004 Q1	-182.0	180.5	-0.6	-1.2	-0.6	-0.5	-6.4	-156.1	158.5	-10.5	0.4	-145.6	158.1	-24.7	-20.0	29.6
Q2	-23.6	13.7	0.9	1.6	-4.1	-4.0	3.1	-6.5	22.3	-2.4	6.7	-4.1	15.5	-13.9	4.7	-13.2
Q3	-21.2	1.6	-1.2	3.1	0.0	-0.4	2.5	-24.2	7.4	-3.1	-0.2	-21.1	7.5	4.2	2.9	-11.4
2003 Sep.	-33.4	25.5	-0.2	1.8	1.7	-	2.7	-25.4	19.2	-4.1	5.6	-21.3	13.6	-9.5	-	1.9
Oct.	-52.6	22.9	-0.2	0.9	1.1	-	-2.0	-40.6	25.6	-5.8	-2.1	-34.8	27.7	-12.9	-	-1.6
Nov.	-36.8	36.0	0.4	-2.8	1.2	-	1.5	-34.6	28.0	-5.9	10.0	-28.7	18.0	-3.8	-	9.4
Dec.	10.4	2.2	-0.9	1.3	0.8	-	-4.0	3.9	0.2	-4.8	10.2	8.7	-9.9	6.6	-	4.6
2004 Jan.	-68.9	67.8	-0.5	2.6	-0.3	-0.3	-4.6	-62.6	76.4	-1.3	4.3	-61.3	72.1	-5.5	-4.1	-6.7
Feb.	-28.8	14.6	-0.4	-4.3	0.4	0.3	-0.2	-23.8	16.6	-5.5	-0.6	-18.3	17.2	-5.1	-5.0	2.6
Mar.	-84.3	98.1	0.2	0.5	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-66.0	68.7	-14.1	-10.8	33.7
Apr.	-53.1	46.6	0.6	0.6	-1.2	-0.9	-0.3	-51.5	54.3	-6.4	0.4	-45.1	53.9	-1.0	3.2	-8.0
May	10.7	0.2	-0.1	-0.3	0.1	0.2	0.5	17.6	10.4	3.6	3.6	14.0	6.8	-6.8	4.7	-10.4
June	18.7	-33.2	0.5	1.3	-3.0	-3.3	2.9	27.4	-42.5	0.3	2.7	27.0	-45.2	-6.1	-3.2	5.2
July	57.5	-30.0	-0.3	1.7	-0.4	-0.6	-0.4	47.6	-12.5	6.8	-6.5	40.7	-6.0	10.6	5.0	-18.8
Aug.	-35.3	27.0	-0.2	0.0	-0.3	-0.5	0.1	-32.0	18.8	-5.2	3.4	-26.8	15.5	-2.8	0.0	8.1
Sep.	-43.4	4.6	-0.7	1.4	0.8	0.6	2.9	-39.8	1.1	-4.7	3.0	-35.1	-1.9	-3.7	-2.1	-0.7

Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

9. Other investment by instrument

	Eurosystem				General goverment							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.2	0.0	4.5	0.0	-0.1	4.4	-	-	-1.3	0.0	-0.5	0.1
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-7.9	-0.3
2003	-0.8	0.0	10.2	0.0	-0.1	0.6	-	-	-0.9	0.0	-4.1	0.3
2003 Q2	0.2	0.0	4.8	0.0	0.0	-1.4	-	-	-0.3	0.0	3.7	0.2
Q3	0.3	0.0	5.8	0.0	0.0	-0.1	-	-	-0.2	0.0	4.8	0.5
Q4	-0.7	0.0	-0.6	0.0	0.0	3.1	-	-	0.1	0.0	-4.1	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.1	-0.3
Q2	0.9	0.0	1.5	0.1	0.0	-3.6	0.4	-4.0	-0.5	0.0	2.9	0.2

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2001	-215.2	-14.0	222.8	10.2	-3.3	-30.2	-	-	-8.9	1.2	14.7	5.2
2002	-163.0	-5.0	27.9	-2.1	-2.1	-50.1	-	-	-3.6	-3.6	26.3	6.6
2003	-154.1	-0.5	137.7	-0.1	0.2	-83.6	-	-	-2.5	3.3	21.4	-0.7
2003 Q2	-103.5	1.8	28.8	-1.6	0.4	-17.1	-	-	-5.2	-0.9	-4.6	5.4
Q3	88.4	-0.2	-6.9	-1.0	-0.1	-1.3	-	-	3.8	-1.5	-15.1	-4.8
Q4	-70.7	-0.6	53.6	0.2	-1.0	-8.6	-	-	-0.5	2.5	11.0	-1.1
2004 Q1	-153.6	-2.6	157.0	1.6	-2.5	-20.6	-0.6	-20.0	-1.7	4.8	24.6	0.3
Q2	-5.9	-0.6	22.2	0.0	-3.2	-9.8	-14.5	4.7	-0.9	1.3	-12.8	-1.7

10. Reserve assets

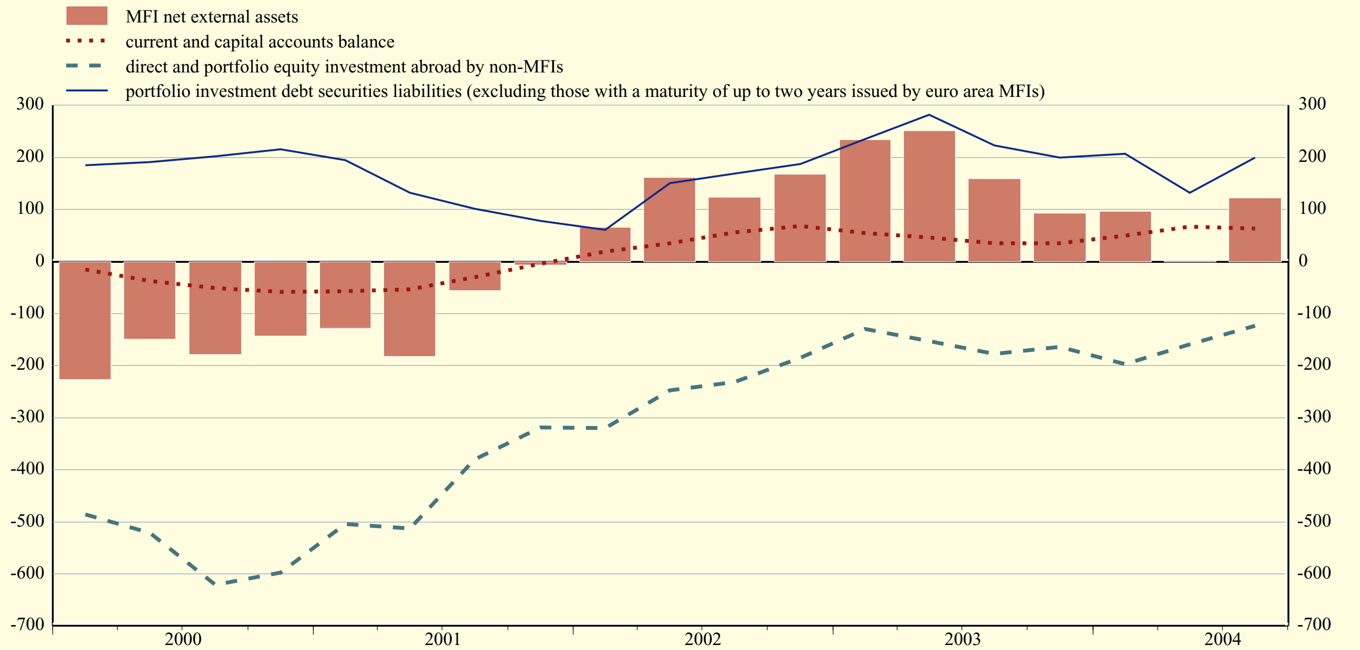
	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims
					Total	Currency and deposits		Securities			Financial derivatives	
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
	1	2	3	4	5	6	7	8	9	10	11	12
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	29.9	1.7	0.0	-1.6	29.8	-1.8	1.6	0.0	23.1	6.9	0.1	0.0
2003 Q2	2.3	0.5	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.6	0.3	0.0	0.0
Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.5	4.1	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.4	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	0.0	0.0
Q2	-2.9	0.5	0.1	0.6	-4.1	-3.3	2.2	0.0	5.4	-8.4	0.0	0.0

Source: ECB.

7.2 Monetary presentation of the balance of payments
(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2001	-4.6	-291.8	192.9	-177.6	172.2	78.6	-39.5	20.6	-0.8	50.1	0.2	-6.8
2002	68.0	-155.4	176.8	-121.5	48.7	187.9	-55.7	21.1	-10.9	-5.9	153.2	168.5
2003	35.0	-132.4	126.8	-175.2	122.7	200.1	-86.3	20.2	-12.4	-17.1	81.4	93.3
2003 Q3	14.2	-34.5	14.4	-49.2	29.7	-13.5	2.0	-16.1	-4.5	-1.6	-59.2	-56.5
Q4	23.4	-33.3	22.4	-39.5	41.9	19.2	-7.0	7.8	-3.8	-15.9	15.2	20.3
2004 Q1	17.2	-21.9	4.5	-48.8	8.2	57.6	-25.3	23.3	6.6	-5.0	16.4	37.4
Q2	12.7	-28.9	12.6	-24.7	-6.0	68.5	-18.0	-10.1	-0.6	-1.1	4.4	0.7
Q3	9.6	-5.8	12.5	-19.9	32.2	54.8	4.2	-8.9	-2.7	-12.4	63.6	63.9
2003 Sep.	5.9	-17.2	6.9	-10.3	19.1	12.3	-7.8	4.6	0.4	-0.9	13.1	14.0
Oct.	8.2	-13.4	6.9	-21.9	17.6	40.0	-11.8	-3.6	1.8	-11.5	12.1	11.5
Nov.	4.0	2.0	3.7	-11.4	11.1	9.8	-2.6	10.9	0.6	-15.7	12.5	18.3
Dec.	11.2	-21.9	11.7	-6.3	13.2	-30.5	7.4	0.6	-6.2	11.4	-9.4	-9.5
2004 Jan.	-2.4	-9.7	2.3	-15.4	-6.6	33.7	-5.8	-11.3	1.8	21.1	7.7	21.9
Feb.	7.5	-4.6	15.0	-8.5	20.5	7.5	-4.6	2.4	1.3	-25.7	10.7	8.6
Mar.	12.2	-7.6	-12.8	-25.0	-5.8	16.5	-14.8	32.2	3.5	-0.4	-2.1	6.8
Apr.	1.0	-15.6	11.2	-7.2	-22.6	28.9	-2.2	-8.3	0.5	22.3	8.1	6.3
May	4.8	-4.4	3.5	-6.3	3.8	8.8	-6.7	-9.9	-1.0	-14.3	-21.9	-20.4
June	7.0	-8.9	-2.1	-11.1	12.8	30.8	-9.1	8.0	-0.1	-9.1	18.2	14.7
July	3.9	-12.0	3.3	6.7	4.5	-4.4	10.2	-19.2	-0.9	8.0	0.2	-1.0
Aug.	4.9	9.3	-0.3	-10.3	15.4	22.5	-3.1	8.2	-5.0	-11.2	30.5	29.8
Sep.	0.7	-3.2	9.5	-16.4	12.4	36.8	-2.9	2.2	3.2	-9.3	33.0	35.0
	12-month cumulated transactions											
2004 Sep.	62.9	-90.0	52.0	-133.0	76.2	200.2	-46.0	12.0	-0.5	-34.4	99.5	122.2

C31 Main b.o.p. transactions underlying the developments in MFI net external assets
(EUR billions; 12-month cumulated transactions)



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

7.3 Trade in goods
(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2000	21.7	29.5	1,002.2	492.4	216.4	262.8	875.3	1,023.7	590.9	182.8	220.8	743.6	122.7
2001	6.1	-0.7	1,062.3	505.8	234.8	289.1	931.9	1,014.1	579.0	178.8	228.3	740.5	107.7
2002	2.0	-3.0	1,083.6	512.5	227.8	309.4	948.8	984.4	559.2	163.3	234.1	717.0	105.2
2003	-2.4	0.3	1,056.8	498.8	221.8	299.1	920.5	986.2	551.8	163.2	239.9	711.6	108.9
2003 Q2	-5.8	-2.6	257.2	122.5	52.7	72.5	225.1	243.5	135.3	40.1	59.8	177.7	25.2
Q3	-2.3	-1.1	265.1	125.2	56.1	75.2	231.9	243.3	135.2	39.5	60.0	175.6	26.8
Q4	-0.6	1.2	269.1	125.0	57.5	75.9	231.7	249.6	138.3	41.9	61.2	179.5	26.9
2004 Q1	4.9	0.1	277.3	130.6	58.4	75.6	241.0	250.6	137.7	41.3	62.1	182.1	26.3
Q2	11.8	8.6	286.2	134.5	59.2	78.7	245.9	261.9	145.8	43.8	61.8	185.8	29.3
Q3	8.4	13.5	288.3	136.9	60.1	78.5	249.9	275.5	154.5	43.5	63.9	194.0	35.0
2004 Apr.	10.3	5.1	95.7	45.1	20.1	26.1	83.4	86.9	48.0	15.1	20.8	62.4	8.9
May	8.8	5.5	94.7	44.3	19.5	25.9	80.6	86.1	47.9	14.4	20.3	61.5	9.6
June	16.3	15.3	95.7	45.1	19.6	26.6	81.9	88.9	49.8	14.3	20.6	61.9	10.8
July	7.5	8.9	95.7	45.5	20.0	25.8	83.3	90.4	50.6	14.0	20.8	63.9	10.9
Aug.	12.3	19.4	96.2	45.7	20.0	26.3	82.9	93.4	52.2	14.9	21.4	64.8	12.0
Sep.	6.1	13.2	96.3	45.7	20.1	26.4	83.7	91.7	51.7	14.6	21.8	65.3	12.1
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2000	12.4	6.0	100.0	100.0	100.0	100.0	100.0	99.9	99.9	100.0	100.0	100.0	99.9
2001	5.3	-0.8	105.1	102.1	108.4	108.1	105.6	98.9	99.3	96.4	100.6	98.0	99.3
2002	2.8	-0.5	108.0	105.1	105.7	115.3	108.4	98.5	98.9	90.2	104.4	96.7	101.4
2003	0.8	3.3	108.9	105.5	107.4	114.4	108.8	101.6	100.1	94.7	109.9	99.6	104.7
2003 Q2	-2.1	2.3	106.2	103.8	102.4	111.4	106.6	101.6	100.2	93.6	109.7	99.6	105.0
Q3	0.6	2.1	109.5	106.4	109.3	115.3	110.0	101.1	99.6	92.0	110.5	98.9	108.8
Q4	2.8	5.0	111.8	106.7	112.0	116.6	110.7	103.8	101.5	97.6	112.8	101.3	106.2
2004 Q1	7.9	4.7	115.9	112.1	114.9	116.7	115.7	104.9	101.0	98.1	116.0	103.4	101.3
Q2	11.4	5.3	117.8	113.6	115.3	119.6	116.6	106.0	101.7	102.8	114.6	103.9	101.1
Q3	7.3	7.6	117.9	114.7	116.6	119.6	118.0	108.5	103.1	102.1	117.8	107.6	109.7
2004 Apr.	10.8	5.3	118.6	114.8	117.7	119.7	118.8	107.2	102.5	106.5	116.5	105.1	96.6
May	8.8	1.5	117.1	112.4	113.8	118.1	114.8	104.8	100.3	101.4	113.8	103.2	101.4
June	14.6	9.3	117.6	113.5	114.5	121.0	116.0	106.1	102.2	100.4	113.7	103.3	105.2
July	6.2	2.6	117.4	114.4	116.9	117.7	117.9	107.0	102.3	97.5	114.0	105.6	106.9
Aug.	10.3	13.2	117.6	114.2	115.6	120.0	116.8	110.3	104.1	105.6	118.3	108.0	111.2
Sep.	6.0	7.8	118.8	115.7	117.3	121.0	119.2	108.0	102.9	103.3	121.3	109.3	111.0
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2000	8.3	22.0	99.9	99.9	99.9	99.9	99.9	100.0	99.9	99.9	100.0	99.9	99.9
2001	1.0	0.2	100.9	100.6	100.2	101.8	100.9	100.2	98.6	101.4	102.8	101.6	88.6
2002	-0.8	-2.5	100.1	99.1	99.6	102.1	100.0	97.7	95.7	99.0	101.6	99.8	84.6
2003	-3.2	-2.9	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.3	98.8	96.1	85.0
2003 Q2	-3.8	-4.8	96.7	95.9	95.2	99.1	96.5	93.7	91.5	93.7	98.7	95.9	78.2
Q3	-2.9	-3.2	96.6	95.6	94.9	99.3	96.4	94.0	91.9	94.0	98.5	95.5	80.2
Q4	-3.3	-3.6	96.0	95.2	94.9	99.0	95.7	94.0	92.3	94.1	98.2	95.3	82.6
2004 Q1	-2.8	-4.4	95.5	94.6	94.0	98.6	95.2	93.3	92.3	92.1	97.0	94.7	84.5
Q2	0.3	3.1	97.0	96.2	94.8	100.2	96.4	96.6	97.0	93.3	97.6	96.2	94.4
Q3	1.0	5.5	97.6	96.9	95.3	99.9	96.8	99.3	101.4	93.3	98.2	96.9	104.0
2004 Apr.	-0.5	-0.1	96.7	95.8	94.7	99.6	96.2	95.1	95.1	93.3	97.2	95.7	89.6
May	0.0	4.0	96.9	96.1	94.8	100.3	96.2	96.3	96.9	92.9	97.1	96.1	92.9
June	1.5	5.5	97.5	96.8	94.9	100.6	96.8	98.3	99.0	93.8	98.5	96.8	100.6
July	1.2	6.1	97.7	96.9	95.0	100.2	96.9	99.1	100.5	94.4	99.0	97.6	99.9
Aug.	1.8	5.4	98.0	97.5	96.1	99.9	97.3	99.2	101.8	92.7	98.2	96.8	105.6
Sep.	0.1	5.1	97.1	96.2	95.0	99.7	96.2	99.5	102.0	92.9	97.5	96.4	106.5

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

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

2. Geographical breakdown

	Total	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
	Exports (f.o.b.)											
2000	1,002.2	189.1	39.4	23.5	97.2	63.9	172.5	34.4	153.6	56.4	47.0	125.2
2001	1,062.3	202.3	37.0	24.4	105.8	66.3	180.2	34.5	165.4	60.4	49.8	136.0
2002	1,083.6	205.7	37.1	25.3	112.1	64.0	184.1	33.0	170.2	59.5	43.4	149.2
2003	1,056.8	193.3	38.5	24.8	117.5	63.3	166.4	31.3	170.5	59.4	37.9	153.8
2003 Q2	257.2	47.0	9.5	6.1	29.3	15.6	40.3	7.6	41.4	14.5	9.5	36.4
Q3	265.1	48.0	9.6	6.3	30.2	15.3	41.6	7.8	43.4	15.2	9.1	38.5
Q4	269.1	49.1	9.8	6.1	29.7	15.9	41.4	8.1	43.1	14.9	8.9	42.1
2004 Q1	277.3	49.1	10.0	6.1	31.2	15.5	42.5	8.4	46.6	15.1	9.6	43.2
Q2	286.2	50.2	10.3	6.2	31.5	16.2	43.9	8.1	47.2	16.2	9.8	46.5
Q3	288.3	.	.	.	.	.	.	.	.	.	.	.
2004 Apr.	95.7	16.8	3.4	2.1	11.1	5.5	14.8	2.7	15.9	5.5	3.3	14.6
May	94.7	16.5	3.5	2.0	10.5	5.3	14.5	2.6	15.5	4.9	3.4	16.0
June	95.7	16.9	3.4	2.1	9.9	5.4	14.6	2.8	15.8	5.7	3.2	15.9
July	95.7	17.2	3.5	2.1	10.1	5.9	14.5	2.8	16.8	5.5	3.4	13.9
Aug.	96.2	16.8	3.5	2.1	10.4	5.6	14.7	2.8	16.1	5.9	3.4	15.1
Sep.	96.3	.	.	.	.	.	.	.	.	.	.	.
	% share of total exports											
2003	100.0	18.3	3.6	2.4	11.1	6.0	15.7	3.0	16.1	5.6	3.6	14.5
	Imports (c.i.f.)											
2000	1,023.7	159.5	39.1	22.3	78.8	50.4	142.0	67.3	217.0	73.7	40.3	133.1
2001	1,014.1	154.5	35.6	22.0	88.9	52.9	138.7	58.5	208.2	74.0	40.9	139.9
2002	984.4	149.6	35.6	22.9	93.5	52.1	125.6	52.7	204.7	67.8	39.4	140.5
2003	986.2	137.6	36.7	23.2	102.1	50.4	110.4	52.1	216.0	69.0	39.6	149.1
2003 Q2	243.5	34.3	9.1	5.8	25.3	12.6	28.2	13.2	52.9	16.9	9.6	35.6
Q3	243.3	33.6	9.1	5.6	25.2	12.3	27.2	12.6	53.3	17.0	9.7	37.6
Q4	249.6	34.0	9.3	5.7	27.0	12.4	26.6	12.9	56.3	16.5	10.5	38.2
2004 Q1	250.6	33.5	9.4	5.9	27.0	12.7	26.2	13.4	55.5	16.5	10.6	39.8
Q2	261.9	34.4	9.7	5.8	26.2	13.2	29.8	12.8	62.9	16.9	10.8	39.5
Q3	275.5	.	.	.	.	.	.	.	.	.	.	.
2004 Apr.	86.9	11.2	3.2	1.9	9.7	4.4	10.2	4.3	20.4	5.2	3.7	12.7
May	86.1	11.4	3.3	1.9	8.6	4.4	9.8	4.2	20.7	5.6	3.5	12.8
June	88.9	11.7	3.3	2.0	7.9	4.4	9.8	4.3	21.8	6.2	3.6	14.0
July	90.4	12.3	3.3	2.0	8.7	4.5	9.5	4.6	21.6	6.2	3.7	14.0
Aug.	93.4	12.7	3.3	2.0	9.0	4.6	9.6	4.6	22.9	6.4	3.8	14.6
Sep.	91.7	.	.	.	.	.	.	.	.	.	.	.
	% share of total imports											
2003	100.0	14.0	3.7	2.3	10.4	5.1	11.2	5.3	21.9	7.0	4.0	15.1
	Balance											
2000	-21.5	29.6	0.3	1.2	18.4	13.5	30.4	-32.9	-63.5	-17.3	6.7	-7.9
2001	48.2	47.9	1.4	2.4	17.0	13.4	41.5	-24.0	-42.8	-13.5	8.9	-3.9
2002	99.2	56.0	1.5	2.4	18.6	11.9	58.5	-19.6	-34.5	-8.3	4.0	8.7
2003	70.6	55.7	1.8	1.7	15.4	12.9	56.1	-20.8	-45.5	-9.5	-1.7	4.6
2003 Q2	13.6	12.7	0.4	0.3	4.0	3.0	12.1	-5.6	-11.5	-2.4	-0.1	0.8
Q3	21.8	14.4	0.5	0.7	5.0	2.9	14.4	-4.8	-9.9	-1.8	-0.6	0.9
Q4	19.5	15.1	0.5	0.4	2.7	3.5	14.8	-4.9	-13.2	-1.6	-1.6	3.8
2004 Q1	26.7	15.5	0.7	0.2	4.1	2.8	16.2	-5.0	-9.0	-1.3	-1.1	3.5
Q2	24.2	15.9	0.6	0.5	5.3	3.1	14.1	-4.7	-15.7	-0.8	-1.0	7.0
Q3	12.8	.	.	.	.	.	.	.	.	.	.	.
2004 Apr.	8.8	5.6	0.3	0.2	1.4	1.2	4.6	-1.6	-4.6	0.4	-0.4	1.9
May	8.6	5.1	0.2	0.1	2.0	0.9	4.7	-1.6	-5.2	-0.7	-0.1	3.1
June	6.8	5.2	0.1	0.1	1.9	1.0	4.8	-1.5	-6.0	-0.5	-0.4	1.9
July	5.3	4.9	0.2	0.1	1.5	1.4	5.0	-1.8	-4.8	-0.6	-0.4	-0.2
Aug.	2.8	4.1	0.1	0.1	1.4	1.0	5.1	-1.8	-6.9	-0.5	-0.4	0.5
Sep.	4.6	.	.	.	.	.	.	.	.	.	.	.

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

7.4 International investment position

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

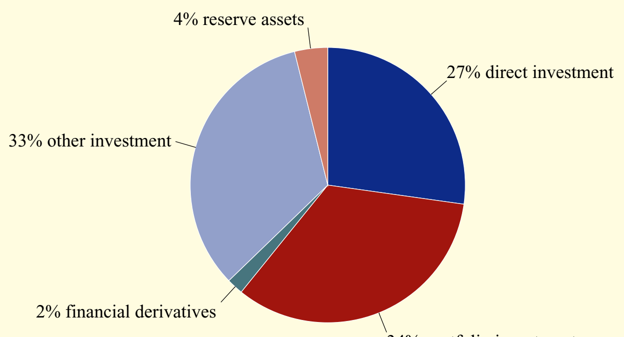
1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
	Net international investment position						
2000	-506.9	-7.7	369.9	-832.7	2.0	-437.3	391.2
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.5	79.7	-823.5	-7.5	-314.8	306.5
	Outstanding assets						
2000	6,763.5	102.8	1,632.4	2,327.7	105.8	2,306.4	391.2
2001	7,628.1	111.4	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	102.5	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.9	2,110.4	2,607.4	156.6	2,587.3	306.5
	Outstanding liabilities						
2000	7,270.3	110.5	1,262.5	3,160.4	103.8	2,743.7	-
2001	8,026.9	117.2	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	111.2	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	117.4	2,030.7	3,430.9	164.1	2,902.1	-

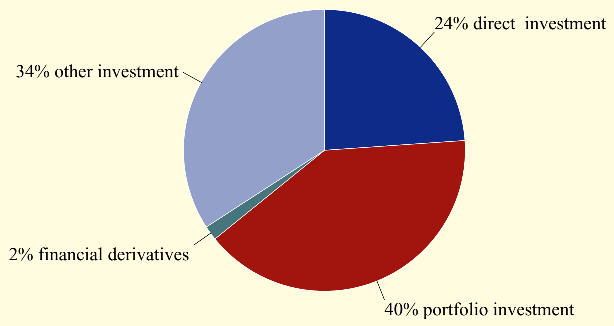
2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12
2000	1,284.7	115.2	1,169.5	347.7	1.7	346.0	976.6	32.1	944.4	285.9	1.8	284.2
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5

C32 International investment position by item at end-2003



Assets



Liabilities

Source: ECB.

7.4 International investment position
(EUR billions; end-of-period outstanding amounts)

3. Portfolio investment by instrument

	Equity		Debt instruments					
			Assets			Liabilities		
	Assets	Liabilities	Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
	1	2	3	4	5	6	7	8
2000	1,154.9	1,620.1	1,172.8	1,048.4	124.3	1,540.3	1,372.7	167.5
2001	1,116.7	1,640.5	1,398.3	1,218.6	179.8	1,695.3	1,514.8	180.5
2002	853.2	1,366.1	1,449.4	1,206.4	243.0	1,815.5	1,628.8	186.7
2003	1,054.6	1,516.2	1,552.8	1,317.0	235.8	1,914.6	1,701.3	213.4

4. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2000	0.5	43.6	1,110.9	5.7	1,105.2	3.1	335.3	710.1	5.7	704.4	0.5	87.5	36.3	0.1	36.2
2001	0.6	38.5	1,077.6	6.7	1,070.9	2.0	424.8	791.8	8.2	783.6	2.8	135.1	41.8	0.2	41.6
2002	0.7	43.8	808.8	8.3	800.5	6.4	404.8	795.2	8.0	787.2	1.2	193.8	47.9	1.3	46.7
2003	1.8	52.6	1,000.2	11.5	988.8	8.3	463.7	845.1	8.0	837.1	1.1	184.8	49.9	0.6	49.2

5. Other investment by instrument

	Eurosystem				General goverment							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	1	2	3	4	5	6	7	8	9	10	11	12
2000	2.9	0.1	41.8	0.3	2.8	77.5	.	.	53.5	0.2	47.2	12.1
2001	3.0	0.1	40.5	0.2	3.1	68.6	.	.	55.8	0.2	44.8	12.3
2002	3.4	0.1	57.2	0.2	1.3	58.7	.	.	54.4	0.1	42.8	13.5
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets					Liabilities		
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
	13	14	15	16	17	18	19	20	21	22	23	24
2000	1,422.4	37.1	2,128.1	42.2	173.5	435.7	-	-	100.9	109.2	322.8	39.8
2001	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9

Source: ECB.

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

	Reserve assets: Total	Monetary gold: In EUR billions	Monetary gold: In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange: Total	Currency and deposits: With monetary authorities and the BIS	Currency and deposits: With banks	Securities: Total	Securities: Equity	Securities: Bonds and notes	Securities: Money market instruments	Financial derivatives	Other claims	Memo: Assets: Claims on euro area residents in foreign currency	Memo: Liabilities: Predetermined short-term net drains in foreign currency
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Eurosystem																
2000 Dec.	391.2	119.2	404.157	4.3	21.2	246.5	16.8	20.5	208.5	0.0	155.3	53.2	0.7	0.0	16.3	-21.7
2001 Dec.	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	10.1	0.4	0.0	24.7	-28.5
2002 Dec.	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003 Oct.	332.4	131.4	395.284	4.6	26.2	170.2	9.4	31.5	128.6	-	-	-	0.8	0.0	17.8	-24.9
Nov.	321.9	131.0	394.294	4.6	25.4	160.9	11.2	26.9	121.8	-	-	-	1.0	0.0	15.8	-17.5
Dec.	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Jan.	309.7	127.0	393.542	4.5	23.5	154.7	10.2	32.5	111.7	-	-	-	0.3	0.0	19.3	-17.1
Feb.	298.5	125.4	393.540	4.5	23.3	145.2	10.1	32.6	102.4	-	-	-	0.1	0.0	20.8	-10.9
Mar.	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
Apr.	303.9	128.0	393.536	4.7	23.7	147.5	10.5	26.5	110.8	-	-	-	-0.2	0.0	20.4	-12.7
May	298.9	126.5	392.415	4.7	23.3	144.4	10.6	25.8	108.0	-	-	-	0.1	0.0	18.8	-9.3
June	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
July	301.3	127.5	392.221	4.6	22.1	147.1	9.8	27.1	110.2	-	-	-	0.1	0.0	19.6	-9.5
Aug.	301.7	131.9	392.222	4.6	21.7	143.4	8.3	30.2	104.7	-	-	-	0.2	0.0	20.5	-8.7
Sep.	298.2	131.4	392.200	4.6	20.5	141.8	8.0	31.2	102.5	-	-	-	0.1	0.0	19.1	-8.5
Oct.	294.7	131.0	391.961	4.2	20.1	139.4	8.7	31.3	98.9	-	-	-	0.6	0.0	18.9	-11.0
of which held by the European Central Bank																
2001 Dec.	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002 Dec.	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003 Oct.	40.4	8.2	24.656	0.2	0.0	32.0	1.0	4.7	26.3	-	-	-	0.0	0.0	2.7	-2.3
Nov.	39.6	8.2	24.656	0.2	0.0	31.2	1.0	5.2	25.0	-	-	-	0.0	0.0	2.6	-2.4
Dec.	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Jan.	38.3	8.0	24.656	0.2	0.0	30.1	1.3	6.9	21.9	-	-	-	0.0	0.0	2.5	-2.0
Feb.	36.1	7.9	24.656	0.2	0.0	28.0	1.1	7.7	19.2	-	-	-	0.0	0.0	2.8	-0.4
Mar.	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
Apr.	37.7	8.0	24.656	0.2	0.0	29.5	1.0	4.7	23.8	-	-	-	0.0	0.0	2.6	-0.5
May	37.4	7.9	24.656	0.2	0.0	29.2	1.4	5.5	22.3	-	-	-	0.0	0.0	2.4	-0.6
June	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5
July	38.0	8.0	24.656	0.2	0.0	29.8	1.4	4.6	23.9	-	-	-	0.0	0.0	2.5	-1.0
Aug.	37.5	8.3	24.656	0.2	0.0	29.0	1.2	5.9	21.9	-	-	-	0.0	0.0	3.2	-0.9
Sep.	38.0	8.3	24.656	0.2	0.0	29.6	0.9	6.8	21.9	-	-	-	0.0	0.0	2.0	-1.0
Oct.	37.9	8.2	24.656	0.2	0.0	29.5	1.5	7.2	20.8	-	-	-	0.0	0.0	1.8	-1.2

Source: ECB.

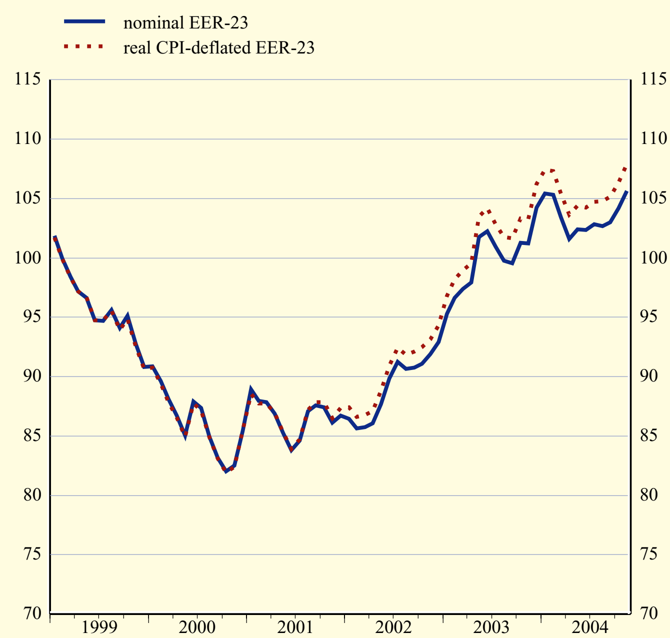
8

EXCHANGE RATES

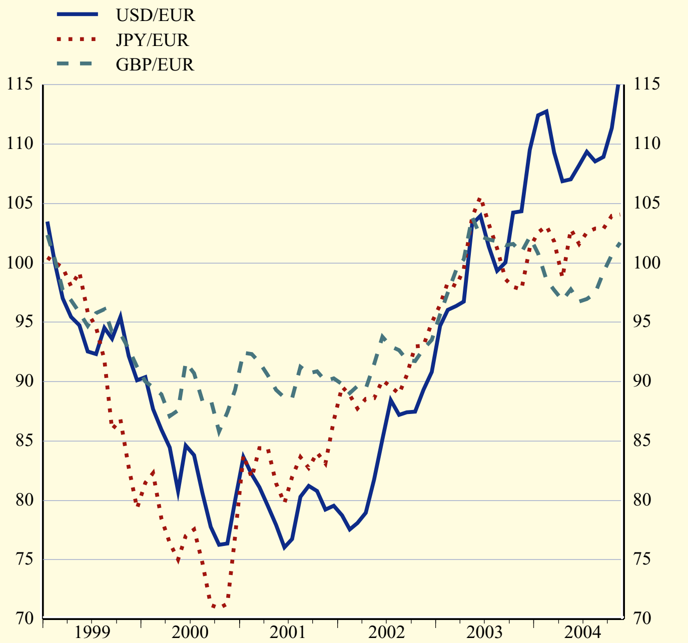
8.1 Effective exchange rates [1]
(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2001	86.7	86.8	88.4	86.7	86.3	85.1	90.4	87.0
2002	89.2	90.3	91.9	90.2	88.5	88.2	94.8	90.9
2003	99.9	101.7	102.2	101.6	100.0	99.4	106.6	101.6
2003 Q3	100.1	102.1	102.2	101.9	100.7	100.2	106.4	101.5
Q4	102.2	104.3	104.1	104.2	102.6	101.4	109.1	103.9
2004 Q1	104.7	106.7	106.4	106.8	105.5	103.9	111.6	106.1
Q2	102.1	104.1	103.6	104.4	103.8	101.1	109.2	103.7
Q3	102.8	104.9	104.4	.	.	.	110.1	104.5
2003 Nov.	101.2	103.3	103.2	.	.	.	108.0	102.9
Dec.	104.2	106.2	105.9	.	.	.	111.2	105.8
2004 Jan.	105.4	107.4	107.0	.	.	.	112.5	106.9
Feb.	105.3	107.3	106.9	.	.	.	112.3	106.8
Mar.	103.4	105.4	105.2	.	.	.	110.2	104.7
Apr.	101.6	103.7	103.2	.	.	.	108.3	103.0
May	102.4	104.4	103.9	.	.	.	109.5	104.1
June	102.3	104.2	103.7	.	.	.	109.6	104.0
July	102.8	104.7	104.4	.	.	.	110.1	104.4
Aug.	102.7	104.8	104.3	.	.	.	109.9	104.4
Sep.	103.0	105.1	104.6	.	.	.	110.3	104.7
Oct.	104.2	106.3	105.0	.	.	.	111.5	105.8
Nov.	105.6	107.9	106.4	.	.	.	113.1	107.2
	% change versus previous month							
2004 Nov.	1.4	1.5	1.3	.	.	.	1.4	1.3
	% change versus previous year							
2004 Nov.	4.3	4.5	3.1	.	.	.	4.7	4.2

C33 Effective exchange rates
(monthly averages; index 1999 Q1=100)



C34 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)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish krone	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar	Icelandic krona	New Zealand dollar	South African rand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.8956	0.62187	108.68	1.5105	9.2551	1,154.83	6.9855	7.4521	1.6039	1.3864	8.0484	1.7319	87.42	2.1300	7.6873
2002	0.9456	0.62883	118.06	1.4670	9.1611	1,175.50	7.3750	7.4305	1.6912	1.4838	7.5086	1.7376	86.18	2.0366	9.9072
2003	1.1312	0.69199	130.97	1.5212	9.1242	1,346.90	8.8079	7.4307	1.9703	1.5817	8.0033	1.7379	86.65	1.9438	8.5317
2003 Q3	1.1248	0.69888	132.14	1.5451	9.1631	1,321.05	8.7674	7.4309	1.9699	1.5533	8.2472	1.7089	88.40	1.9254	8.3505
Q4	1.1890	0.69753	129.45	1.5537	9.0093	1,404.56	9.2219	7.4361	2.0507	1.5659	8.2227	1.6622	89.16	1.9032	8.0159
2004 Q1	1.2497	0.67987	133.97	1.5686	9.1843	1,464.18	9.7201	7.4495	2.1179	1.6482	8.6310	1.6337	87.22	1.8532	8.4768
Q2	1.2046	0.66704	132.20	1.5374	9.1450	1,400.41	9.3925	7.4393	2.0518	1.6374	8.2634	1.6907	87.70	1.9180	7.9465
Q3	1.2220	0.67216	134.38	1.5363	9.1581	1,411.03	9.5310	7.4367	2.0867	1.5998	8.3890	1.7226	87.48	1.8701	7.7869
2003 Nov.	1.1702	0.69278	127.84	1.5590	8.9939	1,388.09	9.0836	7.4370	2.0233	1.5361	8.1969	1.6337	88.60	1.8608	7.8806
Dec.	1.2286	0.70196	132.43	1.5544	9.0228	1,463.90	9.5386	7.4419	2.1016	1.6131	8.2421	1.6626	89.68	1.8982	7.9934
2004 Jan.	1.2613	0.69215	134.13	1.5657	9.1368	1,492.23	9.7951	7.4481	2.1415	1.6346	8.5925	1.6374	87.69	1.8751	8.7788
Feb.	1.2646	0.67690	134.78	1.5734	9.1763	1,474.74	9.8314	7.4511	2.1323	1.6817	8.7752	1.6260	86.72	1.8262	8.5555
Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
June	1.2138	0.66428	132.86	1.5192	9.1430	1,406.18	9.4648	7.4342	2.0791	1.6492	8.2856	1.7483	87.55	1.9301	7.8110
July	1.2266	0.66576	134.08	1.5270	9.1962	1,420.66	9.5672	7.4355	2.0995	1.6220	8.4751	1.7135	87.71	1.8961	7.5137
Aug.	1.2176	0.66942	134.54	1.5387	9.1861	1,409.37	9.4968	7.4365	2.0886	1.6007	8.3315	1.7147	87.08	1.8604	7.8527
Sep.	1.2218	0.68130	134.51	1.5431	9.0920	1,403.06	9.5290	7.4381	2.0719	1.5767	8.3604	1.7396	87.65	1.8538	7.9943
Oct.	1.2490	0.69144	135.97	1.5426	9.0620	1,426.19	9.7284	7.4379	2.0947	1.5600	8.2349	1.7049	87.58	1.8280	7.9861
Nov.	1.2991	0.69862	136.09	1.5216	8.9981	1,411.15	10.1028	7.4313	2.1446	1.5540	8.1412	1.6867	87.15	1.8540	7.8566
	% change versus previous month														
2004 Nov.	4.0	1.0	0.1	-1.4	-0.7	-1.1	3.8	-0.1	2.4	-0.4	-1.1	-1.1	-0.5	1.4	-1.6
	% change versus previous year														
2004 Nov.	11.0	0.8	6.5	-2.4	0.0	1.7	11.2	-0.1	6.0	1.2	-0.7	3.2	-1.6	-0.4	-0.3

	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	Turkish lira
	16	17	18	19	20	21	22	23	24	25	26	27	28
2001	0.57589	34.068	15.6466	256.59	3.5823	0.5601	0.4030	3.6721	217.9797	43.300	1.9482	26,004	1,102,425
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851
2003 Q3	0.58574	32.168	15.6466	259.65	3.4528	0.6419	0.4268	4.4244	234.8763	41.747	1.9466	37,410	1,569,762
Q4	0.58404	32.096	15.6466	259.82	3.4526	0.6528	0.4287	4.6232	236.1407	41.184	1.9494	39,735	1,721,043
2004 Q1	0.58615	32.860	15.6466	260.00	3.4530	0.6664	0.4283	4.7763	237.6479	40.556	1.9517	40,550	1,665,395
Q2	0.58480	32.022	15.6466	252.16	3.4528	0.6542	0.4255	4.6877	238.8648	40.076	1.9493	40,664	1,759,532
Q3	0.57902	31.593	15.6466	248.80	3.4528	0.6597	0.4266	4.4236	239.9533	40.020	1.9559	40,994	1,807,510
2003 Nov.	0.58328	31.974	15.6466	259.31	3.4528	0.6471	0.4275	4.6174	236.1345	41.102	1.9476	39,927	1,726,781
Dec.	0.58459	32.329	15.6466	264.74	3.4525	0.6631	0.4304	4.6595	236.6662	41.132	1.9533	40,573	1,761,551
2004 Jan.	0.58647	32.724	15.6466	264.32	3.4531	0.6707	0.4301	4.7128	237.3167	40.731	1.9557	41,107	1,698,262
Feb.	0.58601	32.857	15.6466	263.15	3.4532	0.6698	0.4284	4.8569	237.5123	40.551	1.9535	40,563	1,682,658
Mar.	0.58598	32.985	15.6466	253.33	3.4528	0.6596	0.4266	4.7642	238.0683	40.400	1.9465	40,029	1,620,374
Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487
June	0.58239	31.614	15.6466	253.02	3.4528	0.6565	0.4254	4.5906	239.3591	39.923	1.9547	40,753	1,814,266
July	0.58171	31.545	15.6466	249.89	3.4528	0.6596	0.4259	4.4651	239.9023	39.899	1.9558	40,962	1,784,116
Aug.	0.57838	31.634	15.6466	248.85	3.4528	0.6586	0.4261	4.4310	239.9900	40.111	1.9559	40,946	1,799,918
Sep.	0.57696	31.601	15.6466	247.66	3.4528	0.6610	0.4277	4.3748	239.9677	40.049	1.9559	41,075	1,838,497
Oct.	0.57595	31.491	15.6466	246.69	3.4528	0.6690	0.4297	4.3182	239.9067	39.997	1.9559	41,082	1,860,247
Nov.	0.57789	31.286	15.6466	245.36	3.4528	0.6803	0.4319	4.2573	239.7891	39.546	1.9559	39,848	1,883,365
	% change versus previous month												
2004 Nov.	0.3	-0.7	0.0	-0.5	0.0	1.7	0.5	-1.4	0.0	-1.1	0.0	-3.0	1.2
	% change versus previous year												
2004 Nov.	-0.9	-2.2	0.0	-5.4	0.0	5.1	1.0	-7.8	1.5	-3.8	0.4	-0.2	9.1

Source: ECB.

DEVELOPMENTS OUTSIDE THE EURO AREA

9

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2002	1.4	2.4	3.6	2.8	2.0	0.4	5.2	2.6	1.9	7.5	3.5	2.0	1.3
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004 Q1	2.0	0.7	0.6	1.0	4.3	-1.1	6.8	2.5	1.8	3.7	8.2	0.6	1.3
Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
2004 June	2.7	0.9	4.4	2.4	6.1	1.0	7.5	3.2	4.3	3.9	8.1	1.2	1.6
July	3.1	1.1	4.0	2.9	6.7	1.8	7.2	3.1	4.7	3.7	8.3	1.2	1.4
Aug.	3.2	0.9	3.9	2.8	7.8	2.2	7.2	2.5	4.9	3.7	7.0	1.2	1.3
Sep.	2.8	0.9	3.8	1.8	7.7	3.0	6.7	3.2	4.7	3.4	6.4	1.2	1.1
Oct.	3.1	1.6	4.0	2.0	7.2	3.1	6.4	2.7	4.6	3.4	6.3	1.4	1.2
General government deficit (-)/surplus (+) as a % of GDP													
2001	-5.9	2.1	0.3	-2.4	-2.1	-2.0	-4.4	-6.4	-3.8	-2.8	-6.0	2.8	0.7
2002	-6.8	0.7	1.4	-4.6	-2.7	-1.5	-9.2	-5.8	-3.6	-2.4	-5.7	0.0	-1.7
2003	-12.6	0.3	3.1	-6.4	-1.5	-1.9	-6.2	-9.6	-3.9	-2.0	-3.7	0.3	-3.3
General government gross debt as a % of GDP													
2001	25.3	49.2	4.4	64.3	14.9	22.9	53.5	62.0	36.7	28.1	48.7	54.4	38.8
2002	28.8	48.8	5.3	67.4	14.1	22.4	57.2	62.3	41.1	29.5	43.3	52.6	38.3
2003	37.8	45.9	5.3	70.9	14.4	21.4	59.1	70.4	45.4	29.4	42.6	52.0	39.8
Long-term government bond yield as a % per annum, period average													
2004 May	4.88	4.46	-	5.17	4.95	4.46	8.25	4.65	7.32	4.77	5.13	4.68	5.15
June	5.02	4.53	-	5.49	4.93	4.47	8.55	4.65	7.27	4.69	5.09	4.72	5.24
July	5.11	4.62	-	6.58	4.89	4.58	8.47	4.65	7.44	4.65	5.03	4.57	5.14
Aug.	5.02	4.45	-	6.58	4.88	4.57	8.44	4.70	7.36	4.66	5.02	4.42	5.03
Sep.	5.02	4.38	-	6.58	4.87	4.56	8.58	4.70	6.96	4.63	5.04	4.37	4.95
Oct.	4.81	4.23	-	6.58	4.63	4.38	8.23	4.71	6.80	4.47	5.08	4.25	4.81
3-month interest rate as a % per annum, period average													
2004 May	2.16	2.20	2.61	5.16	4.25	2.70	-	2.90	5.99	4.76	4.91	2.20	4.53
June	2.33	2.21	2.42	5.30	3.94	2.68	11.10	2.90	5.91	4.46	4.33	2.20	4.79
July	2.47	2.22	2.41	5.23	4.05	2.69	-	2.94	6.34	4.03	3.96	2.20	4.86
Aug.	2.57	2.21	2.41	5.16	4.12	2.71	-	2.96	6.60	4.01	3.96	2.20	4.96
Sep.	2.72	2.21	2.41	5.15	4.14	2.68	-	2.96	7.12	4.07	4.16	2.20	4.95
Oct.	2.67	2.21	2.41	5.15	4.20	2.69	11.09	2.96	6.89	4.10	4.26	2.21	4.90
Real GDP													
2002	1.7	1.0	7.2	2.0	6.4	6.8	3.5	2.6	1.3	3.4	4.4	2.1	1.8
2003	3.1	0.5	5.1	2.0	7.5	9.7	2.9	-0.3	.	2.3	4.2	1.6	2.2
2004 Q1	3.1	1.7	7.0	3.6	8.8	6.8	4.2	2.1	.	3.8	5.5	2.8	3.4
Q2	.	2.6	.	4.1	7.7	7.4	4.0	-1.6	.	4.6	5.4	3.5	3.6
Q3	.	1.9	.	.	.	6.3	.	1.4	.	.	.	.	3.1
Current and capital accounts balance as a % of GDP													
2002	-5.7	2.3	-9.9	-4.5	-6.5	-4.8	-6.9	-0.9	-2.6	0.7	-7.6	5.3	-1.7
2003	-6.2	3.3	-12.7	-3.3	-7.6	-6.5	-9.0	-5.4	-2.2	-1.0	-0.5	6.4	-1.7
2003 Q4	-10.0	2.1	-15.9	-4.9	-8.6	-9.6	-9.0	-9.1	-1.5	-2.3	-0.6	6.4	-1.7
2004 Q1	-2.4	3.0	-11.5	-12.6	-8.5	-8.9	-9.8	-7.0	-1.4	0.6	1.2	7.6	-1.0
Q2	-5.8	3.7	-20.4	-11.1	-16.7	-10.6	-10.3	0.1	-2.9	-2.6	-7.6	7.9	-2.8
Unit labour costs													
2002	5.8	1.8	4.1	-	-0.4	-1.2	8.9	-	-1.6	6.0	4.4	0.9	3.5
2003	3.9	2.2	4.6	-	4.9	1.5	7.0	-	.	4.8	6.6	0.6	.
2003 Q4	2.7	0.9	2.7	-	-	.	-	.	-	-	-	-	.
2004 Q1	.	1.6	4.7	-	-	.	-	.	-	-	-	-	.
Q2	.	0.6	4.8	-	-	.	-	.	-	-	-	-	.
Standardised unemployment rate as a % of labour force (s.a.)													
2002	7.3	4.6	9.5	3.9	12.5	13.6	5.6	7.7	19.8	6.1	18.7	4.9	5.1
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.7	8.0	19.2	6.5	17.5	5.6	5.0
2004 Q1	8.4	5.6	9.9	5.0	9.9	11.5	5.8	7.7	19.1	6.2	18.4	6.2	4.7
Q2	8.4	5.4	9.6	4.7	9.8	11.1	5.8	7.4	18.9	6.1	18.4	6.4	4.7
Q3	8.4	5.3	9.1	4.9	9.7	10.7	5.8	7.1	18.7	5.9	17.9	6.4	.
2004 June	8.4	5.4	9.4	4.8	9.7	11.1	5.7	7.4	18.9	6.0	18.3	6.4	4.7
July	8.4	5.3	9.3	4.9	9.7	11.0	5.8	7.3	18.8	5.9	18.1	6.3	4.6
Aug.	8.4	5.3	9.1	4.9	9.7	10.7	5.8	7.0	18.7	5.9	17.9	6.2	4.5
Sep.	8.4	5.3	8.8	5.0	9.7	10.4	5.9	7.0	18.7	5.9	17.8	6.7	.
Oct.	8.4	.	8.5	5.0	9.7	10.1	6.0	7.0	18.6	5.9	17.7	6.3	.

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

9.2 In the United States and Japan

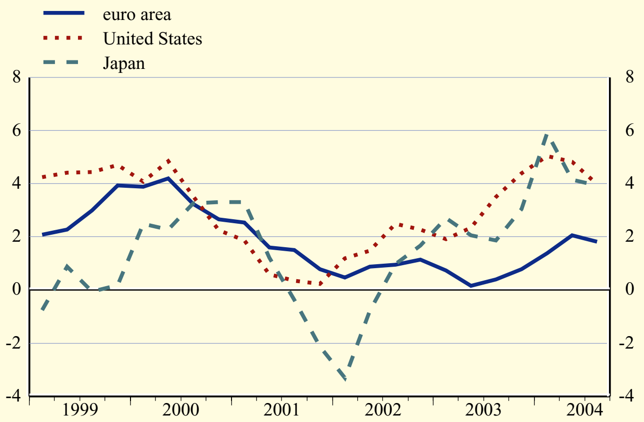
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2000	3.4	4.3	3.7	4.8	4.0	9.4	6.53	6.03	0.9236	1.6	43.7
2001	2.8	0.2	0.8	-3.9	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.3	1.9	-0.5	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.2	3.0	0.1	6.0	6.3	1.22	4.00	1.1312	-4.6	47.7
2003 Q3	2.2	3.1	3.5	-0.6	6.1	7.2	1.13	4.21	1.1248	-5.1	47.1
Q4	1.9	3.5	4.4	1.7	5.9	4.6	1.17	4.27	1.1890	-4.3	47.7
2004 Q1	1.8	-0.6	5.0	3.2	5.6	4.5	1.12	4.00	1.2497	-4.5	48.4
Q2	2.9	-2.7	4.8	5.9	5.6	5.8	1.30	4.58	1.2046	-4.4	48.2
Q3	2.7	-2.1	4.0	5.9	5.4	4.6	1.75	4.29	1.2220	-4.4	.
2004 July	3.0	-	-	6.1	5.5	4.6	1.63	4.48	1.2266	-	-
Aug.	2.7	-	-	6.4	5.4	4.4	1.73	4.27	1.2176	-	-
Sep.	2.5	-	-	5.1	5.4	4.9	1.90	4.13	1.2218	-	-
Oct.	3.2	-	-	5.7	5.5	4.8	2.08	4.08	1.2490	-	-
Nov.	.	-	-	.	.	.	2.31	4.19	1.2991	-	-
					Japan						
2000	-0.7	-6.7	2.8	5.7	4.7	2.1	0.28	1.76	99.47	-7.5	126.9
2001	-0.7	4.4	0.4	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.3
2003	-0.3	-3.8	2.4	3.2	5.2	1.7	0.06	0.99	130.97	.	.
2003 Q3	-0.2	-1.5	1.9	1.0	5.2	1.8	0.05	1.19	132.14	.	.
Q4	-0.3	-4.3	3.1	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	-6.5	5.9	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	4.2	7.4	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	.	3.9	6.4	4.8	1.8	0.05	1.64	134.38	.	.
2004 July	-0.1	-5.1	-	5.7	4.9	1.8	0.05	1.79	134.08	-	-
Aug.	-0.2	-8.5	-	9.8	4.8	1.8	0.05	1.63	134.54	-	-
Sep.	0.0	.	-	4.1	4.6	2.0	0.05	1.50	134.51	-	-
Oct.	0.5	.	-	-1.1	4.7	2.0	0.05	1.49	135.97	-	-
Nov.	.	.	-	.	.	.	0.05	1.46	136.09	-	-

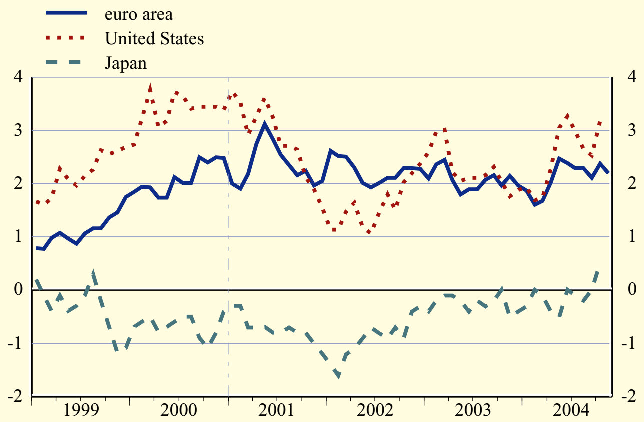
C35 Real gross domestic product

(annual percentage changes; quarterly)



C36 Consumer price indices

(annual percentage changes; monthly)



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

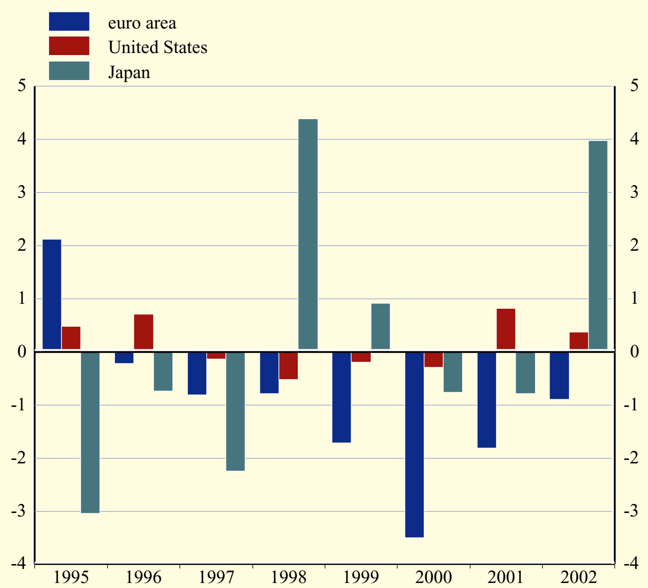
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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

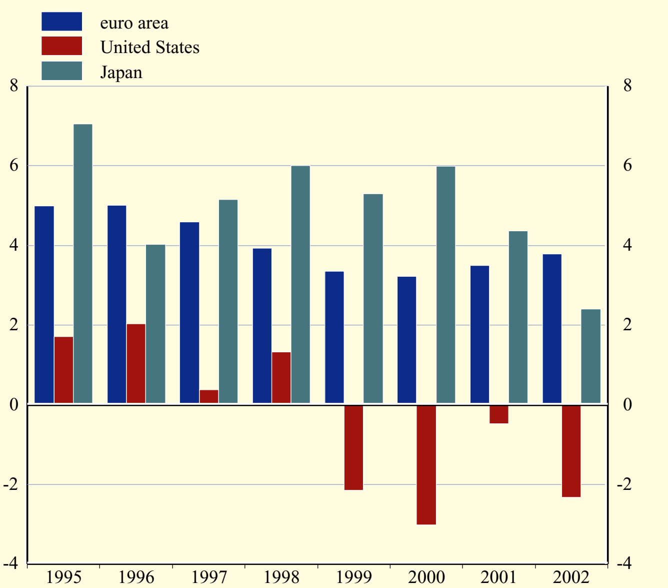
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expend-itures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
						United States							
2000	18.0	20.8	-4.0	9.5	9.0	12.3	7.5	12.6	2.4	12.6	2.8	11.1	5.8
2001	16.4	19.1	-3.7	8.0	8.4	1.8	7.6	0.9	1.8	12.7	5.3	10.7	5.8
2002	14.2	18.4	-4.4	7.3	7.2	1.4	8.0	1.1	-0.1	12.8	4.3	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.6	8.5	2.7	0.9	13.1	7.6	10.7	8.2
2002 Q3	13.8	18.3	-4.4	7.3	7.2	0.8	7.9	0.6	-1.8	12.9	3.1	10.8	5.5
Q4	13.3	18.3	-4.7	7.1	7.0	5.4	8.3	4.3	0.7	12.9	3.3	10.5	8.0
2003 Q1	12.8	18.2	-5.0	6.9	6.9	3.6	7.8	2.4	1.0	12.8	7.2	10.2	9.3
Q2	13.2	18.1	-4.8	6.8	7.0	5.8	8.5	4.0	2.0	13.1	11.2	10.5	12.5
Q3	13.7	18.6	-4.6	7.0	7.1	4.2	8.7	2.1	0.3	13.3	8.6	11.2	6.9
Q4	14.4	18.8	-4.3	7.2	7.2	4.7	9.1	2.5	0.3	13.3	3.7	10.7	4.1
2004 Q1	13.7	19.1	-4.9	7.4	7.1	5.5	8.9	3.9	1.3	13.2	7.2	10.3	9.8
Q2	13.7	19.7	-5.5	7.7	7.3	4.1	8.7	2.5	-0.1	13.3	7.3	10.2	8.4
						Japan							
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.7	23.9	2.8	13.7	14.0	-1.7	15.7	-7.4	-0.9	4.8	-0.2	8.5	-2.1
2003	.	24.1	.	.	.	3.2	.	-5.1	-0.2	.	-1.2	.	-0.8
2002 Q3	24.5	23.9	2.7	.	.	1.1	.	-10.0	-2.4	.	-8.1	.	-0.4
Q4	24.2	25.2	2.2	.	.	5.5	.	9.8	0.7	.	10.2	.	-1.7
2003 Q1	28.2	23.4	2.8	.	.	17.5	.	-1.8	1.7	.	-13.1	.	2.9
Q2	.	23.3	.	.	.	-25.8	.	-20.5	-0.9	.	4.1	.	-5.7
Q3	.	24.1	.	.	.	9.8	.	-5.5	-3.0	.	-5.5	.	1.1
Q4	.	24.9	.	.	.	11.5	.	6.5	1.2	.	8.7	.	-1.2
2004 Q1	.	23.8	.	.	.	11.3	.	0.6	-0.4	.	-7.6	.	2.6
Q2	.	23.1	.	.	.	-10.1	.	-12.3	-0.6	.	4.7	.	-5.9

C37 Net lending of non-financial corporations
(as a percentage of GDP)



C38 Net lending of households [1]
(as a percentage of GDP)



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

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

Finally, the three-month moving average for the annual growth rate of M3 is obtained as $(a_t + a_{t-1} + a_{t-2})/3$, where a_t is defined as in f) or g) above.

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated

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

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

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

from transactions or from the index of adjusted outstanding amounts. 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 adjusted outstanding amounts in month t is defined as:

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

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services are pre-adjusted to take "working day" and "Easter" effects into account. Data on income and current transfers credits are subject to a "working day" pre-adjustment. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at semi-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.int), under the "Money, banking and financial markets" sub-section.

GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website (www.ecb.int). Services available under the “Data services” sub-section include a browser interface with search facilities, subscription to different datasets and a facility for downloading data directly as compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.int.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 1 December 2004.

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

Given that the composition of the ECU does not coincide with the former currencies of the countries which have adopted the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States which have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

The group “Other EU Member States” comprises the Czech Republic, Denmark, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovakia, Sweden and United Kingdom.

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

In the tables, the term “up to (x) years” means “up to *and including* (x) years”.

OVERVIEW

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

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

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

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

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

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

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

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

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate.

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. Euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities issued, redemptions, net issues and outstanding amounts for all maturities, with an additional breakdown of long-term maturities. Net issues differ from the change in outstanding amounts owing to valuation changes, reclassifications and other adjustments.

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

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

The total outstanding amounts in column 1 of Section 4.2 are identical to the data on outstanding amounts of Section 4.1, column 5. The outstanding amounts of securities issued by MFIs in Section 4.2, column 2, are broadly comparable with debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Section 2.1, column 8.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity and by sector of the issuer), which are based on financial transactions that occur when an institutional unit acquires or disposes of financial assets and incurs or repays liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (main liabilities, column 21).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

Section 4.5 presents statistics on all the interest rates that MFIs resident in the euro area apply to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area. Euro area MFI interest rates are calculated as a weighted average (by corresponding business volume) of the euro area countries' interest rates for each category.

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages.

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

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) were available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

4 OJ L 162, 5.6.1998, p. 1.
5 OJ L 86, 27.3.2001, p. 11.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

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

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

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000 [6] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 [7] on quarterly non-financial accounts for general government.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[8], and Eurostat documents. Additional references about the

6 OJ L 172, 12.7.2000, p. 3.
7 OJ L 179, 9.7.2002, p. 1.
8 OJ L 354, 30.11.2004, p. 34.

methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2004), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org).

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 7 provides a sectoral breakdown of euro area purchasers of securities issued by non-euro area residents. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 8 and 9 the breakdown between "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms with the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In the liabilities of portfolio investment, the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs, apart from shares of money market funds and debt securities issued by MFIs with a maturity of up to two years. A specific methodological note on the monetary presentation of the euro area b.o.p. is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 7.3.1 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 and

7.2). The difference for imports accounted for around 5% in the recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-euro area residents, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Section 7.5 are in line with the recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

3 JANUARY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

The Governing Council also decides on an allotment amount of €20 billion per operation for the longer-term refinancing operations to be conducted in 2002. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2002 and the desire of the Eurosystem to continue to provide the bulk of refinancing of the financial sector through its main refinancing operations. The Governing Council may adjust the allotment amount in the course of the year in the event of unexpected developments in liquidity needs.

7 FEBRUARY, 7 MARCH, 4 APRIL, 2 MAY, 6 JUNE, 4 JULY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

10 JULY 2002

The Governing Council of the ECB decides to reduce the allotment amount for each of the longer-term refinancing operations to be conducted in the second half of 2002 from €20 billion to €15 billion. This latter amount takes into consideration the expected liquidity needs of the euro area banking system in the second half of 2002 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

1 AUGUST, 12 SEPTEMBER, 10 OCTOBER, 7 NOVEMBER 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

5 DECEMBER 2002

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.75%, starting from the operation to be settled on 11 December 2002. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.75% and 1.75% respectively, both with effect from 6 December 2002.

In addition, it decides that the reference value for the annual growth rate of the broad monetary aggregate M3 will remain at 4½%.

9 JANUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2001 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000 and on pages 219 to 220 of the ECB's Annual Report 2001.

improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

6 FEBRUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

6 MARCH 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

3 APRIL 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 MAY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER, 2 DECEMBER 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

PAYMENT FLOWS IN TARGET

In the third quarter TARGET processed a daily average of 255,636 payments with a value of €1,630 billion. Compared with the previous quarter, this represented a decrease of 7% in terms of both volume and value. Compared with the third quarter of 2003, it represented an increase of 1% in volume terms and 2% in value terms. This follows the seasonal pattern that has been recorded in TARGET since its start in 1999 whereby all third quarters showed a decrease in all segments analysed. TARGET's overall market share remained at 88% in value terms and decreased from 59% to 57% in volume terms.

TARGET INTRA-MEMBER STATE

TARGET processed on average 193,992 intra-Member State payments with a value of €1,094 billion per business day. This represented a decrease of 6% in volume and 8% in value as compared with the previous quarter. Compared with the corresponding period in 2003, the volume was unchanged, whereas the value increased by 2%. TARGET intra-Member State traffic accounted for 75.9% of the total volume and 67.1% of the total value of TARGET. The average value of an intra-Member State payment decreased from €5.8 million in the second quarter of 2004 to €5.6 million in the third quarter. The highest intra-Member State traffic on a single day was on 30 September 2004 (i.e. the last business day of the quarter), when 258,164 payments with a value of €1,515 billion were processed. 66% of all intra-Member State payments were below €50,000, while 11% were above €1 million. On average, there were 126 intra-Member State payments per day with a value above €1 billion.

TARGET INTER-MEMBER STATE

At the inter-Member State level, TARGET processed a daily average of 61,644 payments with a value of €536 billion in the third quarter of 2004. Compared with the second quarter of 2004, this represented a decrease of 9% in terms of volume and 6% in terms of value. Compared with the third quarter of last year, the inter-Member State figures increased by 7% in volume terms and 2% in value terms.

Interbank payments decreased by 8% in volume and 6% in value as compared with the previous quarter. For customer payments a decrease of 11% in terms of volume and 10% in terms of value was observed. The ratio of interbank payments in the average daily inter-Member State traffic was 48.5% in volume and 95.3% in value. The average value of interbank payments increased from €16.7 million to €17.1 million and that of customer payments grew from €778,000 to €799,000 as compared with the second quarter of 2004. During the third quarter the highest inter-Member State traffic was recorded on 30 September 2004 (i.e. the last business day of the quarter), when 82,982 inter-Member State payments with a value of €713 billion were processed in TARGET. 63% of the inter-Member State payments had a value below €50,000. 15% had a value above €1 million. On average, there were 40 inter-Member State payments per day with a value above €1 billion.

Table 1 TARGET availability for each national component and the ECB payment mechanism (EPM)

National TARGET component	Availability Q3 2004
Belgium	99.83%
Denmark	99.65%
Germany	99.74%
Greece	99.68%
Spain	99.87%
France	100.00%
Ireland	99.56%
Italy	99.95%
Luxembourg	100.00%
The Netherlands	99.90%
Austria	99.93%
Portugal	99.83%
Finland	99.84%
Sweden	99.57%
United Kingdom	100.00%
ECB payment mechanism	99.25%
Overall TARGET availability	99.79%

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the third quarter of 2004 TARGET achieved an overall availability of 99.79%, compared with 99.80% in the second quarter of 2004. The number of incidents with an effect on TARGET's availability was 32, thus higher than in the previous quarter when 25 incidents were recorded. On one occasion (20 September 2004), an incident required TARGET closing to be delayed by 30 minutes. The adjacent table shows the availability figures for each national TARGET component and the ECB payment mechanism (EPM).

In the third quarter 97.06% of the TARGET inter-Member State payments were processed in less than 5 minutes; 2.66% needed between 5 minutes and 15 minutes; and 0.24% required between 15 minutes and 30 minutes. On average, the processing time exceeded 30 minutes for 56 payments per day, which should be seen in the context of the 61,644 inter-Member State payments processed on average every day.

Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)

	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
TARGET					
All TARGET payments					
Total volume	16,665,036	17,404,115	17,071,290	17,264,247	16,871,971
Daily average	252,501	271,939	266,739	274,036	255,636
Inter-Member State TARGET payments					
Total volume	3,813,244	4,023,122	4,184,179	4,286,846	4,068,531
Daily average	57,776	62,861	65,378	68,045	61,644
Intra-Member State TARGET payments					
Total volume	12,851,792	13,380,993	12,887,111	12,977,401	12,803,440
Daily average	194,724	209,078	201,361	205,990	193,992
Other systems					
Euro 1 (EBA)					
Total volume	9,835,244	10,088,174	9,669,240	9,840,955	10,831,383
Daily average	149,019	157,628	151,082	156,206	164,112
Paris Net Settlement (PNS)					
Total volume	1,790,113	1,833,104	1,772,742	1,767,244	1,700,070
Daily average	27,123	28,642	27,669	28,051	25,759
Servicio Español de Pagos Interbancarios (SPI)					
Total volume	419,123	423,513	365,097	316,448	237,482
Daily average	6,350	6,617	5,705	5,023	3,598
Pankkien On-line Pikasiirrot ja Sekit järjestelmä (POPS)					
Total volume	151,666	134,620	131,082	184,269	128,745
Daily average	2,298	2,103	2,048	2,925	1,951

Table 3 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions

(EUR billions)

	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
TARGET					
All TARGET payments					
Total value	105,216	102,686	109,062	111,025	107,592
Daily average	1,594	1,604	1,704	1,762	1,630
Inter-Member State TARGET payments					
Total value	34,570	34,128	36,487	36,046	35,378
Daily average	524	533	570	572	536
Intra-Member State TARGET payments					
Total value	70,646	68,558	72,575	74,979	72,214
Daily average	1,070	1,071	1,134	1,190	1,094
Other systems					
Euro 1 (EBA)					
Total value	11,331	10,898	11,647	10,987	10,487
Daily average	172	170	182	174	159
Paris Net Settlement (PNS)					
Total value	4,203	4,180	4,276	4,765	4,217
Daily average	64	65	67	76	64
Servicio Español de Pagos Interbancarios (SPI)					
Total value	75	74	60	60	110
Daily average	1	1	1	1	2
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	96	104	120	117	117
Daily average	1	2	2	2	2

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GLOSSARY

Autonomous liquidity factors: liquidity factors which normally do not stem from the use of monetary policy instruments. They include, for example, banknotes in circulation, government deposits with the central bank, and net foreign assets of the central bank.

Central parity: the exchange rate of ERM II member currencies vis-à-vis the euro around which the ERM II fluctuation margins are defined.

Compensation per employee: compensation is defined as the total remuneration, in cash or in kind, payable by employers to employees. Compensation includes gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions. Compensation per employee is defined as total compensation divided by the total number of employees.

Consolidated balance sheet of the MFI sector: obtained by netting out inter-MFI positions (mainly loans granted by one MFI to another) on the aggregated MFI balance sheet.

Debt (financial accounts): includes loans, debt securities issued, and pension fund reserves of non-financial corporations, valued at market value at the end of the period. In the quarterly financial accounts, debt does not include loans granted by non-financial sectors (for example inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt ratio (general government): general government debt is defined as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The government debt-to-GDP ratio is defined as the ratio of general government debt to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community.

Debt securities: represent a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. They 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.

Deficit ratio (general government): the general government deficit is defined as net borrowing and corresponds to the difference between total government revenue and total government expenditure. The deficit ratio is defined as the ratio of the general government deficit to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

Direct investment: cross-border investment that reflects the objective of obtaining a lasting interest in an enterprise resident in another economy (in practice assumed for ownership equivalent to at least 10% of the voting rights). The direct investment account records net acquisitions of assets abroad by euro area residents (as "direct investment abroad") and net acquisitions of euro area assets by non-residents (as "direct investment in the euro area"). Direct investment includes equity capital, reinvested earnings and other capital associated with inter-company operations.

EC surveys: qualitative business and consumer surveys conducted for the European Commission. Questions are addressed to managers in manufacturing, construction, retail and services as well as to consumers. The confidence indicators are composite indicators calculated as the arithmetic average of the percentage balances of several components (see Table 5.2.5 in the "Euro area statistics" section for details).

EONIA (euro overnight index average): a measure of the interest rate prevailing in the euro interbank overnight market based on transactions.

Equity securities: represent ownership of a stake in a corporation. 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 which 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 effective exchange rates (EERs, nominal/real): nominal euro EERs are weighted averages of bilateral euro exchange rates against the currencies of euro area's trading partners. The ECB publishes nominal EER indices for the euro against the currencies of a narrow and a broad group of trading partners. The weights used reflect the share of each partner country in euro area trade. 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.

Eurozone Manufacturing Input Prices Index (EPI): a weighted average of the manufacturing input price data derived from surveys of manufacturing business conditions conducted in a number of euro area countries.

Eurozone purchasing managers' surveys: surveys of manufacturing and service sector business conditions 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 service sector survey asks questions on business activity, expectations of future business activity, amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated combining the results from the manufacturing and service sector surveys.

External trade in goods: intra- and extra-euro area exports and imports of goods, measured in terms of value and as volume and unit value indices. Intra-euro area trade records the arrival and dispatch of goods flowing between the euro area countries, while extra-euro area trade records the external trade of the euro area. External trade statistics are not directly comparable with exports and imports recorded in the National Accounts, as the latter include both intra- and extra-euro area transactions and also combine goods and services.

Fixed rate tender: a tender procedure where the interest rate is specified in advance by the central bank and participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: comprises central, state and local government and social security funds. Publicly-owned units carrying out commercial operations, such as public enterprises, are in principle excluded from general government.

Gross domestic product (GDP): the final result of production activity. It corresponds to the economy's 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 which make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and exports and imports of goods and services (including intra-euro area trade).

Gross monthly earnings: a measure of gross monthly wages and salaries of employees, including employees' social security contributions.

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices which is compiled by Eurostat and harmonised for all EU countries.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (including bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes) and net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the total of these costs for all employees by all hours worked by them (including overtime).

Implied volatility: a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: a measure of the 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: a measure of the gross value added created by industry at constant prices.

Inflation-indexed government bonds: debt securities whose coupon payments and principal 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. Also referred to as the net external asset position.

Job vacancies: a measure of newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum of persons in employment and the number of unemployed.

Labour productivity: a measure of the output that can be produced with a given input of labour. Labour productivity can be measured in several ways. It is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a monthly open market operation, conducted by the Eurosystem, with a usual maturity of three months. The operations are conducted as variable rate tenders with pre-announced allotment volumes.

M1: narrow monetary aggregate. Comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: intermediate monetary aggregate. Comprises M1 and 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: broad monetary aggregate. Comprises M2 and marketable instruments, i.e. repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive credit from a national central bank at a pre-specified interest rate against eligible assets.

Main refinancing operation: a weekly open market operation conducted by the Eurosystem. In 2003 the Governing Council decided that as of March 2004 the maturity of these operations would be reduced from two weeks to one. The operations are conducted as variable rate tenders with a pre-announced minimum bid rate.

MFIs (monetary financial institutions): financial institutions forming the money-issuing sector of the euro area. They include the ECB, the national central banks of the euro area countries, and credit institutions and money market funds located in the euro area.

MFI credit to euro area residents: comprises MFI loans to euro area residents and MFI holdings of securities issued by euro area residents. Securities comprise shares, other equity and debt securities.

MFI longer-term financial liabilities: comprise deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: comprise external assets of euro area MFIs (such as gold, non-euro banknotes, securities issued by non-euro area residents and loans granted to non-euro area residents) minus external liabilities of the euro area MFI sector (such as non-euro area residents' holdings of deposits, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs).

Portfolio investment: a record of net acquisitions by euro area residents of securities issued by non-residents of the euro area ("assets") and net acquisitions by non-residents of the euro area of securities issued by euro area residents ("liabilities"). Includes equity securities, debt securities in the form of 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 voting rights.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Reference value for M3 growth: the annual growth rate of M3 over the medium term consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation of employees to gross domestic product at constant prices.

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.

Wage drift: a measure of the gap between the rate of increase of wages and salaries actually paid and that of basic negotiated wages (e.g. due to additional elements such as bonuses and promotion premia and clauses covering unexpected inflation).

Yield curve: describes the relationship between interest rates at different maturities at a given point in time. The slope of the yield curve can be measured as the difference between interest rates at two selected maturities.