EN

EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
MAY

05 | 2009

MONTHLY BULLETIN 05 | 2009

EUROPEAN CENTRAL BANK

EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN
MAY 2009

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

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.europa.eu

Fax
+49 69 1344 6000

This Bulletin was produced under the responsibility of the Executive Board of the ECB. Translations are prepared and published by the national central banks.

The cut-off date for the statistics included in this issue was 6 May 2009.

ISSN 1561-0136 (print)
ISSN 1725-2822 (online)

CONTENTS

ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

At its meeting on 7 May 2009, on the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the interest rate on the main refinancing operations of the Eurosystem by a further 25 basis points and the rate on the marginal lending facility by 50 basis points to 1.00% and 1.75% respectively, with effect from 13 May 2009. The interest rate on the deposit facility will remain unchanged at 0.25%. This decision brings the total reduction in the interest rate on the main refinancing operations of the Eurosystem since 8 October 2008 to 325 basis points.

Current key ECB interest rates are appropriate taking into account all available information and analyses. In addition to the reductions in interest rates, the Governing Council decided on 7 May 2009 to proceed with its enhanced credit support approach. In continuity and consistency with the operations undertaken since October 2008, and in recognition of the central role played by the banking system in financing the euro area economy, the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year. The operations will be conducted as fixed rate tender procedures with full allotment. The fixed rate for the first of these operations, to be announced on 23 June 2009, will be the rate on the main refinancing operations at that time. Subsequently, the fixed rate may include a premium to the rate on the main refinancing operations, depending on the circumstances at the time.

The Governing Council decided in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area. The detailed modalities will be announced after the Governing Council meeting of 4 June 2009.

Furthermore, the Governing Council decided that the European Investment Bank will become an eligible counterparty in the Eurosystem's monetary policy operations with effect from 8 July 2009 and under the same conditions as any other counterparty.

These decisions have been taken to promote the ongoing decline in money market term rates, to encourage banks to maintain and expand their lending to clients, to help to improve market liquidity in important segments of the private debt security market, and to ease funding conditions for banks and enterprises.

The decisions take into account the expectation that price developments will continue to be dampened by the substantial past fall in commodity prices and the marked weakening of economic activity in the euro area and globally. The latest economic data and survey information suggest tentative signs of a stabilisation at very low levels, after a first quarter which was significantly weaker than expected. The world economy, including the euro area, is still undergoing a severe downturn, with the prospect of both external and domestic demand remaining very weak over 2009 before gradually recovering in the course of 2010. This assessment incorporates a number of adverse developments which are likely to materialise over the coming months, such as a further deterioration in labour markets. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates at levels below, but close to, 2% over the medium term. The outcome of the monetary analysis confirms that inflationary pressure has been diminishing, as money and credit growth have further decelerated in recent months. Against the background of these developments, after its decisions on 7 May the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households.

With regard to the economic analysis, reflecting the impact of the financial market turmoil, economic activity continued to weaken in the euro area in the course of the first quarter of 2009, in parallel with the ongoing downturn in the world economy. This weakening in the first quarter appears to have been significantly more pronounced than projected in March. More recently, there have been tentative signs in survey data of a stabilisation, albeit at very low levels. Overall, economic activity is likely to be very weak for the remainder of this year, before gradually recovering in the course of 2010. In particular, the substantial fall in commodity prices since the summer of 2008 is supporting real disposable income and thus consumption. In addition, external as well as domestic demand should increasingly benefit from the effects of the significant macroeconomic stimulus under way as well as from the measures taken so far to restore the functioning of the financial system both inside and outside the euro area.

Taking all these measures and their effects into account, as well as the pronouncedly negative growth in the first quarter of this year and the most recently published forecasts by public institutions, the risks to this outlook remain broadly balanced. On the downside, there are concerns that the turmoil in financial markets could have a stronger impact on the real economy, as well as that protectionist pressures could intensify and that there could be adverse developments in the world economy stemming from a disorderly correction of global imbalances. At the same time, there may be stronger than anticipated positive effects due to the decrease in commodity prices and to the policy measures taken.

Annual HICP inflation was, according to Eurostat's flash estimate, 0.6% in April, unchanged from March. The decline in inflation since last summer primarily reflects the sharp fall in global commodity prices over this period. Moreover, signs of a more broad-based reduction in inflationary pressure are increasingly emerging. Looking ahead, base effects stemming from past energy price movements will play a significant role in the shorter-term dynamics of the HICP. Accordingly, the Governing Council expects to see headline annual inflation rates declining further and temporarily remaining at negative levels for some months around mid-year. Thereafter, annual inflation rates are expected to increase again. Such short-term dynamics are, however, not relevant from a monetary policy perspective. Looking further ahead, HICP inflation is likely to remain positive and below 2% in 2010, with price developments being dampened by ongoing sluggish demand in the euro area and elsewhere. Available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates at levels below, but close to, 2% over the medium term.

The risks surrounding this outlook are broadly balanced. They relate in particular to the risks to the outlook for economic activity as well as to risks to commodity prices.

Turning to the monetary analysis, the latest data confirm the continued deceleration in the pace of underlying monetary expansion. This is signalled, for instance, by the concurrent further declines in the annual growth rates of M3 to 5.1% and of loans to the private sector to 3.2%. The deceleration supports the assessment of diminishing inflationary pressures in the medium term.

Month-on-month developments in M3 and its components have remained volatile, with data for March showing a contraction in most of the respective outstanding amounts. This may partly reflect market participants' investment responses to the past reduction in the key ECB interest rates, which has reduced the remuneration of short-term deposits and marketable instruments and fostered corresponding shifts in the allocation of funds not only within M3 but also to instruments outside M3.

The outstanding amount of MFI loans to the private sector contracted further in March, reflecting mainly a negative flow of lending to non-financial corporations. The reduced amount of financing is again related mainly to loans with shorter maturities, while the net flow of loans with longer maturities remained positive. The decline in short-term lending is likely to reflect to a large extent lower demand in the wake of a sharp deterioration in economic activity and business prospects at the start of the year. Interest rates on short-term and floating rate bank loans to households and non-financial corporations have declined significantly over recent months, indicating that the transmission of monetary policy impulses to the economy continues. Overall, the latest money and credit data support the assessment that both banks and money-holding sectors are reducing their highly leveraged positions built up in past years.

To sum up, the Governing Council's decisions on 7 May take into account the expectation that price developments will continue to be dampened by the substantial past fall in commodity prices and the marked weakening of economic activity in the euro area and globally. The latest economic data and survey information suggest tentative signs of a stabilisation at very low levels, after a first quarter which was significantly weaker than expected. The world economy, including the euro area, is still undergoing a severe downturn, with the prospect of both external and domestic demand remaining very weak over 2009 before gradually recovering in the course of 2010. This assessment incorporates a number of adverse developments which are likely to materialise over the coming months, such as a further deterioration in labour markets. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates at levels below, but close to, 2% over the medium term. A cross-check with the outcome of the monetary analysis confirms that inflationary pressure has been diminishing, as money and credit growth have further decelerated in recent months. Against the background of these developments, after its decisions on 7 May the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households.

All in all, since the intensification of the financial crisis in September 2008, the Eurosystem has taken a series of measures that are unprecedented in nature, scope and timing. As a consequence, there has been a clear decline in key money market interest rates that euro area banks typically use as benchmarks to reset floating rate loans and price new short-term loans. This in turn has led to sharp declines in rates for such loans to households and non-financial corporations. As the transmission of monetary policy works with lags, the Governing Council's policy action will progressively feed through to the economy in full. Hence, with all the measures taken, monetary policy has provided ongoing support for households and corporations.

The Governing Council will ensure that, once the macroeconomic environment improves, the measures taken can be quickly unwound and the liquidity provided absorbed so that any threat to price stability over the medium to longer term can be effectively countered in a timely fashion. The Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is indispensable to supporting sustainable growth and employment and contributes to financial stability. Accordingly, the Governing Council will continue to monitor very closely all developments over the period ahead.

Regarding fiscal policies, the latest projections for euro area countries point to continued revisions to budget balance estimates and forecasts. Higher budget deficits and the fiscal impact of financial sector support measures will lead to significantly higher government debt-to-GDP ratios. In addition, updated projections by the European Commission and the Economic Policy Committee under a mandate from the ECOFIN Council show that most countries face a challenging task in dealing with the budgetary costs of an ageing population. Therefore, it is paramount that countries make a strong and credible commitment to a path of consolidation in order to return to sound fiscal positions, respecting fully the provisions of the Stability and Growth Pact. This will preserve the public's trust in the sustainability of public finances and will support both the recovery and long-term economic growth. The credibility of fiscal consolidation commitments will be strengthened if they are part of national policy frameworks oriented to the medium term.

Turning to structural policies, it is crucial that the focus is now on strengthening the adjustment capacity and flexibility of the euro area economy in line with the principle of an open market economy. This calls for an accelerated implementation of labour market reforms to facilitate appropriate wage-setting and labour mobility across sectors and regions as well as product market reforms to foster competition and speed up restructuring.

This issue of the Monthly Bulletin contains three articles. The first article discusses the pivotal role of expectations, in particular well-anchored long-term inflation expectations, in monetary policy-making. The second article describes the key institutional and economic features of the 12 countries that joined the EU in May 2004 or January 2007, putting developments since EU accession into perspective. The third article reviews the main developments and policy issues relating to the regulatory treatment of credit rating agencies.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

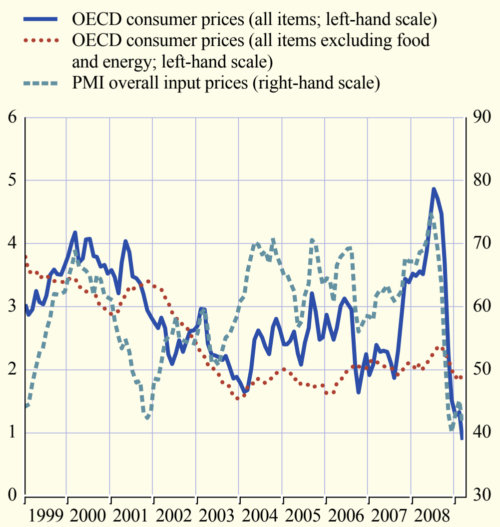
Although the global economy continues to face a severe downturn, recent indicators point to a deceleration in the pace of the decline in economic activity. At the same time, global inflationary pressures have been diminishing rapidly, owing to base effects stemming from lower commodity prices, weaker labour market conditions and greater global economic slack.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Although the global economy continues to face a severe downturn, recent indicators point to a deceleration in the pace of the decline in economic activity. In March, the Global Purchasing Managers' Index (PMI) pointed to slower rates of contraction for manufacturing production and services sector activity. Overall, the average output index reading for the first quarter of 2009 was slightly above the record low of the previous quarter. Rates of contraction in manufacturing output eased further in April.

Chart 1 International price developments

(monthly data; annual percentage changes; diffusion index)



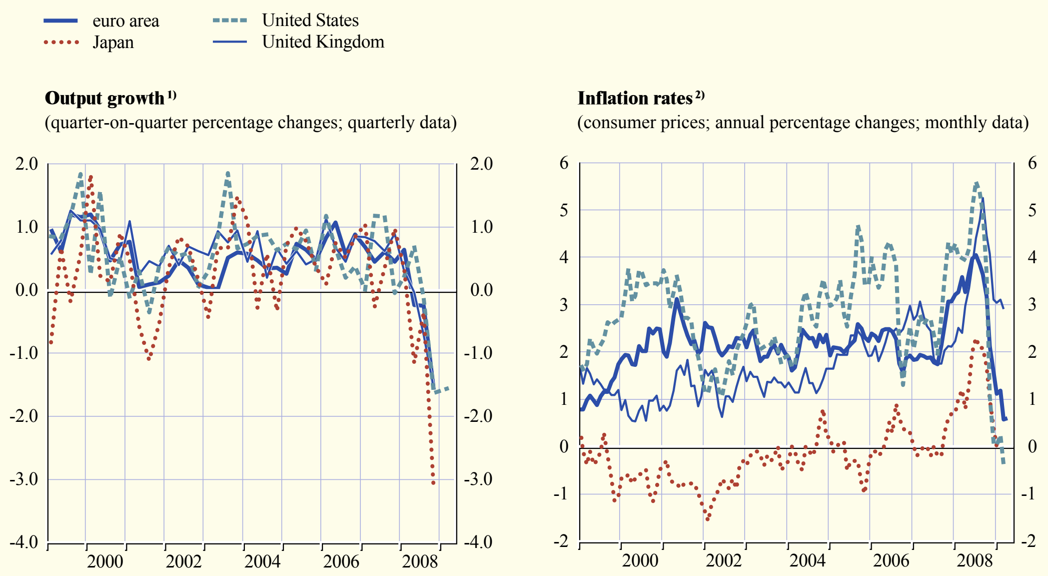
Sources: OECD and Markit.

Global inflationary pressures have been diminishing rapidly, owing to base effects stemming from lower commodity prices, weaker labour market conditions and greater global economic slack. Headline CPI inflation in OECD countries rose by 0.9% in the year to March 2009, compared with 1.3% in the previous month. Excluding food and energy, annual CPI inflation rose by 1.8% in March. The global PMI overall input prices index fell further in March, signalling a further deterioration in cost conditions. In April, the global manufacturing input prices index rose, but remained at a historically low level, suggesting further declines in manufacturing costs (see Chart 1).

UNITED STATES

In the United States, economic activity remained weak. The economy continued to contract in the first quarter of 2009, although recent evidence points to a deceleration in the pace of the decline. According to advance estimates, real GDP decreased by 6.1% in annualised terms in the first quarter of 2009, after 6.3% in the preceding quarter. While stronger than anticipated personal consumption limited this decline, the contraction in private fixed investment and trade flows accelerated. Furthermore, the rapid pace of inventory liquidation reduced GDP growth by 2.8 percentage points. Looking forward, the outlook for consumer spending is clouded by the sharp deterioration in labour market conditions and negative wealth effects. Export performance has also been weak due to a downturn in global trade flows and declines in foreign economic activity. Against this background, lower commodity prices combined with the sizeable policy stimulus measures under way should provide some support for economic activity (see Box 1 which describes the potential impact of the oil price decline of the second half of 2008 on the current accounts of selected economies). In addition, looking ahead, the sharp downward correction in stockpiles can be seen as a positive sign for the prospects of a gradual recovery.

Chart 2 Main developments in major industrialised economies



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

As regards price developments, the US CPI fell by 0.4% in the year to March 2009, marking its first annual decline since 1955. This development reflected strong base effects stemming from lower commodity prices. Greater slack in the economy should limit upward price pressures in the future. The annual rate of inflation excluding food and energy stood at 1.8% in March, unchanged from the previous month.

On 29 April the US Federal Open Market Committee decided to keep the target for the policy rate unchanged, at a range of 0% to 0.25%. In order to provide further support for the functioning of financial markets and improve credit conditions, the Federal Reserve System vowed to proceed with the use of unconventional monetary policies based on the size and composition of its balance sheet.

Box 1

EFFECTS OF THE OIL PRICE DECLINE ON THE CURRENT ACCOUNTS OF SELECTED ECONOMIES

The decrease in the prices of oil and other commodities has been a significant factor in the dynamics of global current account adjustment. Having peaked at USD 136 per barrel in July 2008, oil prices have since fallen by more than 60% to around USD 50 per barrel. At the same time, the oil trade balances of major advanced economies have improved considerably and current account deficits have narrowed. Against this background, this box provides some estimates of the potential net savings to be made by major oil-importing economies (including the euro area and the two economies with the largest current account imbalances in nominal terms – the United States and

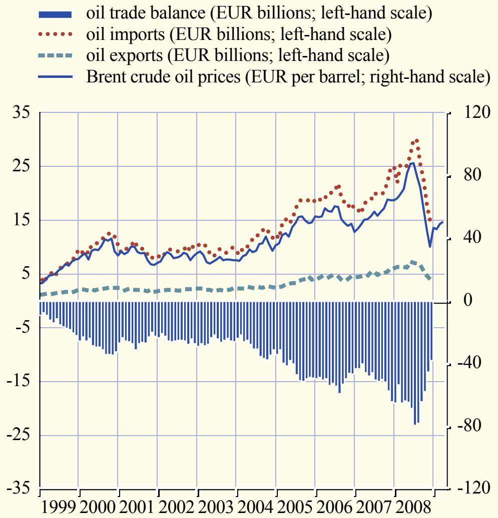
China) on the back of the recent decline in oil prices. It focuses on two ways in which the decline in oil prices could affect net savings in oil-importing economies: (i) directly, assuming that the volume of oil imports remains stable over the short term; and (ii) indirectly, in that the volume of goods exported by oil-importing countries is reduced owing to the decrease in oil-exporting countries' demand for imports resulting from falling oil export revenues.[1,2] The first effect tends to improve the current account position of oil-importing countries, while the second effect tends to make it worse.

Direct and indirect effects

The economies with the largest volume of oil imports will benefit most from the direct effect of lower oil prices as, in the short term, the net oil balances of oil-importing economies are likely to respond proportionally to the decline in oil prices (see the chart). Hence, the United States and the euro area, with net oil imports worth around USD 386 billion and €217 billion (or USD 337 billion) respectively in 2008, will be the main beneficiaries (see Table A).

Oil prices and euro area oil trade balance

(monthly data)



Source: ECB.
Note: Data are seasonally and working-day adjusted; last observations made in December 2008, with the exception of the Brent crude oil price (last observation: April 2009).

At the same time, the indirect effect of the oil price decline on the volume of goods exports will have a greater impact on those economies that export a relatively large volume of goods to oil-exporting countries, as import demand is likely to fall in the latter. These economies include the euro area, although the value of the euro area's goods exports to oil-exporting countries only amounts to around two-thirds of its total oil bill (see Table A).

1 This analysis excludes any other relative changes in volume or price that could affect the terms of trade and real exchange rates.
2 In this box, oil-exporting countries include Norway, Russia and OPEC members excluding Iraq.

Table A Net oil imports and goods exports to oil-exporting economies

	Net oil imports in 2008		Estimated net oil imports at USD 50 per barrel		Goods exports to oil exporters in 2007	
	USD billions	% of GDP	USD billions	% of GDP	USD billions	% of GDP
Euro area	337	2.4	167	1.2	191	1.6
United States	386	2.7	208	1.5	60	0.4
China	135	3.2	69	1.6	78	2.4
Rest of the world	587	-	301	-	382	-
Total	1,445	-	746	-	711	-

Source: ECB staff estimates based on ECB, IMF World Economic Outlook and IMF Direction of Trade Statistics data.
Note: USD 103 per barrel was the average crude oil price in 2008.

Combined effects

The combined effect of the oil price decline on the current account is estimated by netting out the direct and indirect effects. The indirect effect is simulated by considering various degrees of adjustment to oil-exporting countries' demand for imports. Taking an average oil price of USD 50 per barrel as a benchmark, oil exporters' revenues would fall by around USD 700 billion. The implications of lower oil prices for the net savings of oil-importing countries are simulated using four scenarios. With regard to the imports of oil-exporting countries, there could be (a) no reduction in imports (constituting the upper limit of the "gains" that could be accrued by importers); (b) a reduction in imports equal to around 20% of the decrease in revenues from oil exports (based on empirical evidence for the asymmetric response of oil exporters' demand for imports to positive and negative changes in oil export revenues); (c) a reduction in imports equal to about 60% of the decrease in revenues from oil exports (representing a conservative scenario with regard to the potential "gains" of oil importers); (d) a reduction in imports equal to 100% of the decrease in revenues from oil exports (i.e. a "worst-case scenario" in which the decrease in the value of oil exports translates one to one into a reduction in oil exporters' demand for imports). Scenario (b) is based on internal ECB estimates indicating that a decline in oil prices tends to result in a decrease in the imports of oil exporters amounting to around 20% of the decline in oil revenues, while the corresponding response for oil price rises is approximately a 60% increase in imports.[3] The latter response is included as scenario (c) in order to give a broad range of potential impacts.

These combined effects are summarised in Table B, assuming that the reduction in imports by oil-exporting countries would be distributed according to the shares of their trading partners in total goods imports (i.e. 27%, 11% and 8% respectively for the euro area, China and the

3 The magnitude of the decline in import demand in scenarios (b) and (c) is based on coefficients from the panel regression of 12 oil-exporting countries between 1980 and 2008 which suggest that, in periods of rising oil prices, the increasing demand of oil exporters for imports absorbs around 63% of additional revenues; whereas, in periods of falling oil prices, oil exporters' demand for imports is reduced by only 19% of the decline in oil revenues.

Table B Estimated net savings from the combined effects of a decrease in both oil import values and goods exports to oil-exporting countries

Reaction of imports: as a percentage of the decrease in oil revenues	Scenario (a) None 0%		Scenario (b) Weak 20%		Scenario (c) Strong 60%		Scenario (d) Complete 100%	
	USD billions	% of GDP	USD billions	% of GDP	USD billions	% of GDP	USD billions	% of GDP
Euro area								
1) direct effect	170	(1.2)	170	(1.2)	170	(1.2)	170	(1.2)
2) indirect effect	0	(0.0)	-37	(-0.3)	-121	(-0.9)	-192	(-1.4)
combined effect (1+2)	170	(1.2)	134	(0.9)	49	(0.3)	-22	(-0.2)
United States								
1) direct effect	190	(1.3)	190	(1.3)	190	(1.3)	190	(1.3)
2) indirect effect	0	(0.0)	-11	(-0.1)	-36	(-0.2)	-57	(-0.4)
combined effect (1+2)	190	(1.3)	179	(1.2)	154	(1.1)	133	(0.9)
China								
1) direct effect	66	(1.4)	66	(1.4)	66	(1.4)	66	(1.4)
2) indirect effect	0	(0.0)	-15	(-0.3)	-49	(-1.0)	-78	(-1.6)
combined effect (1+2)	66	(1.4)	51	(1.1)	17	(0.3)	-12	(-0.3)

Source: ECB staff estimates based on data from the IMF World Economic Outlook.

United States).[4] The extreme scenario of there being no adjustment in oil exporters' demand for imports implies substantial net savings for all oil-importing economies, ranging between 1.3% and 1.4% of GDP in the case of the United States and China, and standing at 1.2% of GDP in the euro area, given its relatively smaller share of net oil imports. Scenarios (b) and (c), which are based on reductions in imports of about 20% and 60% still imply significant net savings for all three regions, ranging between 0.9% and 1.2% of GDP in the more benign scenario, but falling to 0.3% of GDP in the case of the euro area, if oil exporters' demand for imports were to adjust more significantly. The greater sensitivity of the euro area's and China's net savings from lower oil prices to an adjustment in oil exporters' demand for imports reflects the greater importance of oil-exporting countries as trading partners for these economies than for the United States. Hence, in the extreme, but highly unlikely, scenario of oil-exporting countries' demand for imports adjusting completely in response to the decrease in their revenues from oil exports, the implied savings could turn negative for the euro area and China.

While this analysis suggests that the net savings resulting from lower oil prices could be substantial, there are several other factors that could also affect the degree to which the euro area and other oil importers could benefit from the decline in oil prices. First, the implied effect on net savings depends entirely on the oil price assumption of USD 50 per barrel and could, if oil prices recover in the course of the year, be different to what is estimated here. Second, the analysis focuses on the effect that the oil price decline could have on net savings and does not address other factors affecting the current account, such as changes in exchange rates and other relative prices. Nevertheless, the key point of the analysis is that the net savings of oil-importing economies are likely to be substantial, even if oil-exporting countries respond by significantly reducing their demand for imports. The main reason for this is that in 2008 oil exports far outweighed the import demand of the main oil-exporting countries.

4 Trade shares are based on annual bilateral trade flows in 2007 – the latest full year for which data are available.

JAPAN

In Japan, economic conditions continued to deteriorate. The Bank of Japan's March 2009 Tankan survey of business sentiment hit an all-time low for large manufacturers, reflecting the collapse in exports and spillovers to the domestic economy. However, consumer confidence rose in March for the first time since hitting its record low in December 2008. Meanwhile, the contraction in trade has decelerated somewhat, with exports falling by 45.6% year on year in March 2009, compared with 49.4% in February, and imports falling by 36.7% year on year in March, compared with 43% in the previous month.

Consumer price inflation continued to decline in March, driven by the greater economic slack. Overall annual CPI inflation declined to -0.3% in March, compared with -0.1% in February. Excluding food and energy, annual CPI inflation remained negative at -0.3% in March, while CPI inflation excluding fresh food turned negative to -0.1% in March.

At its meeting on 30 April 2009, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at around 0.1%.

UNITED KINGDOM

In the United Kingdom, the latest indicators confirm the current expectation of a pronounced recession in 2009. According to the preliminary estimate, real GDP contracted by 1.9% (quarter on quarter) in the first quarter of 2009, exceeding the consensus expectation of 1.5%. The decline was especially pronounced in manufacturing activity, which fell by 6.2% over the same period. In recent months, confidence has fallen both in the services and industrial sectors, while consumer and retail confidence rose slightly in February and March. The Halifax House Price Index remained on a downward trend, falling by 17.5% year on year in March. The protracted decline in property prices, along with weaker aggregate demand and increasing difficulties in accessing external financing, is expected to curtail business investment. Net exports are expected to contribute positively to GDP growth, reflecting the substantial depreciation of the pound sterling. Annual HICP inflation declined in March to 2.9% and is expected to fall below the 2% target in the course of 2009. On 7 May the Bank of England's Monetary Policy Committee decided to keep the official Bank Rate unchanged at 0.5% and to increase the size of its asset purchase programme by GBP 50 billion to a total of GBP 125 billion.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, economic activity was weak in the first quarter of 2009. Inflation decreased in most countries in March. In Sweden, GDP contracted by 2.4% quarter on quarter in the fourth quarter of 2008, owing to tighter financial conditions, weaker external demand and more cautious households. These factors are also dampening economic activity in Denmark, where output contracted by 2.0% in the fourth quarter of 2008. Short-term activity indicators point to further weakness in economic activity in both countries. In recent months, HICP inflation has remained at low levels in both countries, decreasing in March to 1.9% in Sweden and to 1.6% in Denmark. On 2 April 2009 Danmarks Nationalbank decided to decrease its main policy rate by 25 basis points to 2%. On 20 April Sveriges Riksbank decided to cut the repo rate by 0.5 percentage point to 0.5%.

In Hungary, the economy contracted by 1.2% quarter on quarter in the fourth quarter of 2008. In the same period real GDP growth in the Czech Republic also declined by 0.9% quarter on quarter. Similarly, economic activity in Romania declined markedly, to 2.9% year on year in the fourth quarter of 2008, reflecting a very sharp quarter-on-quarter decline. Economic activity held up best in Poland, where quarter-on-quarter growth was still positive at 0.3% in the fourth quarter of 2008. This was because domestic demand continued to grow more strongly than in other countries in the region. Short-term indicators point to continued weakness in economic activity in all countries. Annual HICP inflation rates picked up somewhat in March to 1.7% in the Czech Republic and 4.0% in Poland, but decreased to 2.8% in Hungary and 6.7% in Romania.

EMERGING ASIA

According to preliminary data, economic activity was weak in most emerging Asian economies during the first months of 2009. However, very recent indicators show that in those countries that had already experienced a drop in 2008, the economic decline has started to slow down and, in some cases, activity even seems to have rebounded. In particular, foreign trade seems to have stabilised, albeit at low levels. Nevertheless, the negative second-round effects from the global financial crisis, such as rising unemployment and negative wealth effects, are expected to hamper the recovery in the coming months. Consumer price inflation has moderated further in most countries.

In China, annual real GDP growth dropped to 6.1% in the first quarter of 2009, from 6.8% in the last quarter of 2008. However, according to unofficial estimates, growth accelerated slightly in quarter-on-quarter terms during the first months of this year. While external demand is still weak, the government's stimulus policies have boosted investment growth considerably. Fixed asset investment in urban areas increased by 30% year on year in the first quarter of 2009. In addition, the available figures suggest that domestic consumption has held up surprisingly well thus far. In March, annual CPI inflation remained negative at -1.2%, compared with -1.6% in February. The accommodative monetary policy and fiscal measures have been reflected in very fast credit growth. At the end of March, the loan stock was 30% larger than a year earlier.

LATIN AMERICA

In Latin America, the pace of economic activity remained weak. Industrial production fell year on year by 1.5% in Argentina and 9.7% in Mexico in February, and by 13.3% in Brazil in March. At the same time, however, despite the rapid slowdown in economic activity, inflation rates across the region remain at elevated levels and are moderating only gradually. In March, year-on-year consumer prices were up 6.3% in Argentina, 5.7% in Brazil and 6.0% in Mexico. Nevertheless, monetary policy authorities across the region remain concerned about the effects of the slowdown in economic activity, prompting the Banco de México to lower its policy rate by 75 basis points to 6% in April.

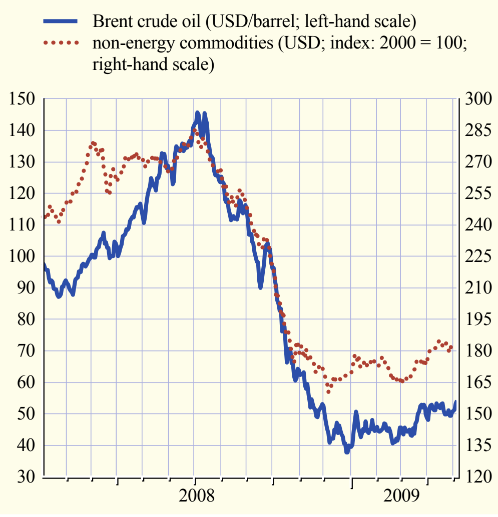
1.2 COMMODITY MARKETS

Oil prices traded around USD 50 amid a reduction in volatility in April and experienced some upward pressure at the beginning of May. Brent crude oil prices stood at USD 54.2 on 6 May, which was 38% higher than at the beginning of 2009 (in euro terms the increase was around 44%). Looking ahead, market participants expect higher prices in the medium term, with futures for December 2011 trading at around USD 71.

Recently, oil prices have been moving in line with expectations for the global economy. Looking at fundamentals, in April the International Energy Agency again revised down its demand projections for 2009, with expected demand in the first quarter of the year now at 3.2 million barrels per day fewer than a year before. On the supply side, OPEC output continued to decrease, but at a slower pace, as most of the agreed cuts have now been implemented.

The prices of non-energy commodities increased somewhat during April. Metal prices posted significant gains, sustained by buoyant demand from China. Movements in food commodity prices, however, were mixed. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 9% higher at the end of April than at the beginning of the year.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

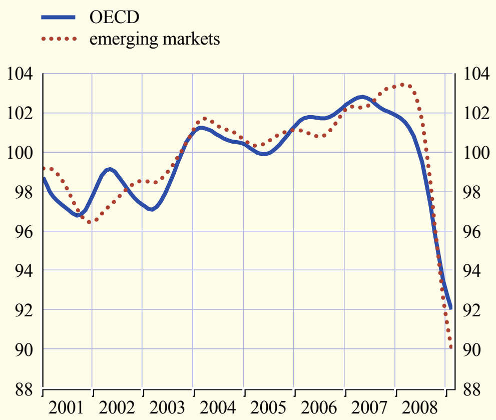
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Although the latest data suggest that the decline in world trade has been decelerating lately, the outlook for foreign demand for euro area goods and services remains very sluggish. OECD composite leading indicators (CLIs) for February 2009 continue to point to a deep slowdown for all major economies. However, in some countries, there are signs of stabilisation.

Global economic prospects remain subject to high levels of uncertainty. On the one hand, there are concerns that the financial market turmoil could have a greater impact on the real economy, as well as fears that protectionist pressures could intensify and that adverse developments in the world economy could arise from a further disorderly correction of global imbalances. On the other hand, there may be stronger than anticipated positive effects due to the decrease in commodity prices in the second half of 2008 and to the broad range of policy measures taken worldwide.

Chart 4 OECD composite leading indicator

(monthly data; amplitude-adjusted)



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

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The March 2009 monetary data confirm the decelerating trend in the dynamics of broad money and credit, albeit with continued high levels of volatility in short-term developments. In particular, both M3 and loans to the private sector contracted in March, with the latter contraction prevailing even after correcting for the impact of securitisation. To a large extent, these developments are likely to reflect the sharp deterioration in economic activity. The deleveraging process in the financial sector seems to be continuing, as an outflow was recorded in March for the total assets of credit institutions, mainly reflecting the shedding of external assets and, to a lesser extent, loans.

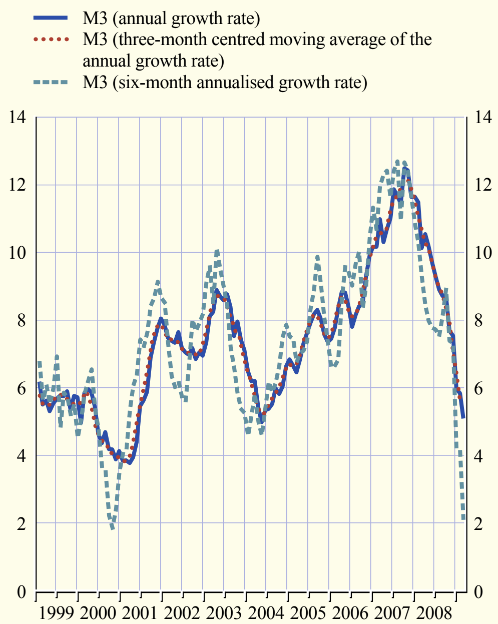
THE BROAD MONETARY AGGREGATE M3

Monetary dynamics continued to decelerate in March, with the annual growth rate of M3 decreasing further to stand at 5.1%, down from 5.8% in February (see Chart 5). The month-on-month growth rate turned negative again, standing at -0.4% in March, following growth rates of 0.5% in February and -0.7% in January. Looking through this short-term volatility, the six-month annualised growth rate confirms the marked slowdown in the pace of monetary expansion since the intensification of the financial turmoil in September 2008.

The annual growth rate of MFI loans to the private sector also declined further, with a negative monthly flow even after correcting for the impact of loans derecognised in the context of securitisation. The March data thereby confirm the more subdued lending activity observed on average over the past few months. This is most likely to reflect the sharp deterioration in business and income prospects in recent months.

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Deleveraging continued in the MFI sector in March, as the total assets held by credit institutions declined further. This process mainly involved the shedding of external assets and, to a lesser extent, loans.

MAIN COMPONENTS OF M3

In March declines were observed in the contributions of all the main components of M3 in terms of their annual growth rates. However, while the decline in the contribution of short-term deposits other than overnight deposits (i.e. M2-M1) was marked, the declines in the contributions of M1 and marketable instruments (i.e. M3-M2) were marginal.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 1)	Annual growth rates					
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Feb.	2009 Mar.
M1	**43.9**	**2.3**	**0.7**	**2.7**	**5.3**	**6.3**	**5.9**
Currency in circulation	7.7	7.7	7.5	12.4	13.6	13.6	13.8
Overnight deposits	36.1	1.3	-0.6	0.8	3.7	4.8	4.3
M2 - M1 (= other short-term deposits)	42.2	19.6	19.1	15.8	9.3	7.8	6.4
Deposits with an agreed maturity of up to two years	24.7	40.5	37.6	29.0	12.8	9.3	6.2
Deposits redeemable at notice of up to three months	17.5	-2.1	-1.7	-0.5	4.7	5.8	6.8
M2	**86.0**	**10.2**	**9.2**	**8.9**	**7.3**	**7.0**	**6.2**
M3 - M2 (= marketable instruments)	14.0	10.3	8.9	4.1	-0.8	-0.8	-1.0
M3	**100.0**	**10.2**	**9.1**	**8.2**	**6.0**	**5.8**	**5.1**
Credit to euro area residents		**9.7**	**9.1**	**7.4**	**5.9**	**5.9**	**5.2**
Credit to general government		-1.3	0.6	1.7	5.7	6.7	7.7
Loans to general government		0.8	2.1	2.9	2.3	3.1	1.4
Credit to the private sector		12.0	10.9	8.6	6.0	5.7	4.7
Loans to the private sector		10.5	9.1	7.4	4.6	4.3	3.2
Loans to the private sector adjusted for sales and securitisation		11.6	10.3	8.7	6.4	6.1	5.0
Longer-term financial liabilities (excluding capital and reserves)		**4.4**	**3.3**	**1.1**	**1.6**	**2.4**	**2.3**

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

Having increased for three consecutive months, the annual growth rate of M1 declined in March – falling to 5.9%, down from 6.3% in February – reflecting a moderation in the annual growth of overnight deposits (see Table 1). By contrast, the annual rate of growth of currency in circulation increased, albeit only marginally. These annual developments reflect a significant monthly outflow for overnight deposits and a further robust inflow for currency in circulation.

The growth of short-term deposits other than overnight deposits moderated further, with the annual growth rate falling from 7.8% in February to 6.4% in March. Developments in the sub-components of this category of deposit continued to diverge in March. Specifically, the annual growth rate of deposits redeemable at notice of up to three months (i.e. short-term savings deposits) increased further in March, but this was more than offset by a decline in the annual growth rate of deposits with an agreed maturity of up to two years (i.e. short-term time deposits).

In recent months developments in short-term deposits have been driven largely by remuneration considerations. In particular, available data on MFI interest rates for the period up to February indicate that the remuneration of short-term deposits has continued to decline, particularly for short-term time deposits. This probably explains why the outflows observed in February and March for short-term time deposits were particularly marked, while the monthly outflow seen in March for overnight deposits was more limited and the flow for short-term savings deposits remained positive but declined by comparison with February.

The annual growth rate of marketable instruments remained negative in March, standing at -1.0%, down from -0.8% in February. This decline reflected a monthly outflow for marketable instruments in March. As regards the sub-components of marketable instruments, the annual growth rate of money market fund shares/units increased in March, despite a significant decline in the monthly inflow. By contrast, an increase was recorded in March in the monthly inflow for repurchase agreements, resulting in a further increase in the annual growth rate. A significant increase was seen in March in the monthly outflow for the money-holding sectors' holdings of short-term MFI debt securities (i.e. debt securities with a maturity of up to two years), which led to a further decline in the annual growth rate. MFIs themselves also reduced their holdings of these debt securities in March, following strong purchases in the previous two months, and net issuance of such securities (i.e. net of redemptions) was negative again in March.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which a sectoral breakdown is available – declined further in March, falling to 5.8%, down from 6.8% in February. This reflected declines in the contributions of all sectors – with a particularly marked decline being observed for households – and a small monthly inflow for M3 deposits. This is consistent with some rebalancing of portfolio allocations in response to changes in the remuneration of monetary assets, but could also reflect reductions in income flows or debt repayments. M3 deposits held by non-financial corporations continued to contract in March on an annual basis. This is likely to reflect the increased use of liquidity buffers as cash flows decline and it becomes less easy to raise funds through banks or securities. Finally, the annual growth rate of the M3 deposit holdings of non-monetary financial intermediaries decreased further in March.

MAIN COUNTERPARTS OF M3

Turning to the counterparts of M3, the annual growth rate of total MFI credit to euro area residents continued to decrease, reaching 5.2% in March, down from 5.9% in February (see Table 1). This reflected an ongoing decline in the rate of growth of credit to the private sector, which was only partially offset by an increase in the growth rate of credit to general government. The inflow observed in March for credit to the government sector mainly reflected an increase in the monthly inflow for MFIs' purchases of securities other than shares. This led to the annual growth rate increasing to 11.7%, up from 9.0% in the previous month. These developments are most likely to reflect MFIs' reaction to changes in the interest rate environment, as well as an attempt to rebalance their credit portfolios on the basis of yield and risk considerations.

The annual growth rate of MFI credit to the private sector decreased further to stand at 4.7% in March, down from 5.7% in February. The annual growth rate of MFI loans to the private sector, the largest component of credit to the private sector, continued to decline, reaching 3.2%, down from the 4.3% observed in the previous month. The negative monthly flow recorded for such loans in March was due mainly to outflows for loans to non-financial corporations and remained negative even after correcting for the statistical impact of loans derecognised in the context of securitisation activity.

At the end of 2008 the annual growth rate of loans to the private sector was distorted downwards by the effect of intense true-sale securitisation activity, whereby originating credit institutions sold loans while acquiring the securities issued for use as collateral in Eurosystem credit operations. However, this retained securitisation activity has declined substantially since the turn of the year, a development that may be related to MFIs turning to other types of liquid asset, such as government bonds or government-guaranteed bank bonds. As a result, the impact that correcting for securitisation has on the annual growth rate of loans to the private sector remained at 1.8 percentage points in March, unchanged from February. Overall, after correcting for the impact of securitisation, the annual growth rate of loans to the private sector has reached levels comparable to those observed in the last trough in 2002-03.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Feb.	2009 Mar.
Non-financial corporations	**44.9**	**14.5**	**12.8**	**11.3**	**8.2**	**7.7**	**6.3**
Up to one year	27.9	12.9	10.9	9.0	4.3	3.2	0.2
Over one and up to five years	20.1	20.9	18.6	16.0	12.4	12.0	10.4
Over five years	52.1	13.0	11.8	10.8	8.9	8.7	8.3
Households [2]	**45.2**	**4.9**	**3.9**	**2.8**	**0.9**	**0.7**	**0.4**
Consumer credit [3]	13.1	5.2	4.4	3.2	1.2	1.1	0.9
Lending for house purchase [3]	71.2	5.5	4.1	2.8	0.7	0.4	0.1
Other lending	15.7	2.2	2.6	2.2	1.8	1.4	1.3
Insurance corporations and pension funds	**0.9**	**-0.2**	**-6.6**	**-6.5**	**-5.9**	**-8.1**	**-6.2**
Other non-monetary financial intermediaries	**9.0**	**25.2**	**22.3**	**14.5**	**7.6**	**7.8**	**3.6**

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

The annual growth rate of MFI loans to non-financial corporations declined significantly further to stand at 6.3% in March, down from the 7.7% observed in February (see Table 2), reflecting a large outflow in March. On balance, the loan flows of the past few months have been markedly smaller than those observed prior to the intensification of the turmoil. As in February, the monthly outflow in March mainly reflected an outflow for loans with a maturity of up to one year. This decline in short-term financing might reflect non-financial corporations drawing on liquidity buffers, but could also reflect a reduced need for the financing of working capital associated with the inventory cycle in an environment of worsening economic activity.

The annual growth rate of loans to households declined further to stand at 0.4% in March, down from 0.7% in February. Monthly flows remained in negative territory. However, it should be noted that these figures continue to be distorted downwards by the impact of the derecognition of loans as a result of true-sale securitisation activity. Given that securitisation mainly affects mortgage loans, monthly loan flows would appear to have overestimated the decline in the financing of households. This notwithstanding, lending to households has continued to moderate in recent months.

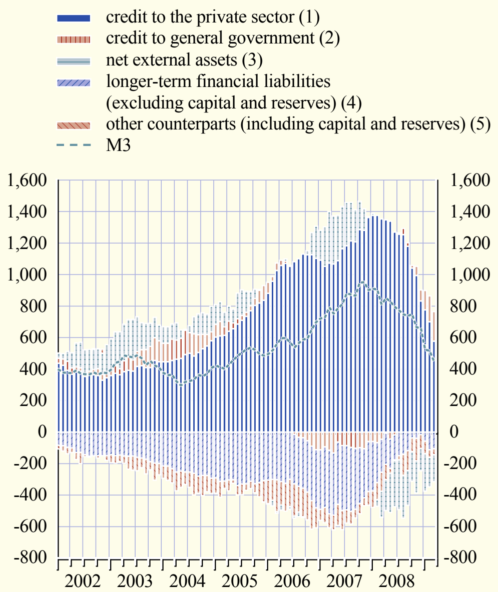
Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities excluding capital and reserves decreased slightly in March to stand at 2.2%, down from 2.4% in February. However, this conceals a further increase in the annual growth rate of longer-term deposits. The annual growth rate of deposits with an agreed maturity of over two years increased further to stand at 5.0% in March, up from 4.2% in February, while that of deposits redeemable at notice of over three months increased further to stand at 3.7%, up from 1.3% in the previous month. By contrast, the annual growth rate of MFI debt securities with a maturity of over two years held by the non-MFI sector decreased as a result of an outflow in March. However, this outflow conceals the fact that net issuance of such long-term debt securities was positive, which reflects the guarantee programmes introduced by governments, and the fact that MFIs themselves purchased these securities.

The annual growth rate of capital and reserves decreased slightly to stand at 10.5% in March, down from 10.9% in February, although an inflow was observed for these instruments in March.

Turning to developments in the external assets and liabilities of the MFI sector, sizeable outflows were recorded on both sides of the balance sheet. In particular, on the asset side, the continuing outflow of loans to non-residents was accompanied in March by a considerable outflow of securities other than shares issued by non-residents. These outflows of external assets remain the primary factor in the deleveraging of credit institutions. The net external asset position, which is the counterpart of M3, recorded a monthly outflow of €14 billion as assets fell more strongly than liabilities. The annual outflow from the net external asset position declined slightly to stand at €171 billion, down from €188 billion in February.

Chart 6 Counterparts of M3

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



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

To sum up, the March data confirm the deceleration of both M3 and loan dynamics, which is indicative of a decline in the underlying rate of monetary growth. Monthly flows of loans to the private sector remained negative in March, which is most likely to reflect the sharp deterioration in economic conditions. At the same time, evidence from the latest bank lending surveys suggests that factors related to bank funding are continuing to have some impact on the granting of loans. (For further information, see Box 2 below.) However, given the high levels of volatility in short-term developments, some additional information may be needed in order to reach a firmer judgement on recent money and credit dynamics. MFIs continued to reduce the size of their balance sheets in March, with this deleveraging being effected mainly through the shedding of external assets and, to a lesser extent, loans.

Box 2

THE RESULTS OF THE APRIL 2009 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the April 2009 bank lending survey for the euro area conducted by the Eurosystem.[1] In the first quarter of 2009 the net percentage of banks reporting a tightening of credit standards for loans to enterprises, while still substantial, was considerably smaller than the high level recorded in the previous quarter.[2] Respondent banks also reported a further, but somewhat less strong, net tightening of their credit standards for loans to households both for house purchase and for consumer credit and other lending. Regarding their expectations

1 The cut-off date for the receipt of data from the responding banks was 3 April 2009. A comprehensive assessment of the results of the April 2009 bank lending survey for the euro area was published on 29 April 2009 on the ECB's website.

2 The reported net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have been eased. A positive net percentage indicates that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage indicates that banks have tended to ease credit standards ("net easing").

for the second quarter of 2009, banks saw a further, albeit smaller, decline in net tightening for all three loan categories compared with the actual net tightening in the first quarter of 2009. Regarding demand for loans, banks reported that net demand for loans both to enterprises and to households for consumer credit and other lending declined considerably, while net demand for loans to households for house purchase was significantly less negative.[3,4]

As in preceding survey rounds, the April 2009 survey round contained a set of additional ad hoc questions addressing the effect of the financial turmoil on bank lending policies. Notably, in response to these questions the majority of banks indicated that in the first quarter of 2009 government announcements of recapitalisation support and state guarantees for debt securities issued by banks were already having an impact by improving bank access to wholesale funding and were expected to further ease access to funding in the second quarter of 2009. Nevertheless, banks continued to report that in the first quarter of 2009 their access to funding was still hampered as a result of the turmoil in financial markets. Indeed, only in the case of very short-term funding did a majority of reporting banks indicate that access was not hampered in the first quarter of 2009. Likewise, the majority of banks reported that the financial market tensions continued to have an adverse impact on their capital positions and lending capacity.

Loans or credit lines to enterprises

Credit standards: In the first quarter of 2009 the net percentage of banks reporting a tightening of credit standards for loans to enterprises, while still high, declined substantially compared with the previous quarter (to 43%, from 64% in the fourth quarter of 2008; see Chart A). As in the previous quarter, this mainly reflected banks reporting that they had tightened their credit standards "somewhat", whereas only a minority stated that they had tightened them "considerably". The main driving forces behind the net tightening in the first quarter of 2009 continued to be expectations regarding general economic activity and the industry or firm-specific outlook which, while abating somewhat, stood at levels of 55% and 59% respectively. At the same time, the impact of the cost of funds and balance sheet constraints remained at comparatively high levels, although the importance of these factors also diminished slightly compared with the fourth quarter of 2008. As in previous quarters, banks reported virtually no pressure from competition factors to either tighten or ease their credit standards.

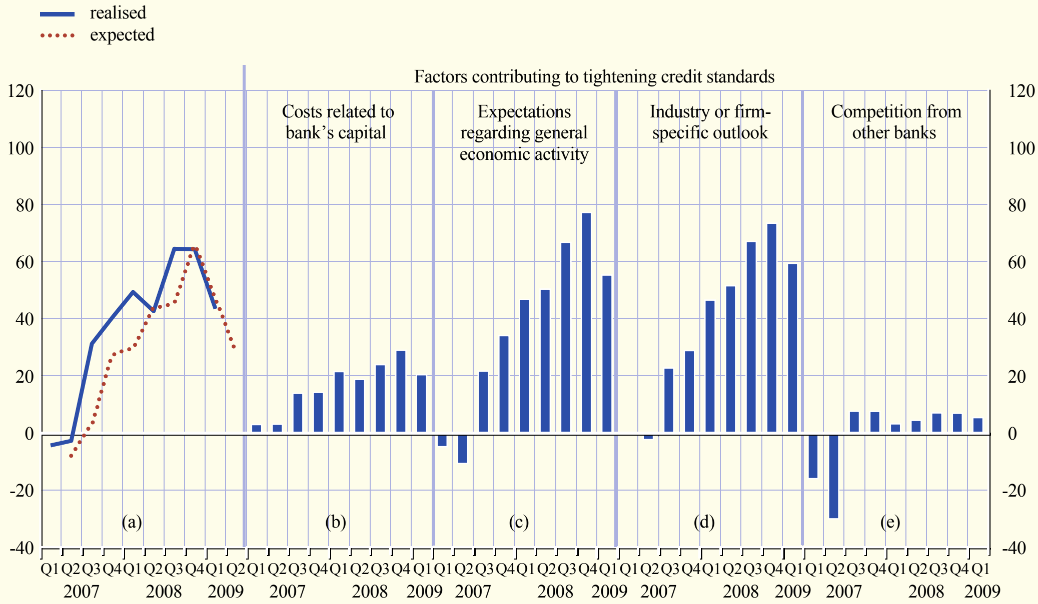
As regards the terms and conditions related to the provision of loans to enterprises, banks reported that they continued to widen their margins on average loans and on riskier loans in the first quarter of 2009. The net percentages of banks reporting a widening of margins on average and riskier loans were 58% (against 61% in the previous quarter) and 71% (against 77%) respectively (see Chart B). Moreover, around one-third of the banks tightened their credit standards by altering the size of loans or credit lines (i.e. reducing them) and by tightening collateral requirements. Since mid-2007, of all the non-interest charges, collateral requirements have contributed most in terms of net tightening, while banks have also become considerably more stringent in terms of loan

3 The term "net demand" refers to the difference between the proportion of banks reporting an increase in loan demand and the proportion of banks reporting a decline.

4 With effect from the April 2009 bank lending survey round, an alternative measure, namely the diffusion index, will be published in addition to the net tightening of credit standards. The diffusion index weights the degree to which banks change their credit standards. The interpretation of the diffusion index applies the same logic as the interpretation of net percentages, but, by construction, the movements of the diffusion index tend to be somewhat more muted than movements in net percentages. The diffusion index is constructed in the following way: lenders who have answered "considerably" are given a weight that is twice as high (score of 1) as the weight for lenders who have answered "somewhat" (score of 0.5).

Chart A Changes in credit standards applied to the approval of loans or credit lines to enterprises

(net percentages)

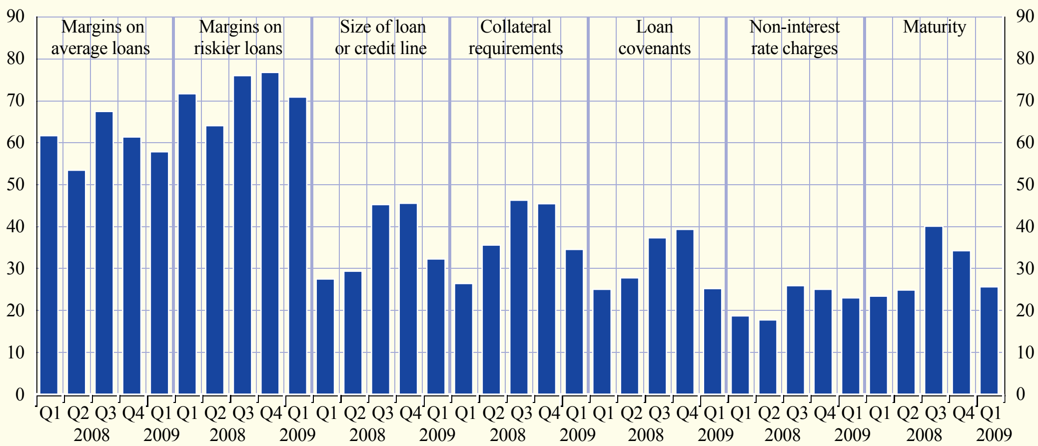


Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

sizes and loan covenants. In contrast, in the preceding period of easing credit standards (between mid-2004 and mid-2007) banks reported that the net easing was mainly conducted via reductions in the margins on average loans.

Chart B Changes in terms and conditions for approving loans or credit lines to enterprises

(net percentages of banks reporting tightening terms and conditions)



Note: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably".

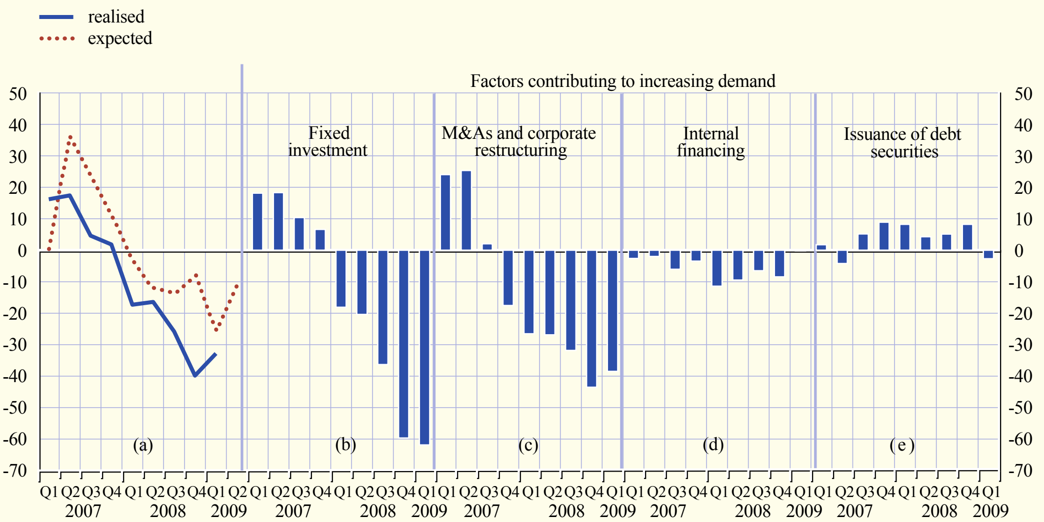
In the first quarter of 2009 the net tightening of credit standards for loans to large enterprises (48%, against 63% in the fourth quarter of 2008) was slightly greater than for loans to small and medium-sized enterprises (SMEs – 42%, against 63% in the previous quarter). In recent quarters the factors underlying the changes in credit standards, for both large enterprises and SMEs, mainly related to expectations regarding general economic activity and the industry or firm-specific outlook. At the same time, costs related to banks' capital positions played a somewhat more important role in the net tightening of credit standards for large firms than for SMEs, which may reflect the fact that, with the current slowdown in syndicated lending and a subdued credit risk transfer market, the allocation of capital to larger loans has become comparatively costly. Moreover, competition from other banks contributed to only a small extent to the net tightening of credit standards for both SMEs and large firms. With respect to terms and conditions, the net tightening of credit standards continued to be reflected most markedly in net increases of bank margins on average loans as well as on riskier loans, for loans to both large firms and SMEs. The contribution of non-price terms and conditions to the net tightening remained broadly at the same elevated levels as in the previous quarter independent of firm size.

Expectations regarding credit standards applied to loans and credit lines to enterprises in the second quarter of 2009 point to a further moderation in net tightening (28%) compared with the actual net tightening in the first quarter (see Chart A).

Loan demand: In the first quarter of 2009 net demand for loans to enterprises declined somewhat less than in the previous quarter, but remained rather low (at -33%, down from -40% in the fourth quarter of 2008; see Chart C). This negative net demand was driven by a continued sharp decline in financing needs for fixed investment (-62%, compared with -60% in the previous quarter). Likewise, weak demand for loans to finance mergers and acquisitions and corporate restructuring

Chart C Changes in demand for loans or credit lines to enterprises

(net percentages)



Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decline. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

was observed in the first quarter of 2009 (-39%, against -44% in the fourth quarter of 2008). At the same time, the slightly less negative net demand for corporate loans was mainly driven by firms' need to restructure their debts and also by perceived difficulties in obtaining loans from other banks and non-banks. In contrast to previous quarters, internal financing (i.e. profitability) did not contribute to lowering net demand for loans to enterprises in the first quarter of this year, which may indicate a deterioration in the corporate sector's earnings prospects. In the first quarter of 2009 there is some evidence suggesting a return of investment-grade firms to the euro area corporate bond market.[5] This may explain why, in contrast to previous quarters, banks reported that the issuance of debt securities contributed negatively to net demand for loans to enterprises.

In the second quarter of 2009 banks expect net demand for loans to enterprises to become less negative (-12%) compared with actual net demand in the first quarter of 2009 (see Chart C).

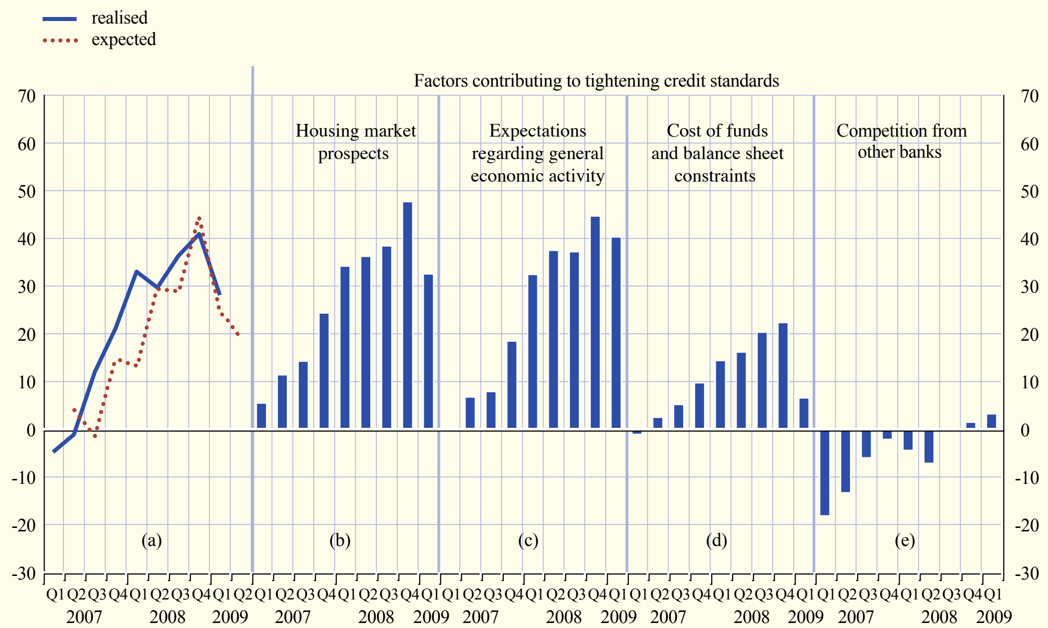
Loans to households for house purchase

Credit standards: In the first quarter of 2009 the net percentage of banks reporting a tightening of credit standards applied to loans to households for house purchase declined somewhat (28%, compared with 41% in the fourth quarter of 2008), implying a further, albeit more moderate, overall tightening of credit standards from an already elevated level (see Chart D). Expectations regarding general economic activity and housing market prospects remained the main factors contributing to the continued net tightening of credit standards. In addition, the cost of funds and balance sheet constraints also contributed to the net tightening, although much less so than in the

5 According to the ECB's securities issues statistics, the issuance of debt securities by non-financial corporations in the euro area increased considerably in January and February 2009.

Chart D Changes in credit standards applied to the approval of loans to households for house purchase

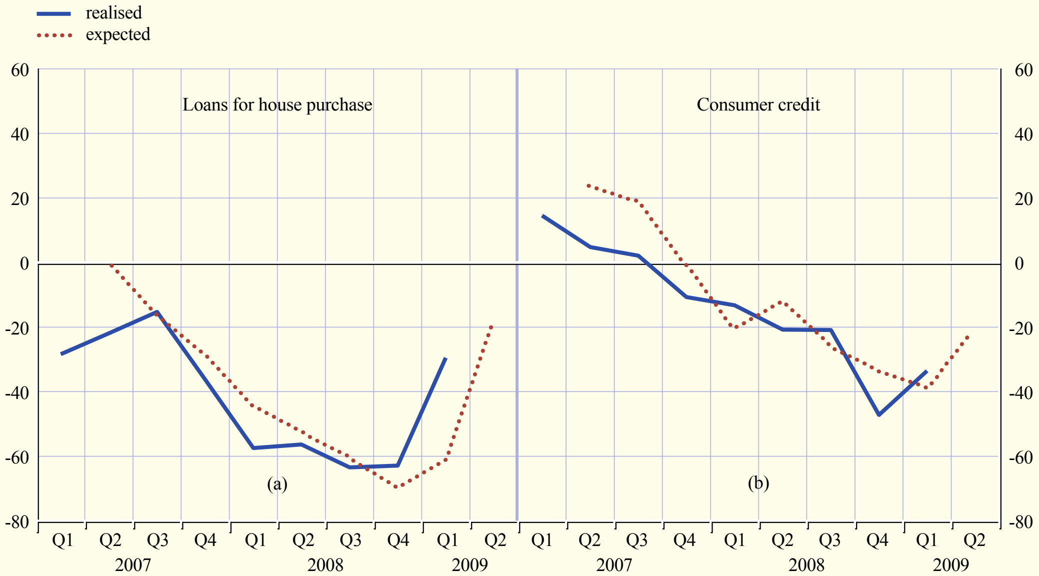
(net percentages)



Note: See notes to Chart A.

Chart E Changes in demand for loans to households for house purchase and consumer credit

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

previous quarter (7%, down from 22%). Moreover, as in the previous quarter, competition from other banks did not contribute to an easing of credit standards applied to loans to households for house purchase, but was broadly neutral.

As regards the terms and conditions for loans for house purchase, margin requirements, in particular on riskier loans, remained the main factor in the net tightening of credit standards in the first quarter of 2009. Collateral requirements and loan-to-value ratios, while still contributing to net tightening, became somewhat less stringent compared with the previous quarter.

Looking ahead to the second quarter of 2009, credit standards for loans for house purchase are expected to tighten to a lesser extent (19%) compared with the actual net tightening in the first quarter of 2009 (see Chart D).

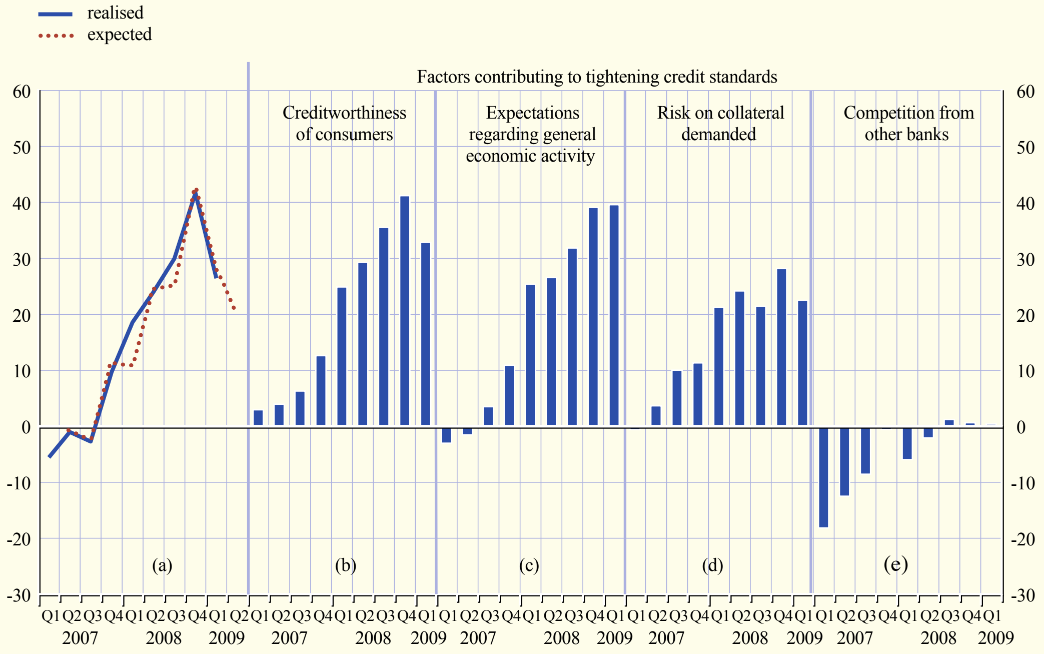
Loan demand: Net demand for housing loans remained negative in the first quarter of 2009, albeit considerably less so than in the previous quarter (-30%, down from -63%; see Chart E). As in previous quarters, this negative net demand reflected mainly housing market prospects and deteriorating consumer confidence. For the second quarter, expectations point to a somewhat lower negative level of net demand (-18%) compared with actual net demand in the first quarter.

Loans for consumer credit and other lending to households

Credit standards: In the first quarter of 2009 the net percentage of banks reporting a tightening of credit standards for consumer credit and other lending to households moderated somewhat, to 26%, down from its historical peak of 42% observed in the previous quarter (see Chart F). The

Chart F Changes in credit standards applied to the approval of consumer credit and other lending to households

(net percentages)



Note: See notes to Chart A.

main factor behind the continued net tightening was banks' perceptions of risk, mainly related to deteriorating expectations regarding general economic activity and the creditworthiness of consumers. As regards the terms and conditions for consumer credit, in the first quarter of 2009 banks continued to charge higher margins on both average and riskier loans, whereas requirements regarding loan maturities became somewhat less stringent compared with the previous quarter.

For the second quarter of 2009, credit standards for consumer credit and other lending to households are expected to tighten to a lesser extent (20%) compared with the actual net tightening in the first quarter of 2009 (see Chart F).

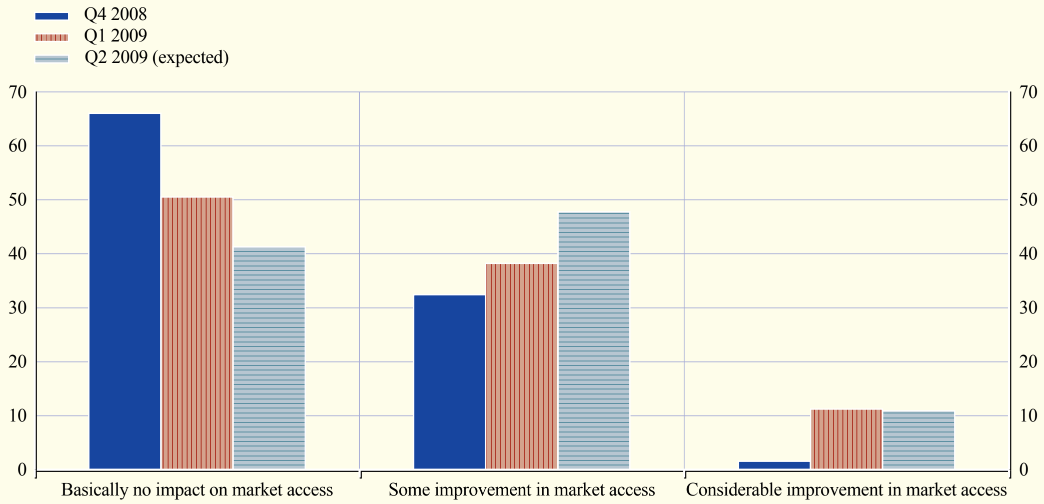
Loan demand: In the first quarter of 2009 net demand for consumer credit and other lending to households remained negative, although somewhat less so compared with the previous quarter (-34%, down from -47%; see Chart E). The two main factors dampening demand continued to be consumer confidence and lower financing needs for durable consumer goods. Moreover, net demand for consumer credit loans is expected to improve somewhat in the second quarter of 2009 but to remain negative (-21%).

Ad hoc questions on the financial turmoil

The April 2009 survey round included the same set of ad hoc questions as the January 2009 survey round. They aimed at addressing the impact on euro area banks of the financial market tensions experienced since mid-2007.

Chart G Effect of government's announcement of recapitalisation support and state guarantees on access to wholesale funding

(percentages)



Banks reported that their access to money markets remained impaired in the first quarter of 2009 as a result of the turmoil in financial markets, although some slight improvements were noticed in all market segments compared with the fourth quarter of 2008. Apart from access to very short-term funding in the money market, where 70% of the banks reported that they were not hampered, for all other sources of wholesale funding more than 50% of the reporting banks indicated that their access remained hampered in the first quarter of 2009. In particular, around 80% of the banks reported that their access to securitisation – both true-sale and synthetic – and to medium to long-term debt issuance was hampered in the first quarter of 2009. At the same time, the percentage of banks reporting a hampered ability to transfer credit risk off their balance sheets declined from 90% in the fourth quarter of 2008 to less than 70% in the first quarter of 2009. In the second quarter of 2009 access to wholesale funding and securitisation is expected to remain hampered to a similar extent as in the first quarter of 2009.

At the same time, banks reported that government announcements of recapitalisation support and state guarantees for debt securities issued by banks had an impact on improving their access to wholesale funding in the first quarter of 2009. This was reflected in the fact that around 50% of the banks (up from 34% in the previous quarter) reported that the announced government support schemes had "some" or a "considerable" impact on their access to funding in the first quarter of 2009. Furthermore, around 60% of the banks reported that they expect their access to wholesale funding to improve further in the second quarter of 2009 as a result of the announced government actions (see Chart G).[6]

In line with the continued impaired access to money markets and debt securities markets, banks reported that the impact on bank lending, as regards both quantities and margins, from these funding options remained broadly unchanged, at elevated levels, in the first quarter of 2009. The impact on margins continued to be stronger than the impact on the amount of loans granted

6 100 out of 118 banks responded, giving a response rate of 85%. 8% of responding banks reported "not applicable".

to borrowers. Similarly, as regards hampered access to securitisation, banks reported a broadly unchanged impact on the amount of loans granted, as well as on margins demanded, compared with the previous quarter. The impact on margins was broadly similar to the impact on quantities. With respect to the next three months, banks reported that they expect a similar impact on their willingness to lend and on margins resulting from their hampered access to money markets and debt securities markets and a somewhat smaller impact resulting from securitisation compared with the impact over the past three months.

Finally, with regard to the impact of the change in banks' costs related to their capital positions on their lending policy, in the first quarter of 2009 44% of the reporting banks indicated "some" or a "considerable" impact on capital and lending, which was a decrease of 5 percentage points compared with the fourth quarter of 2008. At the same time, the percentage of banks replying that there was virtually no impact on their capital remained broadly unchanged, at a low level of 29%, in the first quarter of 2009 (following 27% in the previous quarter). Looking ahead to the next three months, 45% of the reporting euro area banks expect that the financial market events will continue to have some or a considerable impact on their capital positions and lending.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issued by euro area residents remained robust in February 2009. Data on sectoral issuance activity reveal that all sectors have been active, probably taking advantage of declining credit spreads at the beginning of the year and thus of lower financing costs for the acquisition of debt. Meanwhile, the annual growth rate of issuance of quoted shares remained broadly unchanged.

DEBT SECURITIES

Debt securities issuance increased further in February, with an annual growth rate of 11.1%, one percentage point higher than in January (see Table 3). This overall growth rate was largely driven by strong issuance of long-term debt securities, which accounted for nearly 85% of the total outstanding

Table 3 Securities issued by euro area residents

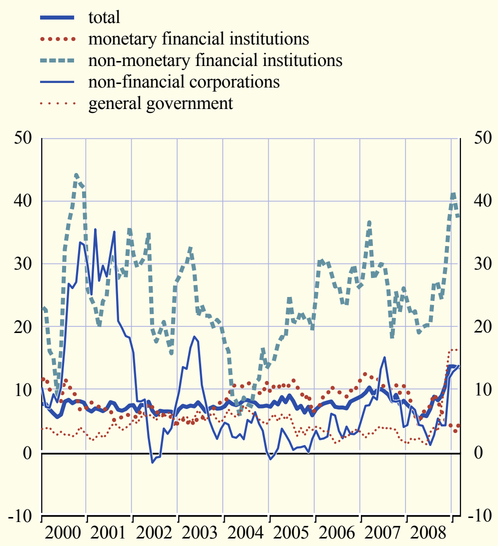
Issuing sector	Amount outstanding (EUR billions) 2009 Feb.	Annual growth rates [1] 2008 Q1	2008 Q2	2008 Q3	2008 Q4	2008 Jan.	2009 Feb.
Debt securities	**13,563**	**8.2**	**6.9**	**7.3**	**7.8**	**10.1**	**11.1**
MFIs	5,407	9.4	7.8	8.2	5.7	5.3	6.3
Non-monetary financial corporations	2,022	24.9	21.7	23.4	24.2	30.4	32.5
Non-financial corporations	718	8.8	5.9	4.0	4.9	6.8	7.8
General government	5,416	2.7	2.2	2.4	5.5	9.2	9.8
of which:							
Central government	5,078	2.7	2.3	2.4	5.7	9.5	10.0
Other general government	338	2.7	1.3	3.0	2.9	5.3	6.4
Quoted shares	**2,922**	**1.2**	**0.9**	**0.6**	**0.8**	**1.1**	**1.1**
MFIs	277	0.7	1.5	2.8	4.9	7.4	7.3
Non-monetary financial corporations	189	2.7	2.4	2.6	2.6	3.1	3.2
Non-financial corporations	2,456	1.2	0.6	0.0	-0.1	-0.1	-0.1

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

debt securities in February. The annual growth rate of long-term debt securities issued continued to increase at a fast pace, standing at 9.2% in February 2009, well above the average level recorded in 2008 of around 5.8%. By contrast, the annual growth rate of short-term debt securities issued appeared to stabilise, albeit at a high level, at 25.8% in February. For the second consecutive month, long-term debt securities issuance was driven mainly by strong issuance of debt securities at fixed rates, the growth rate of which has continued to increase steadily since October 2008, reaching 6.7% in February 2009, i.e. 1.4 percentage points higher than in January. This compares with an annual growth rate of 16.1% for floating rate long-term debt securities issuance in February 2009, slightly above the rate recorded in January of 15.6%. Thus, the annual growth rate of floating rate long-term debt securities issued remains well above that of fixed rate long-term debt securities issued, as has been the case since early 2000.

Chart 7 Sectoral breakdown of debt securities issued by euro area residents

(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

Seasonally adjusted data, which better capture short-term trends, point to a stabilisation of overall debt issuance growth at high levels, with the six-month annualised growth rate of debt securities issued standing at 13.6% in February 2009, i.e. only 0.1 percentage point below the levels recorded in January and December. Overall debt issuance remains largely driven by issuance from non-monetary financial institutions, for which the corresponding growth rate appears to have receded slightly in February 2009. At the same time, an acceleration of debt issuance by non-financial corporations and general government had a counteracting effect on the total figure (see Chart 7).

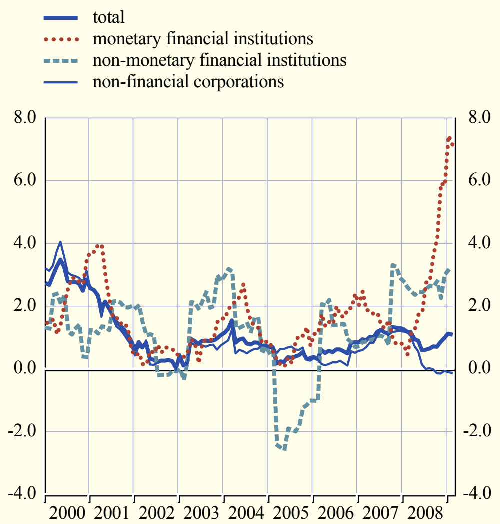
In particular, reflecting the greater use by firms of capital market finance, the annual growth rate of debt securities issued by non-financial corporations increased further in February to 7.8%, i.e. 1.0 percentage point higher than in January. This further increase is entirely explained by a marked increase in the annual growth rate of long-term debt securities issuance which more than offset a decline in the annual growth rate of short-term debt securities issuance. High volumes and a sustained pace of net issuance of long-term debt securities since end-2008 suggest that corporations are taking advantage of lower spreads over government bonds to secure funding. This rapid pace of the growth of market-based debt financing may also reflect to some extent substitution effects vis-à-vis loan financing and reduced availability of internal funds (see also Box 3). Despite some signs of improved conditions on bank loans according to the April 2009 bank lending survey (see Box 2), bank lending conditions remain extraordinarily tight. Confronted with possibly further constrained access to bank loans non-financial corporations may thus be attempting to secure debt financing by stronger recourse to market-based debt. However, non-financial corporations' debt issuance activity continues to favour highly rated companies and non-cyclical sectors, which are partly shielded from the recession.

Turning to the financial sector, the annual growth rate of debt securities issued by MFIs rebounded in February 2009, to 6.3% compared with 5.3% in January. This reflects a revival of debt securities issuance across the whole maturity spectrum and notably for long-term debt securities issued by MFIs partly related to the refinancing needs of conduits affiliated to MFIs. For the first time since August 2008, six-month seasonally adjusted data for the annual growth rate of debt securities issuance by MFIs, although still at historically low levels, point to a slight increase.

Debt securities issued by non-monetary financial corporations remain by far the fastest growing component of overall debt securities issuance, with an annual growth rate of 32.5% in February 2009. This continues to reflect the persistently high level of retained securitisation by bank-sponsored special-purpose vehicles even as markets for securitised products remain hampered.

Chart 8 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.

The annual growth rate of debt securities issued by government also continued to increase markedly, rising to 9.8% in February 2009. The seasonally adjusted six-month annualised growth rate of debt securities in this sector reached about 16% in both January and February 2009, a very high level compared with the average rate of around 4% generally recorded since 1999. Further increases can be expected later in the year in view of the substantial funding needs of euro area governments.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained stable in February 2009, at 1.1%, with no major change in the annual growth rate of equity issuance for any of the major issuers. In particular, the annual growth rates of equity issuance for monetary and non-monetary financial institutions remained high, at 7.3% and 3.2% respectively, reflecting the use of rights issues by many euro area financial institutions to help rebuild their balance sheets. At the same time, against the background of a continued increase in the cost of equity financing, the annual growth rate of quoted shares issued by non-financial corporations remained in negative territory at -0.1% in February (see Chart 8).

2.3 MONEY MARKET INTEREST RATES

Unsecured money market interest rates declined further in April, whereas developments in secured money market interest rates were mixed. Overall, spreads between unsecured and secured rates continued to narrow, particularly for maturities of three months or more. The Eurosystem continued to provide the financial system with abundant amounts of liquidity in April by offering fixed rate tender procedures with full allotment in its main and longer-term refinancing operations.

Unsecured money market rates declined further in April 2009, although at a slower pace than in previous months. On 6 May the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 0.90%, 1.33%, 1.53% and 1.70% respectively, i.e. 20, 16, 12 and 10 basis points below the levels observed on 1 April. The decline was more pronounced for the shorter maturities. As a result, the spread between the twelve-month and one-month EURIBOR rates increased to 80 basis points on 6 May, compared with 70 basis points on 1 April (see Chart 9).

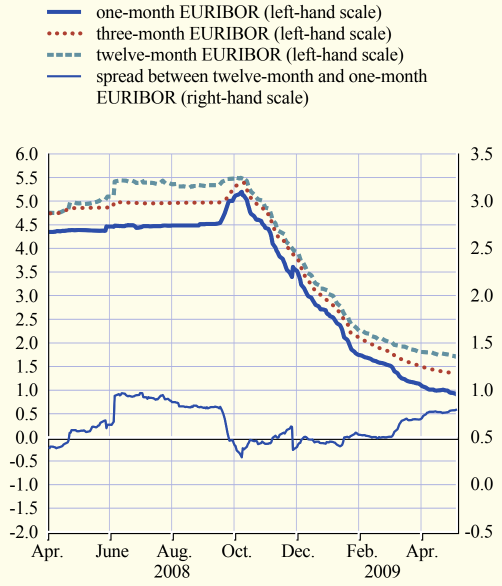
Developments in EONIA swap rates were fairly mixed over that period. Interest rates for maturities shorter than three months continued to decline, whereas they rose for maturities in excess of three months. Overall, by 6 May spreads between the unsecured EURIBOR and the EONIA swap index were generally smaller than they had been at the beginning of April, with the exception of shorter maturities, for which they increased slightly. At the three-month maturity, this spread declined from 81 basis points on 1 April to 65 basis points on 6 May, a level comparable to that observed at the beginning of September 2008 prior to the renewed tensions in the euro money market.

On 6 May the interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2009 stood at 1.225%, 1.230% and 1.395% respectively. This represented no change for the June 2009 contract and slight declines of 2.5 and 3.5 basis points respectively for the September and December 2009 contracts by comparison with the levels prevailing on 1 April. These limited changes point to expectations regarding key ECB interest rates up until the beginning of 2010 remaining broadly unchanged.

During the maintenance period which ended on 7 April the EONIA was relatively volatile, but remained at levels significantly below the rate on the main refinancing operations, standing between 49 and 71 basis points below that rate. The only exception was 31 March, when the EONIA rose

Chart 9 Money market interest rates

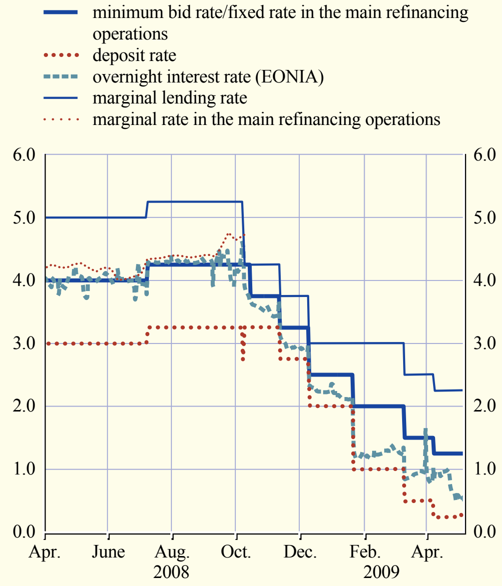
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Reuters.

Chart 10 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

to 1.636% owing to the end-of-quarter effect (see Chart 10). On 2 April the Governing Council decided to cut the key ECB interest rates by a further 25 basis points, which reduced the interest rate on the Eurosystem's main refinancing operations to 1.25% and reduced the interest rates on the marginal lending and deposit facilities to 2.25% and 0.25% respectively. In the maintenance period beginning on 8 April, however, the EONIA continued to hover around the levels observed in the previous maintenance period, which meant that the spread vis-à-vis the rate on the main refinancing operations declined to around 30 basis points. That being said, the EONIA then fell towards the end of April and reached 0.53% on 6 May, resulting in a spread of 72 basis points between the EONIA and the rate on the main refinancing operations. This decline reflected the abundant liquidity in the money market as a result of the full allotment liquidity arrangements, combined with more limited use of the deposit facility by comparison with recent maintenance periods.

Owing to the Eurosystem's current liquidity policy, the volume of liquidity provided to the market was determined solely by the bidding behaviour of counterparties. In the main refinancing operations conducted on 7, 14, 21 and 28 April and 5 May, the ECB allotted, respectively, €125.4 billion, €85.9 billion, €122.6 billion and €91.8 billion above the benchmark, and €89 billion below the benchmark. Thus, counterparties generally obtained liquidity in excess of what would have been required in order to fulfil their reserve requirements and take account of autonomous factors. That liquidity was then partially absorbed by recourse to the deposit facility. In the maintenance period that began on 8 April recourse to the deposit facility declined markedly by comparison with the previous maintenance period, although it remained relatively sizeable. Daily recourse to the deposit facility averaged €37.1 billion between 8 April and 6 May, whereas it averaged €57.8 billion in the maintenance period ending on 7 April. Looking at developments since the end of 2008, this continued decline provides further evidence of the ongoing normalisation of euro money market conditions following the tensions of September 2008. Average daily recourse to the marginal lending facility also declined, standing at around €0.9 billion between 8 April and 6 May, down from €1.1 billion in the previous maintenance period.

As regards other operations, the Eurosystem conducted a fine-tuning operation on 7 April, the last day of that maintenance period, in which it absorbed €103.9 billion in a variable rate tender operation with a maximum rate of 1.50%, a marginal rate of 1.30% and a weighted average rate of 1.12%. In the longer-term refinancing operation on 29 April (which was conducted with full allotment at the fixed rate of 1.25% and a maturity of three months), the allotted amount was €31.17 billion. In other longer-term refinancing operations with various maturities conducted on 8, 9 and 16 April with a fixed rate of 1.50%, the ECB allotted a total of €181.08 billion – in excess of the €161.23 billion allotted in corresponding operations in the previous maintenance period.

Furthermore, using its reciprocal currency arrangements (swap lines) with the Federal Reserve, the Eurosystem continued to provide US dollar funding against collateral eligible in the Eurosystem in the reserve maintenance period which began on 8 April, conducting operations on 9, 23 and 30 April with various maturities. The ECB has also continued to provide Eurosystem counterparties with US dollar and Swiss franc funding against euro cash via foreign exchange swap operations.

2.4 BOND MARKETS

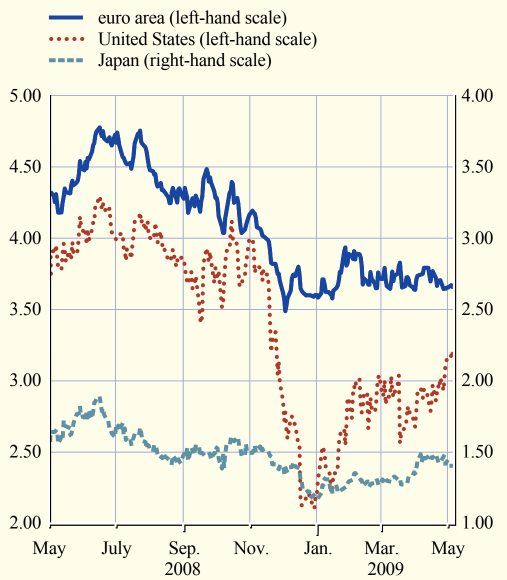
In April and early May long-term government bond yields increased marginally in the euro area and more markedly in the United States. The continued improvement in market sentiment towards risky assets amid signs of stabilisation of the economic outlook exerted upward pressure on *long-term bond yields. In the euro area, this general impetus towards higher bond yields was partly offset by further declines in intra-euro area sovereign yield spreads. In the United States, the strong decrease in yields, which had been observed after the March statement of the Federal Open Market Committee (FOMC), was fully reversed. Euro area long-term forward break-even inflation rates increased somewhat.*

Compared with end-March, government bond yields in the euro area increased marginally, while they showed a marked increase of 50 basis points in the United States. On 6 May ten-year government bond yields stood at 3.7% in the euro area and at 3.2% in the United States (see Chart 11). Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds narrowed to about -50 basis points at the end of the period under review. In Japan, ten-year government bond yields increased slightly, standing at 1.4% on 6 May. Implied bond market volatility remained broadly unchanged overall in the euro area, but increased somewhat in the United States, reflecting the recent considerable swings in yields.

In the United States, long-term government bond yields increased noticeably in the course of April and early May. By 6 May long-term government bond yields had reverted to a level somewhat above that prevailing immediately before the 18 March FOMC statement, which announced the plan to purchase up to USD 300 billion of longer-term Treasury securities. A significant part of the increases in yields took place in the first few days of April and probably mainly reflected portfolio flows back into risky assets, following the apparent further improvement of market sentiment after the 2 April G20 summit in London. Moreover, the incipient signs that the deterioration of the economic outlook has decelerated may have exerted additional upward pressure on long-term yields.

Chart 11 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.

Long-term bond yields in the euro area increased only marginally over the period under review, fluctuating around their end-March levels amid rather low volatility. The general upward pressure on long-term yields also led to increases in German government bond yields, but at the euro area level, these increases were largely offset by further declines in intra-euro area sovereign yield spreads. For all euro area countries where the relevant bonds exist, the spreads of ten-year government bond yields vis-à-vis their German counterpart narrowed further in the course of April and early May. The still elevated level of intra-euro area sovereign spreads continues to reflect high risk aversion of investors, coupled with low liquidity in some sovereign debt markets and concerns about the fiscal burden associated with the economic outlook and the policy measures taken.

Yields on long-term inflation-linked government bonds in the euro area decreased somewhat further in April and early May. Five and ten-year spot real yields declined by around

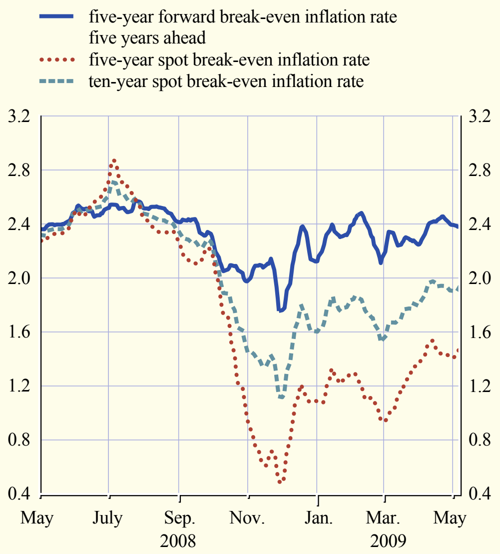
Chart 12 Euro area zero coupon inflation-linked bond yields

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

Sources: Reuters and ECB calculations.

Chart 13 Euro area zero coupon break-even inflation rates

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



Sources: Reuters and ECB calculations.

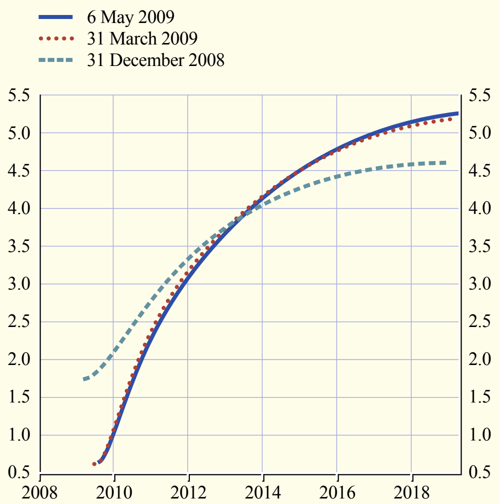
10 and 5 basis points respectively, to levels of 1.2% and 1.8%. Despite recent improvements, activity in inflation-linked markets remains somewhat impaired, and inflation-linked yields and break-even inflation rates should thus still be interpreted with caution.

In combination with the fact that nominal long-term yields increased slightly, the decline in real yields led to increases in both the five and ten-year spot break-even inflation rates of about 15 basis points. On 6 May these rates stood at levels of 1.5% and 2.0% respectively. At the same time, five-year forward rates five years ahead, a measure of longer-term inflation expectations and related risk premia, increased somewhat to 2.4%. Long-term forward break-even inflation rates derived from inflation-linked swaps also increased somewhat in the course of April and early May.

The term structure of forward rates in the euro area shows how the overall behaviour of euro area long-term bond yields can be decomposed into changes in interest rate expectations (and

Chart 14 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

related risk premia) at different horizons (see Chart 14). Compared with end-March, both the level and the shape of the euro area forward curve has remained almost unchanged overall.

Corporate bond spreads for the non-financial sector declined further relative to their end-March levels. For lower-rated debt of non-financial corporations, bond spreads showed a notable decrease, while spread levels for higher-rated debt increased slightly. Spreads of financial corporations' debt also narrowed across rating classes. Although the still elevated levels of spreads suggest ongoing market concerns regarding the financial health of both financial and non-financial corporations, the recent reductions in spreads mirror the general improvement in market sentiment towards risky assets, as also observed in the markets for equities and sovereign debt.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

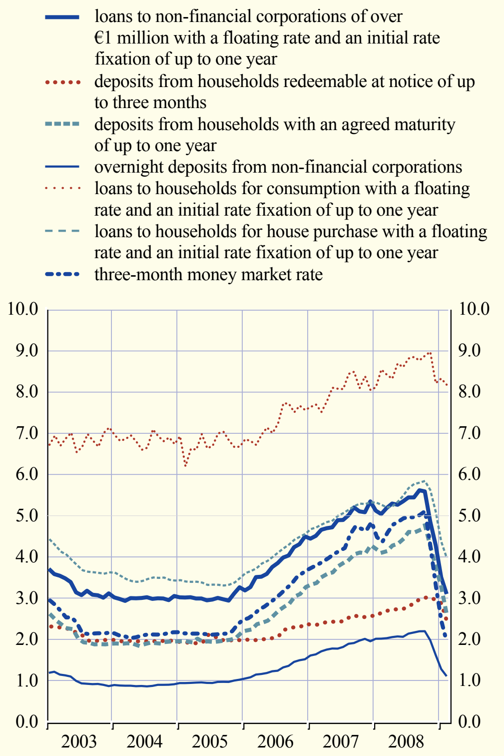
In February 2009 all MFI interest rates on new loans to and deposits from households and non-financial corporations continued to decrease, most of them substantially, pursuing the declining trend that started in November 2008 in the wake of policy interest rate cuts and subsequent falls in money market rates and bond yields. Spreads of short-term MFI interest rates vis-à-vis money market rates are expected to decline as policy rate changes are gradually being passed through.

In February 2009 most short-term MFI interest rates on new loans and deposits were substantially lower than in the previous month, reflecting a response to the substantial decrease of money market rates since September 2008 (see Chart 15). For households, interest rates offered by MFIs for house purchase have fallen back quite sharply, by a further 40 basis points in February, while interest rates for consumption loans declined by 15 basis points. At the same time, however, there was a marginal increase in the household overdraft rates, by 5 basis points. For non-financial corporations, short-term MFI rates on new loans also declined further, down by 39 basis points on average in February, with the decline somewhat stronger for large than for small loans. Overall, the falls in short-term MFI lending rates in February 2009 were somewhat less pronounced than the generally very strong decreases observed in January. This development broadly mirrors similar movements in corresponding money market rates over the same period. For example, the three-month EURIBOR declined by 51 basis points in February 2009.

The spreads between money market rates and short-term MFI interest rates remained wide in

Chart 15 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business)



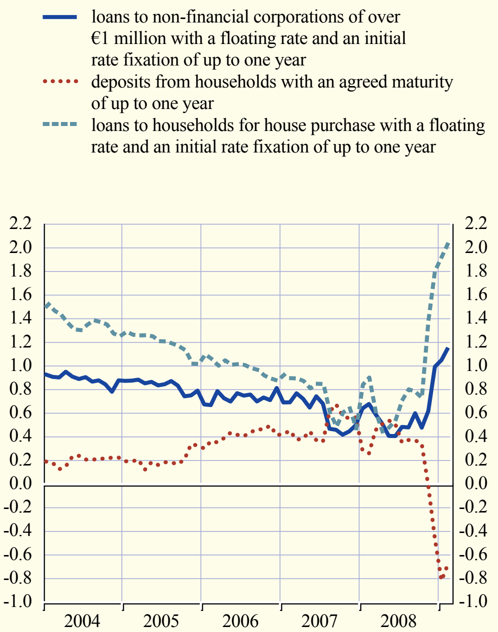
Source: ECB.

February (see Chart 16), reflecting a sluggish pass-through of policy rate changes to retail deposit and lending rates. For example, between September 2008 and February 2009, the three-month EURIBOR dropped by 307 basis points, compared with 182 basis points for interest rates charged on loans to households for house purchase with a floating rate and an initial rate fixation period of up to one year and 252 basis points for large loans to non-financial corporations under similar conditions. However, there are indications that recent changes in policy rates are feeding through to retail lending and deposit rates to a similar degree as in the past, considering the usual inertia in the adjustment of retail bank rates and the high credit risk premium inherent to existing concerns about the outlook for borrowers' balance sheet conditions.

The broadly based decline in interest rates also applies to long-term MFI rates, as all MFI interest rates with an initial rate fixation period of more than two years dropped further in February (see Chart 17). For example, long-term MFI interest rates on large loans to non-financial corporations dropped by 34 basis points on average in February, a decline substantially larger than that recorded for long-term interest rates charged to households on loans for house purchase, which registered a 13 basis point fall. Unlike for shorter maturities, the declines in long-term MFI interest rates generally remained somewhat larger than those registered by corresponding bond market rates. The five-year government bond yield, for example, dropped by 15 basis points between January and February 2009, while the ten-year government bond yield increased somewhat.

Chart 16 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

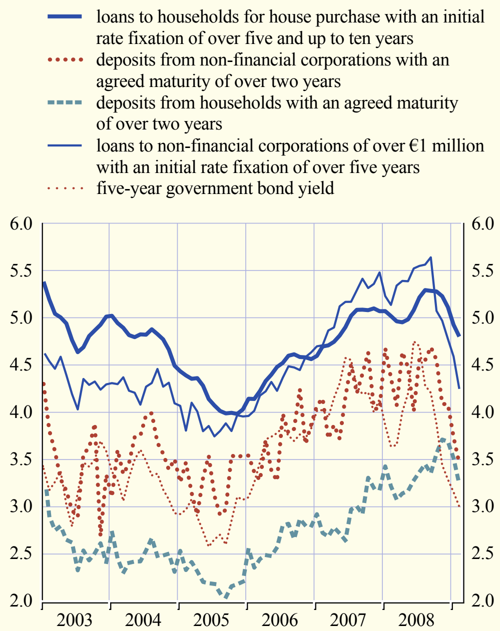
(percentage points; rates on new business)



Source: ECB.
Note: For the loans, the spreads are calculated as the lending rate minus the three-month money market rate and for the deposits, the spreads are calculated as the three-month money market rate minus the deposit rate.

Chart 17 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)



Source: ECB.

Taking a longer-term perspective, most long-term MFI interest rates on loans to households have remained broadly unchanged since mid-2007. By contrast, long-term MFI interest rates on large loans to non-financial corporations declined considerably and in February 2009 they were standing between 100 and 170 basis points below the levels observed in mid-2007 depending on their maturity. At the same time, long-term rates on small loans (i.e. smaller than €1 million) only declined marginally. Over the same period medium to long-term government bond yields declined substantially (by between 50 and 150 basis points).

Turning to developments in euro area banks' profitability, both loan-deposit margins on outstanding amounts and new business rates increased somewhat in February 2009 for the first time since October 2008, pointing to a slight improvement in euro area banks' ability to generate revenues. However, both measures remained substantially below the levels recorded prior to the financial turmoil.

2.6 EQUITY MARKETS

Global stock prices continued to increase in April and early May, supported mainly by the further improvement in market sentiment towards risky assets amid incipient signs that the deterioration of the economic outlook may be decelerating. Between end-March and 6 May stock prices in the euro area and the United States increased by 19% and 15% respectively. The largest gains were again recorded for banking sector stocks. Implied stock market volatility declined significantly, suggesting that investors expect market conditions to remain relatively benign.

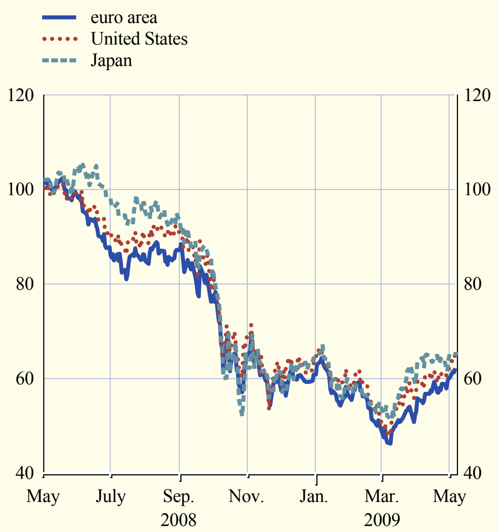
Between end-March and 6 May global stock prices continued to increase, extending the rally observed in March. Overall, euro area stock prices, as measured by the broad-based Dow Jones EURO STOXX index, increased by 19%, while stock prices in the United States, as measured by the Standard and Poor's 500 index, rose by 15% between end-March and 6 May (see Chart 18). Over the same period, stock prices in Japan, as measured by the Nikkei 225 index, increased by 11%. Near-term stock market uncertainty, as measured by option-implied volatility, decreased significantly in the major markets (see Chart 19), while expected volatility (and related premia) at the two-year horizon of stocks included in the Dow Jones EURO STOXX 50 index edged downwards somewhat. Overall, these indicators suggest that market participants have come to expect the calmer market conditions of recent weeks to last for some time. Furthermore, the compensation for bearing volatility risk may have declined in tandem with other risk premia, putting additional downward pressure on implied volatility.

Although the recent encouraging signs in equity markets, and in the markets for both corporate and sovereign credit, have not been associated with correspondingly pronounced improvements in macroeconomic indicators, they still point to a significant pick-up in confidence among investors. This constitutes at least a partial reversal of the very pessimistic views previously reflected in the prices of risky assets. The repricing may mirror a more sanguine market judgement of the effectiveness of financial support measures by the public sector, against the backdrop of the absence of further major adverse shocks to the financial sector. Indeed, the financial sector equities continued to display the strongest gains also in April and early May.

Stock prices in the euro area increased by somewhat more than in the United States, possibly reflecting some realignment after the relatively stronger gains in the United States in March. From a sectoral perspective, the revaluation over the review period was particularly pronounced for the

Chart 18 Stock price indices

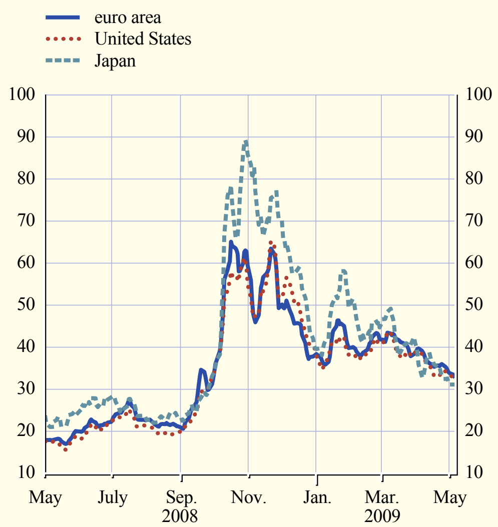
(index: 1 May 2008 = 100; daily data)



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

Chart 19 Implied stock market volatility

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



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

banking sector, where the corresponding sectoral index in the euro area rose further by 38% and that in the United States by 49%. Although the increases in the stock prices of listed non-financial corporations were less pronounced, they amounted to a sizeable 14% in the euro area and 13% in the United States.

Both actual and expected earnings for euro area listed companies continued to decline in April, albeit at a slower pace than in recent months. Actual annual earnings-per-share growth for the firms constituting the Dow Jones EURO STOXX index registered a marginal further decline to -31.1% in April, after -30.6% in March. In April earnings-per-share growth 12 months ahead was forecasted at -2.9%, a further deterioration from -1.9% in March. Earnings developments in April continued to differ markedly across sectors. While the non-financial sector recorded an annual decline in earnings per share of 22%, listed companies from the financial sector suffered a year-on-year decline in earnings per share of close to 60%.

Box 3

INTEGRATED EURO AREA ACCOUNTS FOR THE FOURTH QUARTER OF 2008

This box presents the integrated euro area accounts (EAA) released on 30 April 2009 on the website of the ECB.[1] The released EAA provide comprehensive information on the income, spending, financing and portfolio decisions of each sector of the euro area economy up to the fourth quarter of 2008. They reflect how economic agents reacted to the intensification of the financial crisis, the associated rise in uncertainty and the contraction of global activity. The EAA offer three main benefits. First, they include new information not previously reported, in particular on the non-financial private sectors (households and non-financial corporations). Second, they contain consistent information on each institutional sector taken as a whole, integrating the financial and non-financial sides of the accounts. Third, they bring together the data within a unified framework, thus enhancing the scope for analysing interactions between financial and real economy variables as well as interrelations across institutional sectors.[2]

As the mild cyclical slowdown in economic activity observed until the summer of 2008 abruptly turned into a pronounced contraction by year-end, euro area year-on-year growth in nominal disposable income came to a standstill in the fourth quarter of 2008, affecting all sectors but with different intensity, and in particular households and government.

Behaviour of institutional sectors

The marked slowdown in (hitherto robust) *household* nominal income growth in the fourth quarter of 2008 reflected a sudden deceleration in the compensation of employees and in self-employment income, as well as an abrupt contraction in property income received. These negative impacts were only partially mitigated by a further deceleration in paid taxes. Thus, despite a sharp reduction in the consumption deflator (from 3.9% year on year in the third quarter of 2008 to 1.9% in the fourth quarter of 2008), growth in household real disposable income remained at the sluggish pace of the previous two quarters (0.7% year on year, the lowest annual growth rate since 2003). Increased uncertainty about the economic outlook and prospects for employment and housing markets, combined with a steep drop in household net financial wealth (due to holding losses on shares), led households to deepen their real consumption retrenchment and to further increase saving, pushing their saving rate up to 14.2% in the fourth quarter of 2008 (on a four-quarter moving sum basis). Coupled with falling household investment (in housing), this led to a further rise in their net lending, contributing to a reduced need for loan borrowing. On the asset side, the intense economic and financial uncertainty increased households' preference for liquidity, as they continued redeploying their financial investment in favour of currency and deposits, reducing their holdings of riskier assets (quoted shares, mutual fund shares) and slowing their accumulation of less liquid assets (insurance technical reserves) – see Chart A.

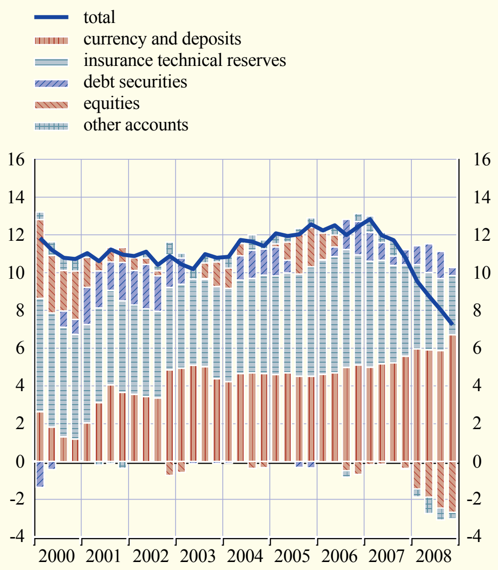
Under the impact of the pronounced contraction in activity in the fourth quarter of 2008, nominal value added of *non-financial corporations* (NFCs) was flat year on year. NFCs quickly reacted by containing compensation of employees (reflecting largely a "volume" effect: reduction in employment as well as in hours worked per employee), thereby limiting the negative impact on

1 These data can be found on the ECB's website at http://sdw.ecb.europa.eu/browse.do?node=2019181

2 For an introduction to the EAA, see the article entitled "The introduction of quarterly sectoral accounts statistics for the euro area" in the November 2007 issue of the Monthly Bulletin.

Chart A Households' financial investment

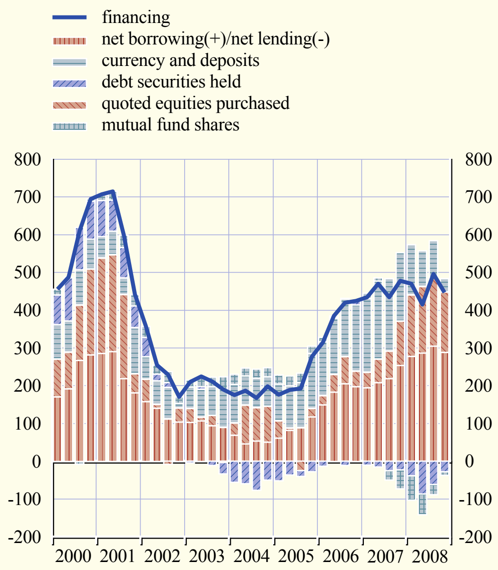
(annual percentage changes; percentage point contributions)



Source: ECB.

Chart B NFCs' financing and their use of funds

(four-quarter moving sum; EUR billions)



Sources: ECB and Eurostat.
Note: For presentational purposes, some transactions in assets are netted from financing, as they are predominantly internal to the sector (loans, unquoted shares, other accounts receivable/payable).

overall margins (the gross operating surplus fell by 4.1% year on year, compared with +1.6% in the third quarter of 2008). NFCs' saving even exhibited positive growth, supported by a fall in dividends and direct taxes paid. Against the background of shrinking global demand and a drop in capacity utilisation, coupled with tighter financial conditions, the annual growth of NFCs' capital formation abruptly turned negative (-3.3% year on year) after a long period of resilience (+7% in the year to the third quarter of 2008). Owing to these swift adjustments, NFCs managed to decrease their net borrowing in the fourth quarter of 2008, despite the adverse impact of the recession, after a long period of increased reliance on external financing as can be seen in Chart B. NFCs also substantially reduced their purchases of quoted equity in the fourth quarter of 2008, in sharp contrast to increasing purchases up to the third quarter of 2008, and limited share buybacks. In addition, NFCs further drew down their liquidity buffers, despite a widespread scramble for cash, as companies' accumulation of deposits decelerated sharply and net disposals of debt securities and mutual fund shares continued, albeit at a reduced pace (see Chart B). The annual growth rate of external financing of NFCs slowed further, but loan financing remained sizeable, owing to the NFCs' need to finance their still high net borrowing position and also reflecting a drawing-down on open credit lines previously established and other prearranged financing. The freeze in the debt securities market in the weeks after the Lehman Brothers bankruptcy was followed by a reopening of the market and by an increase in issuance towards the end of the year, albeit at higher yields. Thus, the growth rate of issuance of debt securities increased in the quarter, in part reflecting tighter bank credit conditions.

The rapid deterioration of *general government* accounts largely reflected the impact of automatic stabilisers in a slowing economy, with a sharp decline in direct taxes on NFCs, falling indirect taxes, and muted growth in direct taxes on households. Treasuries considerably stepped up debt issuance in the fourth quarter of 2008, in order to finance actual deficits as well as large asset purchases (of loans, debt securities and unquoted equity) carried out in the context of financial rescue measures (around €190 billion in the fourth quarter of 2008 alone).

The disposable income of *financial corporations* contracted – though remaining at elevated levels – owing to reduced dividend income (whilst still paying out sizeable dividends), even though their gross operating surplus rebounded, owing to increasing lending margins and to a marked slowdown in compensation of employees. In the context of ongoing deleveraging, quarterly additions to their balance sheet slowed down considerably (€100 billion per quarter compared with up to €1 trillion previously). In the fourth quarter as a whole, the sector's holding losses on structured assets were compensated for by gains on its holdings of government securities.

Euro area income and net lending/net borrowing

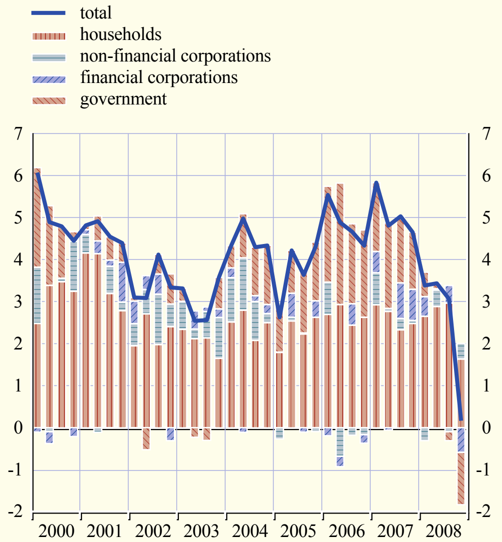
The euro area (nominal) gross disposable income growth came to an abrupt standstill in the fourth quarter of 2008 (to +0.2% year on year from 3.1% in the third quarter of 2008), reflecting the fall in nominal GDP growth. This very sharp deceleration impacted mostly on government and households, while NFCs reported a rebound in income. The resilience of household gross domestic income growth that had been observed in previous quarters receded, growing by 2.5% year on year in the fourth quarter, down from 4.6% in the third quarter. As a result of automatic stabilisers, government gross disposable income fell sharply by 4.9% year on year in the fourth quarter of 2008, a rapid decline, compared with -1% in the third quarter of 2008 and +2.9% in the first quarter of 2008. The disposable income of financial corporations fell sharply (see Chart C).

The contraction in euro area gross saving accelerated in the fourth quarter of 2008 (-7% year on year), as the sharp decline in government's and financial corporations' saving exceeded the increase in households' saving. Growth in euro area gross fixed capital formation abruptly turned negative in the fourth quarter of 2008. NFCs' fixed investments contracted by 5.5% in the year to the fourth quarter of 2008, after remaining relatively resilient previously (+5.4% up to the third quarter of 2008), with companies forcefully scaling down projects amid tightening financial conditions and a deterioration in demand prospects. Household fixed investment (residential investment and capital formation by unincorporated businesses) further declined by 5.5% year on year.

As saving contracted more than investment, euro area net lending/net borrowing (which turned negative in the second quarter of 2008)

Chart C Euro area gross disposable income – contribution by sectors

(annual percentage changes; percentage point contributions)

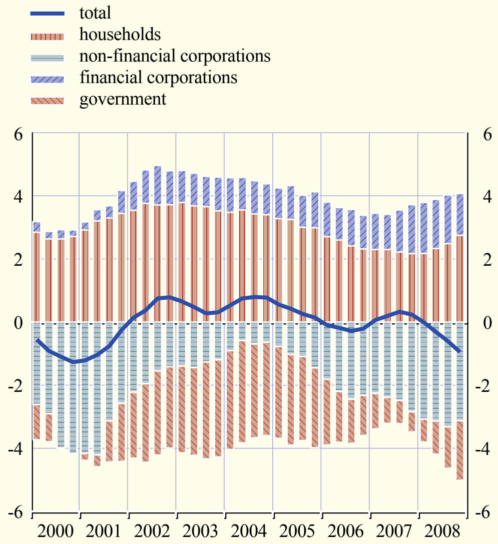


Sources: Eurostat and ECB.

continued to deteriorate, to a deficit of -0.9% of GDP on a four-quarter moving sum basis. Euro area net borrowing over the past year is the mirror image of the euro area current and capital account deficit. This worsening, despite the favourable impact of falling commodity prices at the end of 2008, resulted from a marked volume contraction in net exports, as external demand cooled rapidly, as well as from falling net property income received. From a sectoral point of view, the deterioration in euro area net lending/net borrowing reflected the sharp increase in government net borrowing, which exceeded the increase in household net lending and the reduction in NFCs' net borrowing (see Chart D).

Chart D Euro area net lending/net borrowing

(as a percentage of GDP; four-quarter moving sum)



Sources: Eurostat and ECB.

Thus, the euro area as a whole again exhibited a net financing requirement in the year to the fourth quarter of 2008, mirroring the saving-investment balance on the non-financial side. The protracted financial turbulence led to a considerable slowdown in gross cross-border transactions. The net deposit inflows, which were still high in the first three quarters, fell considerably in the fourth quarter, as cross-border interbank flows froze after the Lehman Brothers bankruptcy. However, this was in part offset by accelerated net inflows in debt securities. "Net" annual outflows of equity securities continued, while net loan outflows slowed (and turned into an inflow in the fourth quarter alone).

Non-financial sector financing and financial markets

The annual growth rate in the total financing of the non-financial sectors rebounded somewhat in the fourth quarter of 2008 on a moving sum basis on the back of a very active government debt issuance, while non-government financing continued to slow down.[3] On the financial investment side, the net acquisition of financial assets by the non-financial sectors picked up in the fourth quarter of 2008, owing to an exceptionally large build-up of assets by government, mostly related to financial rescue operations. In contrast, the net acquisition of financial assets by households and NFCs slowed further.

From an instrument perspective, in the debt securities market, while government massively increased net issuance, MFIs became net buyers as they resumed purchases and as net issuance turned negative. The rest of the world also increased its net purchases, while households became sellers and insurance corporations and pension funds slowed purchases. On the mutual funds market, net redemptions of non-money market mutual fund shares accelerated and the rest of the world became a net seller. On the quoted shares market, NFCs slowed purchases, while MFIs and households remained large net sellers.

3 The annual growth rate of total financing available from the EAA is more subdued than the growth rate of the financing components available from the ECB's money and banking statistics and securities issuance statistics owing to broader coverage as well as to other methodological differences.

Balance sheet dynamics dominated by holding losses

In the context of slow financing growth rates across the board, movements in balance sheets were dominated by holding losses. Falling global equity prices had an adverse effect on the net financial wealth of households, to the cumulative amount of €1.5 trillion in the year to the fourth quarter of 2008. On the bond market, the increase in prices of government bonds (and in the value of the US dollar) in the second half of 2008 offset the large write-downs on "toxic assets". It should be recalled that, concerning loans, which are valued in the system at nominal value, impairment only leads to an impact on the financial wealth of creditors when they are actually written off, thus generally with a noticeable delay.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 0.6% in April 2009, unchanged from March. The decline in inflation since last summer primarily reflects the sharp fall in global commodity prices over this period. Moreover, signs of a more broad-based reduction in inflationary pressure are increasingly emerging.

Base effects stemming from past energy price movements will play a significant role in the shorter-term dynamics of the HICP. Accordingly, headline annual inflation rates are expected to decline further and temporarily remain at negative levels for some months around mid-year. Thereafter, annual inflation rates should increase again. Risks to this outlook are broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, euro area annual HICP inflation was 0.6% in April, unchanged from March 2009 (see Table 4). A detailed breakdown of this estimate is not yet available, but it is known that there were no significant base effects in April. Oil price developments and country information suggest that energy and food prices dampened inflation, whereas the annual rates of change in services and non-energy industrial goods prices may have increased.

The detailed breakdown for March indicates that the drop in inflation from the previous month reflected declines in the annual rate of change in most HICP components, particularly energy and services, and was partially due to base effects (see Chart 20). The annual rate of change in energy prices fell in March to -8.1%. A large part of this decrease stemmed from a strong downward base effect, but energy prices fell by 1.2% in that month compared with February, mainly reflecting decreases in transport and heating fuel prices, despite the increase in oil prices observed in March. The decline in heating fuel prices, which was particularly strong, was mainly related to the significant drop in refining margins for gasoil/diesel up to mid-March. Consumer gas prices also declined between February and March, reflecting the lagged impact of past oil price declines.

Table 4 Price developments

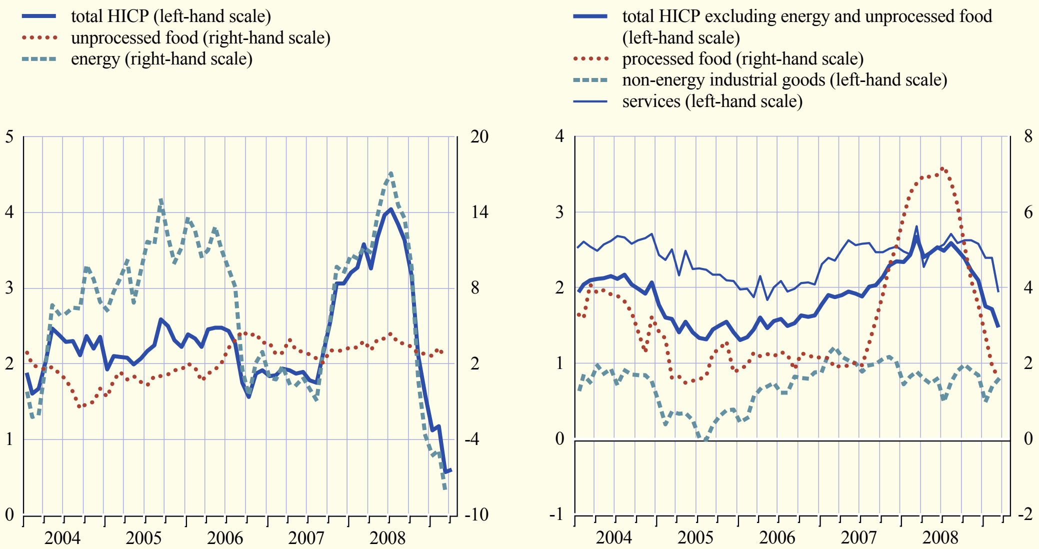
(annual percentage changes, unless otherwise indicated)

	2007	2008	2008 Nov.	2008 Dec.	2009 Jan.	2009 Feb.	2009 Mar.	2009 Apr.
HICP and its components								
Overall index [1]	2.1	3.3	2.1	1.6	1.1	1.2	0.6	*0.6*
Energy	2.6	10.3	0.7	-3.7	-5.3	-4.9	-8.1	.
Unprocessed food	3.0	3.5	2.8	2.8	2.6	3.3	2.4	.
Processed food	2.8	6.1	4.2	3.5	2.7	2.0	1.6	.
Non-energy industrial goods	1.0	0.8	0.9	0.8	0.5	0.7	0.8	.
Services	2.5	2.6	2.6	2.6	2.4	2.4	1.9	.
Other price indicators								
Industrial producer prices	2.7	5.9	2.8	1.1	-0.7	-1.7	-3.1	.
Oil prices (EUR per barrel)	52.8	65.9	43.1	32.1	34.3	34.6	36.5	39.0
Non-energy commodity prices	9.2	4.4	-7.7	-17.1	-20.7	-24.5	-24.9	-19.5

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

Chart 20 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

The annual rate of change in unprocessed food prices declined to 2.4% in March from 3.3% in February. All sub-components contributed to this decline, in particular vegetable prices, which had registered strong increases in the early months of 2009 due to weather factors. The annual rate of change in processed food prices was pushed down to 1.6% in March from 2.0% in February as a result of a base effect. Short-term dynamics in this component were rather flat in recent months, which may suggest that the reversal of the food shock is slowly coming to an end.

Excluding all food and energy items, or about 30% of the HICP basket, HICP inflation decreased to 1.5% in March on account of a strong fall in services price inflation. Non-energy industrial goods was, in fact, the only HICP main component, in March, which registered an increase in its annual rate of change. This pattern has to be seen mainly in the context of the sales period which usually starts in January and finishes in March. It particularly affects prices for clothing and footwear, which strongly increased on a month-on-month basis in March, driving the annual rate of change for this sub-group upwards. A number of other, less seasonal, non-energy industrial goods items also registered some smaller increases in their annual rates of change in March; the most prominent of them were car prices. Overall, it appears that the decline in activity and generally weak demand has not yet taken a strong toll on aggregate developments in non-energy industrial goods prices. By contrast, services price inflation dropped from 2.4% in February to 1.9% in March, which is the lowest level since August 2006. Seasonal factors were the main driver behind this fall, relating to the different timing of the Easter holiday this year compared with last year and therefore leading to significant declines in the annual rate of change of holiday related items (package holidays, accommodation and transportation by air). In addition, some slight decreases in the annual rates of change in restaurant and telecommunication prices contributed to the fall in services price inflation.

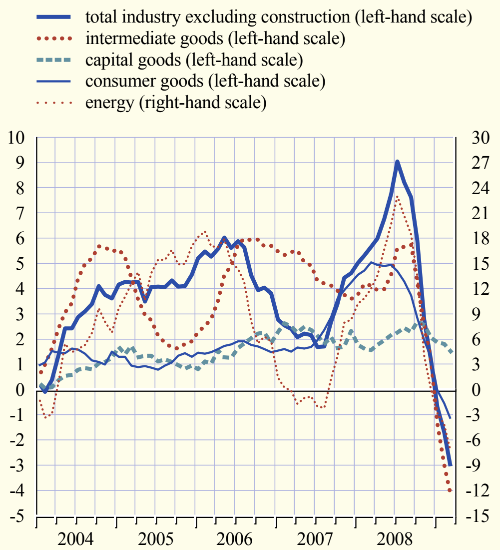
3.2 INDUSTRIAL PRODUCER PRICES

Supply chain price pressures have further receded in recent months from the very elevated levels reached in the summer of last year. The annual rate of change in industrial producer prices (excluding construction) fell to -3.1% in March 2009, from -1.7% in February. All components contributed to this further decline in overall producer price inflation, but in particular energy and intermediate goods prices, on account of developments in oil and industrial raw materials prices. The annual rate of change in the energy component dropped to -7.3% in March, from -4.2% in February, on account of a further month-on-month decline and a base effect. Excluding energy (and construction), annual producer price inflation fell to -1.7% in March, reflecting, in particular, developments in intermediate and non-durable goods prices. The annual rate of change in intermediate goods prices dropped to -4.1% in March due to a further month-on-month decline, and the annual rate of change in capital goods prices declined to 1.5%. At the latter stages of production, the annual rate of change in consumer goods prices declined to -1.2%. Ongoing declines in the non-durable goods prices component are the main reason behind this, which in turn reflects easing food prices related to the reversal of the food price shock (see Chart 21).

Recent information from surveys on the price-setting behaviour of firms suggests some stabilisation in the speed of easing in supply chain price pressures (see Chart 22). According to the latest Purchasing Managers' Index, the input price index in manufacturing and the index of prices charged in manufacturing and services increased somewhat in April for the first time since mid-2008, while the index for input prices in services decreased only marginally. However, all indexes remain at very low levels.

Chart 21 Breakdown of industrial producer prices

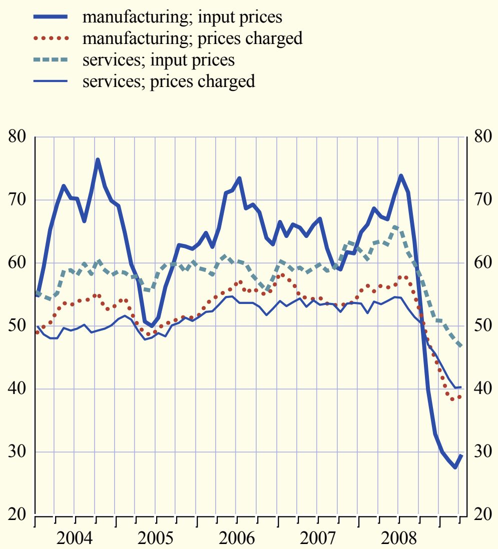
(annual percentage changes; monthly data)



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

Chart 22 Producer input and output price surveys

(diffusion indices; monthly data)



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

Table 5 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2007	2008	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Negotiated wages	2.1	3.2	2.1	2.8	2.9	3.4	3.6
Total hourly labour costs	2.7	3.5	3.0	3.5	2.6	4.2	3.8
Compensation per employee	2.5	3.2	3.0	3.1	3.2	3.4	3.0
Memo items:							
Labour productivity	0.8	0.0	0.5	0.6	0.4	0.0	-1.4
Unit labour costs	1.7	3.2	2.5	2.4	2.8	3.4	4.5

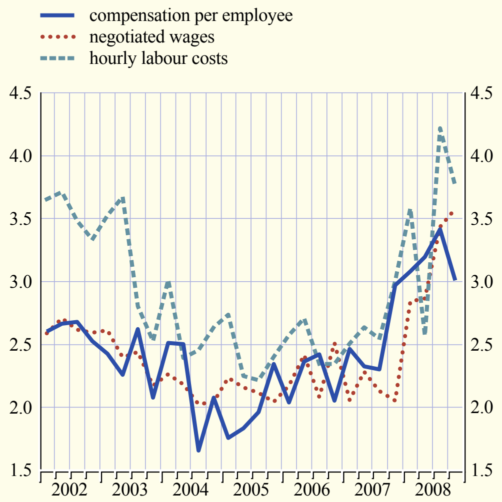
Sources: Eurostat, national data and ECB calculations.

3.3 LABOUR COST INDICATORS

Available statistical data indicate continued strong growth in collectively agreed wages in the last quarter of 2008, but also show initial signs of slowing wage pressures (see Chart 23 and Table 5). The indicator of negotiated wages grew at an annual rate of 3.6% in the fourth quarter of the year, up from 3.4% in the third quarter. Negotiated wage growth in the final quarter of 2008 was boosted by one-off payments in a large euro area economy. However, available information suggests that the annual rate of growth of negotiated wages might have slowed in the first quarter of 2009. Other indicators of wage growth declined in the fourth quarter of 2008. The annual growth rate of hourly labour costs in the euro area weakened somewhat to 3.8% in the

Chart 23 Selected labour cost indicators

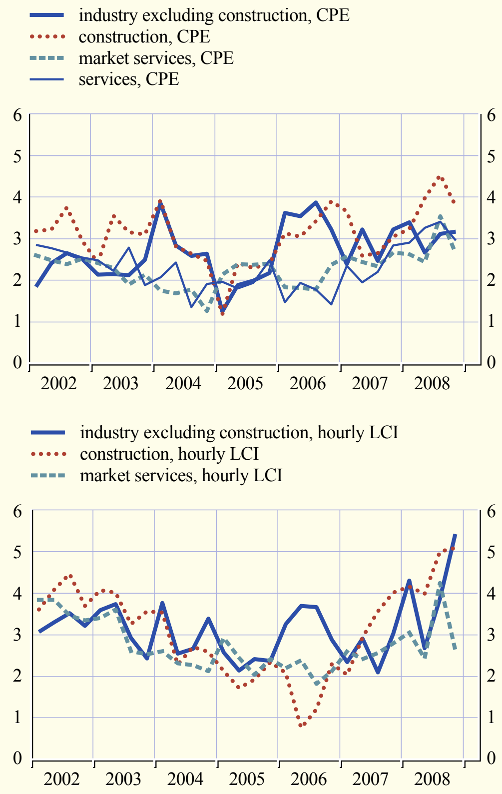
(annual percentage changes; quarterly data)



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

Chart 24 Sectoral labour cost developments

(annual percentage changes; quarterly data)



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

last quarter of 2008. The drop in hours worked in the manufacturing industry related to declining economic activity pushed hourly labour costs up. If this drop in hours worked were to be factored in, hourly labour cost growth would be lower for the fourth quarter of 2008. A breakdown by sector indicates that the reduction in hourly labour costs was sharpest in the services sector, probably on account of stronger reductions in hours worked, as well as the higher cost of dismissals in the industrial and construction sectors (see Chart 24). The annual growth rate of compensation per employee fell to 3.0% in the fourth quarter of 2008, down from 3.4% in the third quarter. Taken together with stronger growth in negotiated wages, this could suggest that firms are actively taking measures to reduce labour costs. At the same time, productivity per employee fell, on an annual basis, to -1.4% in the last quarter of 2008, down from 0.0% in the previous quarter. As a result, annual unit labour cost growth picked up strongly, from 3.4% in the third quarter of 2008 to 4.5% in the fourth quarter, marking the strongest annual growth rate in over a decade.

3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

Euro area house price inflation continued easing in 2008, thereby extending a moderating trend, which has followed strong valuation growth in the period leading up to 2005. House price inflation in the euro area has declined steadily from a peak of 7.7% in the first half of 2005 to 0.6% in the second half of 2008 (see Table 6). At the country level, a marked slowdown in residential property price inflation has been recorded for most euro area countries in 2008, with an outright decline in house prices on an annual basis recorded in six euro area countries, on the basis of the latest available data. The latest house price developments suggest that, in general, countries which exhibited strong house price appreciations in the past tend to be those currently experiencing the most pronounced house price corrections.

Table 6 Residential property prices (nominal) in the euro area

(annual percentage changes)

	Weight (%)	1999-2005 average annual change	2006	2007	2008	2008		2008				2009
						H1	H2	Q1	Q2	Q3	Q4	Q1
Belgium [1]	3.7	9.4	11.1	9.2	-	-	-	-	-	-	-	-
Germany [2]	27.0	-0.9	0.2	0.7	0.2	-	-	-	-	-	-	-
Ireland [2]	2.1	12.2	13.4	0.9	-9.4	-9.0	-9.8	-8.6	-9.4	-10.0	-9.7	-9.8
Greece [2]	2.5	9.5	12.2	4.6	2.6	2.6	2.7	1.7	3.5	2.4	2.9	-
Spain [2]	11.7	13.8	10.4	5.8	0.7	2.9	-1.4	3.8	2.0	0.4	-3.2	-6.8
France [1]	21.1	11.2	12.1	6.6	1.3	3.7	-1.0	4.3	3.0	0.8	-2.9	-
Italy [2]	17.1	7.5	5.8	4.9	4.2	4.5	3.9	-	-	-	-	-
Cyprus	0.2	-	-	-	-	-	-	-	-	-	-	-
Luxembourg [2]	0.4	11.1	-	-	-	-	-	-	-	-	-	-
Malta [2]	0.1	10.8	3.5	1.1	-2.7	-1.7	-3.8	-0.7	-2.7	-3.2	-4.4	-
Netherlands [1]	6.3	7.8	4.6	4.2	2.9	3.7	2.2	4.2	3.1	2.8	1.7	-0.3
Austria [2, 3]	3.0	0.7	4.0	4.1	-	1.0	-	2.1	-0.2	0.7	-	-
Portugal [2]	1.8	2.9	2.1	1.3	3.9	3.1	4.7	2.3	4.0	4.8	4.7	2.7
Slovenia	0.4	-	-	-	-	-	-	-	-	-	-	-
Slovakia [1]	0.6	-	16.8	23.9	-	32.8	-	34.5	31.2	19.9	-	-
Finland [1]	2.0	-	7.4	5.9	0.9	3.2	-1.4	3.7	2.7	0.6	-3.4	-
Euro area	100	6.6	6.5	4.4	1.7	2.8	0.6	-	-	-	-	-

Sources: National sources and ECB calculations.
Note: Weights are based on 2007 nominal GDP. Estimate of euro area aggregate based on interpolation of annual data for Germany.
Definitions:
1) Existing dwellings (houses and flats); whole country.
2) All dwellings (new and existing houses and flats); whole country.
3) Up to 2000 data for Vienna only.

3.5 THE OUTLOOK FOR INFLATION

According to Eurostat's flash estimate, euro area annual HICP inflation was 0.6% in April 2009, unchanged from March. The decline in inflation since last summer primarily reflects the sharp fall in global commodity prices over this period. Moreover, signs of a more broad-based reduction in inflationary pressure are increasingly emerging.

Base effects stemming from past energy price movements will play a significant role in the shorter-term dynamics of the HICP. Accordingly, headline annual inflation rates are expected to decline further in the coming months and temporarily remain at negative levels for some months around mid-year. Thereafter, annual inflation rates should increase again. Looking further ahead, annual HICP inflation is expected to remain positive and below 2% in 2010, with price developments being dampened by ongoing sluggish demand in the euro area and elsewhere.

The latest ECB Survey of Professional Forecasters (SPF) (see Box 4) shows that inflation expectations have been further revised downwards for 2009 and 2010 compared with the previous SPF round, and now stand at 0.5% and 1.3% respectively. Longer-term inflation expectations have remained unchanged at 1.9%. This confirms that the expected volatility in HICP rates in the course of 2009 has not affected medium to longer-term inflation expectations, which remain firmly anchored at levels consistent with price stability.

Risks to the inflation outlook are broadly balanced. They relate, in particular, to the risks to the outlook for economic activity as well as to risks to commodity prices.

Box 4

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE SECOND QUARTER OF 2009

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the second quarter of 2009. The survey was conducted between 16 and 20 April 2009. There were 52 responses from forecasters. The SPF collects information on expectations for euro area inflation, GDP growth and unemployment from experts affiliated with financial or non-financial institutions that are based in the EU.[1]

Inflation expectations for 2009 and 2010

SPF participants' inflation expectations for 2009 and 2010 have been revised downwards since the previous round (conducted in January) and now stand at 0.5% and 1.3% respectively (see the table below).[2] Most respondents mentioned strong base effects stemming from low commodity prices and declining food prices characterising their short-term inflation profile.

The SPF inflation expectations for 2009 and 2010 are closer to the higher end of the ranges reported in the March 2009 ECB staff macroeconomic projections for the euro area (finalised in

1 Given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions.
2 Additional data are available on the ECB's website at www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html.

Results of the SPF, ECB staff macroeconomic projections, Consensus Economics and Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

	Survey horizon				
HICP inflation	**2009**	**Mar. 2010**	**2010**	**Mar. 2011**	**Longer-term [2)]**
SPF Q2 2009	0.5	1.2	1.3	1.6	1.9
Previous SPF (Q1 2009)	*0.9*	-	*1.6*	-	*1.9*
ECB staff macroeconomic projections	0.1 - 0.7	-	0.6 - 1.4	-	-
Consensus Economics (April 2009)	0.4	-	1.3	-	1.9
Euro Zone Barometer (April 2009)	0.5	-	1.2	-	1.9
Real GDP growth	**2009**	**Q4 2009**	**2010**	**Q4 2010**	**Longer-term [2)]**
SPF Q2 2009	-3.4	-2.0	0.2	0.9	1.9
Previous SPF (Q1 2009)	*-1.7*	-	*0.6*	-	*2.0*
ECB staff macroeconomic projections	-3.2 - -2.2	-	-0.7 - 0.7	-	-
Consensus Economics (April 2009)	-3.4	-	0.3	-	1.9
Euro Zone Barometer (April 2009)	-3.2	-	0.3	-	2.0
Unemployment rate [1)]	**2009**	**Feb. 2010**	**2010**	**Feb. 2011**	**Longer-term [2)]**
SPF Q2 2009	9.3	10.3	10.5	10.5	8.4
Previous SPF (Q1 2009)	*8.7*	-	*9.4*	-	*7.8*
Consensus Economics (April 2009)	9.3	-	10.2	-	-
Euro Zone Barometer (April 2009)	9.2	-	10.3	-	9.2

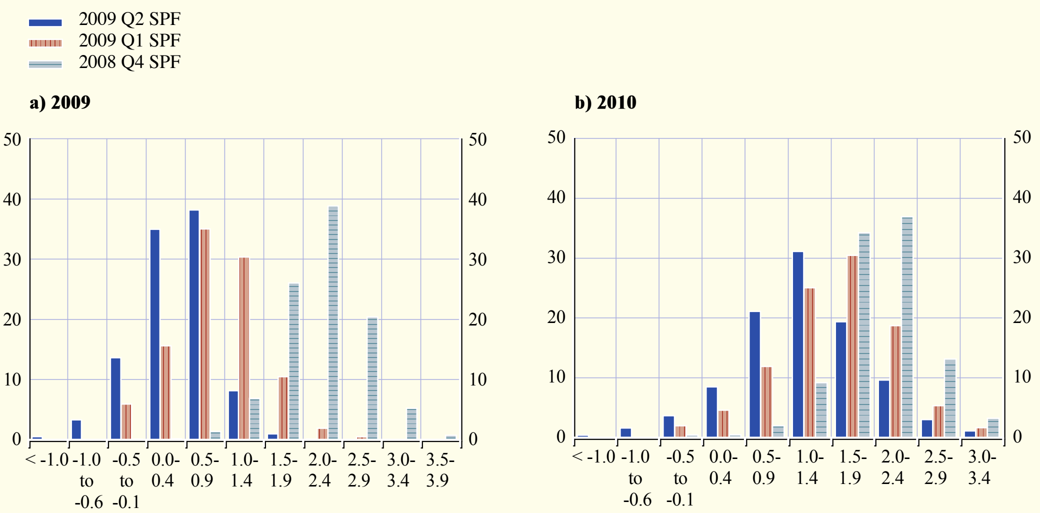
1) As a percentage of the labour force.
2) Longer-term inflation expectations refer to 2013 in the SPF and the Euro Zone Barometer and to the period 2015-19 in Consensus Economics.

late February 2009). They are broadly in line with those of Consensus Economics and the Euro Zone Barometer published in April 2009 for both years.

SPF participants were also asked to assess the probability of the future outcome for inflation falling within specific intervals. The aggregate probability distribution obtained by averaging the forecasters' responses provides a summary of their assessments. It also provides information

Chart A Probability distribution for average annual inflation in 2009 and 2010 in the latest SPF rounds [1)]

(probability in percentages)



Source: ECB.
1) Corresponds to the average of individual probability distributions provided by SPF forecasters.

about how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. In line with the average decrease in the point estimates for 2009 and 2010, the aggregate probability distribution moved towards lower outcomes by comparison with the previous SPF (see Chart A). Overall, the balance of risks to the shorter-term forecasts has been assessed by the respondents as being on the downside, since the weak economic activity, low firms' pricing power and the increasing unemployment rate are supposed to more than offset any upward risks deriving from potential increases in commodity prices or exchange rate movements. Nevertheless, some respondents cite higher commodity prices, past wage agreements and large amounts of liquidity in the economy as upward risks towards the end of 2009 and in 2010.

Indicators of longer-term inflation expectations

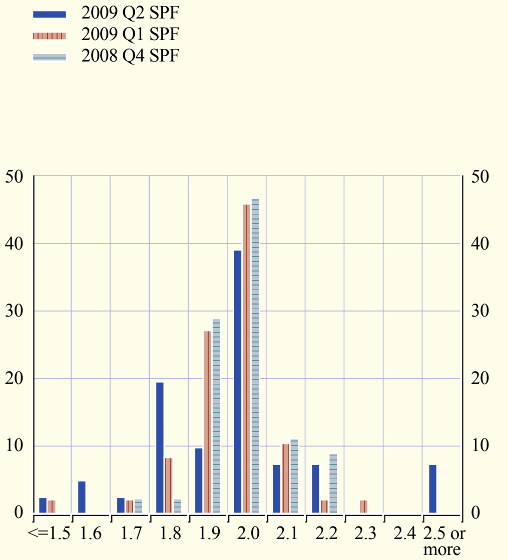
Longer-term inflation expectations (for the year 2013) have remained unchanged, at 1.9%. The average point estimate is in line with the latest long-term inflation projections provided by Consensus Economics and the Euro Zone Barometer in April 2009.

The stability of the average point estimate, at 1.9%, in this SPF round is combined with an increase in the disagreement about the expected longer-term inflation due to several outliers (see Chart B). At the same time, the probability of longer-term inflation standing at 2%, or above, decreased to 46%, from 49% in the previous SPF round (see Chart C). These survey results can be compared with the break-even inflation rate, an indicator of longer-term inflation expectations among market participants calculated as the yield spread between nominal and inflation-linked bonds.[3]

3 See also the article entitled "Measures of inflation expectations in the euro area" in the July 2006 issue of the Monthly Bulletin.

Chart B Cross-sectional distribution of longer-term (2013) inflation expectations among SPF respondents

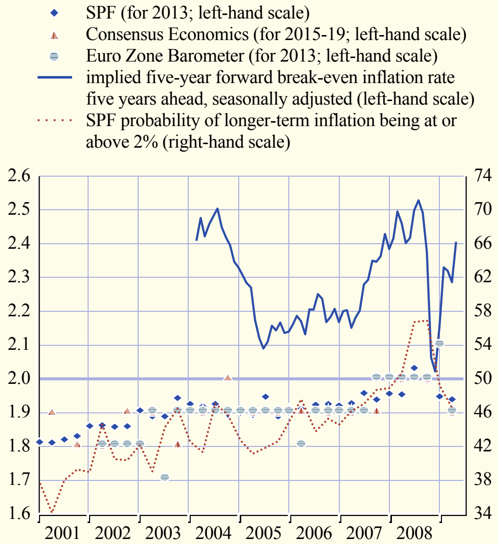
(percentage of respondents)



Source: ECB.

Chart C Longer-term inflation expectations from surveys and break-even inflation rates

(average annual percentage changes; percentage probability)



Sources: Consensus Economics, Euro Zone Barometer, Reuters and ECB calculations.

Until September 2008, movements in the probability assigned to an outcome that inflation will stand at 2%, or above, in the next five years, were, on average, broadly in line with developments in financial market-based indicators of inflation expectations (e.g. the seasonally adjusted, implied five-year forward break-even inflation rate five years ahead).[4] However, since then and against the background of an intensification of financial market turbulences, financial market-based inflation expectations have been somewhat erratic and may have been distorted due to investors' efforts to reduce risk and leverage and their strong preference for more secure and liquid assets.[5]

Real GDP growth expectations

SPF respondents have revised their growth expectations for 2009 further downwards and now expect euro area real GDP to contract by 3.4% in 2009. This represents a further significant downward revision, by 1.7 percentage points, to their growth assessment for 2009 compared with the previous SPF round. Growth expectations for 2010 have been also revised downwards by 0.4 percentage point and now stand at 0.2%.

In their comments, respondents referred to a broad-based economic downturn characterised by weak demand, both external and domestic. More specifically for the domestic economy, weak investment and private consumption, as well as ongoing tensions in financial markets and tight financing conditions were mentioned as factors shaping the short-term economic outlook. On balance, risks to the forecasts are assessed as being on the downside.

The SPF growth expectations for 2009 are slightly below the range reported in the March 2009 ECB staff macroeconomic projections for the euro area, while those for 2010 are close to the mid-point of the range. The SPF growth expectations are broadly in line with the Euro Zone Barometer forecasts for both years, but slightly below those of Consensus Economics for 2009.

In line with the downward revision of expected real GDP growth, the aggregate probability distribution for 2009 and 2010 has shifted towards lower outcomes (see Chart D). In addition to the expected negative real GDP growth in 2009, the SPF respondents now envisage quite a high probability (37%) of annual real GDP growth being negative in 2010 as well. Furthermore, based on the aggregate probability distribution, the balance of risks is estimated as being slightly on the downside for both years.

Uncertainty derived from the aggregate probability distribution for one-year-ahead and two-years-ahead real GDP forecasts continues to remain high. However, most respondents expect some recovery to take place in the course of 2010, although views differ on whether this would be in the first half or second half of the year. An improvement in the euro area exports markets and world trade, as well as fiscal stimulus packages and low policy interest rates, were mentioned as the factors expected to support the economic recovery.

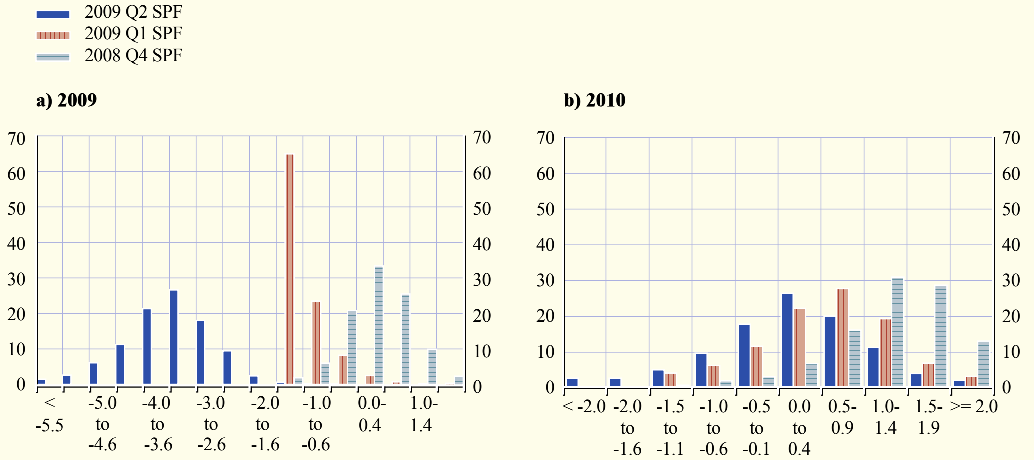
Longer-term growth expectations (for 2013) have been revised downwards to 1.9%, compared with 2.0% in the previous round. Overall, respondents assess the balance of risks as being slightly on the downside.

4 Break-even inflation rates should not be interpreted as direct measures of inflation expectations, since they may also incorporate various risk premia (such as inflation uncertainty and liquidity premia).

5 For a further discussion of the impact of the current financial market turmoil on market-based measures of inflation expectations, see the box entitled "Recent increases in real yields and their implications for the analysis of inflation expectations" in the November 2008 issue of the Monthly Bulletin.

Chart D Probability distribution for average annual real GDP growth in 2009 and 2010 in the latest SPF rounds [1]

(probability in percentages)



Source: ECB.
1) Corresponds to the average of individual probability distributions provided by SPF forecasters.

Expectations for the euro area unemployment rate

Consistent with the downward revisions to their growth expectations, SPF respondents have revised their unemployment rate expectations upwards across all forecast horizons. On average, the unemployment rate is now expected to reach 9.3% in 2009 (an upward revision by 0.6 percentage point), and then to further increase to 10.5% in 2010 (an upward revision by 1.1 percentage points). Longer-term unemployment rate expectations for the second consecutive SPF round were revised significantly upwards, by 0.6 percentage point, and now stand at 8.4%. Structural labour market policy measures were mentioned as a downside risk to their forecasts.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The latest data and survey information confirm that economic activity continued to weaken in the euro area in the course of the first quarter of 2009, in parallel with the ongoing downturn in the world economy. This weakening in the first quarter appears to have been significantly more pronounced than projected in March. More recently, there have been some tentative signs in survey data of a stabilisation, albeit at very low levels. Overall, economic activity is likely to be very weak for the remainder of this year, before gradually recovering in the course of 2010. In particular, the substantial fall in commodity prices since the summer of 2008 is supporting real disposable income and thus consumption. In addition, external as well as domestic demand should increasingly benefit from the effects of the significant macroeconomic stimulus under way as well as from the measures taken so far to restore the functioning of the financial system both inside and outside the euro area. The risks to this outlook remain broadly balanced.

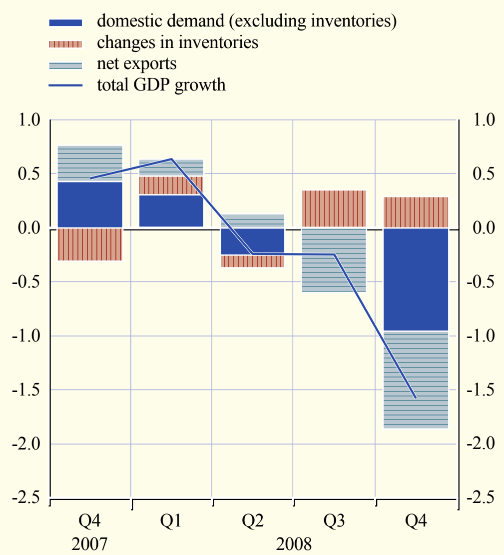
4.1 REAL GDP AND DEMAND COMPONENTS

The pace of euro area activity declined markedly in the last quarter of 2008. In its second estimate Eurostat revised euro area real GDP growth downwards by 0.1 percentage point to 1.6% quarter on quarter in the last quarter of 2008 (see Chart 25). Both quantitative and qualitative data released in the first few months of this year also point towards a very sharp contraction in the first quarter of 2009.

The second estimate of the expenditure breakdown of GDP for the fourth quarter of 2008 confirmed a fall in private consumption, while investment was revised downwards. It also showed that the negative net trade contribution was larger than previously thought, owing to downward revisions of exports. The contribution from inventories remained unchanged. Box 5 discusses recent inventory developments in the euro area making use of complementary information provided by surveys.

Chart 25 Real GDP growth and contributions

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



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

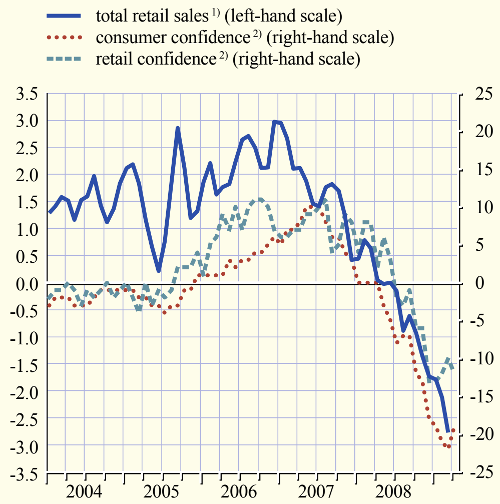
Recent outcomes of consumer spending indicators suggest that consumer demand continued to be sluggish in early 2009. Retail sales (which make up around 45% of consumer spending) contracted by 0.6% month on month in March. The lower level of retail sales mainly reflected a decline in sales of food. Despite a slight pick-up in April, consumer confidence remained at a very low level. Measured on a three-month moving average basis, consumer confidence has declined in each consecutive month since July 2007. At the same time there are some factors that may help to dampen the expected decline in consumption in 2009. First, data on new passenger car registrations for the first quarter of 2009 are less negative than in the last quarter of 2008 as a result of government incentives for car purchase. Second, private consumption is expected to benefit from earlier falls in commodity prices which support real incomes. Third, although the real economic impact of short-term asset price fluctuations should not be overestimated, the recent stabilisation in stock markets has helped to dampen somewhat the negative effects of the sharp decline in stock markets since mid-2007 (see Section 2.6).

Looking ahead, consumption is expected to remain subdued on account of a further deterioration in the labour market, coupled with depressed consumer confidence. At the same time, the substantial falls in commodity prices will probably support household real disposable income and spending.

In line with the pattern observed in previous periods of economic recession, gross fixed capital formation has been one of the chief drivers of the present slowdown in economic activity. The data release on euro area GDP in the fourth quarter revealed some differences across investment components, as non-construction investment (mainly assets intended for use in the production of goods and services) declined by 5.3% quarter on quarter, whereas construction investment recorded a drop of 2.7% quarter on quarter. Business investment will probably continue to make a negative contribution to economic growth throughout 2009 as a result of the expected contraction in overall domestic and foreign activity, lower corporate profitability and funding constraints. With regard to the latter point, the April 2009 bank lending survey for the euro area showed a reduction in demand for loans to enterprises in the first quarter of 2009. This was driven by a sharp decline in financing needs for fixed investment (see Box 2). Construction investment is also expected to remain subdued in 2009, mainly as a result of the correction in the housing market. This correction is associated with a decline in house prices in several euro area countries. Relatively high leverage among euro area corporations may further dampen their willingness to undertake new investment in 2009. The euro area accounts show that the net lending/net borrowing position of euro area non-financial firms has continued to worsen (see Box 3).

Chart 26 Retail sales and confidence in the retail trade and household sectors

(monthly data)



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

Box 5

RECENT DEVELOPMENTS IN STOCK BUILDING

This box discusses available evidence regarding recent developments in inventories and considers the implications for the assessment of the current economic situation. Given widespread evidence of substantial destocking in the euro area and the rest of the world in recent months, for instance from the surveys for the Purchasing Managers' Index (PMI),[1] it is important to understand the effects of this factor on recent and prospective developments.

1 The Purchasing Managers' Index is produced by Markit.

Historically, it has been a common feature of economic slowdowns that an inventory cycle can procyclically accentuate both the downturn and the subsequent recovery. At the beginning of a downturn, involuntary stock building occurs, as demand falls faster than production can be adjusted. This period is followed by a process of destocking as companies seek to reduce the level of their inventories through production cuts, while still maintaining cash flow. Once the trough in activity is reached, the contribution from inventories to GDP growth starts to rise again, thereby supporting the overall economic recovery.

One may ask to what extent the current inventory cycle follows this stylised pattern and what differences can be observed. Focusing on the most recent period, information reported in national accounts for the fourth quarter of 2008 differs across countries, with some reporting large negative contributions of inventories to GDP growth (e.g. France) and others positive contributions (Germany and the Netherlands) – while inventories made a positive contribution to euro area GDP growth of 0.3 percentage point (after 0.2 percentage point, -0.1 percentage point and 0.3 percentage point contributions in the first, second and third quarters of 2008 respectively).[2] This box focuses on complementary information provided by surveys, which has the advantage of being available on a more frequent and timely basis.

Evidence from surveys

Evidence provided by the PMI points to a destocking movement in the euro area that began in the latter part of last year. Although manufacturers accumulated stocks of finished goods until around mid-December 2008 (and in the fourth quarter of 2008 as a whole), stocks of inputs have rapidly contracted since last summer, as have inventories in the retail sector. According to surveys, the scope of destocking broadened across the economy – to encompass finished goods – and the pace accelerated markedly in late 2008 and in the first quarter of 2009.

This movement of destocking reported by surveys is not limited to the euro area but is observable worldwide. In the United States, the survey of purchasing managers produced by the Institute for Supply Management (ISM) shows that accelerated destocking has been taking place in manufacturing since at least September 2008. The "global PMI" – which combines the results of the Markit PMI surveys with those of other surveys, such as the US ISM surveys – shows accelerated destocking in inventories of inputs in manufacturing, at least since September 2008, and even earlier for some components, such as the PMI for the United Kingdom.

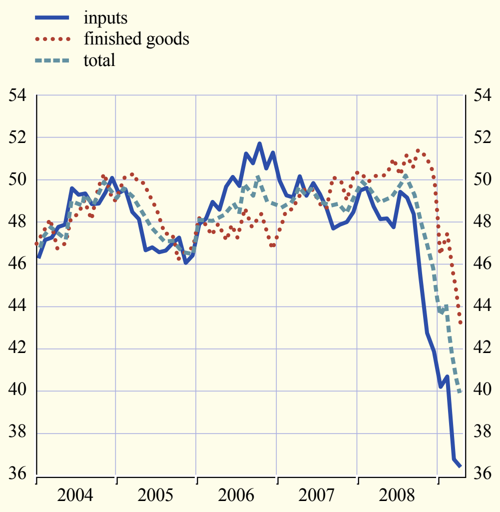
Charts A and B show the diffusion index of the PMI relating to the survey question on inventories. A value above 50 should denote stock accumulation, while a value below 50 should be consistent with destocking.[3] However, one should be wary of interpreting a value of 50 as some form of equilibrium for two reasons. First, there is a certain degree of uncertainty

2 While national accounts generally have the advantage of full coverage, caution is needed when interpreting changes in inventories on a quarterly basis, because they are the least reliable component of the expenditure breakdown of GDP. Owing to a frequent lack of actual source data on inventories at a quarterly frequency, changes in inventories often play a prominent role in the balancing process of national accounts and thus contain a large residual element. Practice also shows that inventory developments are often substantially revised. See the box entitled "The reliability of estimates of euro area GDP growth and its components" in the June 2006 issue of the Monthly Bulletin.

3 A diffusion index adds the percentage (appropriately weighted) of respondents who answered "up" with half of those who answered "no change". For inventories, respondents are asked to report on "the level of inventories of materials purchased/finished goods (in units, not money) this month compared with one month ago".

Chart A Composition of changes in manufacturing inventories in the euro area

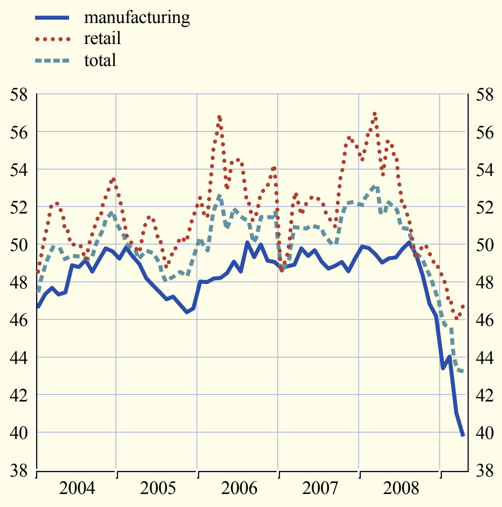
(diffusion index)



Sources: Markit PMI and ECB calculations.
Note: Last observation refers to April 2009.

Chart B Change in inventories in manufacturing and retail in the euro area

(diffusion index)



Sources: Markit PMI and ECB calculations.
Note: Last observation refers to April 2009.

as to what index value is compatible with a genuine zero change in inventories. Second, economic growth may be compatible with persistent destocking for very long periods – given the growing importance of services in the economy and the continuous improvement in “just-in-time” inventory management techniques.

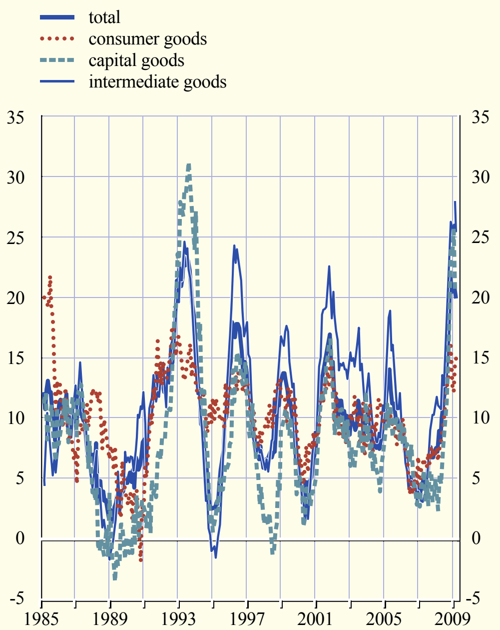
Chart A clearly points to a sharp difference in the evolution of inventories of inputs and finished goods in manufacturing. A destocking movement of inputs is likely to have started as early as September 2008 and subsequently gathered pace. By contrast, the accumulation of stocks of finished goods appears to have continued (and even slightly accelerated) until mid-December 2008. A simple average of the two series provides a profile that suggests that overall destocking by manufacturers began as early as October 2008.[4]

While the PMI survey provides information on the change in inventories in each period, some other surveys instead enquire directly about the levels of inventories, asking to what extent they differ from “normal” (such as the business surveys by the Directorate General for Economic and Financial Affairs of the European Commission – DG ECFIN – see Chart C). The sharp rise in the assessment of stock levels compared with “normal” in the course of 2008 is consistent with the PMI evidence of accumulation of stocks of finished goods in 2008. However, the fact that this indicator has continued to record high readings in the assessment of stocks in relation to “normal” in early 2009 may initially appear to contradict the evidence from the PMI which suggested that stock levels were falling. However, the two series can be reconciled if the destocking movement in finished goods reported by the PMI was voluntary or deemed insufficient, with the inventory targets of firms being reduced in parallel to the inventory levels themselves.

4 These results for the euro area are generally replicated in each of the euro area countries covered by the PMI, except Italy where destocking started in 2009 and, to a lesser extent, Austria.

Chart C Level of inventories of finished goods compared with "normal" in manufacturing in the euro area

(net balances)



Source: DG ECFIN.
Note: Last observation refers to April 2009.

Interpretation of this survey evidence

The evidence provided by the PMI suggests inter alia that the slowdown in household consumption in the course of 2008 – on the back of oil price-driven downward pressures on the purchasing power of households – may have been a surprise to the retail sector (as well as car dealers) and led to involuntary inventory accumulation. In addition, during the autumn, the fall in export orders, the decline in investment and the tighter financing conditions gave firms reasons to reduce inventory holdings. On the part of retailers, this involved reducing stocks of goods for sale by purchasing fewer goods from manufacturers, and on the part of manufacturers this involved reducing stocks of inputs (materials and other purchases). This caused an involuntary build-up of finished goods by manufacturers as, given the lags in production, they had little scope to stem such a build-up in the short term. In addition, these developments provided manufacturers with additional incentives to reduce stocks of inputs in anticipation of lower production needs in the near future. This then prompted manufacturers to rapidly reduce production – for instance by shutting down factories for much longer than usual over the Christmas period – in a bid to run down excess inventories of finished goods. From December, this led to a sharp reduction in these unwanted inventories of finished goods.

Finally, merchandise that is in transit in the context of international trade can also constitute a broader concept of inventories, which may be captured by the PMI. Given the very sharp contraction in international trade, it seems likely that there has been a notable decline in the stock of goods in transit.

Implications of this pronounced movement in inventories

The pronounced destocking in late 2008 and the first quarter of 2009 suggests that euro area output actually fell more than final demand in the first quarter of this year. Thus, if, as expected, there was a sharp contraction in GDP in the first quarter, this may have contained a substantial technical element reflecting inventory adjustment. The PMI data also indicate that the destocking in the first quarter of 2009 is likely to have reached an exceptionally high rate. In view of recent information, the pace of destocking may, however, be expected to slow in the coming quarters.

A moderation in the pace of destocking would have implications for GDP growth in the course of this year. It is important to note that it is not the quarterly change in inventories itself that has an impact on the quarterly growth of GDP, but the "change in the change" (i.e. its acceleration or deceleration). This stems from the fact that it is the change in the stock of inventories that is a component of the expenditure breakdown of the GDP level (e.g. production not sold in the same accounting period, thus increasing inventories in that period). Hence, it is the change in the change (i.e. the change in the flow) of inventories that has an impact on GDP growth. Thus, a positive contribution of inventories to growth does not require any stock accumulation to take place, but merely that the pace of destocking slows.

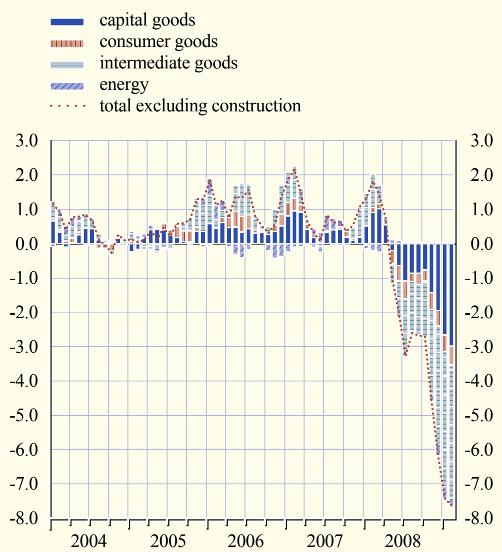
4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

The second estimate of real value added in the fourth quarter of 2008 was broadly unchanged compared with the first estimate. Value added in industry excluding construction fell by 5.5% quarter on quarter, while value added in the construction sector dropped by 1.7% (a more detailed analysis of the downturn in construction sector activity is provided in Box 6). The decline in services value added was more muted, amounting to 0.5% quarter on quarter.

Monthly indicators suggest that activity remained very weak in the first quarter of 2009. In February euro area industrial production fell by 2.3% month on month, following a pronounced decline in January (see Chart 27). The sharp contraction in production in the first two months of 2009, together with the significant negative carry-over effect of the fall in production in the fourth quarter of 2008, suggest that euro area industrial activity experienced a further considerable fall in the first quarter of the year.

Chart 27 Industrial production growth and contributions

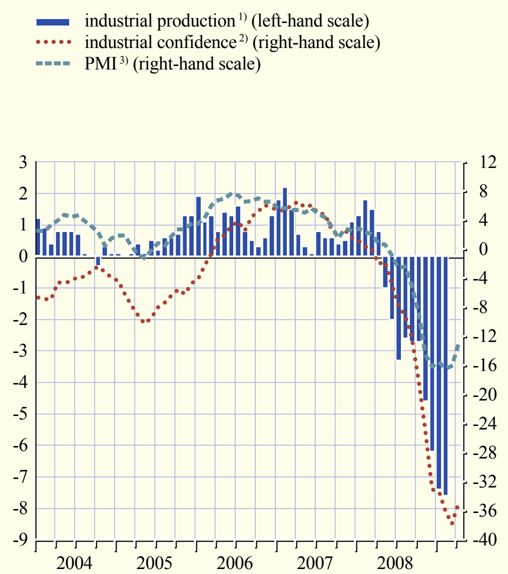
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 28 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: All series refer to manufacturing. Data refer to the euro area including Slovakia.
1) Three-month-on-three-month percentage changes.
2) Percentage balances; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

Business surveys have recently shown some tentative signs of a moderation in the pace of the decline (see Chart 28). For instance, the activity indices of the Purchasing Managers' Index (PMI) improved slightly in March and April (although still remaining well below the threshold value of 50, indicating that the economy is contracting). Similarly, the European Commission's survey reported that confidence rose moderately in April from the record low recorded in March. Overall, the latest PMI and European Commission surveys suggest that the pace of the contraction in activity may have slowed recently.

Box 6

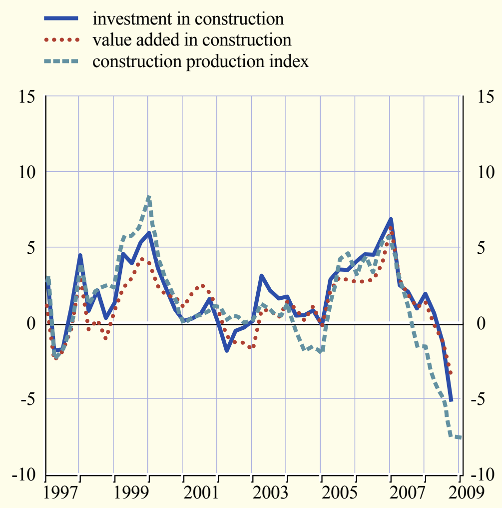
THE CONSTRUCTION INDUSTRY IN THE DOWNTURN

Activity in the construction sector has been contracting for almost one year. The slowdown started in mid-2007 and by the end of 2008 activity was declining at an annual rate of 3.5%. According to the available indicators, in the first few months of 2009 the decline seems to have gathered momentum. The purpose of this box is to assess the recent weakness in construction from a longer-term perspective, reviewing some of the features of its cyclical behaviour and its importance to the wider euro area economy.

The construction industry in the euro area experienced rapid growth from 2004, which peaked in early 2007. This can be seen clearly in the evolution of investment, value added and production in construction, as shown in Chart A. In terms of individual countries, the largest contributions to the expansion of overall euro area construction activity during the period 2004-2007 were made by Italy, France and, in particular, Spain, compensating for a contraction in the German construction industry. In terms of types of construction production, as shown in Chart B, the strength of the

Chart A Investment, value added and the construction production index

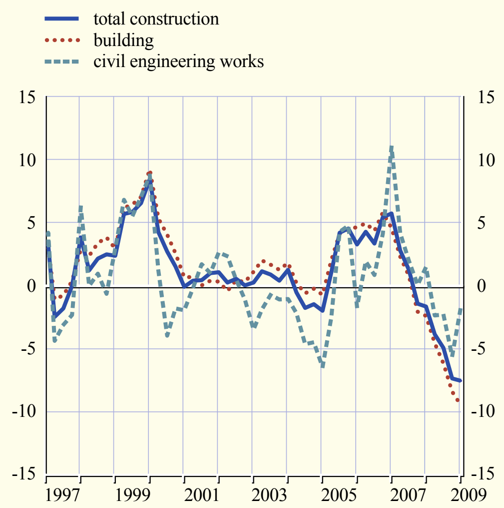
(annual percentage changes; quarterly data)



Source: Eurostat.

Chart B Production indices for building, civil engineering works and total construction

(annual percentage changes; quarterly data)



Source: Eurostat.

industry during this period was mainly due to fast growth in building construction, including both dwellings and non-residential buildings. The other segment of the industry – civil engineering works – for which the main customer is the public sector, recorded subdued growth prior to 2007.

The construction industry and in particular the building sub-sector makes relatively intensive use of labour. According to Eurostat,[1] the share of personnel costs in total expenditure is high in the construction sector as a whole (23.3%) and in particular in the building completion activities sub-sector (30.8%), well above the average for non-financial business (16.4%). As a consequence, employment creation in this industry was relatively strong in the period 2004-2007,[2] being equivalent to 17% of total net employment growth in the euro area over this period – significantly above the 6% share of the sector in terms of value added. The indirect effects in other industries are also likely to have been substantial (for instance affecting metal products, cement, wood products, real estate services, etc.) and as a consequence this sector merits close attention when assessing cyclical movements in the euro area economy.

One of the features of the construction industry is the long length of its production period, which makes it very dependent on external financing requirements. The ECB started recently to estimate euro area aggregate data on loans to non-financial corporations by branch of activity according to the NACE classification. This allows the magnitude of the industry's financing requirements to be assessed for the first time. Some caution is needed in this analysis, given that the data are based on non-harmonised national statistics which differ in a variety of ways. According to these new data, by the end of 2008 over 9% of loans to non-financial companies were for financing construction activities, which is above the 6% share of value added in construction in 2008. There are important differences across countries, with Ireland and Spain being among those in which loans funding the construction industry as a proportion of total loans were relatively high in 2008.[3]

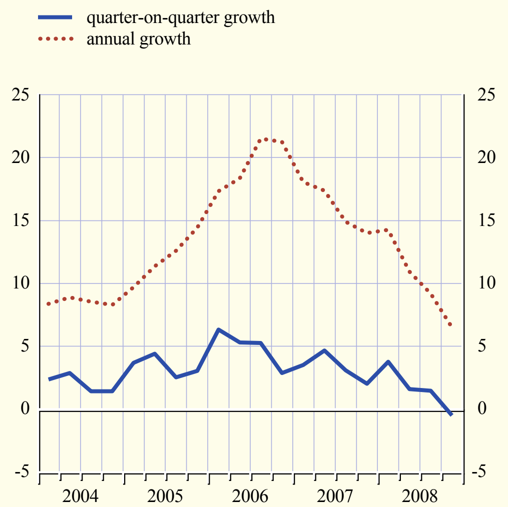
The slowdown started in 2007 and construction output declined during most of 2008

By mid-2007 output growth in the construction industry had slowed considerably, and since spring 2008 value added has contracted. By the end of 2008 value added in construction was down by 3.5% compared with the fourth quarter of 2007. According to data on construction production, the downturn differed in intensity across sub-sectors and countries. The decline was sharpest in the residential and commercial property component (included under the building heading in Chart B), while the civil engineering works component was generally more resilient. Focusing on the most recent data on construction production, it is notable that while all countries have recorded a decline in construction production, among the larger countries, the fall has been sharpest in Spain and Germany. In the former the annual growth rate of the three-month moving average up to February fell by 16%, while in the latter it fell by 11.3%, although this figure is potentially distorted by the effects of unusually cold weather in central Europe in the early months of 2009. The contraction in the industry was mirrored in the shrinking share of the construction companies in the total volume of loans to non-financial corporations (NFCs); the stock of outstanding loans to the construction industry peaked in mid-2007 when it amounted to 9.6% of the total volume of loans to NFCs, and has gradually

1 *European business: Facts and figures,* Eurostat, 2007.
2 See Box 9 of the March 2008 issue of the Monthly Bulletin entitled "Employment developments in the euro area construction sector".
3 According to data from the Central Bank and Financial Services Authority of Ireland for December 2008 and Banco de España economic indicators.

Chart C MFI loans to construction companies

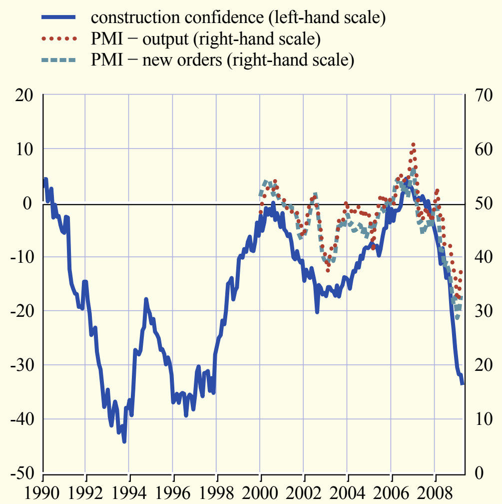
(year-on-year and quarter-on-quarter changes; quarterly data)



Source: ECB.

Chart D Construction survey indicators

(percentage balance and diffusion indicators)



Sources: European Commission Business and Consumer Surveys and Markit.

declined since, reaching 9.2% by the end of 2008. This evolution is also visible in Chart C which shows the rapid decline in the growth of loans to construction companies in 2008.

The available information for the first few months of 2009 points to a further decline in construction activities. As seen in Chart A, the construction production index, which follows euro area value added data quite closely, points to a further contraction in the first quarter of 2009, which was more pronounced in the building component of this indicator, while moderating in the civil engineering works component (see Chart B). The impact on employment trends is already visible in a number of countries. Looking ahead, while the Purchasing Managers' Index (PMI) statistics show a modest rebound in February, they remain well below the level of 50 which is considered to be consistent with stable production and recent data also show that confidence in construction remains weak, with no sign of a turnaround for the time being (see Chart D).

LABOUR MARKET

Conditions in euro area labour markets have continued to deteriorate in recent months. Eurostat's final estimate confirmed that euro area employment shrank by 0.3% quarter on quarter in the fourth quarter of 2008 (see Table 7). The final estimate provided a sectoral breakdown which showed a marked contraction in employment in the industrial sector (see Chart 29), while services sector employment remained stable.

Looking ahead, surveys of firms' employment intentions suggest that employment will be subdued in the coming months. In April both the industrial and services sector PMI indices of employment intentions remained broadly unchanged, at very low levels. The latest European Commission surveys of employment intentions provide a similarly bleak picture of the outlook for employment.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2007	2008	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
Whole economy	1.8	0.8	0.3	0.4	0.1	-0.1	-0.3
of which:							
Agriculture and fishing	-1.3	-1.4	-0.3	0.6	-1.3	-0.5	0.2
Industry	1.4	-0.9	0.1	0.2	-0.6	-0.7	-1.4
Excluding construction	0.3	-0.3	0.1	0.2	-0.2	-0.4	-1.0
Construction	4.1	-2.4	0.0	0.1	-1.6	-1.5	-2.3
Services	2.2	1.5	0.4	0.4	0.4	0.1	0.0
Trade and transport	1.9	1.3	0.2	0.5	0.2	0.1	-0.4
Finance and business	4.0	2.5	0.8	1.1	0.3	0.1	-0.5
Public administration [1]	1.4	1.2	0.3	-0.1	0.6	0.1	0.7

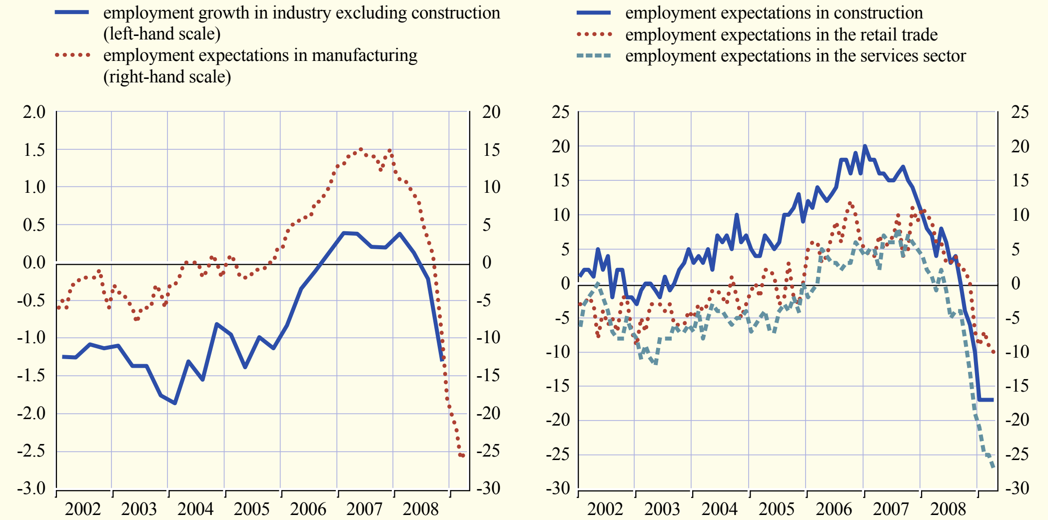
Sources: Eurostat and ECB calculations.
Note: Data refer to the euro area including Slovakia.
1) Also includes education, health and other services.

As activity contracted, labour productivity also declined in the fourth quarter of 2008 and the 1.4% fall in year-on-year terms recorded in Eurostat's second estimate was the sharpest decline since the start of Economic and Monetary Union. The sizeable drop in labour productivity in the fourth quarter reflects a marked fall in industry (with the exception of construction, where labour productivity rose as a result of a sharp contraction in employment) as well as a notable deterioration in the trade and transport sector. Looking ahead, the latest PMI productivity index suggests that little improvement in euro area labour productivity is expected in the first half of 2009.

The unemployment rate in the euro area rose to 8.9% in March. The rise was broadly based across all euro area countries, with particularly strong increases in Spain, Ireland and Slovakia. Low

Chart 29 Employment growth and employment expectations

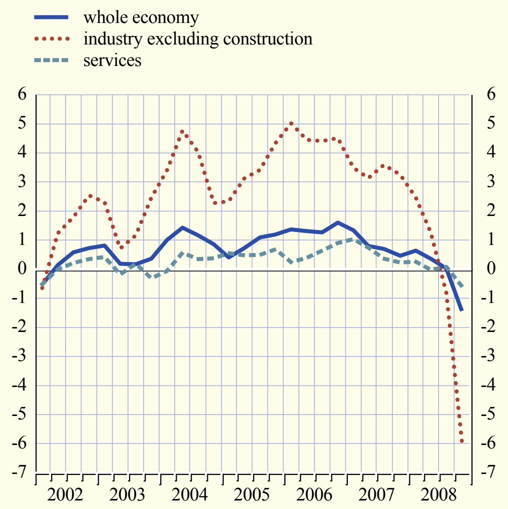
(annual percentage changes; percentage balances; seasonally adjusted)



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

Chart 30 Labour productivity

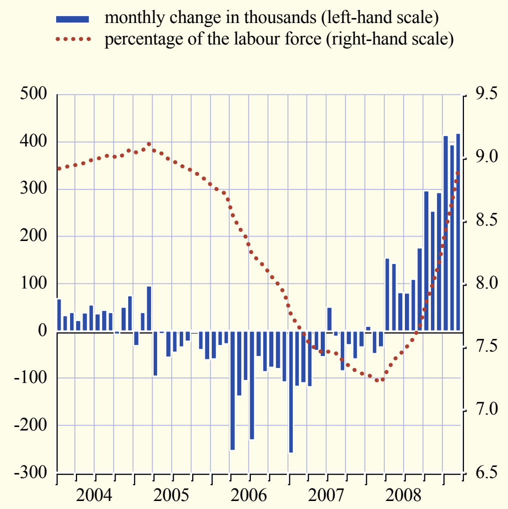
(annual percentage changes)



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

Chart 31 Unemployment

(monthly data; seasonally adjusted)



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

levels of confidence, coupled with high unemployment expectations, suggest that the euro area unemployment rate will increase further in the months ahead.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Euro area economic activity continued to weaken in the course of the first quarter of 2009, in parallel with the ongoing downturn in the world economy. This weakening in the first quarter appears to have been significantly more pronounced than projected in March. More recently, there have been some tentative signs in survey data of a stabilisation, albeit at very low levels. Overall, economic activity is likely to be very weak for the remainder of this year, before gradually recovering in the course of 2010. In particular, the substantial fall in commodity prices since the summer of 2008 is supporting real disposable income and thus consumption. In addition, external as well as domestic demand should increasingly benefit from the effects of the significant macroeconomic stimulus under way as well as from the measures taken so far to restore the functioning of the financial system both inside and outside the euro area.

The risks to this outlook remain broadly balanced. On the downside, there are concerns that the turmoil in financial markets could have a stronger impact on the real economy, as well as that protectionist pressures could intensify and that there could be adverse developments in the world economy stemming from a disorderly correction of global imbalances. At the same time, there may be stronger than anticipated positive effects due to the decrease in commodity prices and to the policy measures taken.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

In nominal effective terms, the euro has risen moderately since the end of January 2009 amid further declines in exchange rate volatility.

EFFECTIVE EXCHANGE RATE OF THE EURO

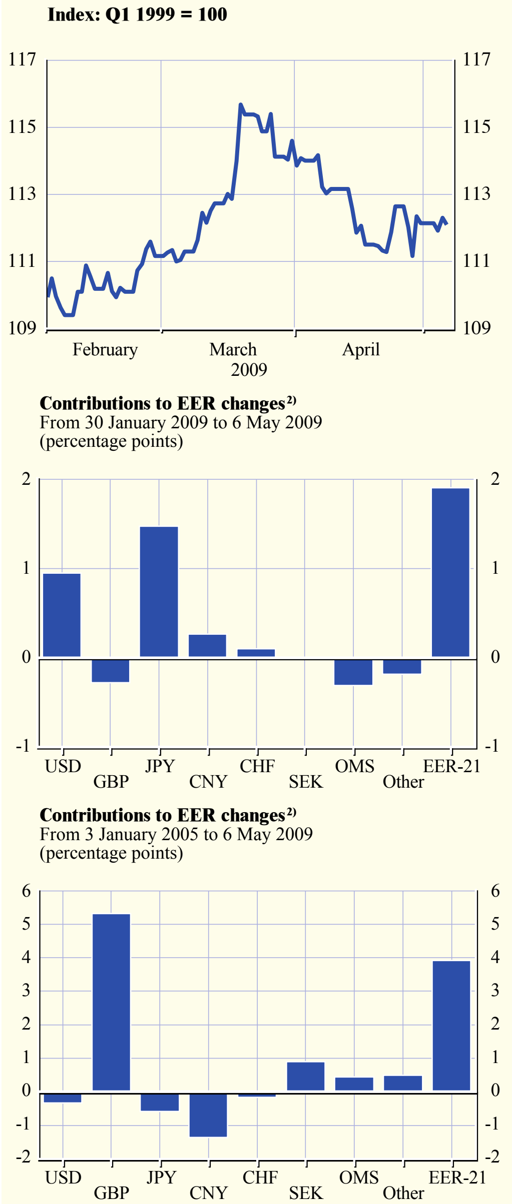
On 6 May 2009 the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's important trading partners – stood at around 2% above the levels prevailing at the end of January 2009 and at around 1% below its 2008 average (see Chart 32). The appreciation of the euro since the end of January 2009 reflects a strengthening vis-à-vis the Japanese yen and, to a lesser extent, the US dollar. This upward movement was marginally offset by a depreciation against the pound sterling, the Czech koruna and the Hungarian forint. In April and early May, the nominal effective exchange rate of the euro weakened, reflecting mainly the depreciation vis-à-vis the pound sterling.

US DOLLAR/EURO

The euro remained broadly stable against the US dollar in April and early May amid some fluctuation. After initially weakening slightly, possibly on account of weak data releases regarding euro area economic activity and the related strengthening of market expectations of additional interest rate reductions by the ECB in the near future, the euro rebounded vis-à-vis the dollar around mid-April, when better than expected data releases in main economic areas reportedly led investors out of safe-haven currencies, among which the US dollar and the Japanese yen have been playing a major role since late 2008. The stability of the euro in April and early May followed a phase of appreciation in March, mainly related to the announcement by the US Federal Open Market Committee on 18 March of a number of additional unconventional monetary policy measures, and one of broad stability in February. On 6 May the euro traded at USD 1.33, around 4% above the levels prevailing at the end of January and 9.4% weaker than its average level in 2008 (see Chart 33).

Chart 32 Euro effective exchange rate and its decomposition [1]

(daily data)



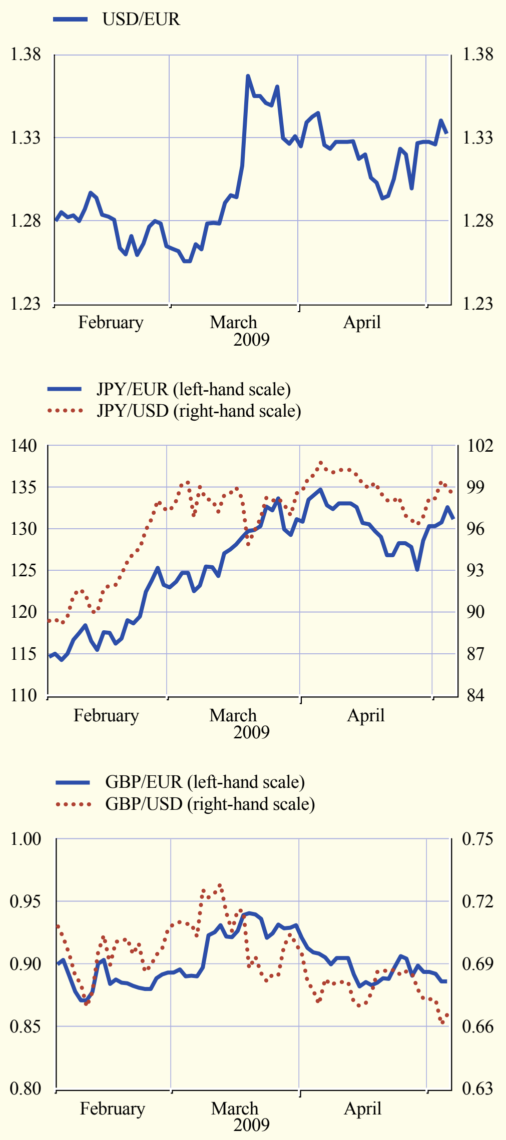
Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-21 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "Other Member States" (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-21 index. Changes are calculated using the corresponding overall trade weights in the EER-21 index.

JAPANESE YEN/EURO

Broadly mirroring developments in the euro/US dollar rate, the euro weakened vis-à-vis the Japanese currency in April, possibly on account of data releases evidencing weak economic activity in the euro area and rising fears of a swine flu pandemic that may have directed markets towards safe-haven currencies. The euro then rebounded in the first days of May, possibly owing to some better than expected economic releases in main economic areas and further declines in the perceived level of exchange rate uncertainty. The stability of the euro vis-à-vis the Japanese yen in April and early May follows the considerable strengthening recorded in the second half of February and in March, which possibly stemmed from the sharp decline in economic activity in Japan in the last quarter of 2008, reinforced by significant revisions to the country's growth outlook. On 6 May the euro stood at JPY 131.17, around 14% stronger than its level at the end of January 2009 (see Chart 33) but still 14% weaker than its average in 2008.

Chart 33 Patterns in exchange rates

(daily data)



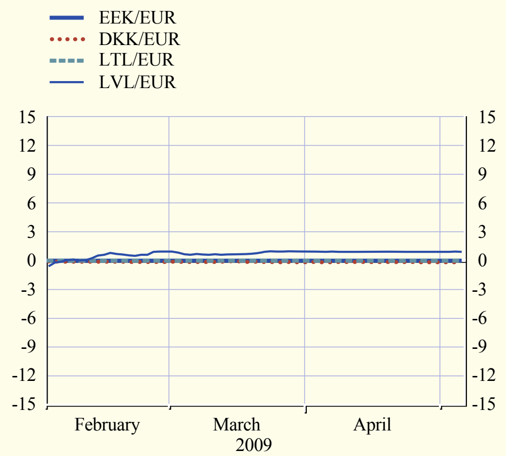
Source: ECB.

EU MEMBER STATES' CURRENCIES

Over the past three months, most currencies participating in ERM II have remained stable, trading at, or close to, their respective central rates (see Chart 34). The Latvian lats depreciated vis-à-vis the euro in February and remained broadly stable thereafter at a value of around LVL 0.71, almost 1% weaker than its ERM II central rate.

Chart 34 Patterns in exchange rates in ERM II

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



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

With regard to the currencies of other EU Member States not participating in ERM II, in late February and early March the euro strengthened against the pound sterling amid a stream of evidence confirming the severity of the ongoing downturn in the United Kingdom. After a small rebound, possibly associated with rising UK equity prices, the pound stabilised somewhat vis-à-vis the euro, also as a significant negative revision to the outlook for the UK Government deficit weighed on the British currency. On 6 May 2009 the euro traded at GBP 0.89, 1.3% weaker relative to its level three months earlier and 11.2% stronger than its 2008 average. Since the end of January the euro has recorded a moderate depreciation (of 1.1%) vis-à-vis the Polish zloty and a more considerable weakening against the Romanian leu (3.5%), the Czech koruna (3.9%) and the Hungarian forint (4.4%).

OTHER CURRENCIES

Between mid-September 2008 and early March 2009, some large swings notwithstanding, the euro continued to depreciate vis-à-vis the Swiss franc on account of rapidly increasing implied foreign exchange volatility and converging interest rate levels in main economic areas. On 12 March, following the policy meeting of the Swiss National Bank and the announcement that it would intervene in the Swiss corporate bond market and in foreign exchange markets, the Swiss franc weakened rather significantly. Thereafter, it tended to appreciate again, although at a very moderate pace. On 6 May 2009 the euro traded at around CHF 1.51, around 1.5% stronger relative to the end of January and 5% weaker than its average in 2008. Between the end of January and 6 May 2009, the euro weakened by 1.7% against the Norwegian krone.

5.2 BALANCE OF PAYMENTS

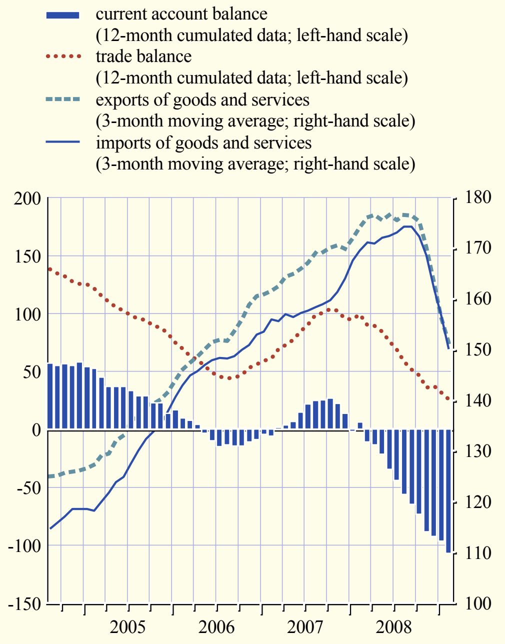
The euro area current account deficit continued to increase, reaching €107.0 billion (or 1.2% of GDP) in the year to February 2009, owing mainly to a growing goods trade deficit. In the financial account, higher net inflows in money market instruments were partly offset by higher net outflows in net direct investment. This led to a rise in net inflows in combined direct and portfolio investment to a cumulative €191.3 billion over the same period.

TRADE AND THE CURRENT ACCOUNT

In the year to February 2009, the euro area current account deficit reached a cumulative €107.0 billion (working day and seasonally adjusted), corresponding to about 1.2% of GDP, compared with a surplus of €6.0 billion for the same period a year earlier. This was largely driven by a shift from surplus to deficit in the goods balance, while a decrease in the surplus for services and increases in the deficits for income and current transfers also played a role.

Chart 35 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

The deterioration in goods trade brought the deficit in the goods balance to €12.1 billion in the year to February 2009, compared with a surplus of €46.4 billion a year earlier (see Chart 35). The higher cost of oil imports during the first half of 2008 and, in the second half of the period, a stronger fall in exports than in imports are the main reasons for these developments.

Looking at more recent developments, the deepening of the financial turmoil in September 2008 seems to have been associated with a significant contraction in trade worldwide. In line with such global developments, the retrenchment in euro area imports and exports of goods greatly intensified in the three-month period to February 2009, with imports and exports of goods and services both declining in value terms by around 11%. This compares with a much smaller contraction – 3.6% for exports and 3.3% for imports – in the previous three-month period to November 2008 (see Table 8).

The breakdown of goods trade into volumes and prices, available up to January 2009, shows that the strong downturn in goods exports was almost entirely due to a decline in volumes. Export volume growth had already started to contract in the second quarter of 2008 and it deteriorated sharply in

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2009 Jan.	2009 Feb.	2008 May	2008 Aug.	2008 Nov.	2009 Feb.	2008 Feb.	2009 Feb.
				EUR billions				
Current account	-12.3	-8.1	-7.0	-7.6	-10.0	-11.1	6.0	-107.0
Goods balance	-3.9	0.1	-0.3	-1.2	-0.4	-2.2	46.4	-12.1
Exports	110.1	108.5	133.3	134.7	128.2	111.3	1,539.0	1,522.6
Imports	114.0	108.5	133.6	135.9	128.6	113.5	1,492.6	1,534.7
Services balance	3.8	3.0	3.8	3.5	2.0	3.5	52.8	38.2
Exports	41.8	39.1	42.2	41.9	42.0	40.1	497.4	498.6
Imports	38.0	36.1	38.4	38.4	40.1	36.6	444.7	460.5
Income balance	-3.6	-4.7	-2.3	-2.0	-3.3	-4.4	-4.3	-35.9
Current transfers balance	-8.6	-6.5	-8.2	-7.9	-8.3	-8.0	-88.9	-97.2
Financial account 1)	51.2	-5.4	24.3	21.3	43.2	21.9	35.1	331.9
Combined net direct and portfolio investment	-23.3	48.0	-17.6	17.9	60.6	2.9	49.6	191.3
Net direct investment	-15.9	-13.2	-17.0	-12.8	-28.9	-17.2	-142.0	-227.9
Net portfolio investment	-7.4	61.2	-0.6	30.7	89.5	20.1	191.6	419.2
Equities	-52.3	2.3	-7.4	5.9	-15.0	-17.0	108.1	-100.5
Debt instruments	44.9	58.9	6.8	24.9	104.5	37.1	83.5	519.7
Bonds and notes	16.9	48.3	15.3	16.2	25.6	19.8	152.7	231.1
Money market instruments	28.0	10.6	-8.6	8.6	78.9	17.2	-69.2	288.7
				Percentage changes over previous period				
Goods and services								
Exports	-1.7	-2.8	0.8	0.6	-3.6	-11.1	9.1	-0.7
Imports	-1.0	-4.9	1.4	1.3	-3.3	-11.0	7.3	3.0
Goods								
Exports	-4.3	-1.5	1.6	1.0	-4.8	-13.2	8.4	-1.1
Imports	-3.2	-4.9	1.2	1.8	-5.4	-11.8	6.4	2.8
Services								
Exports	6.0	-6.4	-1.5	-0.9	0.5	-4.6	11.3	0.2
Imports	6.5	-4.9	2.1	-0.2	4.4	-8.6	10.2	3.6

Source: ECB.
Note: Figures may not add up due to rounding.
1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

the last quarter of the year. Although the decline in exports was primarily due to weaker global demand, the deterioration in financial conditions and confidence worldwide since September 2008 may have been an aggravating factor. Meanwhile, the decline in import values in the last quarter of 2008 was due to both a contraction of import volumes and falling import prices, as a result of decreases in oil and non-energy commodity prices and lower domestic demand. Trade price and competitiveness developments are discussed in greater detail in Box 7.

Box 7

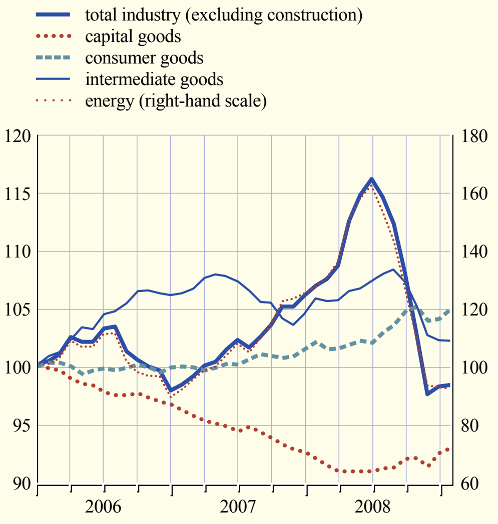
RECENT DEVELOPMENTS IN EXTRA-EURO AREA TRADE PRICES AND PRICE COMPETITIVENESS

From July to December 2008, extra-euro area import prices fell by 16.0% (Chart A) and extra-euro area export prices by 3.5% (Chart B), both in euro terms. Since then, trade prices have shown some signs of stabilisation. This box looks at the different factors behind these developments and implications for euro area price competitiveness.

The abrupt fall in import and export prices in the second half of 2008 was driven by common factors, most prominently repercussions from the sharp decline in commodity prices – particularly energy prices – in the wake of the ongoing financial crisis. With energy import prices falling by 42.6% and energy export prices by 50.4% between July and December 2008, lower energy prices mechanically accounted for a significant share of the decline in overall trade prices. As commodity

Chart A Extra-euro area industrial import prices

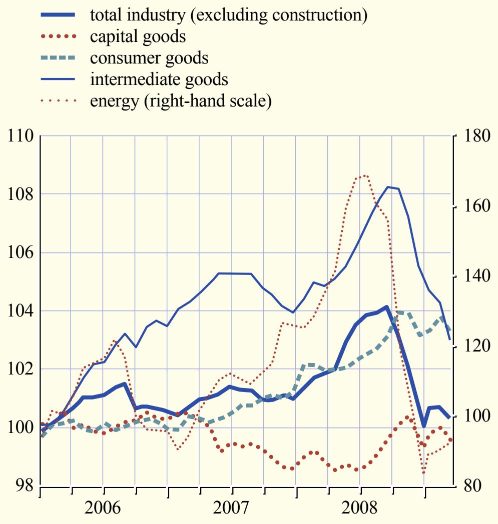
(index: January 2006 = 100; monthly data)



Source: Eurostat.
Note: The latest observations refer to February 2009.

Chart B Extra-euro area industrial producer export prices [1)]

(index: January 2006 = 100; monthly data)

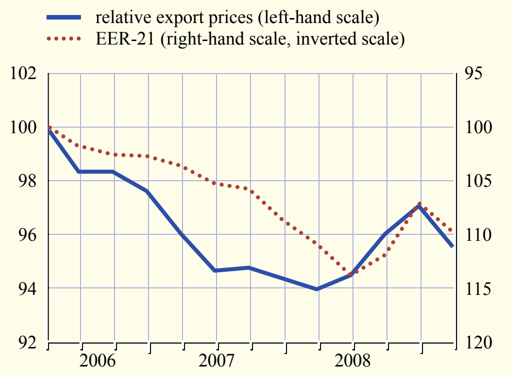


Source: Eurostat.
Note: The latest observations refer to March 2009.
1) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. They do not cover exports from wholesalers or re-exports and therefore are only a proxy for an export price index for industrial goods.

prices rebounded in early 2009, trade prices stabilised somewhat. By gradually feeding into input costs, lower commodity prices have also indirectly put downward pressure on trade prices in other categories. Extra-euro area export prices of consumer goods, for instance, responded with a lag, declining by 0.7% in December.

Chart C Euro area relative export prices and nominal effective exchange rate (EER-21)

(index: 2006 Q1 = 100; quarterly data)



Sources: ECB staff calculations and Eurostat.
Note: The latest observations refer to the first quarter of 2009. An increase in relative export prices amounts to an improvement in the euro area's price competitiveness.

Increasing competitive pressures in international markets may have prompted euro area and foreign exporters to cut prices beyond the margin for manoeuvre opened up by falling input prices in order to protect their market shares. Furthermore, in the light of the sharp slowdown in global demand, the pass-through of the euro's depreciation in nominal effective terms in the second half of 2008 (Chart C) seems to have been asymmetric: euro area producers passed on the depreciation to lower export prices in foreign currency – possibly more so than in a global upswing – and exporters to the euro area may have been less inclined to raise prices in euro terms, squeezing profit margins instead. These competition effects are expected to gain importance in the near term compared with the impact of commodity prices, which have stabilised of late. Moreover, the recent slowdown in import price growth has to be seen against the backdrop of the downward pressure on manufacturing import prices resulting from the rising share of euro area imports of manufactured goods from low-cost countries, such as China and the new EU Member States.[1]

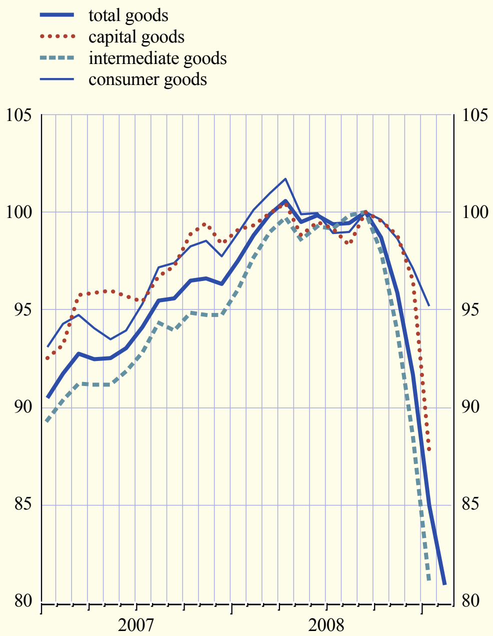
Since the start of the global downturn, competitors' export prices – when measured in national currencies – have been highly synchronised with those of the euro area. That said, trade-weighted relative export prices in euro terms indicate that the euro area gained in price competitiveness in the second half of 2008, mostly as a result of the depreciation of the euro (Chart C). These gains were somewhat mitigated, however, as the euro appreciated again in early 2009. Looking ahead, future developments in price competitiveness will therefore depend crucially on exchange rate movements as well as the behaviour of competitors' export prices, given the possible intensification of competition in an environment of subdued global trade.

1 ECB staff calculations show that rising import penetration from low-cost countries may have dampened euro area import prices of manufactured goods by about 2 percentage points per annum in the period 1995-2004 (see the article entitled "Globalisation, trade and the euro area macroeconomy" in the January 2008 issue of the Monthly Bulletin). This is mostly due to the "share effect" of China and the new EU Member States, which captures the downward impact on import prices of the rising import share of low-cost countries combined with the relatively lower price level of low-cost import suppliers.

The geographical breakdown of euro area goods trade shows that, in the three months to January 2009, euro area export volumes fell broadly, compared with the previous three-month period. Particularly large contractions were observed in exports to the United States, the United Kingdom, Asia and those countries that have joined the European Union since 2004. Exports to OPEC countries also started to contract over the same period, after a long phase of exceptional growth. This contraction may be associated with the negative wealth effects and possibly weaker import demand stemming from

Chart 36 Extra-euro area export values for selected commodities

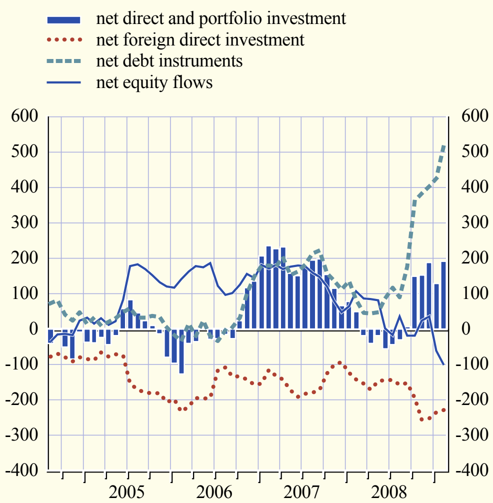
(indices: September 2008 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.
Note: The latest observations refer to January 2009, except in the case of total goods (February 2009).

Chart 37 Euro area combined direct and portfolio investment

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



Source: ECB.

lower oil revenues in the oil-exporting countries (see Box 1 entitled "Effects of the oil price decline on the current accounts of selected economies"). In terms of broad categories of goods, the most significant declines in export values in the three-month period to January 2009 were for intermediate and capital goods (see Chart 36). Meanwhile, imports fell, especially for capital and intermediate goods. These developments reflect the slowdown in global economic activity and possibly a high sensitivity of trade to international financing and macroeconomic conditions in a global environment of transnational production and supply chains.

Turning to the other components of the current account, the surplus in services decreased to €38.2 billion in the year to February 2009 – from €52.8 billion a year earlier. Over the same period, the deficit in the income account widened from €4.3 billion to €35.9 billion, resulting largely from lower income receipts from non-euro area residents. Finally, the deficit in current transfers also increased from €88.9 billion in February 2008 to €97.2 billion in February 2009.

FINANCIAL ACCOUNT

Net inflows in combined direct and portfolio investment registered a significant increase in the 12-month period to February 2009, rising to €191.3 billion compared with net inflows of €49.6 billion in the same period a year earlier (see Chart 37). This increase mainly resulted from a rise in net inflows in portfolio investment, due mainly to a large increase in net inflows of money market instruments. The environment of higher risk aversion, combined with the liquidity shortages that prevailed after the deepening of the financial turmoil in September 2008, resulted in both resident and non-resident investors repatriating funds and diversifying into more liquid types of holdings, such as money market instruments. In more detail, net inflows in euro area money market instruments surged to €288.7 billion in the 12-month period to February 2009, compared with net outflows of €69.2 a year earlier. In October 2008, net inflows in this asset category reached their highest monthly level since 1999. As regards direct investment, increased home bias seems to be an important factor in explaining the developments over the past year, as direct investment flows were significantly reduced in the 12-month period to February 2009 on both the asset and liability sides compared with the previous year. Nevertheless, the decline in net investment by foreigners in the euro area exceeded the contraction in euro area investment abroad, resulting in net outflows in direct investment of €227.9 billion in the 12-month period to February 2009, compared with €142.0 in the previous twelve months.

Data for the most recent three-month period suggest that developments in money market instruments continue to be the main driver of overall financial account developments. Combined direct and portfolio investment recorded average monthly net inflows of €2.9 billion in the three-month period to February 2009, as opposed to net inflows of €60.6 billion in the previous three-month period (see Table 8). This is primarily accounted for by lower net inflows of money market instruments.

ARTICLES

EXPECTATIONS AND THE CONDUCT OF MONETARY POLICY

Monetary policy involves anticipating future developments, monitoring and managing private sector expectations over the cycle, and providing a long-term nominal anchor for the economy. As historical experience suggests, well-anchored long-term inflation expectations are a prerequisite for successful monetary policy conduct and a crucial indicator of central bank credibility. In this respect, the ECB's quantitative definition of price stability is a key asset. Over the cycle, the management of expectations is rooted in the consistent behaviour of the central bank and requires active communication. While aiming for a high level of short-term interest rate predictability, the Governing Council of the ECB articulates its communication around a comprehensive assessment of the macroeconomic situation and the risks to price stability over the medium term. At times of heightened uncertainty, the ECB needs to monitor private sector perceptions of economic prospects and to preserve its ability to steer expectations over the medium term.

1 INTRODUCTION

Economic decisions are largely driven by agents' expectations. Expectations are at the core of contemporary macroeconomic theory and play a key role in modern central banking practice. As a consequence, monetary policy involves anticipating future developments, monitoring and managing private sector expectations over the cycle, and providing a long-term nominal anchor for the economy. Central banks must constantly form a view of the economic outlook at the medium-term policy-relevant horizon. In devising their policy actions, they always need to consider the lasting significance of their decisions for expectations. The building-up of exaggerated or unreasonable expectations is always a source of concern for monetary authorities.

Section 2 of this article reviews the main reasons for the crucial importance of expectations in monetary policy conduct, illustrating in particular the pivotal role of long-term inflation expectations. Section 3 explores the specific economic configurations in which inflation expectations can become an independent source of macroeconomic instability, while Section 4 analyses the central bank instruments that history and practice have proved to be effective in preventing such adverse circumstances. Section 5 deals with more specific challenges for monetary policy related to the building-up of unreasonable expectations in asset price formation or to the risk of expectations traps. Section 6 concludes.

2 WHY MONITOR EXPECTATIONS?

EXPECTATIONS AND MACROECONOMIC PROPAGATION

Central banks need to constantly form and monitor expectations about future economic developments for two reasons. First, monetary policy actions have a lagged impact on the economy and inflation, so a price stability-oriented monetary policy needs to form expectations about the likely future evolution of the economy and respond to risks to price stability in a forward-looking manner. There is indeed a large body of empirical evidence for different countries and alternative monetary regimes that documents the lags in the monetary policy transmission mechanism. This literature suggests that monetary impulses affect economic activity with a delay of several quarters and, subsequently, inflation with some further delay. Results from time series models, such as structural Vector Auto-Regression (VAR) techniques, for the euro area are broadly in line with the findings of the literature for the United States and many other countries.[1] Evidence from estimated structural economic models broadly confirms those results.[2] Owing to the transmission lags, central banks must calibrate their actions to exert some influence on expected macroeconomic developments several quarters ahead. The operational conduct of monetary policy therefore requires a thorough assessment of the risks to price stability at the policy-relevant horizon.

Second, central banks monitor private sector expectations because expected changes in economic variables (e.g. prices and quantities) can profoundly influence current economic behaviour through multiple channels. For example, expected increases in prices tomorrow exert upward pressures on prices today through various channels, including higher wage claims as workers demand higher wage increases today to offset the expected loss of purchasing power tomorrow. Similarly, higher inflation expectations have an impact on firms' current pricing decisions as firms tend to increase their prices to compensate for the expected increase in their marginal costs of production. Another important channel through which expectations can influence the current state of the economy is asset prices and the impact that asset prices have on the present value of wealth and incomes. There are indeed various channels through which asset prices are considered to affect economic decisions and aggregate demand. Economic research has emphasised the important effect that financial and non-financial wealth has on consumption behaviour, the relevance of the Tobin's Q effect on investment plans, the role played by balance sheets in private spending (via the credit channel) and the confidence effects of asset price changes on consumption.[3]

The close interrelationship between asset price formation, current economic choices and expectations is a further reason for central banks to attentively monitor private sector expectations about future economic outcomes. Expectations formed by economic agents may shift not only in reaction to changes in economic fundamentals, but also as a result of misperceptions or forecasting errors. To the extent that economic agents act on such misconceptions by formulating economic choices in the present and to the extent that misconceptions are embedded in asset prices, they can constitute an autonomous source of economic fluctuations.[4] Monetary policy is particularly affected by an expectations-driven business cycle, since the effect of monetary policy on the economy is to a large extent conditioned by private sector expectations of future monetary policy actions.

THE INSTRUMENTAL ROLE OF INFLATION EXPECTATIONS

While price stability is the best contribution that monetary policy can make to sustainable economic growth, job creation and prosperity,[5]

1 This literature is surveyed by L. Christiano, M. Eichenbaum and C. Evans (2000), "Monetary policy shocks: what have we learned and to what end?", in J. B. Taylor and M. Woodford (eds.) (2003), *Handbook of Macroeconomics*. G. Peersman and F. Smets (2003), "The monetary transmission mechanism in the euro area: more evidence from VAR analysis", ECB Working Paper No 91, for example, report that an unexpected, temporary rise in the short-term interest rate tends to be followed by a temporary fall in output after two quarters. The effect on output reaches a peak after three to five quarters and returns to baseline afterwards. Prices, however, respond much more sluggishly, with the impact of monetary policy impulses becoming statistically significant only after two years. Compared with the United States, euro area prices appear to respond more sluggishly, which is most likely due to the well-documented lower degree of price flexibility in the euro area compared with the United States.

2 For the euro area, F. Smets and R. Wouters (2003 and 2005) point towards hump-shaped responses of both the output gap and inflation to a monetary policy shock, with peak effects in line with those produced by the structural VAR methodology.

3 See F. Altissimo et al. (2005), "Wealth and asset price effects on economic activity", ECB Occasional Paper No 29.

4 This mechanism driving business fluctuations is portrayed in early writings on macroeconomic dynamics, e.g. A. C. Pigou (1927), *Industrial Fluctuations*, London (MacMillan), and it lies at the basis of the literature on asset price bubbles. See also the article entitled "Asset price bubbles and monetary policy" in the April 2005 issue of the Monthly Bulletin.

5 For instance, when inflation increases it becomes more difficult for private agents to disentangle changes in relative prices (knowledge of which is needed to allocate resources efficiently and to enhance overall productivity in the economy) from changes in the general level of prices. Moreover, higher inflation exerts a negative impact on capital accumulation, and thus on long-run productivity, due to the non-indexation of the tax system. See the article entitled "Price stability and growth" in the May 2008 issue of the Monthly Bulletin for a further discussion.

the credibility of the monetary authority in consistently delivering stable prices is built and preserved over time. Such credibility is key to the process by which agents form expectations of future price developments and thus to the price formation mechanism itself. Therefore, central banks must constantly monitor the general public's perceptions about their commitment to maintain price stability as a proxy for the likelihood that they will in fact accomplish their objective. In this respect, the anchoring of long-term inflation expectations appears to be a crucial indicator of central bank credibility and, indirectly, of central banks' success.

As such, it is also a precondition for effective monetary policy conduct. Unstable dynamics of inflation expectations could emerge because market participants lose confidence in the central bank's commitment to maintain price stability or disagree with its assessment of economic prospects. In such a situation, in which the central bank's assessment and intentions and the perceptions of the general public are misaligned, monetary policy becomes more challenging. Therefore, in order to prevent such situations from arising in the first place, constant monitoring of private sector expectations is in order.

THE ECB'S MONITORING OF MEDIUM TO LONG-TERM INFLATION EXPECTATIONS

A variety of indicators are available to assess private sector inflation expectations in the euro area, each of them involving significant measurement problems (see Box 1 for recent developments in these indicators). Some measures are derived from surveys, while other measures are extracted from financial market data. Among the different surveys which collect information on inflation expectations in the euro area, an important source is the ECB Survey of Professional Forecasters (SPF). The main merits of this survey are the relatively large panel of respondents – which makes the SPF rather representative of the general state of expectations – and the fact that respondents also provide information on their assessment of the probability of the future outcome falling within specific intervals. Other survey indicators are more qualitative in nature. For example, consumers' opinions on inflation developments in the euro area that are collected by the European Commission give an indication of the general perceptions about inflation in the past and the expected direction of inflation in the future, and refer exclusively to short-term developments.[6]

In contrast to survey findings, inflation expectations derived from financial market data are not directly observable and need to be estimated. A number of measures are available for the purpose of inferring market expectations from asset prices. First, a break-even inflation rate (BEIR) can be constructed across the maturity spectrum. By definition, the BEIR is the rate of inflation that, if realised, would equalise the expected returns from an investment in a conventional nominal bond with those from an inflation-linked bond of the same maturity. Second, the prices observed in the market for inflation derivatives, in particular inflation swaps, allow the construction of alternative measures of inflation compensation. These financial market-based measures of inflation expectations should nonetheless be interpreted with caution, as they typically incorporate various risk premia that compensate bond investors in particular for inflation uncertainty and liquidity risk.

3 THEORETICAL SOURCES OF INSTABILITY IN EXPECTATIONS

The evolution of central banking practices, as well as advances in theoretical and empirical research, clearly support the view that

6 Consumers are asked for their perceptions of past inflation developments (over the previous 12 months) and their expectations regarding future developments (over the following 12 months). By definition, balance statistics only provide qualitative information on the directional change of consumers' inflation perceptions and expectations; they give no indication of the magnitude of the perceived and expected rates of inflation. For a more detailed discussion, see the article entitled "Measured inflation and inflation perceptions in the euro area" in the May 2007 issue of the Monthly Bulletin.

inflation expectations play an important role. Badly managed expectations could constitute an independent source of macroeconomic instability. This section reviews the main theoretical explanations of how inflation expectations can drift away from the central bank objective and emphasises the role that monetary policy, by tolerating such drifts at an early stage, may play in propagating and exacerbating an inflationary disturbance.

MONETARY POLICY DESIGN UNDER RATIONAL EXPECTATIONS AND ANCHORING OF LONG-TERM INFLATION EXPECTATIONS

In a world governed by the "rational expectations" paradigm, economic agents are forward looking and form their expectations efficiently and homogenously using all the information available, including precise knowledge of the functioning of the economy. Under the rational expectations hypothesis, instability of long-term inflation expectations can only develop if monetary policy is not perceived as a credible guardian of price stability.

A systematic record of insufficiently forceful responses to inflationary pressures can lead private agents to doubt the commitment of the central bank to price stability. The literature has widely discussed policy remedies that would anchor expectations around the intended objective of monetary policy in order to avoid this undesirable outcome. In very simple rational expectations modelling frameworks of the latest generation, this remedy takes the form of the "Taylor principle" whereby the nominal interest rate responds more than one-to-one to changes in the (actual or expected) inflation rate. A steady and credible threat to increase the real short-term interest rate in response to rising inflation expectations, for example, ensures – within these simple macroeconomic frameworks – that any inflationary pressure will be promptly reabsorbed. This reassurance, in turn, is sufficient to anchor expectations and prevent destabilising expectations dynamics from developing in the first place.

With more general and realistic descriptions of the functioning of the economy, and notably of the expectations formation mechanism, the requirement for monetary policy conduct to provide a credible focal point for long-term expectations may, to some extent, differ from the Taylor principle.[7] However, the main policy conclusion from this strand of literature remains that well-designed and well-intended monetary policy conduct can and should successfully anchor long-term inflation expectations.

LEARNING DYNAMICS AND INSTABILITY IN EXPECTATIONS

Even within the stylised optimising macroeconomic models of the latest generation, it is possible to study inflation expectations patterns where some of the assumptions implicit in the rational expectations paradigm have been relaxed. Once a more complex and realistic description of expectations formation is allowed for, inflation expectations can become an independent source of economic fluctuations, which is not necessarily rooted in a systematic lack of strength of the policy reaction to inflation.

The burgeoning literature on learning and imperfect knowledge in macroeconomics[8] finds that shocks of a similar magnitude are amplified and prolonged under learning relative to a situation where agents form model-consistent rational expectations. Under certain conditions, long-term inflation expectations may in fact overreact to shocks and drift away endogenously, reflecting the impact that disturbances exert on the reassessment by private agents of the key

7 See J. Benhabib, S. Schmitt-Grohé and M. Uribe (2001), "Monetary policy and multiple equilibria", *American Economic Review*, Vol. 91, pp. 167-186.

8 See A. Orphanides and J. Williams (2005), "Imperfect knowledge, inflation expectations and monetary policy", in B. Bernanke and M. Woodford (eds.), *The Inflation Debate*, University of Chicago Press; A. Orphanides and J. Williams (2006), "Inflation targeting under imperfect knowledge", Federal Reserve Bank of San Francisco Working Paper No 2006-14; and V. Gaspar, F. Smets and D. Vestin (2006), "Adaptive learning, persistence, and optimal monetary policy", *Journal of the European Economic Association*, Vol. 4(2-3), pp. 376-385.

parameters describing the functioning of the economy. The learning process could eventually lead to the convergence of all expectations of medium to long-run inflation to the central bank's objective. However, this line of research has also pointed out that there could be instances in which such a learning process does not converge to a focal point. As a result, monetary policy rules that would lead to a unique equilibrium under rational expectations can be unstable under learning.[9]

9 See G. W. Evans and S. Honkapohja (2008), "Expectations, learning and monetary policy: an overview of recent research", CEPR Discussion Paper No 6640.

Box 1

ANCHORING OF INFLATION EXPECTATIONS IN THE EURO AREA

This box assesses the anchoring of euro area long-term inflation expectations, providing evidence from both survey and market-based indicators.[1] In comparison with the United States, long-term inflation expectations have been more stable in the euro area.

Inflation expectations from the ECB Survey of Professional Forecasters

Long-term inflation expectations in the euro area have, since 1999, fluctuated in the range of 1.8%-2%, and, from 2003 to 2007, in the narrower range of 1.9%-2% (see Chart A). The dispersion, as indicated for example by the range between the upper and lower quartiles, has also progressively narrowed, with the lower quartile increasing to 1.9% from a low of 1.5% since mid-2006. The upper quartile has been generally stable at 2.0%, with the exception of the round of the Survey of Professional Forecasters (SPF) for the third quarter of 2008 (conducted in mid-July), where both the upper quartile and mean inflation expectations reached a peak. Overall information on euro area longer-term inflation expectations from surveys, notwithstanding the risks signalled by the slight elevation in 2008, suggests that they remained below, but close to, 2%.

Using survey data, an indirect way of assessing the anchoring of long-term inflation expectations is to consider their sensitivity to changes in very short-term inflation expectations.[2] In this regard, Chart B plots the individual revisions made to short-term (i.e. one year ahead) and longer-term (i.e. five years ahead) inflation expectations for the period from the second quarter of 2001 to the first quarter of 2009. It suggests that there is indeed no clear relationship between movements in shorter-term and longer-term inflation expectations.

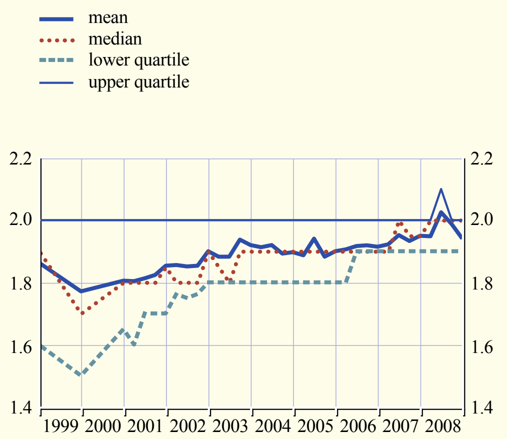
Financial indicators of inflation expectations

Chart C depicts a decomposition of the ten-year spot break-even inflation rate (BEIR) into the five-year spot BEIR (measuring average inflation expectations over the next five years) and the

1 See also the article entitled "Measures of inflation expectations in the euro area" in the July 2006 issue of the Monthly Bulletin.
2 See E. Castelnuovo, S. Nicoletti-Altimari and D. Rodriguez Palenzuela (2003), "Definition of price stability, range and point inflation targets: the anchoring of long-term inflation expectations", ECB Working Paper No 273.

Chart A Longer-term (five-year ahead) inflation expectations from the SPF

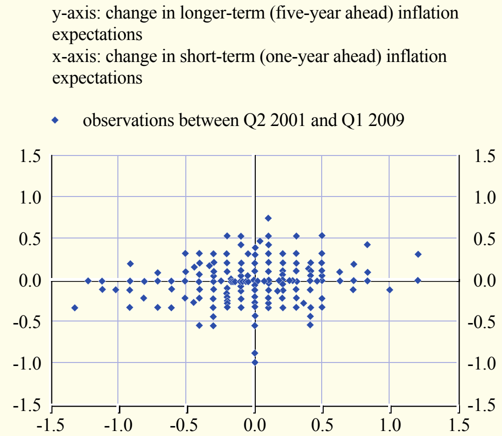
(annual percentage changes)



Source: ECB calculations.
Notes: Latest data refer to Q1 2009. For a summary of the results of the ECB SPF for Q2 2009, see Box 4 in Section 3 of this issue of the Monthly Bulletin.

Chart B Changes in short-term and longer-term inflation expectations in the SPF

(percentage points)



Source: ECB calculations.
Note: For a summary of the results of the ECB SPF for Q2 2009, see Box 4 in Section 3 of this issue of the Monthly Bulletin.

five-year forward BEIR in five years (measuring average inflation expectations as of today over the next five to ten years).[3] The five-year forward BEIR in five years has fluctuated in the range of 2%-2.5% for most of the available sample. Large fluctuations were recorded in 2004, in the first half of 2008 and, in particular, since the escalation of the current financial turbulence in the autumn of 2008, when the sharp decline in oil prices and inflation expectations triggered a sell-off of inflation-linked bonds that, under extremely low liquidity conditions, led to severe corrections in the prices of these instruments and affected the computation of break-even inflation rates. Available evidence from the decomposition of BEIRs into inflation expectations and related premia by means of term structure models suggests nonetheless that the term structure of inflation risk premia in the euro area is upward sloping and its fluctuations are the main driver of fluctuations in BEIRs, with (long-term) inflation expectations anchored at levels consistent with price stability.[4]

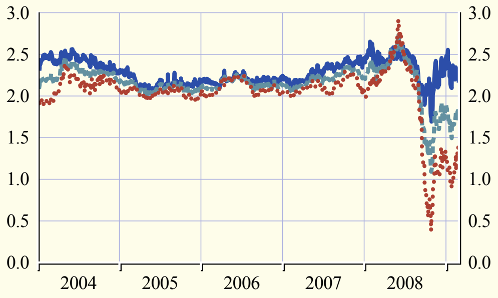
Chart D depicts the five-year forward BEIR five years ahead and the comparable measure from inflation swap rates. Both measures moved closely together, with the discrepancy most likely reflecting factors specific to the government bond and inflation swap markets, including the variations in credit, market and liquidity risk premia caused by large investment flows (e.g. safe-haven flows into government bonds at certain times during the financial market turbulence). However, since the third quarter of 2008 dislocations in various segments of the global financial markets, a general increase in uncertainty and market volatility, and deleveraging and balance sheet consolidation by major players in the markets for inflation-linked products led to significant fluctuations in both indicators, thereby complicating their assessment. In particular, long-term forward BEIRs reached very low levels in late 2008, but these likely reflected the

3 For a detailed discussion, see J. A. Garcia and A. van Rixtel (2007), "Inflation-linked bonds from a central bank perspective", ECB Occasional Paper No 62, and for a description of the methodology used at the ECB to calculate BEIRs, see J. Ejsing, J. A. Garcia and T. Werner (2007), "The term structure of euro area break-even inflation rates: the impact of seasonality", ECB Working Paper No 830.

4 See P. Hördahl and O. Tristani (2007), "Inflation risk premia in the term structure of interest rates", ECB Working Paper No 734, and J. A. Garcia and T. Werner (2009), "Inflation risks and inflation risk premia", ECB Working Paper Series, forthcoming.

Chart C Break-even inflation rates in the euro area at different horizons

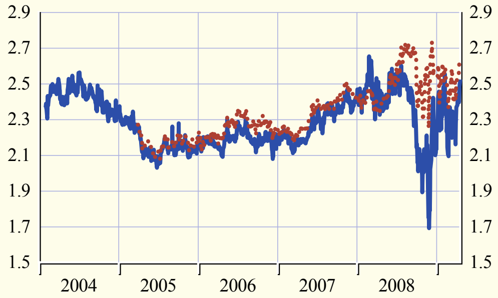
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart D Long-term forward BEIRs from inflation-linked bonds and swaps

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

temporary effects on yield spreads of large and sudden safe-haven flows into government bonds, and of some dislocations in repo markets.[5]

A comparison with longer-term inflation expectations in the United States

Some additional insights into the anchoring of long-term inflation expectations in the euro area can be obtained from the comparison with the United States.

The decline in inflation expectations during the 1990s and their stabilisation at relatively low levels over the past decade have not been confined to the euro area, but have also been observed in the United States (see Chart E). Compared with the findings of the US Survey of Professional Forecasters, longer-term inflation expectations in the euro area appear to have been anchored at a lower level. More significantly, disagreement on longer-term inflation expectations, measured as the standard deviation of the point estimates, shows that inflation expectations have been more concordant in the euro area than in the United States (see Chart F). As regards financial indicators, there are also similar conclusions for the long-term forward BEIRs: focusing on the sample period from the first quarter of 2004 to the second quarter of 2008 to avoid periods of major distortions in global markets for inflation-linked products, US five-year forward BEIRs five years ahead have fluctuated within a wider range (2.3%-3.3%) and displayed higher volatility (a standard deviation of about 0.20) than their euro area counterparts (0.13).

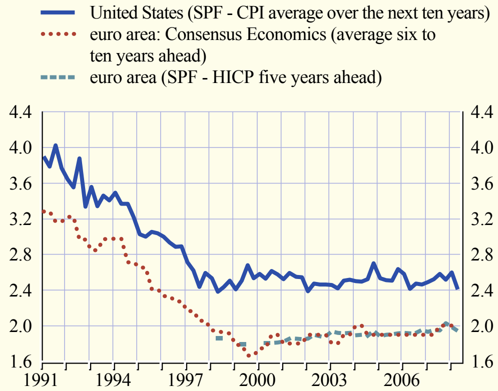
A number of studies have investigated the anchoring of inflation expectations by focusing on the reaction of financial indicators (long-term forward BEIRs and nominal interest rates) to macroeconomic news. Ehrmann et al. (2007)[6] show that since the start of EMU long-term forward nominal rates for large euro area countries have not tended to react to macroeconomic

5 For a further discussion of the impact of the current financial market turmoil on market-based measures of inflation expectations, see the box entitled “Recent increases in real yields and their implications for the analysis of inflation expectations” in the November 2008 issue of the Monthly Bulletin.

6 M. Ehrmann, M. Fratzscher, R. Gürkaynak and E. Swanson (2007), “Convergence and anchoring of yield curves in the euro area”, ECB Working Paper No 817.

Chart E Longer-term inflation expectations in the euro area and the United States

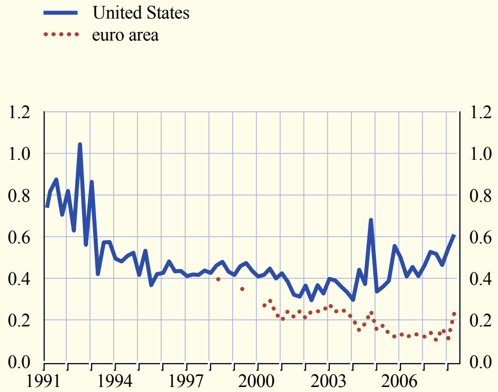
(annual percentage changes)



Sources: ECB, Federal Reserve Bank of Philadelphia and Consensus Economics.
Notes: For comparison purposes, the latest data refer to Q1 2009 for the ECB SPF and the US SPF and to October 2008 for the Consensus Economics data. Prior to 2003 euro area data are taken from Castelnuovo et al. (2003) (see footnote 2 for the full reference). From April 2003 the data are from Consensus Economics. For a summary of the results of the ECB SPF for Q2 2009, see Box 4 in Section 3 of this issue of the Monthly Bulletin.

Chart F Disagreement on longer-term inflation expectations in the euro area and the United States

(standard deviation of the point estimates)



Sources: ECB and Federal Reserve Bank of Philadelphia.
Notes: For comparison purposes, the latest data refer to Q1 2009 for the ECB SPF and the US SPF. For a summary of the results of the ECB SPF for Q2 2009, see Box 4 in Section 3 of this issue of the Monthly Bulletin.

releases. This evidence is particularly important considering that the reactions of US long-term nominal rates to macroeconomic releases are often found to be statistically significant.[7] Available evidence also suggests that in the United States forward BEIRs react significantly to macroeconomic data releases even at long horizons, while in the euro area reactions are significant for short-term BEIRs but not for long-term ones, supporting the existence of a stronger anchoring of inflation expectations in the euro area.[8]

Overall, the evidence from survey and financial indicators presented in this box suggests that euro area long-term inflation expectations are relatively well anchored. Since the beginning of Stage Three of EMU in 1999, the euro area has been hit by a number of significant upward shocks to short-term price developments, but long-term inflation expectations appear to have reacted little to them and have remained broadly consistent with the Governing Council's aim of keeping inflation at rates below, but close to, 2% over the medium term.

7 See for instance R. Gürkaynak, B. Sack and E. Swanson (2005), "The sensitivity of long-term interest rates to economic news: evidence and implications for macroeconomic models", *American Economic Review*, Vol. 95(1), pp. 425-436; M. Beechey and J. Wright (2008), "The high-frequency impact of news on long-term yields and forward rates: is it real?", Board of Governors of the Federal Reserve, Finance and Economics Discussion Paper No 39.

8 M. Beechey, E. Johannsen and A. Levin (2007), "Are long-run inflation expectations anchored more firmly in the euro area than in the United States?", CEPR Discussion Paper No 6536.

4 MONETARY POLICY DESIGN TO FORESTALL AND COUNTERACT INSTABILITY IN EXPECTATIONS

Central banks have successfully designed institutional safeguards that can effectively suppress instability in expectations. Stability-oriented monetary policy frameworks are the first and most effective bulwarks against the emergence of such instability.

BENEFITS OF COMMUNICATING A QUANTITATIVE DEFINITION OF PRICE STABILITY

In a world characterised by bounded rationality and imperfect knowledge, the communication of the objective of monetary policy, reinforced by a precise numerical definition of price stability, becomes a powerful instrument for preventing the learning process of private sector expectations from diverging.

An increasing number of central banks have communicated a quantified objective as part of their monetary policy strategy. Available studies clearly indicate that the announcement of an explicit price stability objective contributes to anchoring inflation expectations. In the euro area, the Governing Council of the ECB has defined price stability as a positive annual HICP inflation rate of below 2%. Within this range, the Governing Council has announced that it aims to maintain euro area inflation rates "close to 2%" over the medium term. This aim has provided a very precise orientation for markets and has clearly acted as a focal point for inflation expectations. Both survey and market-based medium to long-term inflation expectations in the euro area have remained firmly anchored at levels consistent with the ECB's quantitative definition of price stability, even when inflation was subject to the temporary volatility introduced by adverse shocks to supply and demand (see Box 1).

While inflation-targeting frameworks generally also embed a quantification of the policy objective, the ECB's monetary policy strategy has two additional distinctive features: the prominent role of monetary aggregates and its medium-term orientation. The monetary analysis is notably based on well-known, fundamental empirical regularities which show that the long-run components of money growth and inflation are closely related, with money growth having a leading indicator property for inflation.[10] The medium-term policy orientation of the ECB has not been quantified with precision because there are long and variable lags in the monetary policy transmission mechanism. The calibration of policy actions depends on the state of the economy, the nature of the structural disturbances and time-varying economic behaviours which would tend to affect the appropriate time frame for policy to stabilise inflation.

In addition to the quantitative definition of price stability, the successful anchoring of long-term inflation expectations depends on the credible commitment of the monetary authority to fulfil its mandate. The credibility of the ECB's commitment to fulfil its mandate by implementing consistent and systematic policy actions is deeply rooted in the institutional framework of EMU. The Maastricht Treaty clearly establishes that monetary policy in the euro area is conducted by an independent central bank, which has been assigned the primary objective of maintaining price stability.

BENEFITS OF A SYSTEMATIC POLICY RESPONSE

In addition to the need for a successful anchoring of long-term inflation expectations through the adoption of a clear quantitative objective, academic research has stressed the virtues of a policy of systematic management of expectations and has emphasised the impact of systematic and predictable monetary policy on the general public's expectations (see Box 2).

10 See L. Benati (2009), "Long-run evidence on money growth and inflation", ECB Working Paper No 1027.

The optimal monetary policy literature indicates that a commitment to adopt a consistent and repeated behaviour when taking monetary policy decisions is superior to a fully flexible conduct of monetary policy, whereby actions are taken sequentially with no attempt to integrate each isolated policy action within a general systematic framework of response to the evolving state of the economy.

If the central bank is able to convince economic agents about its analysis of the economic outlook and its assessment of the risks to price stability, they can fully internalise the systematic response of monetary policy, so that expectations of future monetary policy actions adjust in the equilibrating direction as soon as the macroeconomic news is released. Such a leverage of central bank pronouncements and actions over private economic behaviour is an asset that can become extremely valuable in cases of major shocks and risks.

Moreover, consistent behaviour is a requisite for credibility and, as a general principle, in weighing up the arguments for and against decisions, central banks should never fail to appreciate that their policy actions have lasting significance for the formation of expectations and hence economic behaviour. The credible commitment of the Governing Council to deliver price stability by implementing consistent and systematic policy actions is deeply rooted in the monetary policy strategy of the ECB.

Box 2

ACADEMIC LITERATURE ON THE OPTIMAL MANAGEMENT OF EXPECTATIONS

This box elaborates on the main prescriptions from the optimal monetary policy literature, focusing in particular on the management of private expectations in "expectations traps", where the short-term nominal interest rate is at levels which cannot be lowered further.

From an academic perspective, extensive research on optimal monetary policy under rational expectations has found that it is crucial to take account of the effects of the repeated and consistent behaviour of monetary policy on private expectations. Two prescriptions emerge from this line of research. First, optimal monetary policy under commitment delivers a better outcome than a fully flexible monetary policy, whereby decisions are taken sequentially with no consistent strategic framework for designing and communicating policy actions.

Second, in the "workhorse model" used in monetary policy analysis,[1] optimal policy conduct entails a measure of "history dependence" whereby a central bank – while being firmly forward looking – does not lose sight of past behaviour when setting interest rates. A policy that includes an appropriate measure of history dependence is found to be able to dampen the impact of disturbances on macroeconomic stability by influencing private expectations about subsequent policy actions in a stabilising direction. The result comes from the optimal management of private sector expectations when the central bank benefits from perfect credibility. The central bank's commitment to correct past deviations from price stability induces agents to anticipate that current risks to price stability will be undone, which exerts a moderating influence on current price-setting decisions. A simple rule which – in these models – would force a degree of history dependence on the central bank would be "price-level targeting", whereby the central bank would undo past deviations of the price level from the path that it was expected to follow ex ante.

1 See M. Woodford (2003), *Interest and prices: foundations of a theory of monetary policy*, Princeton University Press.

The prescriptions about optimal policy that are shown to be valid under rational expectations still remain crucial for the design of monetary policy in the presence of imperfections in the formation of expectations. In particular, the value of commitment and the history dependence of policy are robust to "near rational" private expectations formation.[2] While basic intuition would suggest that the benefits of price-level targeting, notably through the expectations channels, should be lower under learning or imperfect credibility, recent research suggests that a policy incorporating some degree of history dependence would still be effective in anchoring expectations in a world of adaptive learning.[3]

The academic literature has highlighted the benefits of credible commitment and history dependence in the face of persistent downside risks to price stability and with short-term nominal interest rates at very low levels. The appropriate management of expectations regarding the future course of monetary policy can be very effective in driving ex ante real interest rates in a self-equilibrating manner. The ability of the central bank to steer expectations about its future policy stance as adverse shocks materialise has the potential to stabilise private inflation expectations over the medium term, putting downward pressure on real interest rates and therefore contributing to an even more accommodative stance. Within the narrow confines of the theoretical models used in the literature, and under a number of assumptions concerning the fiscal policy regime, some form of price-level targeting strategy would implement the optimal policy and succeed in lowering appropriately the ex ante real interest rates.[4] Note that, in this formulation, the conditional commitment to a path-dependent policy made by the central bank concerns the outlook for prices and not the monetary policy instrument.

This strand of economic research shows that the lower bound on short-term nominal interest rates has important implications for economic outcomes and optimal monetary policy conduct, as agents behave differently if they anticipate that the constraint could be binding. At the same time, a policy framework based on a clear definition of the monetary policy objective of price stability and on a careful management of inflation expectations emerges as an effective tool for countering deflationary episodes in the event that they should develop.

The comforting findings of this line of research concerning the ability of a stability-oriented monetary policy to prevent deflationary spirals are even reinforced if one steps away from the narrow confines of the simple model on which these findings are predicated. Indeed, the description of the implementation channel of monetary policy which is embedded in this simplified model, according to which monetary policy only acts on the economy by affecting the inter-temporal substitution of private expenditures, is overly simplified and in particular ignores the plurality of interest rates that characterises the functioning of fixed income and credit markets in advanced economies. In practice, there are important financial frictions in the economy, which are reflected in the credit and liquidity spreads observed in financial markets. Therefore, monetary policy can also exert some influence on economic developments by trying to affect these spreads. By contrast, in the simple model referred to above, the determination of the prices of long-dated securities is based on the assumption that the expectations theory of

2 See M. Woodford (2008), "Robustly optimal monetary policy with near-rational expectations", mimeo, Columbia University.
3 See V. Gaspar, F. Smets and D. Vestin (2007), "Is time ripe for price level path stability?", ECB Working Paper No 644.
4 These arguments are made formally in, for example, G. B. Eggertsson and M. Woodford (2003), "The zero bound on interest rates and optimal monetary policy", *Brookings Papers on Economic Activity*, Vol. 34, Issue 1, pp. 139-235, and K. Adam and R. M. Billi (2006), "Optimal monetary policy under commitment with a zero bound on nominal interest rates", *Journal of Money, Credit and Banking*, Vol. 38(7), pp. 1877-1905.

the term structure of interest rates holds true, so that the only channel for monetary policy to influence long-term rates is by committing to a path for the future short-term interest rate.

Overall, this box has offered support for the contention – expressed in the main text – that a clear strategic framework and a policy of expectations management supported by that framework can act as an effective line of defence against expectations traps. The success of such tools hinges crucially on the credibility of their implementation, precisely because they work by affecting private sector expectations. This places a premium on the consistency and effectiveness of central bank communication. It should also be emphasised that central banks can avail themselves of other, complementary and reinforcing, policy measures to change credit conditions and support financial intermediation, as short-term nominal interest rates may come close to very low levels in the face of persistent downside risks to price stability.[5]

5 See D. Reifschneider and J. C. Williams (2000), "Three lessons for monetary policy in a low-inflation era", *Journal of Money, Credit and Banking*, Vol. 17(4), pp. 145-166.

5 CHALLENGES IN MANAGING EXPECTATIONS

THE USE OF COMMUNICATION IN EXPECTATIONS MANAGEMENT

As mentioned already, the survey evidence about private sector expectations, as well as the forecasting practice at central banks, suggest that a considerable amount of learning takes place in the economy and that expectations seem to be quite heterogeneous among agents. Indeed, short-run private sector expectations that are misaligned with respect to the central bank objective are often simply due to imperfect information regarding the current state of the economy. Against this background, there have been some reflections on the use of communication as a reinforcing tool in expectations management.

There is an intrinsic tension, which central banks cannot ignore, between their ability to manage private sector expectations and provide guidance to professional market participants, on the one hand, and their need to learn from markets, on the other hand. To the extent that the central bank is effective in influencing the actions of economic agents through signalling its intentions, individual market participants may be encouraged to put a relatively higher weight on central bank announcements than on their own private information when taking decisions.[11]

As a result, the coordinating role that the central bank can play in the process of expectations formation should be used carefully, as it may imply a disproportionate impact of the central bank's judgement on economic behaviour. Besides, if the central bank does not recognise that the information value of the decentralised sources of economic insight could be degraded as a result of its own success in influencing beliefs, a misguided sense of comfort from anchored inflation expectations can arise. Such complacency could at times blur signs that unreasonable expectations are being built up in some segments of the economy.[12]

For the purposes of enhancing the expectations formation mechanism and minimising any misalignments between private sector expectations and the intentions of the central bank, there have been proposals that central

11 See for example S. Morris and H. S. Shin (2002), "Social value of public information", *American Economic Review*, Vol. 92, No 5, pp. 1521-1534, and S. Morris and H. S. Shin (2005), "Central bank transparency and the signal value of prices", *Brookings Papers on Economic Activity*, Vol. 36, Issue 2, pp. 1-66.

12 See also C. Borio and P. Lowe (2002), "Asset prices, financial and monetary stability: exploring the nexus", BIS Working Paper No 114.

banks should provide market participants with fairly precise quantitative indications about the likely future path of their policy interest rates beyond the very short term. While such lines of communication may indeed align market expectations with the central bank's considerations at the time of the announcement, there are concerns about the feasibility and desirability of announcing a specific likely future path of policy rates.[13]

On the feasibility of the central bank formulation of a future path for policy, it has been noted that decision-making committees may face a binding operational constraint in agreeing on an entire path for future policy rates, particularly if they also endeavour to build a consensus on the economic outlook and on the balance of risks to the policy objectives. With regard to the desirability of central bank announcements of this sort, it has also been noted that the uncertainty about economic disturbances as well as macroeconomic behaviour makes it very difficult to define in a precise and reliable manner the extent and timing of future adjustments of the monetary policy stance. Therefore, there is a risk that the markets and the public may not fully understand the conditionality of the announced future policy path on the information and judgement available at the time of the announcement. As a consequence of such possible misunderstandings, frequent deviations of the actual policy path from the one that was communicated may put at risk the central bank's credibility, as it may weaken the public's confidence in the central bank's forecasting ability or commitment to deliver on past promises.

Ultimately, the benefits and costs of communicating the likely future policy rates will depend on the economy's structure and complexity, the nature and extent of the uncertainty faced by policy-makers, and the institutional framework of the central bank. The potential problems of publishing an interest rate path can easily outweigh the benefits. The ECB has adopted a rather pragmatic and flexible approach within its clearly defined strategic framework, focusing its communication on the Governing Council's assessment of the current situation and macroeconomic prospects. This has provided clear guidance for market participants to form expectations about inflation and a basis for understanding and anticipating the likely response of monetary policy to shocks or to new information. Available studies support the conclusion that actual and perceived transparency about policy-makers' assessments of the state of the economy strengthens the predictability of monetary policy.[14]

UNREASONABLE EXPECTATIONS

The possible occurrence of protracted periods of atypical price configurations in certain segments of the financial market presents central banks with serious challenges.

A recent strand of academic literature has focused on the role of "unreasonable expectations" about future economic opportunities as a source of marked fluctuations in asset prices and in economic conditions. Intuitively, since economic agents only receive imperfect signals about, for example, future productivity developments, excessive optimism about technological progress looking forward may lead to phases in which – in anticipation of future high payoffs – agents build up capital at an accelerated pace and asset prices tend to appreciate. Once expectations are not met, this leads to a sharp retrenchment of investment, an asset price correction and a possibly severe generalised reassessment of economic prospects. This phenomenon can be formalised in the context of structural macroeconomic models under rational expectations where "news shocks" about economic fundamentals occur and drive

13 See T. Blattner et al. (2008), "The predictability of monetary policy", ECB Occasional Paper No 83.
14 See for example A. Weber (2008), "Communication, decision-making and the optimal degree of transparency of monetary policy committees", Deutsche Bundesbank Discussion Paper No 02/2008.

aggregate fluctuations.[15] While the presence of imperfect signals at the source of "unreasonable expectations" does not alter the normative monetary policy prescriptions regarding the primacy of price stability, recent studies have illustrated the possibility of inappropriate pro-cyclical monetary policy setting if the central bank fails to keep its medium-term orientation and focuses excessively on resisting short-term disinflationary pressures stemming from positive news on the supply side.[16]

From an operational perspective, the central banking community has long held the view that it may be inappropriate to counteract the principal side-effects of such waves of exaggerated or "unreasonable" expectations, namely asset price misalignments. Broadly speaking, information on asset price dynamics has always been considered paramount for a central bank to form a sound judgement on whether and to what extent asset prices have deviated from their fundamental determinants.

The depth of the current financial crisis, however, calls into question the wisdom of ignoring asset price imbalances in the conduct of monetary policy. While central banks' communication can contribute to curbing asset price developments, the financial crisis also shows that the impact of such public pronouncements is limited in the absence of reinforcing strategic mechanisms over and above a quantitative price stability orientation. In this respect, the ECB's two-pillar strategy is an instrument that contributes to limiting the tendency of monetary policy to be pro-cyclical in good times. By exploiting the association between asset price dynamics and monetary and credit developments, the monetary analysis indirectly incorporates asset price developments into policy conduct. By monitoring constantly developments in asset markets and cross-checking them with developments in the credit market and with the evolution of a number of liquidity indicators, the ECB can, at an early stage, contribute to limiting the potential of unreasonable expectations about asset prices to develop further.[17]

Certainly, stability-oriented macroeconomic policies around the world are a necessary condition for global financial stability. Efforts to correct the weaknesses of global macroeconomic surveillance are therefore essential. Addressing the pro-cyclical nature of macroeconomic policies and devising incentive schemes that lengthen the time horizon that financial market participants focus on would contribute to building equilibrating automatic stabilisers at the core of the financial system.

EXPECTATIONS TRAPS

"Expectations traps" have been studied as a theoretical explanation for situations in which shifts in private sector beliefs about the future course of inflation are validated ex post, with sizeable and protracted deviations from price stability resulting from distorted interactions between economic agents and the monetary authority. Expectations traps may lead to excessively high inflation rates or – more rarely – to protracted episodes of deflation. Over the last twenty years, through a long and successful process of institutional reform, central banks have designed built-in safeguards in their strategic frameworks to avoid falling into expectations traps.

While the interpretation of many episodes of economic history in which inflation expectations have manifested upward or downward instability is still open, the role of misguided monetary policy regimes in tolerating the emergence and persistence of instability in expectations is very often evident. The "Great Inflation" of the 1970s in many countries is seen as paradigmatic of a

15 See for example P. Beaudry and F. Portier (2004), "An exploration into Pigou's theory of cycles", *Journal of Monetary Economics*, Vol. 51, pp. 1183-1216

16 See L. Christiano, C. Ilut, R. Motto and M. Rostagno (2008), "Monetary policy and stock market boom-bust cycles", ECB Working Paper No 955.

17 See the article entitled "Asset price bubbles and monetary policy" in the April 2005 issue of the Monthly Bulletin and C. Borio (2008), "The financial turmoil of 2007-?: a preliminary assessment and some policy considerations", BIS Working Paper No 251.

situation in which upward instability in long-term inflation expectations severely complicated monetary policy conduct and resulted in poor macroeconomic performance. The hypothesis that the US economy fell into an expectations trap by the late 1960s and early 1970s has been supported by several research studies.[18] In many of these episodes, the dual message to the general public was that either the central bank was in no position to re-establish price stability unless other economic actors had acted first, or the central bank could have regained control of inflation dynamics, but the short-term costs of doing so were perceived as excessively high and disruptive. Accordingly, the causes of the Great Inflation can be traced back to the lack of an appropriate institutional framework that could have counteracted the public perception that no policy reaction would stand in the way of high and persistent inflation.

The Great Inflation might plausibly have been avoided had alternative macroeconomic policies been implemented. The fact that neither Germany nor Switzerland experienced the Great Inflation to the same extent as many other countries is likely to reflect different approaches to macroeconomic policy management, and shows the benefits of a sound policy framework, including a firm determination to resist inflationary pressures.[19]

Expectations traps have also been studied in the context of deflation expectations in an environment of very low levels of short-term nominal interest rates. Deflation is a self-perpetuating fall in prices over a sustained period of time, where a severe contraction in aggregate demand is reinforced by entrenched expectations of further price declines and postponement of spending plans. Analysis of the very rare historical episodes in which such downward spirals seem to have taken hold and advances in economic theory suggest that monetary policy has a significant influence on economic developments and can prevent deflationary dynamics from developing in the first place or can terminate them in the event that they should start.

The principal instrument of prevention is a monetary policy framework geared to the achievement of a numerical definition of price stability. In none of the very few episodes in the distant past in which deflationary spirals threatened the stability of the market economy was the central bank perceived as a guardian of price stability. In those episodes, price and wage setting propagated and perpetuated the observed original negative shocks to prices, as guidance for price and wage expectations was only sought in past inflation developments rather than in the intentions of the central bank. By contrast, well-anchored expectations in price and wage setting can break this potentially formidable propagation mechanism and restore equilibrating forces at an early stage of the process.

Central banks remain powerful even when the monetary policy accommodation delivered through conventional channels is exhausted. First, the influence of monetary policy actions on the economy cannot be summarised by their changes to the very short-term interest rates. Instead, interest rates at longer maturities are far more relevant to spending and investment decisions of households and businesses. The crucial link between policy rates and longer-term interest rates is the formation of private sector expectations, which can be influenced by a central bank committed to price stability. Second, measures can also be taken to influence credit spreads and credit flows in conditions of very low short-term interest rates. Therefore, even if confronted with persistent downward risks to price stability, decisive actions together with a clear steering of expectations are of the essence in order to reaffirm the determination of the central bank to maintain price stability.

In the euro area, the assignment of monetary policy to an independent central bank with the primary objective of maintaining price

18 See in particular L. Christiano and C. Gust (2000), "The expectations trap hypothesis", *Economic Perspectives*, Federal Reserve Bank of Chicago, Vol. 25(2), pp. 21-39.

19 A. Beyer, V. Gaspar, C. Gerberding and O. Issing (2009), "Opting out of the Great Inflation: German monetary policy after the breakdown of Bretton Woods", ECB Working Paper No 1020.

stability, the quantitative definition of price stability and the medium-term orientation of the ECB's monetary policy strategy constitute solid bulwarks against the destabilisation of inflation expectations. The credibility of the central bank in delivering price stability over the medium term is a precious asset in turbulent times. In times of crisis, the ECB acts as an anchor of confidence, allowing economic agents to make projections into the future with the assurance that their purchasing power will be preserved.

6 CONCLUSION

Monitoring and managing private sector expectations are at the core of modern central banking. Central banks must constantly keep in sight the medium-term policy-relevant horizon, taking into account the lasting significance of their decisions for expectations. In calibrating their actions, private sector expectations are of prime importance, not least because they have implications for current macroeconomic outcomes and the monetary policy transmission mechanism. The maintenance of price stability in many countries over almost two decades is partly due to the full recognition of the pivotal role of expectations in macroeconomic behaviour and monetary policy conduct.

The design of the monetary policy strategy of the ECB was based on the recognition of the role of expectations as a key determinant of macroeconomic outcomes. The ECB's monetary policy strategy provides a quantitative definition of price stability, which acts as a focal point for long-term private sector expectations, and has a clear medium-term orientation, thereby avoiding excessive activism and the introduction of unnecessary volatility into the real economy. The comprehensiveness of the analysis underlying the Governing Council's decisions, based on the two pillars of the strategy and reflected in the detailed communication on how its primary objective of price stability is systematically pursued, allows coordinated expectations among the general public and market participants of a predictable conduct of monetary policy. This has far-reaching favourable implications for the dynamics of expectations over the cycle and for the success of monetary policy in delivering price stability.

Monetary policy-making faces formidable future challenges. The current financial crisis calls into question the wisdom of ignoring unreasonable expectations embedded in asset prices and may call for a reinforcement of strategic mechanisms beyond a quantitative price stability objective. The ECB, notably through the monetary analysis of its monetary policy strategy, is well placed to detect a build-up of asset price misalignments at an early stage while actual and expected inflation remain under control.

FIVE YEARS OF EU MEMBERSHIP

Five years ago, on 1 May 2004, the European Union (EU) welcomed ten new Member States. On 1 January 2007, a further two countries – Bulgaria and Romania – joined the EU. After reviewing some institutional aspects concerning euro area integration, this article describes key macroeconomic and structural features of the 12 countries concerned, putting developments into perspective since EU accession. Many of the countries referred to above have made significant progress in terms of "catching-up" on various levels and in strengthening their potential for integration in the euro area. Four of these countries – Cyprus, Malta, Slovenia and Slovakia – have already adopted the euro. The other countries are still faced with some important challenges with a view to ensuring sustainable convergence with the euro area.

1 INTRODUCTION

Five years ago, the EU grew from 15 to 25 countries in what was the biggest enlargement since its foundation. The Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia joined the EU on 1 May 2004. On 1 January 2007, the most recent enlargement of the Union, involving Bulgaria and Romania, led to the EU in its current composition.[1] Upon their accession to the EU, these 12 countries (hereinafter New Member States or NMS) assumed – in a strict legal sense – the same rights and obligations as all EU Member States, thereby participating in EMU with the status of a "Member State with a derogation", which implies that they are committed to preparing for euro area participation, under the conditions set out by the Treaty establishing the European Community.

Following their accession to the EU, the NMS have to regard economic policies as "a matter of common concern" (Article 99 of the Treaty) and take part in the EU policy coordination and surveillance procedures, which relate in particular to the relevant provisions of the Stability and Growth Pact and the excessive deficit procedure. Furthermore, upon accession, the central banks of the NMS joined the European System of Central Banks and their governors became members of the General Council of the ECB.

Since their accession to the EU in 2004, four countries − namely Cyprus, Malta, Slovenia and Slovakia − have met the convergence criteria specified in the Treaty and adopted the euro at different points in time. Consequently, the national central banks of these four countries have joined the Eurosystem and their governors have become members of the Governing Council of the ECB. The remaining eight NMS are still in the process of further advancing convergence and preparing for the adoption of the euro.

This article reviews several institutional and economic features related to the enlargement of the EU. The following section describes some institutional aspects concerning the process of integration of the NMS in the euro area. While Section 3 describes key macroeconomic and structural features of the 12 countries concerned, Section 4 elaborates on the main challenges that the NMS are likely to face, to different degrees, in the catching-up phase. Finally, Section 5 provides the concluding remarks.

2 THE ROAD TO THE EURO: THREE DIFFERENT STEPS

Progress towards the adoption of the euro following EU accession should be seen as a continuous process, which is divided institutionally into three main steps: (i) EMU membership with a derogation; (ii) participation in the European exchange

1 See the article entitled "The EU economy following the accession of the new Member States" in the May 2004 issue of the Monthly Bulletin and the article entitled "The enlarged EU and euro area economies" in the January 2007 issue of the Monthly Bulletin.

rate mechanism (ERM II); and (iii) full EMU membership and the adoption of the euro, following the fulfilment of specific economic and legal conditions.

As “Member States with a derogation”, the NMS have to treat their exchange rate policy, which remains a national competence, “as a matter of common interest” (Article 124 of the Treaty). When deemed appropriate, they can enter ERM II subject to a common agreement on the central rate for their currency against the euro, with a standard fluctuation band of ±15%. ERM II provides a stability-oriented framework supporting the convergence process and helping to anchor the currencies of the participating countries in the run-up to adoption of the euro. Only a sufficiently long period of participation in ERM II (the Treaty foresees participation of at least two years before the assessment of convergence), maintaining stable exchange rates, allows a reliable test of how the economy functions under conditions that are relatively similar to those in operation after adoption of the euro.

Owing to differences in the state of economic convergence and other country-specific circumstances, it is natural that countries follow different convergence paths.

Over the last five years, seven of the twelve NMS have joined ERM II. On 28 June 2004, the Estonian kroon, the Lithuanian litas and the Slovenian tolar entered the mechanism. In the case of Estonia and Lithuania, it was then agreed that their currencies could join with their existing currency board arrangements in place, as a unilateral commitment, thus placing no additional obligations on the ECB. On 2 May 2005, the Cyprus pound, the Latvian lats and the Maltese lira entered ERM II. While the Maltese authorities declared their intention to maintain the exchange rate of the Maltese lira at the central rate as a unilateral commitment, the Latvian authorities declared that they would maintain the exchange rate of the lats at the central rate with a ±1% fluctuation band as a unilateral commitment. Finally, on 28 November 2005, the Slovak koruna entered ERM II. In each case, the agreement on participation of these currencies in ERM II was based on a firm commitment by the respective national authorities to implement policies aimed at preserving macroeconomic stability and ensuring the sustainability of the convergence process.

Following the two-year minimum period of participation in ERM II, a country can, in principle, adopt the euro, if it has achieved a sufficiently high degree of sustainable convergence. This is assessed using the convergence criteria listed in the Treaty. The criteria refer, in particular, to inflation developments, long-term interest rates, exchange rate stability and the fiscal position in terms of general government deficit and debt. On the basis of these criteria, the European Commission and the ECB examine the degree of sustainable convergence achieved by each Member State. In addition, they look at the compatibility of each Member State’s national legislation, including the statute of its national central bank, with the Treaty provisions and the Statute of the ESCB. Taking into account these assessments, the Council decides, acting by qualified majority on a recommendation from the Commission, after consulting the European Parliament and after discussion in the Council, meeting in the composition of the Heads of State or Government, whether or not to abrogate the derogation of the Member State concerned.

Following the procedures laid down in the Treaty, Slovenia was the first NMS to qualify to adopt the euro and on 1 January 2007 it became the 13th member of the euro area. Similarly, following positive assessments of sustainable convergence, Cyprus and Malta joined one year later. The latest country to have joined the euro area is Slovakia, which adopted the euro on 1 January 2009.

3 CONVERGENCE AND INTEGRATION[2]

3.1 GROWTH PATTERNS AND PER CAPITA INCOME

By the time of EU accession, significant progress towards macroeconomic stabilisation had been made in all NMS and a wide range of growth-enhancing structural reforms had already been implemented. After joining the Union, most of the NMS continued to experience robust economic expansion, which had, in part, been spurred by the prospect of accession. This, together with the high degree of trade and financial integration within the EU and the relatively low per capita income levels prevailing in most NMS, facilitated large capital inflows, attracted by expectations of high returns. Expectations of rapidly increasing income and wealth levels, based on ongoing productivity gains and a significant tightening in labour markets, also encouraged household borrowing to finance consumption spending. In addition, output growth in the NMS was supported by external conditions, in terms of both robust external demand and favourable financial conditions for external funding. Moreover, the NMS received substantial EU structural funds. Consequently, following EU accession, output growth accelerated notably in almost all NMS (see Chart 1). The main exception was Hungary, where GDP growth rates actually declined, reflecting the adjustment costs the country had to pay for excessively loose fiscal policies in the first half of this decade.

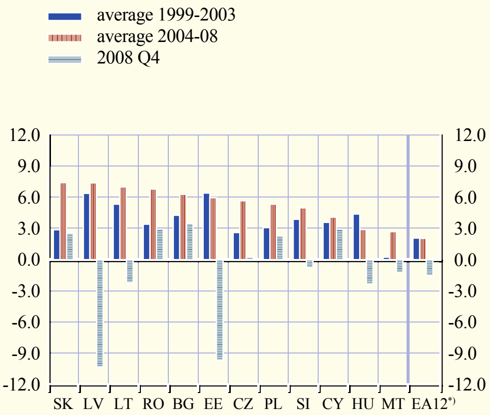
In the course of 2008, however, this trend of rapid economic expansion in the NMS came to a halt in the context of the global financial crisis, which exacerbated the cyclical economic slowdown that was already taking place in many NMS. The slowdown in growth was particularly severe in those countries that had previously experienced the highest growth rates – most notably the Baltic States, which saw a sharp contraction in output. In the remaining countries, output growth also declined notably in the course of 2008.

The relatively strong growth performance in the NMS over recent years has generally contributed to a convergence in per capita income levels towards euro area levels. However, significant differences across countries exist. The catching-up with respect

2 The cut-off-date for the data included in this article is 14 April 2009.

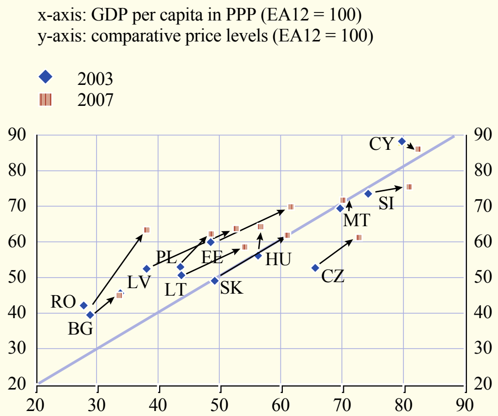
Chart 1 Real GDP growth

(annual percentage changes)



Source: Eurostat.
Note: NMS are ordered according to GDP growth rate over the period 2004-08, starting with the highest.
*) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.

Chart 2 GDP per capita income and price levels



Source: Eurostat.
Note: PPP stands for purchasing power parity.

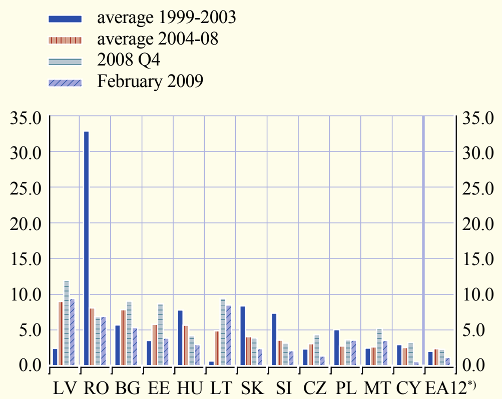
to the euro area was most pronounced in the three Baltic States, Romania and Slovakia, where per capita income levels have increased by 10 percentage points or more since 2004. By contrast, real convergence has virtually progressed no further in Cyprus, Hungary and Malta since these countries joined the EU. Overall, in 2008 GDP per capita income levels in the NMS remained generally well below those in the euro area, ranging from around 34% of the euro area average in Bulgaria to above 80% in the case of Cyprus and Slovenia (see Chart 2).

3.2 INFLATION DEVELOPMENTS

With the exception of Romania, inflation had declined to single digit levels in all NMS by the time of EU accession (see Chart 3), although it remained relatively high in some countries (e.g. Hungary, Slovakia and Slovenia). Improved institutions, including central bank independence, and more stability-oriented macroeconomic policies supported this development. The broad moderation in the growth of food and energy prices in 2003-04 was an important factor that helped to maintain the disinflation gains achieved by most NMS, given the relatively large weight of these two components in the consumption basket of these countries (on average around 43% of the total). Furthermore, enhanced liberalisation of product and labour markets, strong competition – notably from emerging Asia – and the overall impact of globalisation also contributed to containing inflation in many NMS. In some countries with flexible exchange rates, price increases were also partly dampened by an appreciating currency, especially in the Czech Republic, Romania and Slovakia. At the same time, the gradual liberalisation of administered prices and changes in indirect taxes that were implemented following EU accession represented a factor contributing to inflation (and inflation volatility) in many NMS. Overall, annual HICP inflation remained broadly contained in 2005-06 in most NMS. However, along with robust output growth and, in some cases, insufficiently tight fiscal policies,

Chart 3 Harmonised index of consumer prices

(annual percentage changes)



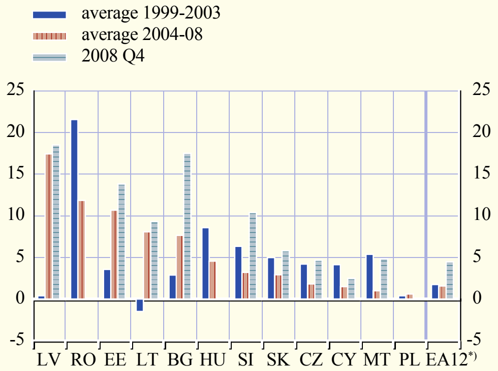
Source: Eurostat.
Note: NMS are ordered according to average inflation rate over the period 2004-08, starting with the highest.
*) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.

there were increasing signs towards the end of 2006 that the process of disinflation had come to a halt in several NMS.

Indeed, by mid-2007 significant inflation pressures had emerged in most NMS, with inflation rising to double-digit levels in some countries (e.g. the Baltic States and Bulgaria). Both domestic and external factors were responsible for this development. On the domestic side, strong domestic demand, underpinned by robust growth in disposable income, large inflows of foreign direct investment and, importantly, monetary factors, such as low real interest rates and buoyant credit growth, contributed to these pressures. Moreover, the rapid tightening of the labour market, exacerbated by labour outflows to other EU countries, contributed to rapid increases in wages, often significantly above labour productivity growth, leading to high growth in unit labour costs particularly in the fastest growing economies (see Chart 4). Under such circumstances, capacity constraints and signs of overheating emerged in many countries, notably in the Baltic States, Bulgaria and Romania. As for the external factors, the rapid increase in energy and food prices since mid-2007 was a main contributor. Overall, HICP inflation followed a

Chart 4 Unit labour costs

(annual percentage changes)



Source: Eurostat.
Note: NMS are ordered according to average growth in the unit labour cost over the period 2004-08, starting with the highest. Quarterly data are not available for Hungary, Poland or Romania.
*) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.

broadly upward trend until mid-2008. Thereafter, the sharp decline in commodity prices, the deterioration in the global economic outlook and the significant output adjustment in many NMS supported a decline in HICP inflation. In early 2009, in all NMS except Cyprus, HICP inflation remained above – and in some cases significantly above – the euro area average.

For a full understanding of inflation developments in the NMS relative to those in the euro area, it is also important to consider differences in price levels. Increasing integration of markets in the euro area and the process of catching-up in real income should generally bring about – through goods market arbitrage and the gradual narrowing of productivity differentials – convergence of price levels across a relatively large range of goods of identical characteristics. This convergence process can be a potential source for lasting inflation differentials between the NMS and the euro area and needs to be taken into account when designing monetary and exchange rate policies for the convergence process and when deciding on the appropriate time for adopting the euro. Notwithstanding some data limitations, differences in price levels between the euro area and the NMS are generally quite sizeable, with significant differences across individual NMS. Price differentials in 2007 ranged from 86% of the euro area average in Cyprus to 45% in Bulgaria (see Chart 2). Price differentials tend to be larger, the wider the gap of GDP per capita income between the NMS and the euro area. Moreover, Chart 2 suggests that in 2007 price level convergence was more advanced than per capita income convergence in all NMS, with the notable exception of the Czech Republic and, to a lesser extent, Slovenia.

Overall, it appears that further real convergence with the euro area will bring about significant increases in price levels in the NMS. Such convergence will entail a sizeable real exchange rate appreciation of the NMS currencies against the euro. This implies an important policy choice for the monetary authorities of the countries involved so as to strike the appropriate balance between nominal exchange rate appreciation and positive inflation differentials vis-à-vis the euro area. This balance may change over time depending on the specific features of each individual country on the path to adopt the euro. Overall, however, and in line with the Treaty, the maintenance of price stability needs to provide the focal point around which any monetary policy strategy should be designed. By anchoring inflation expectations, price stability contributes to sustainable convergence in nominal wages, thereby preserving competitiveness over the medium term and limiting the risks of excessive output and asset price volatility.

3.3 LABOUR MARKET DEVELOPMENTS

Robust growth in the years before and after EU enlargement contributed to a significant increase in labour demand in most NMS. Consequently, unemployment has declined strongly in the NMS since 2004, including significant declines in youth unemployment. With the exception of Slovakia, unemployment rates were below the euro area level in 2008 (see Table 1). This fall in unemployment mainly reflected robust employment growth. Employment rates have increased in the NMS since 2004, with the exception of Hungary, where the employment rate has stagnated in recent years. Notwithstanding this improvement, employment rates remained below euro area levels in 2008, except in the Czech Republic, Estonia, Cyprus, Latvia and Slovenia.

Developments in labour market participation rates have been more heterogeneous across the NMS. While the participation rate has increased in the majority of the NMS since 2004, it has fallen slightly in the Czech Republic, Lithuania, Poland and Slovakia. Although the participation rate of Estonia, Cyprus, Latvia and Slovenia was higher than that of the euro area in 2008, some NMS (e.g. Hungary, Malta, Poland and Romania) still had participation rates significantly below the euro area level.

In addition to the relatively low participation rates in some countries, the high incidence of long-term unemployment and the significant regional disparities in unemployment rates suggest that labour market mismatches and structural rigidities remain in a number of NMS.

As a result of many years of strong growth, a large number of NMS have experienced significant labour shortages. Labour shortages have been particularly significant in certain sectors, such as the construction sector, which has experienced a boom in demand. The sector-specific labour shortages have been exacerbated by a significant labour outflow in a number of countries.[3] According to Eurostat data[4], in particular Bulgaria and Romania, and to a lesser extent, Latvia, Lithuania and Poland have experienced significant net labour outflows relative to total population. Interestingly, the net labour outflows appear to have been much more significant during the five years before 2004 than afterwards. Moreover, some NMS have actually experienced labour inflows since 2004. In particular, Cyprus has attracted very significant labour inflows and, although to a much lesser extent, the Czech Republic, Malta, Hungary, Slovenia and Slovakia recorded net positive migration flows in the period between 2004 and 2007. This indicates that the accession

3 See Heinz, F., and M. Ward-Warmedinger (2006), "Cross-border labour mobility within an enlarged EU", ECB Occasional Paper No 52.

4 The measurement of cross-country labour flows is associated with a high degree of uncertainty and available data can, therefore, only provide a rough indication of actual labour movements. The comparability of data across countries is, in addition, complicated by the fact that no commonly agreed statistical definition of migration exists.

Table 1 Labour market performance

(percentage)

	Unemployment rate			Employment rate 1)			Participation rate 2)		
	1999	2004	2008	1999	2004	2008	1999	2004	2008
Bulgaria	13.3*)	9.8	4.8	50.4*)	54.2	63.8	60.7*)	61.8	67.8
Czech Republic	6.2	6.4	3.7	65.6	64.2	66.5	72.0	70.0	69.6
Estonia	9.3	7.5	3.6	61.8	63.0	69.9	70.0	70.0	73.5
Cyprus	5.1*)	4.8	3.9	63.7	69.1	70.8	63.7	72.6	73.6
Latvia	11.2	8.4	5.4	58.6	62.3	69.4	68.4	69.7	74.5
Lithuania	11.5	9.5	3.9	61.4	61.2	64.5	72.2	69.1	68.0
Hungary	5.1	4.8	6.3	55.6	56.8	56.6	59.8	60.5	61.4
Malta	6.4	7.2	6.0	54.5*)	54.0	55.3	58.2*)	58.2	58.8
Poland	9.2	14.2	5.5	57.5	51.7	59.0	65.8	64.0	63.7
Romania	4.7	5.7	4.2	63.2	57.7	59.3	68.4	63.0	63.2
Slovenia	7.6	6.5	4.5	62.2	65.3	68.5	67.3	69.8	71.7
Slovakia	16.4	18.3	9.8	58.1	57.0	62.0	69.5	69.7	68.8
EA12 3)	10.4	9.2	7.4	60.2	62.9	66.2	67.1	69.2	71.5

Source: Eurostat.
1) Employment rate is defined as percentage of employed people in total labour force (working age population which is actively employed or looking for work).
2) Participation rate is defined as the ratio of the sum of employed and unemployed over the total working-age population.
3) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.
*) Refers to 2000.

to the EU increased the attractiveness of the NMS as places to work.

The labour inflows (both to some of the NMS and to a number of old Member States) during the years of the upswing helped to alleviate labour market mismatches and decrease wage pressures. At the same time, labour outflows in a number of NMS contributed to sector-specific labour shortages and wage and inflationary pressures. However, migration has also had beneficial effects for these countries. For instance, in some of the NMS (notably Romania), workers' remittances have been a significant source of financing. In the long run, the balance of positive and negative effects for the countries with net labour outflows depends mainly on whether labour migration is primarily temporary or permanent. Returning migrants may give a boost to economic growth by bringing in capital, skills and new ideas acquired abroad. This may offset the initial losses of human capital caused by the loss of some part of the young labour force.

Restrictions on labour mobility from the NMS to the other EU Member States still prevail in some countries, in contrast with one of the central principles of the EU: the free movement of labour. These restrictions may decrease the efficient use of labour resources in the face of demographic change and globalisation and hamper an important adjustment mechanism within the euro area.

3.4 PUBLIC FINANCES

Public finances exhibited considerable differences across the NMS in terms of both the initial budgetary situation in 2004 as well as budgetary developments. As regards general government budget balances, in 2004 only Bulgaria and Estonia had achieved budgets in balance or surplus, while the remaining NMS recorded budget deficits (see Table 2). In the Czech Republic, Cyprus, Hungary, Malta and Poland, these deficits were at or above the reference value of 3% of GDP. With 6.4% of GDP, Hungary recorded the largest budget deficit in 2004, which rose even further, to 9.3% of GDP, by 2006. By 2007, budget balances had improved in all countries compared with 2004, reflecting not only consolidation efforts but also the favourable economic environment.[5] However, the rapid economic downturn in 2008 showed that several countries had failed to make

5 At the end of 2008, Hungary was the only country that was subject to an EU Council decision on the existence of an excessive deficit. In other NMS, excessive deficit procedures had been abrogated (for Cyprus and Malta in 2007 and for the Czech Republic, Poland and Slovakia in mid-2008).

Table 2 General government fiscal position

(percentage of GDP)

	Budget balance				Gross debt		
	average 1999 – 2003	2004	2006	2008	average 1999 – 2003	2004	2008
Bulgaria	-0.2	1.6	3.0	3.2	64.1	37.9	13.8
Czech Republic	-5.3	-3.0	-2.7	-1.2	23.7	30.4	27.9
Estonia	-0.4	1.7	2.9	-2.0	5.4	5.0	4.3
Cyprus	-4.0	-4.1	-1.2	1.0	62.3	70.2	48.1
Latvia	-2.5	-1.0	-0.2	-3.5	13.4	14.9	16.0
Lithuania	-2.6	-1.5	-0.4	-2.9	22.6	19.4	17.1
Hungary	-5.7	-6.4	-9.3	-3.3	55.9	59.4	71.9
Malta	-7.1	-4.7	-2.3	-3.5	60.9	72.1	63.3
Poland	-4.3	-5.7	-3.8	-2.5	40.7	45.7	45.5
Romania	-3.2	-1.2	-2.2	-5.2	23.9	18.7	15.2
Slovenia	-3.0	-2.2	-1.2	-0.9	26.8	27.2	22.1
Slovakia	-7.4	-2.3	-3.5	-2.2	46.6	41.4	28.6
EA12 1)	-1.9	-2.9	-1.3	-1.7	68.5	69.5	68.7

Source: European Commission's January 2009 Interim Forecast.
1) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.

sufficient use of the favourable conditions to create budget surpluses and entered less favourable times lacking fiscal leeway. In some countries, fiscal balances deteriorated sharply in 2008, reflecting loose policies and the impact of the economic cycle.

With regard to general government gross debt, the large differences across countries that existed in 2004 continue to persist. In 2004, Cyprus, Hungary and Malta exhibited gross debt ratios at or above the reference value of 60% of GDP, while in the Baltic States and Romania they stood at low levels below 20% of GDP. Over the last five years, owing mainly to strong growth performance, debt-to-GDP ratios declined in most NMS. Only in Hungary and Latvia did the debt ratio rise during this period – by 12.5 percentage points and by around 1 percentage point respectively. The Czech Republic, Latvia, Hungary and Romania had in 2007 relatively high shares of short-term debt (i.e. debt with a maturity up to and including one year) in total government debt and thus tended to be more exposed to declining capital inflows. At the same time, some countries had relatively high shares of foreign currency denominated debt in total debt, which is mostly denominated in euro, making them vulnerable to potential national currency devaluations.[6]

In an economic environment characterised by strong "catching-up" dynamics, fiscal policies have to be geared, in particular, towards supporting sustainable growth and containing inflationary pressures. Against the background of low stocks of public capital and large investment needs regarding, inter alia, infrastructure and education, many of the countries aimed to shift their public expenditure structures towards productivity-enhancing categories, thereby raising their capital expenditure-to-GDP ratios. This was supported by sizeable EU funds offered under the EU's cohesion policy, with allocations amounting, on average, to more than 2% of these countries' GDP in 2007 and 2008.[7]

At the same time, several NMS aimed to raise potential growth by pursuing reforms in their tax and benefit systems. These entailed lower tax wedges on labour to enhance work incentives and thus reduce work in the shadow economy and raise labour supply. Several countries simplified their income tax systems, often introducing flat-rate systems and broadening tax bases.[8] Several countries reformed their social security systems mainly in the areas of old-age pensions and health care. At the end of 2008, mandatory funded pension pillars existed in most NMS, namely Bulgaria, the Baltic States, Hungary, Poland, Romania and Slovakia. This notwithstanding, against the background of ageing populations, an increase in total age-related public spending is projected in the coming years for most NMS, posing a challenge for the sustainability of current pension systems.[9]

Overall, with strongly rising real GDP growth and accelerating inflation in many countries, it has become obvious that fiscal policies were often insufficiently tight to contain the emerging macroeconomic imbalances. In many countries, public wages have risen at a significantly faster pace than productivity growth. Moreover, with regard to budget frameworks, the behaviour of public expenditure during the year points to weaknesses in budget implementation. Windfall revenues or saved resources from other areas tend to be spent at year-end, inducing a tendency towards pro-cyclical spending and risking an inefficient allocation of scarce public funds. In a similar vein, the accumulation of reserve funds that can be spent without further parliamentary

6 See the ECB's Convergence Report of May 2008.
7 Excluding Cyprus and Malta. EU fund allocations differ from actual payments and tend to increase towards the end of the planning period due to "teething problems" at the start of the period. For further details, see, for example, Kamps, C., N. Leiner-Killinger and R. Martin (2009) "The cyclical impact of EU cohesion policy on fast growing EU countries", Intereconomics, Vol.1.
8 See the box entitled "Flat taxes in Central and Eastern Europe" in the September 2007 issue of the Monthly Bulletin.
9 Economic Policy Committee and European Commission (2006), "The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)".

approval also raises the risk of pro-cyclical fiscal policies.

At the end of 2008, Hungary and Latvia received financial support from, inter alia, the IMF and the EU as they were faced with rising difficulties in meeting external financing needs. In March 2009, the Romanian government also announced that the country was in need of international financial assistance. By the end of that month, the Romanian authorities had reached a staff level agreement with the IMF as part of a coordinated financial support package involving the EU and other multilateral financial institutions. Fiscal policies that failed to convince investors in terms of their capacity to contain macroeconomic and financial imbalances (Latvia and Romania) or of their capacity to ensure the long-term sustainability of public finances (Hungary) contributed to these developments.

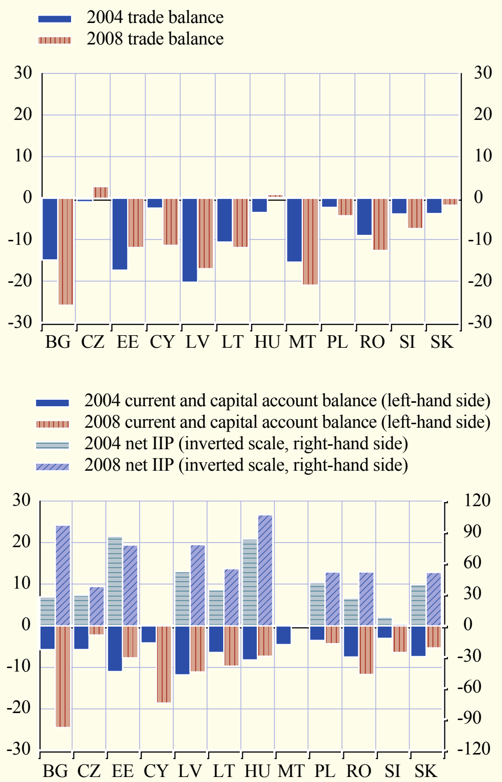
3.5 TRADE DEVELOPMENTS AND INTEGRATION

Since 2004, trade in the NMS has expanded considerably and the majority of these countries have significantly increased their market share in world exports. However, despite strong export performance, buoyant domestic demand has contributed to large trade deficits in the NMS over the last five years, especially in countries with fixed exchange rate regimes (see Chart 5). The unfolding financial crisis and contracting growth resulted, in the meantime, in partial reversals in import dynamics, contributing to the narrowing of trade deficits in the course of 2008 in many NMS, particularly the Baltic States.

As regards the product structure of exports, goods continue to dominate strongly over services in the vast majority of countries, notwithstanding some heterogeneity. Some economies, such as the Czech Republic, Lithuania and Slovakia, have tended to increase further the share of goods in their exports, whereas others have expanded more in services. The latter pattern was visible in Romania and, to a greater extent, in Malta, where exports of services surpassed exports of goods in 2008.

Chart 5 Balance of payments and external position

(percentage of GDP)



Sources: Eurostat and ECB calculations.
Note: No current account balance data for 2008 are available for Malta. Net IIP data are for September 2008 in all countries, with the exception of Cyprus and Malta, for which data are not available.

Trade specialisation patterns have also changed over the last five years, with diverse developments across countries. With the exception of Bulgaria and Lithuania, trade specialisation, as measured by the Herfindahl Index,[10] has tended to decrease somewhat in the NMS. Slovenia stands out as a country with exports highly concentrated in a small number of industries, although the export base appears to have also become more diversified over recent years. Other countries with relatively high levels of specialisation are Cyprus, Lithuania and Slovakia.

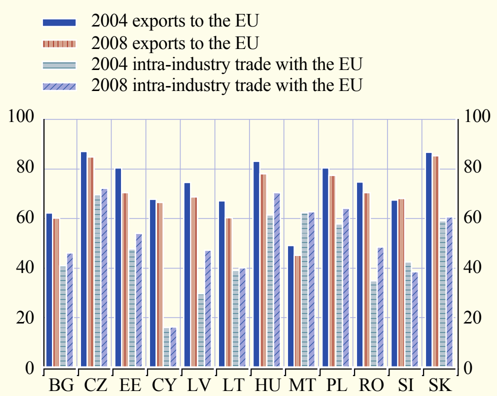
10 The Herfindahl Index is a concentration measure, computed for each country and each year as a sum of squared export shares over all industries within one country, based on SITC-3 data.

With regard to geographical trade patterns, the composition of NMS exports has shifted to a greater extent towards non-euro area[11] markets over the last five years, both within and outside the EU. In particular, in most countries the share of exports to other NMS in overall exports has increased. For many economies, the importance of export markets outside the EU has also increased considerably. Notwithstanding this trend, for the vast majority of NMS exports to the EU continue to dominate over exports to other destinations (see Chart 6).

Turning to the characteristics of trade linkages, in a number of NMS, and particularly in Latvia and Romania, the importance of intra-industry trade has increased since EU accession (see Chart 6). Intra-industry trade appears to be especially important in the Czech Republic, Hungary, Malta and Poland, while it plays a relatively small role in the case of Cyprus. With the exception of Slovenia, intra-industry trade is especially prevalent in trade relationships with other EU countries, whereas trade outside the EU is concentrated more in inter-industry trade. Within the EU, intra-industry trade is even more important for trade among the 12 NMS themselves than for trade between the NMS and the euro area.

Chart 6 Trade developments and integration

(percentage*)



Sources: Eurostat and ECB calculations.
Note: Intra-industry trade based on the Grubel-Lloyd index for SITC-3 data.
*) Exports to the EU as a percentage of total exports; intra-industry trade to the EU as a percentage of total trade with the EU.

3.6 FINANCIAL SECTOR DEVELOPMENTS AND INTEGRATION

The process of European integration has greatly facilitated the channelling of funds between the euro area and the NMS. Indeed, the massive inflows of private capital into the region have played a key role in the convergence of the NMS towards higher living standards. While all NMS have been running current account deficits, the extent of reliance on external financing and the structure of financing has varied considerably across economies.

As regards the structure of financing, the Czech Republic, Poland and Slovakia have financed their current account deficits primarily through foreign direct investment inflows, whereas some other countries – the Baltic States in particular – have relied heavily on debt financing, mostly in the form of loans from parent banking institutions. This has, in turn, been reflected in the strong growth in these economies' levels of indebtedness. In all NMS, however, the banking sector has played a vital role in intermediating capital inflows, quickening the pace of financial deepening. Between 2001 and 2007, for instance, the share of assets of branches and subsidiaries of credit institutions belonging to EU Member States in total bank assets in the NMS increased, on average, from 40% to 78%, rising above 90% in the Czech Republic, Estonia and Slovakia.

Since EU accession, the extensive use of foreign financing has often resulted in a significant deterioration in the net international investment position (IIP). In many NMS, the negative net IIP exceeded 50% of GDP in September 2008, reaching 100% of GDP in the case of Hungary; only Slovenia experienced a broadly balanced net IIP (see Chart 5). The availability of foreign funds has fuelled the credit expansion in all

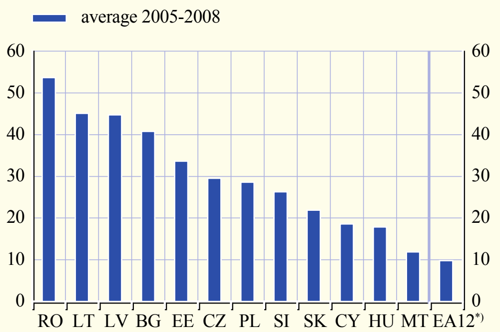
11 The euro area aggregate relates to the 12 EU Member States that had adopted the single currency before 2004.

countries in the region, sometimes contributing to stock or housing price bubbles. The annual growth of credit to the private sector has exceeded, on average, 30%, with significant cross-country differences (see Chart 7).[12] At the same time, a growing share of loans denominated in foreign currency has become an important characteristic of bank lending in the NMS, ranging from more than 80% of total loans in Estonia to less than 10% in the Czech Republic.[13] The heavy reliance on un-hedged borrowing in foreign currency involves risks for financial stability in the countries concerned, as it implies that any large exchange rate depreciation would have an adverse effect on household and corporate balance sheets, reducing their capacity to serve their debts and increasing the probabilities of loan defaults.

In many NMS, current account deficits are a normal feature of the "catching-up" process to the extent that they reflect favourable investment opportunities and inter-temporal consumption smoothing (see Chart 5). Some of the persistent, very large current and capital account deficits have, however, also been driven by buoyant domestic demand and benign global financing conditions. The onset of the global financial turmoil in 2008 and its spillover to the real economy led to both a significant slowdown in domestic demand growth and a greater reluctance on the part of international investors to lend capital, thereby contributing to a narrowing of deficits in some NMS. This notwithstanding, difficulties in financing the existing large imbalances created acute balance of payments crises in some countries leading to the previously mentioned support programmes of the IMF and the EU in the cases of Hungary, Latvia and Romania.

Chart 7 Credit to the private sector in the NMS

(annual percentage changes; annual averages of monthly data)



Source: ECB.
Note: Data for 2004 are only available for Czech Republic, Latvia and Hungary. Data for 2005 are not available for Cyprus, Malta and Slovakia. Data for 2006 are not available for Slovakia.
*) Euro area aggregate comprises the 12 EU Member States that had adopted the single currency before 2004.

Turning to bond markets, government bond markets in some countries have, since the end of the 1990s, also experienced substantial growth on the back of public financing needs and the commitment of the respective governments to establish key components for local bond market development. Compared with those in the euro area countries, most of the bond markets in the NMS are relatively small and illiquid, notwithstanding a more than doubling of the ratio of outstanding government bonds relative to GDP between 2000 and 2007.

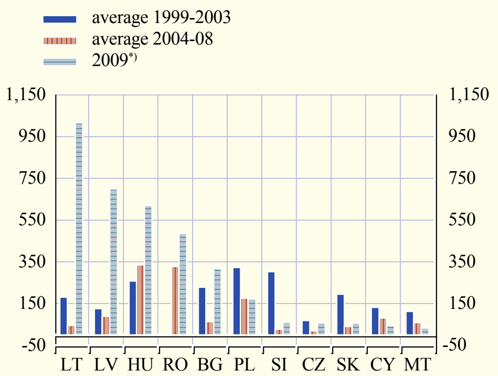
As regards long-term interest rates, since accession government bond yields of most NMS have fluctuated around a declining trend. In 2007 spreads ranged from 15 basis points in the Czech Republic to more than 300 basis points in Romania and Hungary. Since mid-2007, bond markets have been affected by the global financial crisis, when a general increase in investors' risk aversion, as well as portfolio changes motivated by flight-to-safety considerations, strongly reduced the demand for local government bonds. In addition, the deterioration in macroeconomic conditions and increased differences in perceived credit

12 The rapid expansion of credit is strongly related to the initial levels of financial deepening of the NMS. In most NMS, the stock of credit is still low compared with their income levels and relative to the levels that would prevail if per capita income continued to converge towards euro area levels.

13 Interest rate differentials between local and foreign currency are an important determinant of the choice of borrowing in domestic versus foreign currency. In addition, the credibility of the underlying currency regime and expectations regarding exchange rate movements and inflation differentials play an important additional role together with national characteristics. See Rosenberg, C. and M. Tirpák (2008), "Determinants of foreign currency borrowing in the new Member States of the EU", IMF Working Paper No 173.

Chart 8 Long-term government bond spreads against euro area

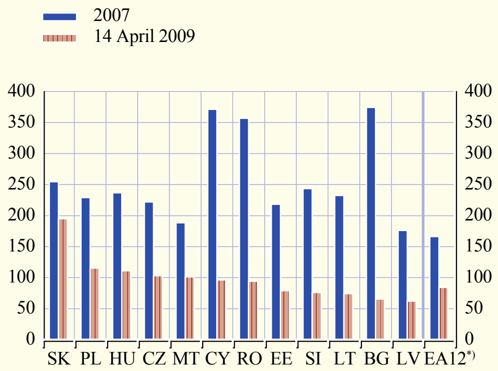
(basis points; annual averages of monthly data)



Source: ECB.
Note: NMS are ordered according to average spread in 2009, starting with the highest.
*) Average to March 2009.

Chart 9 Stock price indices

(indices rebased to 100 on 30 April 2004; end-of-period data)



Sources: Bloomberg, Thomson Reuters and ECB calculations.
Note: NMS are ordered according to stock price index performance between 30 April 2004 and 14 April 2009, starting with the best performer.
*) Euro area aggregate is represented by the Dow Jones Eurostoxx index.

risks across countries pushed government bond spreads to historical peaks driving, for instance, differences across the NMS to more than 900 basis points in March 2009 (see Chart 8).

In parallel with the developments in bond markets, equity markets have also played an important role in supporting economic growth in the NMS since accession[14] by providing liquidity for listed companies as well as opportunities of high returns for local and foreign investors. However, the size of stock markets has remained relatively modest when compared with those in the euro area. At the end of 2008, Bulgaria, the Czech Republic, Poland and Slovenia had a stock market capitalisation of around 20% of GDP, while in the case of Hungary it was above 10%. The remaining non-euro area countries recorded a stock market capitalisation of less than 10%. Cyprus and Malta have much higher ratios, reflecting their more developed financial markets. In most countries, the ratio is well below the euro area level, which was around 38% at the end of 2008.

The accession of these countries to the EU attracted the interest of many investors worldwide, which was reflected in the strong performance of almost all indexes with respect to the euro area stock prices (see Chart 9). By mid-2007, stock market prices in all the NMS reached historically high levels. However, since then, significant declines, which accelerated in the context of the intensification of the financial crisis in the autumn of 2008, have taken place. By the end of 2008, stock markets had fallen by 60% on average in the NMS, with losses closer to 80% in Bulgaria.

4 CHALLENGES AHEAD

Looking ahead, the NMS are likely to face three main challenges in the run-up to the adoption of the euro, as well as in order to ensure smooth participation in the euro area once they have become full participants in EMU. These challenges relate to (i) ensuring macroeconomic stability, (ii) ensuring sound fiscal policies and (iii) making further progress with structural reforms.

14 See Iorgova, S. and L. Ong (2008), "The capital markets of emerging Europe: institutions, instruments and investors", IMF Working Paper Series No 103.

4.1 ENSURING MACROECONOMIC STABILITY

Recent years have seen much progress in real convergence among most of the NMS, but the progress differed significantly across countries. Hungary's convergence has stalled, as it is suffering from significant fiscal imbalances that have accumulated over time. In other NMS, too, events over recent years have shown that the catching-up process has not always been a smooth one. In this respect, several countries have been confronted with periods of overheating, characterised by large departures from price stability and wide external imbalances followed by periods of large output corrections. Large swings in asset prices have accompanied this process. A key challenge for all the countries in the region, therefore, is to ensure the continuation of real convergence in an environment of domestic price stability and sustainable macroeconomic developments.

As regards price stability, it is clear from the experience of the first few years of EU membership that for countries with a significant income gap compared with the euro area, pursuing an inflation targeting regime has been more conducive to keeping domestic inflation under control than pegging their exchange rates. This outcome is not surprising, since higher trend potential growth rates than in the euro area imply a gradual real exchange rate appreciation trend of the currencies of the NMS against the euro. Such real appreciation needs to materialise through inflation differentials, nominal exchange rate appreciation or a combination of both. Countries that have chosen to fix their exchange rates are therefore bound to record higher inflation rates than those who let their currencies appreciate. However, for countries that have opted to peg their exchange rates, there is also a risk that relatively low interest rates lead to excessive borrowing. This in turn may stimulate domestic demand and exacerbate inflationary pressures, eroding cost and price competitiveness over the medium term and contributing to large external deficits. Furthermore, such low interest rates imply the risk of triggering unsustainable asset price developments. For countries that have opted for an inflation targeting strategy, it is, in principle, more straightforward to maintain price stability, since they retain autonomy over their domestic interest rates. However, in these countries, excessive nominal exchange rate volatility due to changes in investor sentiment and risk premia has also sometimes posed a challenge for the conduct of monetary policy.

Indeed, a key challenge facing all NMS is to absorb, in an orderly manner, the large capital flows that are attracted by the higher marginal return on fixed capital in these economies. The potentially disruptive effect of capital inflows largely depends on the structure and use of the external funding. To the extent that capital flows are geared towards enhancing potential output growth in the NMS and their long-term repayment capacity, capital inflows strengthen the fundamentals of the economy. However, in many NMS a significant part of capital inflows has taken the form of cross-border transactions that, supported by the process of financial deepening, have, until very recently, stimulated domestic credit growth used for consumption spending or speculative investment in the construction sector. Hence, in many countries the export base has not been significantly strengthened, while external funding has supported increased external debt ratios that make countries more vulnerable to changes in investor sentiment. In addition, in most NMS, large capital inflows have been coupled with strong increases in asset prices, in particular house prices. Furthermore, the large and increasing share of un-hedged borrowing in euro and other foreign currencies is of particular concern, as it increases the vulnerabilities of the private sector to exchange rate fluctuations. Although the rapid expansion of credit to the private sector from relatively low levels partly reflected the ongoing convergence process and structural improvements in the banking sector (i.e. privatisation and increased competition), it has posed a challenge to macroeconomic and financial stability during the catching-up phase.

The experience of the NMS over the past five years generally suggests that avoiding a temporary demand boom fuelled by capital inflows may be difficult. In order to achieve sustainable convergence, it is important that such external funding is not primarily used on resources aimed at serving domestic demand, but rather in the development of an export base of increasingly high added value. In addition, the conduct of sound monetary and fiscal policies, the implementation of structural reforms and improvements in the institutions and the business environment seem crucial for achieving and maintaining price stability and limiting the risks of excessive output fluctuations. In this respect, it is also important to contain the balance sheet risks in the economies concerned by keeping the exposure to asset price and foreign exchange rate fluctuations low.

4.2 ENSURING SOUND FISCAL POLICIES

As recent economic developments show, countries whose fiscal policies are not perceived as sound have been particularly adversely affected by the financial crisis. The fact that Hungary has continuously recorded excessive deficits since joining the EU in 2004 has undermined confidence in its fiscal policies and contributed to the economic challenges the country is facing at the beginning of 2009. It is thus decisive that the fiscal polices of the NMS are solidly anchored and comply with the Stability and Growth Pact by avoiding excessive deficits.

According to the European Commission's January 2009 Interim Forecast, budget deficits in 2009 are projected to be at or above the reference value of 3% of GDP in the Baltic States, Hungary, Poland and Romania. They are expected to reach very high levels of, for example, 6.3% of GDP in Latvia and 7.5% of GDP in Romania. Government debt ratios are projected to rise in the majority of the NMS, most dramatically in Latvia (by 14.4 percentage points in 2009). In the current situation of a shift in investor sentiment away from emerging market assets, deteriorating growth prospects and still prevailing macroeconomic imbalances in several countries, it is essential that fiscal adjustment be undertaken to support confidence in the soundness of public finances and the economy at large. This holds true, in particular, for those countries where fiscal vulnerability is compounded by external imbalances and where there has been a failure to achieve sufficiently high surpluses in good economic times. Countries with large budget deficits should, therefore, consolidate their public finances as soon as possible and ensure a sufficient safety margin to avoid breaking the 3% of GDP deficit limit, as required by the Stability and Growth Pact. For an effective reduction of their vulnerabilities to lower capital inflows, governments with debt refinancing risks associated with high shares of foreign currency denominated and/or short-term debt should start to adjust their debt structures accordingly.

Generally, in order to avoid excessive output fluctuations, fiscal policies should set ambitious medium-term budgetary objectives and create budget surpluses in good times to ensure sufficient room for manoeuvre in case an economic downturn sets in. In this respect, attention must be paid to not overestimating the strength of structural budgetary positions in times of fast growth.[15] Furthermore, in order to contain inflation, fiscal policies should pursue a sufficiently tight stance. Empirical evidence suggests that expenditure-based fiscal consolidation in these countries will tend to be more successful as it enhances the credibility of fiscal reforms.[16] In this respect, given the leading role of public wages for overall wage developments in some countries, it is important that public wage developments support competitiveness and contain inflation. Moreover, governments are well-advised to review pension and public wage indexation schemes to ensure that they do not raise public expenditure in times of declining growth and budgetary situations. Furthermore, the use,

15 In fast growing economies, the strength of the budgetary position, as measured by the structural balance, may be overestimated because of positive revenue surprises, which may be reversed in a downturn.

16 See Afonso, A., C. Nickel and P. Rother, "Fiscal consolidation in the Central and Eastern European Countries", 2006, *Review of World Economics*, Vol. 142, 2.

inter alia, of EU funds must not have a pro-cyclical effect in times of high growth.

Finally, more emphasis should be placed on implementing fiscal rules that ensure a sustainable development of public finances, including longer planning horizons, the implementation of constitutional debt limits that trigger budgetary adjustments in case the debt limit is reached, compliance with expenditure plans and performance budgeting. The global financial crisis, while posing substantial challenges for public finances, offers the chance for the fiscal policy framework to be adjusted so as to ensure that, where necessary, public finances function in a more sustainable manner during future downturns in the economy. Moreover, in order to ensure the long-term sustainability of public finances, reforms of social security systems should continue.

4.3 IMPLEMENTING STRUCTURAL REFORMS

Structural policies can make a significant contribution to sustained real convergence and competitiveness over the medium term. Labour market rigidities have contributed to the rapid tightening of labour markets in the NMS, exacerbating the risks of overheating and inflation pressures in the catching-up phase. Over the medium term, quality of education is essential for developing an economy oriented to the production of high added value goods and services. Similarly, growth bottlenecks are less likely to appear in an economy with highly liberalised product markets and a business environment that encourages competition and innovation.

Looking at the structural features of the NMS, it seems that in several respects, these countries do compare relatively well with the euro area and can be broadly considered as flexible. Wage bargaining in most NMS is highly decentralised and takes place at the company level, with a limited role being played by trade unions – features which are generally considered to be conducive to wage flexibility.

At the same time, the NMS face a number of structural challenges. While most of these challenges are rather country specific, some general problems can also be identified. In particular, a key deficiency of the labour markets in many NMS is high labour taxation and, partly as a consequence, a high tax wedge. A reduction in labour taxation could help the NMS to utilise untapped labour resources. The ability to decrease labour taxation is strongly linked with the efficiency of public finances. In general, fiscal policy should focus on improving the supply side of the economy to foster competitiveness and sustainable growth. This requires a strengthened focus on improving the quality and efficiency of public expenditure and tax and benefit systems in terms of enhancing productivity. In this regard, a thorough review of the use of EU funds with respect to improving their efficiency is also indispensable. More specifically, improving the responsiveness of the educational systems to the needs of the labour market and stronger emphasis on active labour market policies could ease skills mismatches in the labour markets of the NMS, thereby supporting job creation and growth.

In addition to the labour market and fiscal challenges, the NMS also have to address a number of issues to improve the effectiveness and flexibility of their product markets. In particular, the energy intensity of manufacturing is fairly high in a number of NMS. Improving energy efficiency is important for both supporting growth and increasing energy security (an aspect that appears to be increasingly important). Moreover, the NMS need to stimulate innovation and R&D activities, as spending on R&D tends to be much lower than the euro area average, mainly due to the lower involvement of the business sector in R&D spending. This phenomenon is partly the result of the fact that the export sector of most NMS is dominated by multinational companies that typically concentrate their research activities in their headquarters. Policies that encourage a higher involvement of the private sector in R&D would help the NMS to accelerate the transformation of their product structures towards higher value added products and services.

5 CONCLUSIONS

Five years on from EU accession, most NMS have significantly advanced their convergence with the euro area and have, at the same time, become increasingly integrated with the euro area. Following their accession, most of the NMS have continued the economic expansion on which they embarked, and the citizens of the NMS have seen their living standards increase. Supported by relatively high real GDP growth, notable declines in unemployment were recorded. The enlargement of the EU has also strengthened trade links between the NMS and the euro area, particularly as regards intra-industry trade. Yet, while trade with the euro area has increased notably, the NMS have also become more present in world markets. In addition, increased financial links with the euro area and further financial deepening and strengthening have played an important role in financing growth and current account deficits in the NMS.

Notwithstanding these significant achievements, the experience of the past five years also demonstrates that the progress was uneven across countries, reflecting, to a significant extent, important decisions made in the field of monetary, fiscal and structural policies. Indeed, the process of catching-up is not without risk. In particular, given the low starting point in terms of per capita income levels of many NMS, the absorbance of significant, potentially volatile capital inflows in the catching-up phase has posed a challenge. In fact, in several NMS, the strong expansion of the past years has been associated with the build-up of large external imbalances, which, in many cases, reflected overheating domestic demand conditions. In addition, in a number of countries, low domestic real interest rates and significant external funding has supported the expansion of credit growth, often coupled with strong increases in residential investment and asset prices, in particular house prices. A large and increasing share of borrowing taking place in euro and other foreign currencies has made the countries vulnerable to swings in foreign exchange rates.

The global financial crisis and rapid changes in investor sentiment towards the region has exposed the NMS to an increasingly challenging environment of rapid – and possibly disorderly – adjustment. The previous phase of favourable expansion was not used to push ahead with fiscal consolidation and to build up additional fiscal buffers that would have provided room to alleviate the ongoing output adjustment. Similarly, despite the increased flexibility in labour markets, high nominal wage growth has often contributed to eroding cost and price competitiveness in a number of countries. Without a correction of these trends, there are risks of setbacks in the convergence process.

Looking further ahead, following the achievement of a high degree of sustainable convergence with the euro area, all NMS eventually are expected to adopt the euro. Four of them have already done so. However, joining the euro area is not and should not be seen as the end of the road. In order to take full advantage of participation in the euro area and, in particular, to make such participation smooth it is essential that current and future euro area countries are well-equipped. The recipes for success are known and are not very different from what is needed anyway to succeed in an increasingly globalised world. The adoption of the euro will make the very close surveillance of the evolution of competitiveness indicators inside the euro area even more important. An appropriate strategy includes the pursuit of sound fiscal policies and prudent financial supervision based on close cooperation between home and host country supervisors. In addition, it is important to strengthen labour and product market institutions required to increase the flexibility in the wage and price formation process, and to develop institutions that encourage competition and investment in human and physical capital. Only by following those recipes will countries make the best progress to achieving sustainable convergence, thereby contributing, in the long run, to a dynamic and competitive enlarged euro area.

CREDIT RATING AGENCIES: DEVELOPMENTS AND POLICY ISSUES

Credit rating agencies play a vital role in global securities and banking markets. It is thus essential that they consistently provide ratings that are independent, objective and of the highest possible quality. Following the criticism voiced with regard to their role in creating the conditions for the processes that led to the unfolding of the financial crisis, the assessments made by various international and national bodies have triggered a policy debate about the need to strengthen the regulatory framework for credit rating agencies. This article reviews the main aspects of the policy debate and describes the most important developments relating to the regulatory treatment of credit rating agencies.

1 INTRODUCTION

The credit ratings produced by rating agencies are aimed at measuring the relative credit quality of companies and debt instruments. Such credit quality is understood to mean the ability to meet debt servicing obligations. The basic rationale behind using ratings is to achieve economies of scale in terms of the collection and analysis of information and to solve problems deriving from asymmetric information between issuers and investors (i.e. principal-agent problems).[1] The role and influence of credit rating agencies has expanded significantly over time. A large number of market participants have embedded credit ratings in their investment and credit assessment frameworks. At the same time, regulators have increasingly used rating-linked regulation. As the markets evolved and became more complex, credit rating agencies were expected to cover a wider range of markets and debt instruments. In this environment of growing financial innovation and expanding credit markets, the rating agencies were under considerable pressure to provide an ever increasing number of credit assessments without any loss of quality. In addition, most market participants, even the supposedly most sophisticated ones, did not undertake due diligence work, but rather outsourced their credit risk management to rating agencies and relied on them. In the aftermath of the sub-prime crisis in the United States, credit rating agencies were widely blamed for initial ratings of structured finance securities that did not reflect the true risks inherent in those securities. Indeed, rating agencies' models did not foresee the high level of delinquencies that materialised in US mortgage-backed securities, nor the inadequate design of liquidity support mechanisms for securitised transactions that, given their dependence on the rollover of debt issued by structured investment vehicles (SIVs), failed when conditions in the money markets worsened markedly. In addition, critics pointed to the poor surveillance of the deteriorating dynamics of the collateral pools backing mortgage-backed securities that had already been visible before the major dislocations occurred in the asset-backed securities markets in mid-2007. Commentators also highlighted conflicts of interest that were perceived to exist on account of the business models followed by rating agencies in which they provide issuers and financial intermediaries with advice at the stage when a transaction is structured, as well as the rating agencies' practice of being paid directly by the issuers or originators of securitised transactions.

Against this background, international and national authorities undertook a number of initiatives. At the international level, in May 2008 the International Organization of Securities Commissions (IOSCO) reviewed its Code of Conduct for credit rating agencies so as to strengthen its guidelines on the quality and integrity of ratings, as well as on credit rating agencies' independence and the avoidance of conflicts of interest. In the United States, the Securities and Exchange Commission (SEC) strengthened the regulatory framework with a view to better addressing issues such as managing concerns about conflicts of interest, improving transparency and making sure that the regulatory framework does not rely

1 F. González, F. Haas, R. Johannes, N. Persson, L. Toledo, R. Violi, M. Wieland and C. Zins, "Market dynamics associated with credit ratings, a literature review", *Occasional Paper Series,* No 16, ECB, Frankfurt am Main, June 2004.

excessively on ratings. In Europe, the European Commission, after a public consultation, adopted a legislative proposal for a regulation on 12 November 2008.

This article is aimed at providing an overview of the main policy initiatives under way and is structured as follows: Section 2 describes the regulatory developments that took place before the start of the financial crisis; Section 3 refers to the policy debate that was triggered by the financial crisis; Section 4 summarises the initiatives taken by the Eurosystem for the oversight of the credit rating agencies; and Section 5 concludes.

2 OVERVIEW OF THE REGULATORY DEVELOPMENTS CONCERNING CREDIT RATING AGENCIES BEFORE THE 2007 FINANCIAL CRISIS

The credit rating market has a specific structure as it is dominated by three large international firms (Standard & Poor's, Moody Investors Service and Fitch Ratings). These entities have their head offices and main management in the United States and operate within the EU through subsidiaries established in several countries.[2] These features of the rating industry underline the international nature of the policy debate on possible regulatory initiatives concerning credit rating agencies, given the importance of close cooperation at the international level and the need for consistency in the standards applied to global firms.

The policy debate on the need for enhanced regulatory measures concerning credit rating agencies started in 2003, in the aftermath of major corporate scandals in the EU and the United States. As rating agencies were blamed for not having anticipated such corporate failures, a number of policy initiatives were triggered.

At the international level, IOSCO issued a report and a Statement of Principles for regulators, credit rating agencies and other market participants in September 2003 to improve their safeguards for the integrity of the rating process.[3] It was followed in December 2004 by the publication of a Code of Conduct[4] that was to serve as a model upon which credit rating agencies could base their own codes of conduct for the implementation of the IOSCO Principles.

In Europe, following a Resolution passed by the European Parliament in February 2004,[5] the European Commission, having sought the advice of Committee of European Securities Regulators (CESR), adopted a Communication on 11 March 2006, in which it concluded that no new legislative initiative was needed.

More specifically, the Commission concluded that the existing financial services directives applicable to credit rating agencies,[6] combined with self-regulation on the basis of IOSCO's Code of Conduct Fundamentals for Credit

2 For an overview of the structure of the large credit rating agencies and a list of credit rating agencies, see *Impact assessment accompanying the European Commission's proposal for a regulation of the European Parliament and of the Council on credit rating agencies*, 12 November 2008.

3 *IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies*, September 2003, available at www.iosco.org.

4 IOSCO, *Code of Conduct Fundamentals for Credit Rating Agencies*, December 2004, available at www.iosco.org. The Code comprises three main parts, namely: Quality and Integrity of the Rating Process; Independence and the Avoidance of Conflicts of Interest; and Responsibilities to the Investing Public and Issuers.

5 European Parliament resolution on the role and methods of rating agencies (2003/2081(INI)), available at www.europarl.europa.eu.

6 In particular, the Market Abuse Directive (MAD); the Capital Requirements Directive (CRD) and the Markets in Financial Instruments Directive (MiFID). The Commission highlighted the following:
The MAD deals with insider trading and market manipulation (market abuse). It addresses the fair presentation of investment recommendations and the disclosure of conflicts of interest. For the purposes of the MAD, credit ratings do not constitute a recommendation, but are regarded as opinions on the creditworthiness of a particular issuer or financial instrument. However, it is stipulated that CRAs should consider adopting internal policies and procedures designed to ensure that the credit ratings they publish are fairly presented.
The CRD provides for the use of external credit assessments in the determination of the risk weights (and resulting capital requirements) applied to a bank or investment firm's exposures. The CRD sets out a number of requirements that external credit assessment institutions (ECAIs) should meet before the competent authority grants them recognition.
The MiFID provisions regarding business conduct and organisational requirements are applicable to credit rating agencies that also provide investment services on a professional basis.

Rating Agencies by the credit rating agencies themselves, would provide an adequate answer to all the major issues of concern. In addition, the Commission asked the CESR to monitor the credit rating agencies' compliance with the IOSCO Code and to report annually thereon.[7]

In the United States, the existing regulatory framework on Nationally Recognized Statistical Rating Organizations (NRSROs) was amended with the adoption of the Rating Agency Reform Act in 2006.

The Rating Agency Reform Act provided for the registration of NRSROs with the SEC, which was given the authority to implement financial reporting and oversight rules for registered NRSROs. The Rating Agency Reform Act also authorised the SEC to impose reporting and record-keeping requirements, as well as to examine the rating activities of NRSROs. Nonetheless, the Rating Agency Reform Act expressly prohibited the SEC from regulating "the substance of the credit ratings or the procedures and methodologies" by which any NRSRO determines credit ratings.

The implementing rules of the SEC became effective on 26 June 2007. Under the new framework, NRSROs were required to make public disclosures related to their activity, to retain certain records, to furnish certain financial reports to the SEC, to establish procedures for the management of material non-public information and to disclose and manage conflicts of interest. In addition, the SEC's rules prohibit an NRSRO from having certain conflicts of interest and engaging in certain unfair, abusive or coercive practices.

3 THE POLICY DEBATE CONCERNING CREDIT RATING AGENCIES AFTER THE START OF THE FINANCIAL CRISIS

3.1 WEAKNESSES REVEALED BY THE FINANCIAL CRISIS

In the first quarter of 2007 some investors started to question the accuracy of the ratings given to certain structured finance instruments and, in particular, to residential mortgage-backed securities (RMBSs) and collateralised debt obligations (CDOs). Indeed, it has been argued that these questions about the quality of the agencies' ratings and the integrity of the rating process added to the liquidity crisis that occurred on financial markets as from August 2007.[8]

Various analyses of the financial crisis have highlighted concerns about both the weakness of the methodologies used by credit rating agencies in rating structured finance instruments and the lack of incentives for conducting an independent assessment since they are paid by the issuers.

The Report of the Financial Stability Forum (FSF), for instance, which was published on 7 April 2008, summarised the main sources of concern about the credit rating agencies' performance as follows: "weaknesses in rating models and methodologies; inadequate due diligence in monitoring the quality of the collateral pools underlying rated securities; insufficient transparency about the assumptions, criteria and methodologies used in rating structured products; insufficient information provision about the meaning and risk characteristics of structured finance ratings; and insufficient attention to conflicts of interest in the rating process."[9] The FSF also presented a number of recommendations for further action. These related to the quality of the rating process; differentiated rating and expanded information on structured products; the credit rating agencies' assessments of underlying data quality; and the use of ratings by investors and regulators. Other analyses conducted by international organisations and public authorities

7 In December 2006 the CESR published its first annual report. It concluded that the main credit rating agencies subscribing to the CESR's voluntary monitoring scheme were generally compliant with the IOSCO Code.

8 See IOSCO, *Final Report on the subprime crisis*, May 2008, pages 2 ff.

9 Financial Stability Forum, *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience,* 7 April 2008, page 8.

in the United States and in Europe concurred with the identification of the above-mentioned concerns.[10]

The Eurosystem has a keen interest in the policy debate on possible regulatory measures concerning credit rating agencies for the following reasons.

First, credit rating agencies play an important role in the functioning of markets by reducing information asymmetries between issuers and investors, thus contributing to a more efficient allocation of risks and resources by market participants.

Second, events during the market turmoil have shown that the perception of shortcomings in the rating activity performed by credit rating agencies may erode market confidence and might adversely affect financial stability.

Third, the Eurosystem is directly impacted by the services that rating agencies provide in the context of Eurosystem tasks and obligations with regard to both the conduct of monetary policy operations and asset management operations. Article 18(1), second indent, of the Statute of the European System of Central Banks and of the European Central Bank (ESCB Statute) stipulates, in particular, that the ECB and the national central banks may "conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral". In this respect, one important criterion that assets must fulfil in order to be eligible for use as collateral in monetary policy operations is that they must meet high credit standards. In the assessment of the credit standards of eligible assets, the Eurosystem takes into account, inter alia, credit assessments deriving from different sources, including credit rating agencies that are defined as "external credit assessment institutions" (ECAIs). The latter are subject to general acceptance criteria, complemented by a multi-annual performance monitoring process in accordance with the conditions published in the ECB's Guidelines on monetary policy instruments and procedures of the Eurosystem.

Against this background, the Eurosystem's view is that initiatives concerning credit rating agencies should be aimed at attaining the following three main objectives:[11]

- *Increase transparency about the issuance of ratings and the ongoing surveillance of those ratings*: improved disclosure standards would allow a better comparison of credit rating agencies' rating assessments, thereby increasing competition and innovation in the sector by creating opportunities for peer review and by eliminating possible competitive disadvantages that result from the lack of access to underlying collateral information.

- *Ensure that the rating process meets adequate standards of quality and integrity*: the models and processes used for issuing ratings should be based on sound assumptions that avoid an excessive volatility of ratings, which could result in a sharp repricing of assets and impair market confidence. The regulatory framework should also facilitate the conduct of stress tests by users on key model parameters, and provide for the disclosure by credit rating agencies of the economic assumptions underlying their rating of structured products.

- *Safeguard the integrity and independence of credit rating agencies*: conflicts of interest should be either avoided or properly addressed within a transparent regulatory framework, which would need to be properly enforced.

10 See IOSCO, *Final Report on the subprime crisis,* May 2008; SEC, *Summary Report of Issues Identified in the Commission Staff's Examination of Select Credit Rating Agencies,* July 2008; European Commission, *Impact assessment accompanying the proposal for a regulation of the European Parliament and of the Council on credit rating agencies*, 12 November 2008.

11 For more details, see the Eurosystem's reply to the European Commission's public consultation, as published on the ECB's website on 25 September 2008.

In addition, the conflict of interests caused by the rating industry's business model of payment by the issuer could be addressed in greater depth in the medium term.

Recognition of the aforementioned issues led to a number of initiatives on the part of both the industry and public authorities, as set out in further detail below.

3.2 MARKET INITIATIVES AIMED AT SELF-REGULATION

Credit rating agencies have recently announced changes to enhance the integrity of their rating processes. Some of these changes have already been implemented and some are on the verge of implementation, subject in some cases to awaited market feedback. Credit rating agencies are very much aware of the fact that the failures recorded in structured finance ratings have dented the confidence of market participants and regulators in the agencies' ability to assess credit quality. These changes reflect the urgent need to take any possible action that can contribute to the restoration of credit rating agencies' unique role as "gate keepers" of the global credit markets.

In the joint report they submitted to IOSCO in April 2008, five credit rating agencies undertook to implement on a timely basis a number of measures to enhance the independence, transparency and quality of the credit rating process and to help restore confidence in the credit rating industry.[12] While many of the proposed measures are quite essential in character, they try to overcome some of the fundamental failures that were overlooked in "normal" times, i.e. when financial markets are not under stress. It is recognised that those basic elements did not receive the required priority, in particular at a time of rapid growth and market excess.

An underlying theme in the self-promoted changes is the understanding by rating agencies that the resolution of the current crisis of confidence in the rating industry rests primarily with the agencies themselves and that regulatory intervention in isolation is not the solution to overcome this crisis of confidence. Public regulation may be counterproductive as it might be seen by market participants as implying an official endorsement of ratings issued by rating agencies, which may not be desired for the proper functioning of credit markets.

While the three areas of action listed by the credit rating agencies in their self-regulatory action plans coincide with the three objectives of the ECB as regards possible regulatory intervention with respect to credit rating agencies (independence, quality of ratings and transparency), it is questionable as to whether the self-proposed measures are far-reaching enough in tackling the areas of concern. In total, there are 22 concrete measures that the five credit rating agencies have committed to put in place, six of which relate to the independence of the credit rating process, while eight concern the quality of credit ratings and eight transparency. As discussed earlier, these measures are quite important when viewed individually, but do not go deep enough to fully address the concerns raised during the financial crisis as regards the functioning and role of the credit rating agencies in developed credit markets.

3.3 US INITIATIVES

On 11 June 2008 the SEC proposed new rules concerning credit rating agencies to supplement those implemented under the Credit Rating Agency Reform Act in June 2007, aimed at increasing the transparency of the ratings process and at curbing practices that had contributed to recent turmoil in the credit markets.[13]

In particular, the SEC proposed:

(i) to prohibit credit rating agencies both from issuing a rating on a structured products

12 Joint response of A.M. Best Company, Inc., DBRS Limited, Fitch, Inc., Moody's Investors Service, Inc., and Standard & Poor's Rating Services to the *IOSCO Technical Committee Consultation Report on the Role of Credit Rating Agencies in Structured Finance Markets*, April 2008.

13 See www.sec.gov/news/press/2008/2008-110.htm.

unless information is available on the assets underlying the product and from structuring any products that they rate themselves;

(ii) to require credit rating agencies to differentiate ratings they issue on structured products from those they issue on bonds, either through the use of different symbols or by issuing a report disclosing the differences between ratings of structured products and those of other securities; and

(iii) to remove references to NRSRO ratings from the rules and forms set out in the Securities Exchange Act of 1934 so as to ensure that the role the SEC has assigned to ratings in its rules is consistent with the objective of having investors make an independent judgement of risks and of making the limits and purposes of credit ratings for structured products clear to investors. Such intervention addressed concerns that the use of NRSRO ratings in SEC rules and forms may have contributed to an undue reliance on NRSRO ratings.[14]

Finally, on 3 December 2008, the SEC approved a series of measures to increase transparency and accountability at credit rating agencies, and to ensure that firms provide more meaningful ratings and greater disclosure to investors.[15] The SEC's actions were based on its extensive ten-month examination of three major credit rating agencies, which had found significant weaknesses in ratings practices.

3.4 EU INITIATIVES

In the EU, at the request of the European Commission, the CESR prepared a report in May 2008 on the process of rating structured finance instruments in the context of the recent turmoil, in which it highlighted specific actions to improve the conduct of credit rating agencies. On 31 July 2008 the European Commission published two consultation papers concerning (a) a complete regulatory framework for credit rating agencies and (b) policy options to address the problem of an excessive reliance on ratings.

Following the consultation and the request by the EU Council of 16 October 2008 for a proposal to strengthen the rules on credit rating agencies and their supervision at the EU level, the European Commission adopted an appropriate legislative proposal on 12 November 2008.

The proposal lays down conditions for the issuance of credit ratings that are needed to restore market confidence and increase investor protection. More precisely, the proposal is intended to enable European supervisors to control the activities of agencies whose ratings are used mainly for regulatory purposes by credit institutions, investment firms, insurance and reinsurance undertakings, collective investment schemes and pension funds within the EU.

In November 2008 the Commission presented its formal proposal for a regulation, and in March 2009, the final text was submitted to the Ecofin Council and, subsequently, to the European Parliament for adoption.

14 See www.sec.gov/news/speech/2008/spch062508ers-2.htm.
15 See www.sec.gov/news/press/2008/2008-284.htm.

Box

THE EUROPEAN COMMISSION'S PROPOSAL

The main elements of the European Commission's proposal are as follows.

Independence and avoidance of conflicts of interest

The proposal seeks to reform internal governance structures, introducing sound internal controls and reporting lines, and clearly separating the rating function from business incentives. External surveillance is strengthened by giving specific tasks to the independent members of the administrative or supervisory board of the credit rating agencies. Credit rating agencies are also requested to limit their activity to credit ratings and related operations, excluding consultancy or advisory services. The employees are subject to rotation mechanisms.

Quality of ratings

The new requirements are intended to allow sophisticated market participants to check the soundness of methodologies used and to verify the rating issued by the credit rating agency, but also to increase market discipline. In order to meet these goals, credit rating agencies are required to disclose in a timely manner the methodologies, models and key assumptions they use for rating. Methods must be kept up to date and subject to review, and credit rating agencies must constantly review their ratings. In addition, credit rating agencies are required to use methodologies that are rigorous, systematic and subject to validation based on historical experience.

Enhanced transparency

Credit rating agencies must disclose information about conflicts of interest, methodologies, key rating assumptions and the nature of their compensation policy. They must also regularly disclose data on the historical default rates of rating categories, with the CESR creating a publicly available central repository for such data. Credit rating agencies must publish an annual transparency report and keep records of their activities.

Registration and supervision of credit rating agencies

The proposal establishes the CESR as the "single entry point" for registration, since it is best placed to provide a "one-stop shop" for applications and a central point for informing and coordinating all national regulators in the EU. However, the responsibility for the registration of credit rating agencies rests with the competent authority of the home Member State. To function as a single entry point, the CESR should be closely involved in the registration process from the outset and be entitled to advise on the granting or withdrawal of the registration by the competent authority of the home Member State, and may request a re-examination of draft decisions.

The supervision of a credit rating agency is carried out by the competent authority of the home Member State, in cooperation with the competent authorities of the other Member States concerned. The competent authorities are asked to establish and operate through a college of supervisors, and to keep the CESR appropriately informed. Indeed, the CESR is asked to provide advice on and, in cooperation with the Committee of European Banking Supervisors (CEBS) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS), issue guidance on various issues, including coordination arrangements between competent authorities; enforcement practices and activities; and common standards on the information to be disclosed by credit rating agencies.

In order to enable the competent authorities to carry out their duties in conformity with national law, the proposal gives them the following powers:

- to be granted access to any document in any form and to receive or take a copy thereof;
- to demand information from any person and, if necessary, to summon and question a person with a view to obtaining information;
- to carry out on-site inspections; and
- to require records of telephone and data traffic.

The competent authorities can exercise their powers directly, in collaboration with other authorities, or by application to the competent judicial authorities. Where the competent authority establishes that a registered credit rating agency is in breach of the obligations arising from the regulation, it may impose sanctions, including the withdrawal of the registration, a temporary prohibition of issuing credit ratings and/or the suspension of the use of credit ratings for regulatory purposes. For sake of clarity, among the obligations whose violation may trigger the adoption of sanctions by the competent authorities, the proposal frequently makes reference to requirements concerning independence and avoidance of conflicts of interests.

The proposal requires competent authorities to cooperate. In this respect, it stipulates that, in cases of conflict, competent authorities shall refer the matter to the CESR for mediation. Moreover, the competent authorities must, without undue delay, supply one another with the information required for the purposes of carrying out their duties under this regulation. The competent authorities may provide supervisory authorities, central banks, the ESCB and the ECB, and to any other public authorities responsible for overseeing payment and settlement systems with confidential information intended for the performance of their tasks.

It is worth noting that some of the proposed rules are based on the standards set out in the IOSCO Code. The proposal gives those rules a legally binding character. Moreover, in those cases where the IOSCO standards are not sufficient to restore market confidence and ensure investor protection, the European Commission has proposed stricter rules.

At the time of writing, the EU Council and the European Parliament are discussing the European Commission's proposal. The political negotiation may lead to important changes in the proposed regulatory framework.

3.5 THE ECB'S VIEWS ON THE EUROPEAN COMMISSION'S PROPOSAL

One of the issues subject to intense debate in the European context concerns the main element of a framework at the EU level that would provide for an adequate coordination of national authorities' activities in the field of the registration and oversight of credit rating agencies.

In its response to the public consultation launched by the European Commission on 31 July 2008, the Eurosystem expressed its support of a coordinative role for the CESR within a framework that provides for the close involvement of all relevant national authorities. The Eurosystem also highlighted that any coordination arrangement established for the regulation and supervision of credit rating agencies should be designed with due consideration of two elements, namely (i) the need to avoid any duplication of procedures with those put in place by banking supervisors to recognise credit rating agencies as ECAIs in accordance with the requirements laid down by the Capital Requirements Directive (CRD) and (ii) the need to provide for an appropriate level of involvement by the Eurosystem, given both its keen interest from a financial stability perspective and the fact that it has already established a Eurosystem-wide framework to monitor credit rating agencies' functioning and performance.

As regards the envisaged supervisory framework for credit rating agencies, which is centred on securities regulators with a coordinative role played by the CESR, appropriate arrangements should be in place to ensure coordination with both banking supervisors and central banks.

First, with regard to the cooperation with banking supervisors, the Eurosystem welcomes the introduction of provisions aimed at ensuring that the proposed regulation encompasses all the criteria that must be fulfilled under the ECAI recognition process. This would prevent credit rating agencies from being subject to requirements that overlap or conflict with those set for authorisation under the proposed regulation. Moreover, the Eurosystem welcomes the introduction of the mandatory consultation of the CEBS (as well as the CEIOPS) prior to the publication of guidance for competent national authorities.

Second, as regards the coordination arrangements with the ECB and the Eurosystem, the proposed regulation should be in line with changes recently proposed on the CRD[16] for the exchange of information between securities regulators, central banks and the ECB. In particular, the regulation should allow the transmission of information from the competent national authorities to the EU central banks, including the ECB, if such information is of relevance for the performance of key central bank tasks, such as the conduct of monetary policy, the oversight of payments and securities settlement systems, and the safeguarding of financial stability.

At the time of writing, the ECB is finalising the preparation of its opinion on the European Commission's proposal.

4 THE OVERSIGHT OF CREDIT RATING AGENCIES BY THE EUROSYSTEM AS PRESCRIBED BY THE EUROSYSTEM CREDIT ASSESSMENT FRAMEWORK

In its capacity as a monetary authority, the ECB currently monitors the performance and activities of rating agencies. In the context of the implementation of monetary policy operations, it does so through the so-called Eurosystem Credit Assessment Framework (ECAF) for eligible collateral. The ECAF is the set of rules and regulations that ensure that collateral used by counterparties to back the credit obtained in monetary policy operations is of adequate quality. One important task of the ECAF is to ensure that credit rating agencies eligible for ECAF purposes, used as a source of information for the credit assessment of collateral, conform to certain performance and operational standards that are defined by the Eurosystem.

The performance monitoring framework defined by the ECB is applied consistently across the different eligible rating agencies and consists of an ex post assessment of the ratings issued by the rating agency by way of a back-testing procedure. To this end, the ECB requires all eligible rating agencies to provide static pools with information on obligors rated at a given rating class at the beginning of the year and whether they have transitioned to another rating

16 See the recent Commission proposal amending the CRD (Directives 2006/48/EC and 2006/49/EC).

class or defaulted. The results of such analysis are shared with the rating agencies, and any possible deviation from the expected performance is discussed and possible follow-up measures to improve performance are agreed with the rating agency. The current framework allows a rating agency to be excluded in severe circumstances of underperformance over a pre-specified period of time if it does not improve its rating output.

The ECAF also ensures that the mapping of the different rating scales of the various rating agencies is correctly implemented. This requires a good understanding of the meaning of the rating output of rating agencies. Therefore background information that permits a correct construction of rating mapping tables is required from rating agencies on a regular basis.

In addition, the ECB enters into a direct dialogue with the ECAF credit rating agencies in areas such as a better disclosure of rating analysis, surveillance performance information and improvements to rating methodologies. A special focus is put on better transparency of the surveillance processes conducted by rating agencies in the area of structured finance. Since the start of the financial crisis, the ECB has modified its risk control framework to improve the transparency of ratings of asset-backed securities.[17] Asset-backed security ratings must be explained in a publicly available credit-rating report (either a detailed pre-sale report or a new issue report). This report must include a comprehensive analysis of the structural and legal aspects, a detailed analysis of the collateral pool, an analysis of the transaction participants and any other relevant particularities of the transaction. Moreover, rating agencies must publish rating reviews at least on a quarterly basis.[18] These reports should at least contain an update of the key transaction data (e.g. the composition of the collateral pool, transaction participants and the capital structure) as well as performance data. The ECB is currently working with rating agencies on the enhancement of the surveillance performed by rating agencies with a view to introducing loan-by-loan level information in the ongoing surveillance process for asset-backed securities that are eligible for Eurosystem operations. Failures in the surveillance processes of ratings of US sub-prime asset-backed securities are believed to have played an important role in the start of the financial crisis. These efforts will improve the quality of the surveillance process by allowing rating agencies to identify early any possible problems with the underlying assets backing the transactions. It is hoped that by improving transparency in the surveillance process, market participants can regain confidence in the work performed by rating agencies in the securitisation markets, thereby allowing their reactivation.

5 CONCLUSIONS

The global nature of the credit rating industry requires agreement at the international level about the main elements of the regulatory response to the shortcomings revealed by the financial crisis. Therefore, the Eurosystem welcomes the agreement reached by the G20 leaders on 2 April 2009 with regard to the introduction of an oversight regime for credit rating agencies whose ratings are used for regulatory purposes, which will include mandatory registration, as well as rules and procedures for managing conflicts of interest and for ensuring the transparency and quality of the rating process. The oversight framework should be consistent across jurisdictions, with an appropriate sharing of information between national authorities, also through IOSCO.

Moreover, national authorities should be given the authority to enforce compliance and require changes to a credit rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. Finally, given the global scope of some credit rating agencies, the oversight framework should be consistent across jurisdictions, with an appropriate sharing of information between

17 See the ECB's press release of 4 September 2008 on the biennial review of risk control.

18 For asset-backed securities whose underlying assets pay principal or interest at a semi-annual or annual frequency, surveillance reports can follow a semi-annual or annual frequency respectively.

the national authorities responsible for the oversight of credit rating agencies. In particular, the role of IOSCO to continue to ensure the consistency of regulations concerning credit rating agencies across jurisdictions, through regular reviews and updates of the Code, would be of pivotal importance to ensure that market participants can continue to have confidence in the reliability of the ratings provided by credit rating agencies.

EURO AREA STATISTICS

CONTENTS [1]

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

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

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1]

	M1 [2]	M2 [2]	M3 [2), 3]	M3 [2), 3] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2]	Securities other than shares issued in euro by non-MFI corporations [2]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of-period) [4]
	1	2	3	4	5	6	7	8
2007	6.5	9.9	11.2	-	10.8	18.6	4.28	4.38
2008	2.4	9.7	9.7	-	9.5	19.0	4.64	3.69
2008 Q2	2.3	10.2	10.2	-	10.5	17.3	4.86	4.73
Q3	0.7	9.2	9.1	-	9.1	18.6	4.98	4.34
Q4	2.7	8.9	8.2	-	7.4	20.4	4.24	3.69
2009 Q1	5.3	7.3	6.0	-	4.6	.	2.01	3.77
2008 Nov.	2.1	8.7	7.7	8.0	7.1	20.5	4.24	3.77
Dec.	3.3	8.3	7.5	7.1	5.8	24.5	3.29	3.69
2009 Jan.	5.1	7.5	6.0	6.4	5.1	25.4	2.46	4.02
Feb.	6.3	7.0	5.8	5.6	4.3	27.2	1.94	3.85
Mar.	5.9	6.2	5.1	.	3.2	.	1.64	3.77
Apr.	.	.	.	.	.	.	1.42	3.79

2. Prices, output, demand and labour markets [5]

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2007	2.1	2.7	2.7	2.7	3.8	84.1	1.8	7.5
2008	3.3	5.9	3.5	0.8	-1.7	81.8	0.8	7.5
2008 Q3	3.8	8.2	4.2	0.6	-1.4	82.2	0.6	7.6
Q4	2.3	3.3	3.8	-1.4	-9.0	78.1	0.0	8.0
2009 Q1	1.0	-1.8	.	.	.	72.6	.	8.7
2008 Nov.	2.1	2.8	-	-	-9.1	-	-	8.0
Dec.	1.6	1.1	-	-	-12.3	-	-	8.2
2009 Jan.	1.1	-0.7	-	-	-16.1	74.7	-	8.4
Feb.	1.2	-1.7	-	-	-18.4	-	-	8.7
Mar.	0.6	-3.1	-	-	.	-	-	8.9
Apr.	0.6	.	-	-	.	70.5	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-21 [6] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2007	24.8	46.4	-92.5	159.7	347.4	107.9	109.0	1.3705
2008	-81.2	-6.1	-251.3	439.2	383.9	113.0	113.6	1.4708
2008 Q2	-28.0	6.1	-53.4	27.3	353.9	116.0	116.6	1.5622
Q3	-21.2	-9.0	-35.9	121.5	370.9	114.1	114.3	1.5050
Q4	-20.7	-0.7	-86.7	201.8	383.9	109.1	109.6	1.3180
2009 Q1	.	.	.	.	395.8	111.9	112.2	1.3029
2008 Nov.	-12.2	-4.0	-53.3	60.2	393.4	107.1	107.6	1.2732
Dec.	-3.4	-0.4	-22.5	6.4	383.9	112.4	112.8	1.3449
2009 Jan.	-19.2	-10.1	-15.9	-7.4	409.9	111.9	112.3	1.3239
Feb.	-1.4	1.5	-13.2	61.2	419.7	110.4	110.7	1.2785
Mar.	.	.	.	.	395.8	113.3	113.5	1.3050
Apr.	.	.	.	.	.	112.5	112.7	1.3190

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) Annual percentage changes 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.
3) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
4) Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
5) Unless otherwise indicated, data refer to Euro 16.
6) For the definition of the trading partner groups and other information, please refer to the General notes.

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2009 10 April	2009 17 April	2009 24 April	2009 1 May
Gold and gold receivables	241,669	241,663	240,840	240,829
Claims on non-euro area residents in foreign currency	158,050	157,016	157,916	157,136
Claims on euro area residents in foreign currency	142,130	139,379	125,314	125,335
Claims on non-euro area residents in euro	17,897	19,401	20,397	20,519
Lending to euro area credit institutions in euro	667,946	681,665	676,404	655,014
Main refinancing operations	237,635	249,411	244,126	233,157
Longer-term refinancing operations	428,467	432,162	432,163	419,093
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	1,836	80	107	2,753
Credits related to margin calls	9	12	8	12
Other claims on euro area credit institutions in euro	33,609	32,044	31,449	27,907
Securities of euro area residents in euro	293,945	292,829	293,964	294,095
General government debt in euro	37,397	37,397	37,397	36,790
Other assets	235,154	238,689	240,281	241,601
Total assets	1,827,798	1,840,083	1,823,963	1,799,225

2. Liabilities

	2009 10 April	2009 17 April	2009 24 April	2009 1 May
Banknotes in circulation	762,064	756,560	752,675	759,167
Liabilities to euro area credit institutions in euro	253,856	278,367	280,409	241,738
Current accounts (covering the minimum reserve system)	232,143	256,260	249,149	173,939
Deposit facility	21,488	21,872	31,069	67,774
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	225	236	192	26
Other liabilities to euro area credit institutions in euro	295	320	440	432
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	155,768	149,763	152,284	164,891
Liabilities to non-euro area residents in euro	200,021	197,392	184,190	179,879
Liabilities to euro area residents in foreign currency	2,901	1,448	1,665	2,929
Liabilities to non-euro area residents in foreign currency	11,293	12,192	10,596	9,050
Counterpart of special drawing rights allocated by the IMF	5,551	5,551	5,551	5,551
Other liabilities	159,996	162,688	160,357	159,793
Revaluation accounts	202,952	202,952	202,952	202,952
Capital and reserves	73,102	72,850	72,843	72,843
Total liabilities	1,827,798	1,840,083	1,823,963	1,799,225

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

(EUR millions; interest rates in percentages per annum)

1. Main and longer-term refinancing operations [3), 4)]

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [5)]	Weighted average rate	
	1	2	3	4	5	6	7	8
				Main refinancing operations				
2009 6 Jan.	216,122	600	216,122	2.50	-	-	-	8
14	203,792	614	203,792	2.50	-	-	-	7
21	251,516	668	251,516	2.00	-	-	-	7
28	214,150	544	214,150	2.00	-	-	-	7
4 Feb.	207,052	501	207,052	2.00	-	-	-	7
11	197,727	511	197,727	2.00	-	-	-	7
18	215,285	527	215,285	2.00	-	-	-	7
25	237,801	504	237,801	2.00	-	-	-	7
4 Mar.	244,147	481	244,147	2.00	-	-	-	7
11	227,701	503	227,701	1.50	-	-	-	7
18	226,066	537	226,066	1.50	-	-	-	7
25	229,979	538	229,979	1.50	-	-	-	7
1 Apr.	238,071	522	238,071	1.50	-	-	-	7
8	233,234	535	233,234	1.25	-	-	-	7
15	249,411	557	249,411	1.25	-	-	-	7
22	244,126	563	244,126	1.25	-	-	-	7
29	233,157	526	233,157	1.25	-	-	-	7
6 May	234,197	503	234,197	1.25	-	-	-	7
				Longer-term refinancing operations				
2009 29 Jan.	43,239	133	43,239	2.00	-	-	-	91
11 Feb.	104,731	93	104,731	2.00	-	-	-	28
12	18,479	39	18,479	2.00	-	-	-	91
12	10,721	39	10,721	2.00	-	-	-	182
26	21,641	57	21,641	2.00	-	-	-	91
11 Mar.	120,189	97	120,189	1.50	-	-	-	28
12	10,811	60	10,811	1.50	-	-	-	182
12	30,229	71	30,229	1.50	-	-	-	91
26	28,774	87	28,774	1.50	-	-	-	91
8 Apr.	131,839	119	131,839	1.25	-	-	-	35
9	36,087	75	36,087	1.25	-	-	-	182
16	13,152	37	13,152	1.25	-	-	-	84
30	30,170	90	30,170	1.25	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [5)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2008 16 Sep.	Reverse transaction	102,480	56	70,000	-	4.25	-	4.32	4.40	1
18	Reverse transaction	49,330	43	25,000	-	4.25	-	4.30	4.39	1
24	Reverse transaction	50,335	36	40,000	-	4.25	-	4.25	4.35	1
1 Oct.	Collection of fixed-term deposits	173,047	52	173,047	4.25	-	-	-	-	1
2	Collection of fixed-term deposits	216,051	65	200,000	4.25	-	-	-	-	1
3	Collection of fixed-term deposits	193,844	54	193,844	4.25	-	-	-	-	3
6	Collection of fixed-term deposits	171,947	111	171,947	4.25	-	-	-	-	1
7	Collection of fixed-term deposits	147,491	97	147,491	4.25	-	-	-	-	1
9	Reverse transaction	24,682	99	24,682	3.75	-	-	-	-	6
11 Nov.	Collection of fixed-term deposits	149,656	117	79,940	-	-	3.75	3.60	3.51	1
9 Dec.	Collection of fixed-term deposits	152,655	95	137,456	-	-	3.25	3.05	2.94	1
2009 20 Jan.	Collection of fixed-term deposits	143,835	103	140,013	-	-	2.50	2.30	2.15	1
10 Feb.	Collection of fixed-term deposits	130,435	119	129,135	-	-	2.00	1.80	1.36	1
10 Mar.	Collection of fixed-term deposits	111,502	119	110,832	-	-	2.00	1.80	1.52	1
7 Apr.	Collection of fixed-term deposits	105,486	114	103,876	-	-	1.50	1.30	1.12	1

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) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations.
5) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008 Q1	17,703.3	9,551.7	840.2	2,126.0	1,558.4	3,627.1
Q2	17,971.8	9,775.4	916.3	2,172.4	1,439.4	3,668.1
Q3	18,231.2	9,968.9	917.1	2,186.7	1,457.1	3,701.5
2008 Nov. [2]	18,396.5	10,195.5	884.3	2,227.2	1,378.8	3,710.8
Dec. [2]	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009 Jan.	18,510.3	10,186.3	879.8	2,424.3	1,315.3	3,704.7
Feb.	18,466.6	10,142.2	870.3	2,438.4	1,272.4	3,743.2

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2006	172.5	173.2	0.7	0.0	3.30
2007	195.9	196.8	1.0	0.0	4.17
2008 11 Nov.	216.1	218.6	2.4	0.0	3.94
9 Dec.	217.2	218.7	1.5	0.0	3.25
2009 20 Jan. [3]	220.2	221.5	1.2	0.0	2.50
10 Feb.	221.1	222.1	1.0	0.0	2.00
10 Mar.	217.6	218.6	1.0	0.0	2.00
7 Apr.	220.8	221.6	0.8	0.0	1.50
12 May	219.7	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) [4]		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007	327.5	173.0	278.6	0.3	0.0	0.4	2.2	644.6	61.9	-126.6	196.8	841.9
2008 11 Nov.	549.0	301.6	452.5	12.7	4.2	213.7	2.3	722.1	85.0	78.2	218.6	1,154.4
9 Dec.	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009 20 Jan.	581.3	219.2	613.6	2.9	0.0	238.5	3.3	753.1	99.9	100.6	221.5	1,213.1
10 Feb.	547.4	224.9	551.4	2.1	0.0	175.4	6.1	740.2	102.7	79.3	222.1	1,137.7
10 Mar.	512.7	224.3	472.4	1.6	0.0	95.5	4.0	741.5	110.1	41.4	218.6	1,055.5
7 Apr.	508.0	230.5	443.1	1.1	0.0	57.8	3.7	747.3	139.0	13.3	221.6	1,026.6

Source: ECB.
1) End of period.
2) Includes the reserve bases of credit institutions in Slovakia. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Slovakia. Starting from the reserve base as at end-January 2009, the standard treatment applies (see Decision of the European Central Bank of 28 October 2008 on transitional provisions for the application of minimum reserves by the European Central Bank following the introduction of the euro in Slovakia (ECB/2008/14)).
3) Owing to the adoption of the euro by Slovakia on 1 January 2009, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 15 countries of the euro area for the period 10-31 December 2008 and the reserve requirements for the 16 countries now in the euro area for the period 1-20 January 2009.
4) Starting from 1 January 2009, includes monetary policy operations which were conducted by the Národná Banka Slovenska before 1 January 2009 and were still outstanding after this date.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008 Q3	2,473.4	1,342.5	18.5	0.7	1,323.3	278.9	237.4	2.4	39.1	-	14.7	482.4	16.0	338.9
Q4	2,983.0	1,809.4	18.6	0.6	1,790.1	350.8	307.9	2.4	40.4	-	14.4	479.8	15.7	313.0
2009 Jan.	2,830.2	1,606.0	18.6	0.7	1,586.8	362.5	314.6	2.5	45.4	-	14.2	523.8	16.0	307.7
Feb.	2,772.6	1,537.1	18.6	0.7	1,517.8	366.5	318.3	2.7	45.6	-	13.6	530.5	15.9	309.0
Mar. (p)	2,783.6	1,555.3	18.7	0.7	1,535.9	374.1	322.7	2.5	48.9	-	13.9	491.0	15.7	333.5
	MFIs excluding the Eurosystem													
2006	25,944.6	14,881.7	809.0	9,134.7	4,938.0	3,561.5	1,278.8	645.8	1,636.9	83.5	1,171.4	4,336.6	172.6	1,737.4
2007	29,448.1	16,894.2	954.5	10,139.0	5,800.8	3,890.1	1,196.9	952.9	1,740.3	93.5	1,293.8	4,886.1	205.7	2,184.7
2008 Q3	31,534.6	18,134.9	978.7	10,800.7	6,355.5	4,207.3	1,195.4	1,106.3	1,905.6	101.8	1,316.1	5,125.7	203.2	2,445.5
Q4	31,857.0	18,056.0	968.4	10,769.5	6,318.1	4,631.3	1,244.2	1,395.6	1,991.5	98.7	1,200.2	4,763.2	211.6	2,896.0
2009 Jan.	32,304.1	18,204.8	984.5	10,856.9	6,363.4	4,768.7	1,308.8	1,407.6	2,052.3	101.6	1,205.0	4,871.6	210.6	2,941.7
Feb.	32,149.2	18,074.7	981.1	10,833.5	6,260.1	4,847.0	1,342.3	1,427.9	2,076.8	102.8	1,189.3	4,779.9	215.1	2,940.4
Mar. (p)	31,736.9	17,909.4	970.1	10,815.8	6,123.5	4,923.0	1,387.7	1,444.8	2,090.5	104.1	1,187.6	4,529.4	213.9	2,869.6

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Q3	2,473.4	705.4	932.3	51.3	17.7	863.3	-	0.1	264.4	288.1	283.1
Q4	2,983.0	784.8	1,217.5	68.8	16.6	1,132.1	-	0.1	273.9	383.3	323.4
2009 Jan.	2,830.2	761.9	1,093.1	102.5	19.1	971.6	-	0.1	302.6	329.1	343.3
Feb.	2,772.6	763.8	1,075.8	110.9	22.3	942.6	-	0.1	313.8	301.5	317.7
Mar. (p)	2,783.6	768.9	1,114.9	135.6	23.3	956.0	-	0.1	296.4	301.6	301.8
	MFIs excluding the Eurosystem										
2006	25,944.6	-	13,265.1	124.1	7,901.8	5,239.3	698.3	4,233.6	1,454.1	3,991.4	2,302.2
2007	29,448.1	-	15,098.2	126.9	8,885.4	6,085.8	754.1	4,631.4	1,683.4	4,533.4	2,747.6
2008 Q3	31,534.6	-	16,234.4	139.9	9,347.6	6,746.8	833.2	4,851.8	1,755.9	4,890.5	2,968.8
Q4	31,857.0	-	16,762.5	190.7	9,709.6	6,862.1	825.4	4,849.7	1,767.7	4,404.0	3,247.8
2009 Jan.	32,304.1	-	16,820.1	222.6	9,760.6	6,836.9	859.8	4,920.6	1,787.7	4,678.8	3,237.0
Feb.	32,149.2	-	16,710.7	228.2	9,766.0	6,716.5	880.4	4,970.6	1,784.2	4,572.1	3,231.2
Mar. (p)	31,736.9	-	16,609.8	216.1	9,788.3	6,605.3	883.0	4,930.0	1,798.2	4,348.8	3,167.1

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

2.2 Consolidated balance sheet of euro area MFIs [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2006	19,710.1	9,964.0	828.7	9,135.3	2,114.5	1,466.3	648.2	811.4	4,687.9	187.3	1,945.0
2007	22,317.5	11,111.9	972.3	10,139.6	2,376.9	1,422.0	954.9	882.2	5,259.8	220.9	2,465.9
2008 Q3	23,777.8	11,798.5	997.2	10,801.3	2,541.6	1,432.9	1,108.7	874.3	5,608.1	219.2	2,736.2
Q4	24,112.3	11,757.2	987.1	10,770.1	2,950.1	1,552.1	1,398.0	787.5	5,243.0	227.3	3,147.2
2009 Jan.	24,505.1	11,860.7	1,003.1	10,857.6	3,033.5	1,623.5	1,410.0	789.2	5,395.3	226.6	3,199.8
Feb.	24,445.1	11,833.9	999.7	10,834.2	3,091.2	1,660.6	1,430.6	777.1	5,310.5	230.9	3,201.6
Mar. (p)	24,141.4	11,805.3	988.8	10,816.4	3,157.7	1,710.4	1,447.3	774.2	5,020.4	229.6	3,154.1
	Transactions										
2006	1,999.9	874.8	-14.2	889.0	13.0	-94.0	107.1	97.9	806.0	6.4	201.7
2007	2,574.0	1,014.8	-9.9	1,024.7	232.2	-46.3	278.5	55.5	782.0	-0.5	490.0
2008	1,602.3	600.3	12.1	588.3	362.0	58.3	303.7	-55.3	-74.3	-2.1	771.6
2008 Q4	213.2	-45.3	-9.7	-35.6	196.9	52.5	144.4	-69.7	-323.5	1.0	453.8
2009 Q1 (p)	-166.1	9.7	2.1	7.7	189.6	143.4	46.2	-0.6	-314.4	0.8	-51.3
2009 Jan.	99.6	39.6	14.6	25.0	63.8	56.6	7.1	10.3	-43.1	-2.2	31.3
Feb.	-100.7	-25.7	-3.3	-22.3	56.4	37.0	19.4	-6.7	-114.7	4.4	-14.4
Mar. (p)	-165.0	-4.2	-9.1	5.0	69.4	49.7	19.6	-4.1	-156.6	-1.3	-68.2

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2006	19,710.1	592.3	157.8	7,917.7	614.6	2,569.8	1,285.5	4,026.7	2,537.7	7.9
2007	22,317.5	638.6	150.8	8,904.5	660.4	2,849.6	1,492.4	4,599.4	3,077.9	-56.5
2008 Q3	23,777.8	657.2	191.2	9,365.3	731.1	2,907.2	1,563.6	5,178.6	3,252.0	-68.7
Q4	24,112.3	723.0	259.6	9,726.2	726.3	2,817.8	1,614.5	4,787.3	3,571.1	-114.0
2009 Jan.	24,505.1	712.3	325.1	9,779.7	757.9	2,822.9	1,660.3	5,007.9	3,580.4	-141.6
Feb.	24,445.1	716.0	339.1	9,788.4	777.3	2,848.3	1,672.3	4,873.6	3,548.8	-118.8
Mar. (p)	24,141.4	720.0	351.7	9,811.7	778.7	2,790.7	1,667.3	4,650.3	3,468.9	-98.1
	Transactions									
2006	1,999.9	59.4	-15.2	681.5	27.6	284.3	59.7	600.9	253.7	48.0
2007	2,574.0	45.8	-13.4	838.9	54.5	270.0	149.9	774.9	466.2	-13.2
2008	1,602.3	83.4	106.0	605.7	29.8	-42.9	141.2	63.2	673.4	-57.7
2008 Q4	213.2	65.8	68.4	203.6	-10.4	-94.3	43.7	-395.4	379.1	-47.3
2009 Q1 (p)	-166.1	-4.5	89.2	29.4	53.7	-36.7	38.9	-196.6	-134.9	-4.5
2009 Jan.	99.6	-12.1	62.5	-14.9	32.7	-29.0	24.2	75.2	35.9	-75.0
Feb.	-100.7	3.6	14.0	9.2	19.6	22.7	8.7	-146.9	-49.8	18.2
Mar. (p)	-165.0	4.0	12.7	35.1	1.4	-30.5	6.1	-125.0	-121.0	52.3

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

2.3 Monetary statistics [1]

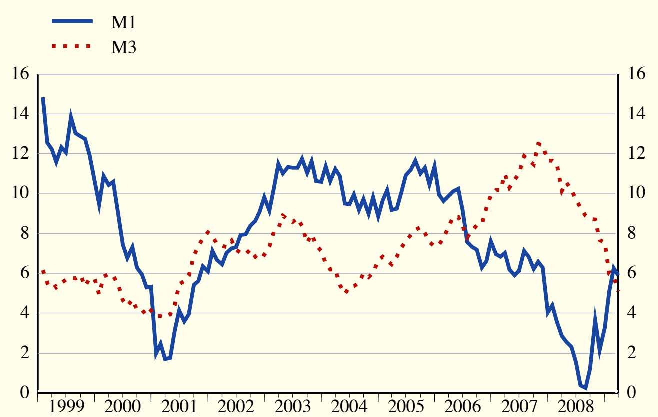
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets [4]
	M2			M3-M2						Loans	Memo item: Loans adjusted for sales and securitisation [3]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2006	3,685.1	2,959.0	6,644.1	1,099.6	7,743.7	-	5,427.8	2,319.8	10,619.0	9,148.3	-	637.3
2007	3,837.7	3,518.3	7,356.1	1,308.5	8,664.6	-	5,967.8	2,416.2	12,003.9	10,156.5	-	634.7
2008 Q3	3,894.3	3,986.1	7,880.4	1,367.3	9,247.7	-	6,123.9	2,443.8	12,801.8	10,793.8	-	434.7
Q4	3,981.9	4,046.7	8,028.6	1,378.1	9,406.7	-	6,284.3	2,562.4	12,977.6	10,785.9	-	428.6
2009 Jan.	4,103.6	3,990.2	8,093.8	1,307.8	9,401.6	-	6,445.8	2,626.1	13,085.0	10,872.0	-	371.4
Feb.	4,138.5	3,983.0	8,121.5	1,322.0	9,443.4	-	6,494.5	2,657.7	13,090.2	10,861.5	-	419.1
Mar. (p)	4,123.1	3,964.9	8,088.0	1,312.2	9,400.2	-	6,455.4	2,687.3	13,039.8	10,814.4	-	370.0
	Transactions											
2006	260.5	308.8	569.2	130.1	699.3	-	428.2	-112.2	1,102.7	896.5	964.5	204.2
2007	148.8	529.8	678.6	224.3	902.9	-	466.9	-59.6	1,362.1	1,028.5	1,130.9	5.3
2008	125.8	487.4	613.2	44.2	657.4	-	156.5	70.3	832.4	587.1	770.3	-138.9
2008 Q4	84.9	57.7	142.6	10.0	152.6	-	-7.9	51.2	44.2	-12.3	84.0	39.6
2009 Q1 (p)	107.3	-100.0	7.3	-61.5	-54.2	-	137.9	110.3	33.2	-10.3	16.8	-90.8
2009 Jan.	83.3	-81.3	2.0	-64.8	-62.8	-	93.6	47.4	48.6	23.6	33.5	-107.2
Feb.	34.8	-6.2	28.6	14.3	42.9	-	42.4	31.5	10.6	-9.5	-1.5	30.4
Mar. (p)	-10.8	-12.5	-23.3	-11.0	-34.3	-	1.9	31.3	-26.0	-24.4	-15.3	-14.0
	Growth rates											
2006 Dec.	7.6	11.6	9.4	13.2	9.9	9.8	8.5	-4.6	11.6	10.8	11.6	204.2
2007 Dec.	4.0	17.9	10.2	20.5	11.6	11.9	8.5	-2.6	12.8	11.2	12.3	5.3
2008 Sep.	1.2	17.8	9.0	7.3	8.7	8.8	5.0	0.9	10.1	8.5	9.6	-222.1
Dec.	3.3	13.7	8.3	3.3	7.5	7.1	2.6	2.9	6.9	5.8	7.5	-138.9
2009 Jan.	5.1	10.1	7.5	-2.7	6.0	6.4	3.5	5.0	6.4	5.1	6.9	-237.3
Feb.	6.3	7.8	7.0	-0.8	5.8	5.6	4.5	6.7	5.7	4.3	6.1	-188.2
Mar. (p)	5.9	6.4	6.2	-1.0	5.1	.	4.3	7.7	4.7	3.2	5.0	-171.1

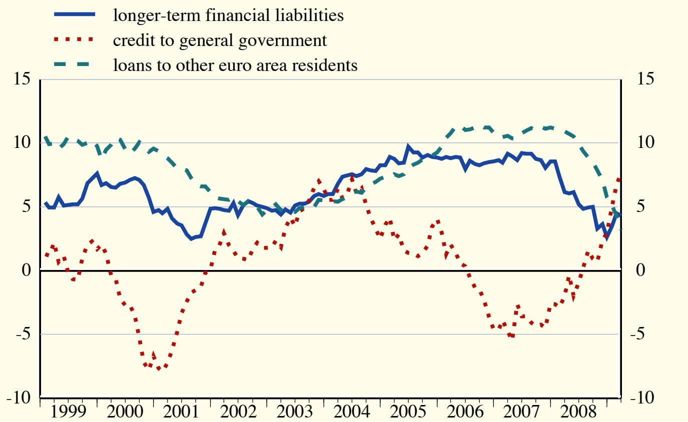
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

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

2.3 Monetary statistics [1]

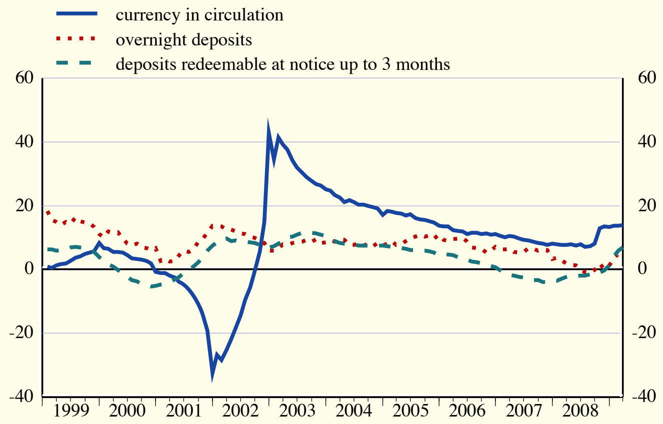
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2006	578.4	3,106.7	1,404.9	1,554.1	267.1	636.5	196.0	2,385.7	102.0	1,659.9	1,280.2
2007	625.6	3,212.2	1,977.3	1,541.1	307.4	686.2	314.9	2,547.4	119.3	1,814.8	1,486.4
2008 Q3	662.9	3,231.4	2,453.8	1,532.2	342.5	736.5	288.2	2,617.1	114.8	1,833.3	1,558.7
Q4	710.0	3,271.8	2,479.3	1,567.4	354.1	756.2	267.9	2,563.6	121.3	1,991.5	1,608.0
2009 Jan.	716.8	3,386.9	2,387.9	1,602.3	322.8	766.1	218.8	2,625.9	123.7	2,039.8	1,656.3
Feb.	721.8	3,416.7	2,354.6	1,628.4	327.7	777.3	217.0	2,641.5	123.0	2,059.5	1,670.4
Mar. (p)	727.5	3,395.6	2,318.4	1,646.5	337.5	778.3	196.4	2,595.0	124.2	2,074.6	1,661.6
					Transactions						
2006	57.3	203.1	298.0	10.8	30.1	29.9	70.0	216.4	15.3	137.6	58.9
2007	46.7	102.1	582.3	-52.5	42.2	58.7	123.4	147.5	9.7	160.4	149.3
2008	83.4	42.4	467.7	19.8	48.1	33.2	-37.1	-4.2	0.6	19.4	140.7
2008 Q4	47.1	37.8	22.7	35.0	13.2	13.7	-16.9	-61.5	6.5	5.0	42.0
2009 Q1 (p)	16.0	91.3	-178.8	78.8	-16.7	23.5	-68.3	18.4	2.2	77.6	39.8
2009 Jan.	5.3	78.0	-115.7	34.4	-31.5	11.1	-44.4	23.3	1.6	41.8	26.9
Feb.	5.1	29.7	-32.4	26.2	4.9	11.4	-2.0	13.0	-0.6	19.3	10.7
Mar. (p)	5.6	-16.4	-30.8	18.3	9.9	1.0	-21.9	-18.0	1.2	16.5	2.2
					Growth rates						
2006 Dec.	11.0	7.0	26.8	0.7	12.8	4.8	55.2	9.9	17.7	9.0	4.8
2007 Dec.	8.1	3.3	41.3	-3.4	15.8	9.2	63.6	6.2	9.5	9.7	11.4
2008 Sep.	8.2	-0.1	34.4	-1.7	16.5	4.1	5.3	2.3	-5.6	3.8	12.1
Dec.	13.3	1.3	23.4	1.3	15.5	4.8	-12.2	-0.1	0.5	1.1	9.6
2009 Jan.	13.7	3.4	14.6	4.1	5.9	2.6	-24.9	0.0	0.6	3.0	10.5
Feb.	13.6	4.8	9.3	5.8	5.4	3.4	-19.8	1.1	1.3	4.2	10.9
Mar. (p)	13.8	4.3	6.2	6.8	8.5	3.9	-26.2	0.2	3.7	5.0	10.5

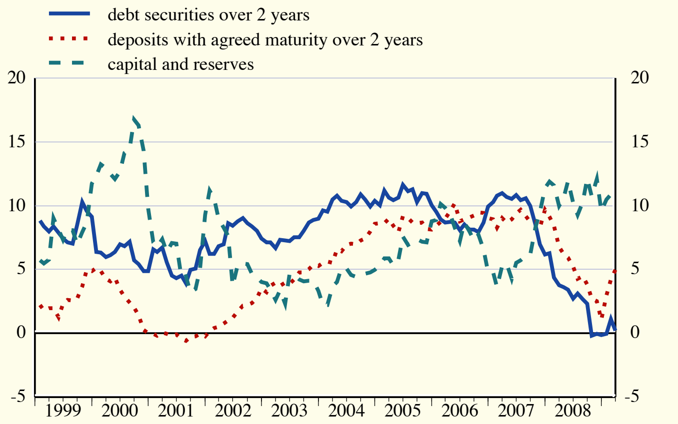
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

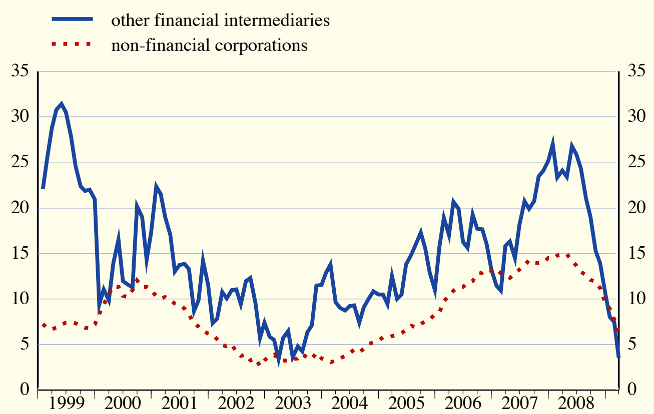
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds	Other financial interme-diaries [3]	Non-financial corporations				Households [4]			
	Total	Total	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
				Outstanding amounts						
2006	92.2	703.9	3,836.9	1,141.6	707.0	1,988.3	4,515.3	584.2	3,194.3	736.8
2007	107.4	877.5	4,383.4	1,282.6	859.5	2,241.2	4,788.2	616.1	3,419.9	752.2
2008 Q3	102.0	1,003.4	4,769.6	1,378.5	954.3	2,436.7	4,918.8	636.8	3,514.8	767.1
Q4	103.7	974.8	4,825.8	1,384.4	960.8	2,480.6	4,881.7	630.8	3,480.9	769.9
2009 Jan.	98.2	990.5	4,884.4	1,394.1	978.1	2,512.1	4,898.9	639.6	3,488.9	770.4
Feb.	96.2	986.3	4,879.7	1,373.9	980.7	2,525.1	4,899.2	640.8	3,490.9	767.6
Mar. (p)	102.4	970.6	4,851.2	1,351.4	973.9	2,525.8	4,890.2	641.2	3,482.0	767.0
				Transactions						
2006	20.2	86.9	444.8	100.9	123.0	220.8	344.7	42.3	281.9	20.4
2007	16.8	176.3	555.9	146.1	156.0	253.8	279.5	31.5	227.0	21.0
2008	-4.2	89.8	421.9	88.9	120.0	213.0	79.6	10.9	50.9	17.8
2008 Q4	1.6	-30.1	55.4	-3.7	24.4	34.7	-39.2	-6.4	-36.1	3.3
2009 Q1 (p)	-4.7	-10.4	11.3	-37.7	8.1	41.0	-6.5	2.5	-6.9	-2.1
2009 Jan.	-5.7	5.3	26.9	-0.9	9.2	18.6	-2.9	-0.3	-2.1	-0.6
Feb.	-2.0	-5.7	-3.5	-19.3	2.6	13.2	1.7	1.7	2.2	-2.2
Mar. (p)	3.0	-10.0	-12.1	-17.5	-3.8	9.2	-5.3	1.1	-7.0	0.6
				Growth rates						
2006 Dec.	27.9	14.0	13.1	9.7	20.8	12.4	8.2	7.7	9.7	2.9
2007 Dec.	18.2	24.9	14.5	12.8	22.0	12.8	6.2	5.4	7.1	2.9
2008 Sep.	-8.0	18.8	12.1	9.8	17.5	11.4	3.8	4.5	4.0	2.5
Dec.	-3.9	10.3	9.6	6.9	13.9	9.4	1.7	1.8	1.5	2.4
2009 Jan.	-4.7	8.2	9.0	6.0	13.0	9.1	1.2	1.3	0.9	2.1
Feb.	-8.1	7.8	7.7	3.2	12.0	8.7	0.7	1.1	0.4	1.4
Mar. (p)	-6.2	3.6	6.3	0.2	10.4	8.3	0.4	0.9	0.1	1.3

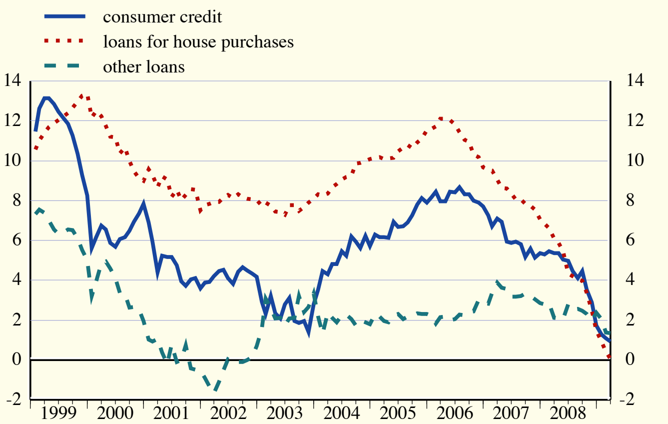
C5 Loans to other financial intermediaries and non-financial corporations [2]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2]

(annual growth rates; not seasonally adjusted)



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

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

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries [3)]				Non-financial corporations			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2007	95.6	71.2	7.5	17.0	862.2	522.5	148.0	191.7	4,386.2	1,278.0	859.2	2,249.1
2008 Q3	101.8	78.0	6.4	17.5	1,012.2	616.3	169.5	226.4	4,761.1	1,374.6	953.5	2,433.0
Q4	92.3	68.5	5.7	18.0	960.9	554.0	168.8	238.1	4,828.6	1,378.8	960.5	2,489.3
2009 Jan.	96.8	72.7	6.5	17.5	985.1	567.2	178.3	239.6	4,881.3	1,389.7	976.7	2,515.0
Feb.	94.3	70.1	6.5	17.6	982.9	560.2	179.7	243.0	4,868.8	1,366.9	978.8	2,523.1
Mar. (p)	101.3	75.6	6.3	19.4	987.1	570.0	179.8	237.3	4,846.9	1,348.7	974.4	2,523.8
	Transactions											
2007	15.0	16.7	-5.2	3.5	175.0	113.4	34.1	27.5	555.7	144.9	156.1	254.7
2008	-3.9	-2.9	-1.8	0.9	91.2	27.3	21.5	42.4	422.0	88.0	120.1	213.8
2008 Q4	-9.7	-9.6	-0.7	0.6	-52.7	-60.8	0.1	8.0	66.7	-5.3	24.9	47.1
2009 Q1 (p)	5.7	5.7	0.6	-0.7	19.9	11.3	11.0	-2.4	4.3	-34.8	8.8	30.3
2009 Jan.	4.4	4.0	0.8	-0.5	13.7	6.1	8.8	-1.2	21.1	0.3	8.1	12.8
Feb.	-2.5	-2.6	0.0	0.1	-3.6	-7.6	1.3	2.8	-11.5	-21.9	2.1	8.3
Mar. (p)	3.9	4.3	-0.2	-0.2	9.8	12.8	0.9	-4.0	-5.4	-13.2	-1.4	9.2
	Growth rates											
2007 Dec.	18.2	30.6	-41.1	23.5	25.1	27.2	29.6	16.7	14.5	12.7	22.1	12.8
2008 Sep.	-7.6	-10.6	-26.1	18.7	19.0	15.6	24.5	25.0	12.1	9.8	17.5	11.4
Dec.	-4.0	-4.0	-24.2	5.0	10.6	5.4	14.6	22.1	9.6	6.9	13.9	9.4
2009 Jan.	-4.7	-5.3	-19.3	5.0	8.0	0.5	20.5	20.2	9.0	6.0	13.1	9.1
Feb.	-8.3	-10.0	-17.9	4.4	7.5	-1.0	19.8	22.6	7.7	3.2	12.0	8.7
Mar. (p)	-6.0	-7.4	-16.8	5.9	3.5	-5.1	19.6	17.4	6.3	0.2	10.4	8.3

3. Loans to households [4)]

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2007	4,794.9	618.4	137.5	203.9	276.9	3,423.3	15.9	73.7	3,333.7	753.2	147.4	104.0	501.8
2008 Q3	4,925.6	638.3	139.3	201.4	297.6	3,519.9	16.8	71.7	3,431.4	767.3	149.6	100.0	517.8
Q4	4,887.7	633.1	138.8	196.3	298.0	3,483.7	17.2	67.6	3,398.9	771.0	155.1	90.4	525.5
2009 Jan.	4,893.7	637.7	137.0	202.8	297.9	3,487.2	17.2	65.9	3,404.1	768.8	152.5	89.6	526.8
Feb.	4,887.6	635.4	135.9	201.8	297.8	3,485.8	17.1	65.5	3,403.3	766.3	150.4	88.9	527.1
Mar. (p)	4,880.5	638.2	137.6	201.9	298.7	3,476.6	17.4	68.3	3,390.9	765.7	151.1	88.3	526.3
	Transactions												
2007	278.9	31.5	3.8	1.1	26.6	226.4	0.9	2.3	223.2	21.1	1.7	4.4	14.9
2008	78.9	10.8	1.1	-8.9	18.7	50.2	1.1	-3.7	52.8	17.9	2.6	-5.4	20.7
2008 Q4	-39.9	-5.7	-0.3	-5.6	0.1	-38.4	0.3	-2.2	-36.5	4.2	0.9	-2.0	5.3
2009 Q1 (p)	-22.2	-2.7	-1.2	-2.1	0.5	-15.1	0.2	-0.8	-14.5	-4.4	-3.9	-1.9	1.3
2009 Jan.	-14.2	-4.4	-2.1	-1.3	-0.9	-6.6	0.0	-1.8	-4.8	-3.2	-3.1	-0.8	0.7
Feb.	-4.7	-1.8	-1.0	-0.9	0.1	-1.1	-0.2	-0.4	-0.5	-1.8	-1.9	-0.6	0.7
Mar. (p)	-3.3	3.4	1.9	0.1	1.3	-7.3	0.4	1.4	-9.1	0.6	1.1	-0.4	-0.1
	Growth rates												
2007 Dec.	6.2	5.4	2.8	0.5	10.7	7.1	6.0	3.2	7.2	2.9	1.2	4.3	3.0
2008 Sep.	3.8	4.5	4.2	-1.3	9.0	4.0	4.8	-1.3	4.1	2.5	2.2	-2.3	3.5
Dec.	1.6	1.7	0.8	-4.4	6.7	1.5	7.0	-5.1	1.6	2.4	1.7	-5.2	4.1
2009 Jan.	1.2	1.3	0.3	-4.6	6.1	0.9	7.9	-7.3	1.1	2.1	1.0	-5.9	4.0
Feb.	0.7	1.1	0.3	-4.3	5.4	0.4	7.5	-7.6	0.6	1.4	0.5	-7.4	3.4
Mar. (p)	0.4	0.9	1.1	-4.4	4.7	0.1	7.9	-5.3	0.1	1.4	0.1	-7.7	3.6

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

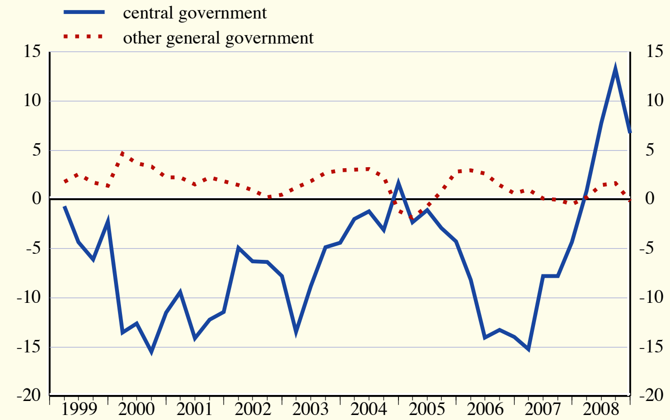
2.4 MFI loans, breakdown [1), 2)]

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

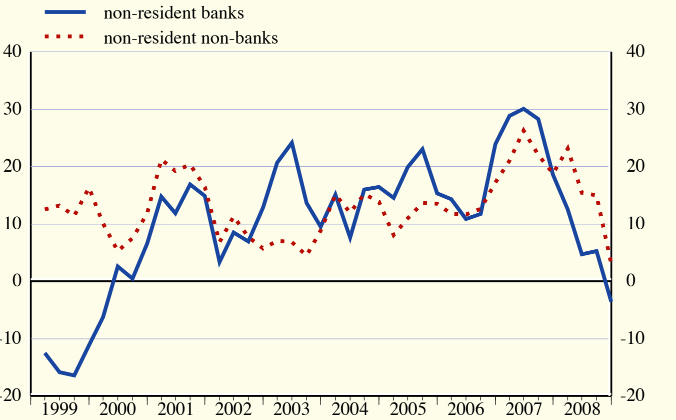
4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2006	809.0	104.0	232.5	446.6	25.8	2,931.8	2,070.6	861.2	63.1	798.1
2007	954.5	213.4	217.6	494.0	29.4	3,307.6	2,352.4	955.3	59.8	895.5
2008 Q1	956.2	210.6	212.8	495.6	37.2	3,423.2	2,407.3	1,015.9	61.5	954.4
Q2	974.0	220.9	215.1	495.9	42.0	3,320.9	2,312.2	1,008.8	63.0	945.8
Q3	978.7	225.6	210.0	497.8	45.4	3,525.7	2,461.8	1,063.9	61.8	1,002.0
Q4 (p)	968.4	229.1	210.1	489.7	39.8	3,243.1	2,272.8	969.1	59.6	909.5
	Transactions									
2006	-13.2	-17.5	-14.3	22.0	-3.4	536.5	408.5	128.0	-0.1	128.1
2007	-8.0	-4.5	-13.0	6.0	3.6	541.6	382.1	159.7	0.3	159.4
2008 (p)	12.9	14.4	-8.1	-3.6	10.4	-52.5	-83.0	28.9	0.1	28.8
2008 Q1	0.5	-3.4	-4.8	0.9	7.8	212.7	119.6	92.8	2.9	89.8
Q2	17.7	10.3	2.1	0.6	4.8	-99.2	-93.6	-5.4	1.6	-7.0
Q3	4.4	4.3	-5.2	1.9	3.4	91.0	73.8	17.3	-3.2	20.5
Q4 (p)	-9.9	3.2	-0.2	-7.0	-5.6	-257.1	-182.7	-75.7	-1.1	-74.5
	Growth rates									
2006 Dec.	-1.6	-14.0	-5.8	5.2	-11.6	21.9	24.0	17.2	-0.1	18.9
2007 Dec.	-1.0	-4.3	-5.6	1.3	13.8	18.6	18.6	18.8	0.5	20.3
2008 Mar.	0.1	0.9	-5.1	1.6	19.4	15.6	12.6	23.2	10.0	24.1
June	2.4	7.8	-1.8	2.3	11.7	7.7	4.7	15.4	9.5	15.8
Sep.	3.4	13.2	-1.9	2.7	9.6	8.0	5.2	15.0	1.8	15.9
Dec. (p)	1.3	6.7	-3.7	-0.7	35.2	-1.6	-3.5	3.1	0.1	3.3

C7 Loans to government [2)]
(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2)]
(annual growth rates; not seasonally adjusted)



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

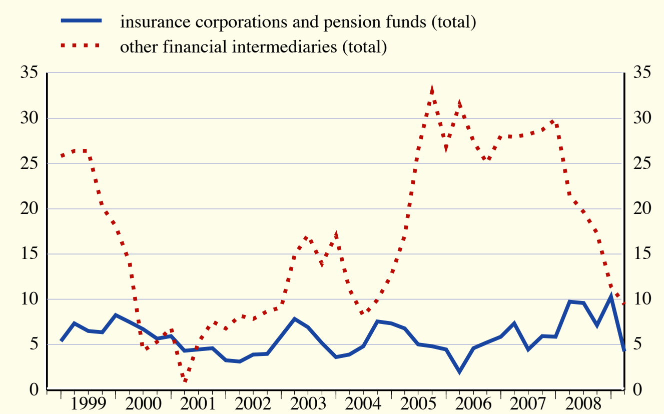
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

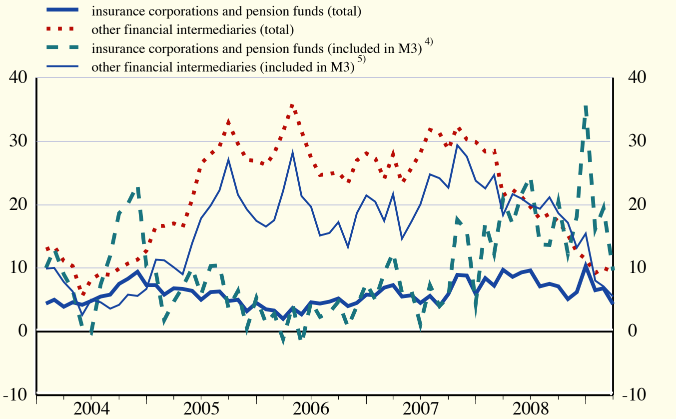
1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2006	656.2	70.0	59.8	499.1	1.0	1.4	24.9	1,135.6	281.8	249.7	468.2	10.5	0.2	125.1
2007	691.7	70.9	70.5	527.5	0.8	1.1	20.8	1,466.4	312.5	345.7	648.6	12.2	0.3	147.1
2008 Q3	730.4	75.2	91.0	541.1	1.2	1.6	20.4	1,634.5	322.5	443.7	669.1	11.6	0.1	187.5
Q4	765.4	83.8	117.1	538.9	1.1	1.5	23.1	1,798.6	320.9	420.0	848.3	12.3	0.1	197.0
2009 Jan.	766.3	99.8	99.7	544.0	1.2	1.5	20.2	1,803.7	341.9	363.6	880.3	12.9	0.1	204.9
Feb.	759.9	92.5	98.6	544.5	1.4	1.5	21.3	1,820.8	342.3	359.0	893.4	14.1	0.1	212.0
Mar. (p)	763.2	91.7	99.7	546.6	2.3	1.5	21.4	1,837.1	332.6	348.7	907.1	14.4	0.0	234.2
Transactions														
2006	36.4	2.0	4.9	25.4	-0.3	0.0	4.4	247.4	45.2	67.0	129.8	0.3	0.1	4.9
2007	38.5	0.8	10.5	31.9	-0.3	-0.3	-4.1	339.0	34.0	98.7	180.4	1.7	0.1	24.1
2008	71.7	12.4	44.9	12.4	-0.3	0.1	2.2	167.3	4.5	70.9	41.5	-0.3	-0.3	50.9
2008 Q4	36.8	8.5	26.1	-0.3	-0.1	-0.1	2.7	8.1	-2.3	-24.0	22.7	0.6	0.0	11.1
2009 Q1 (p)	-6.9	5.4	-18.9	7.7	0.5	0.0	-1.7	34.7	9.8	-71.7	57.3	2.1	0.0	37.2
2009 Jan.	-1.0	15.4	-18.6	5.0	0.1	0.0	-2.9	-3.4	17.9	-58.2	28.6	0.5	0.0	7.8
Feb.	-6.5	-7.3	-1.1	0.5	0.2	0.0	1.2	15.8	-0.3	-4.7	12.6	1.2	0.0	7.1
Mar. (p)	0.6	-2.6	0.9	2.1	0.2	0.0	0.1	22.2	-7.8	-8.9	16.1	0.5	0.0	22.3
Growth rates														
2006 Dec.	5.9	2.9	9.0	5.4	-20.4	-	21.2	28.1	19.4	36.6	38.7	2.6	-	4.0
2007 Dec.	5.9	1.1	17.5	6.4	-25.3	-	-16.4	29.9	12.0	39.7	38.5	16.4	-	19.1
2008 Sep.	7.1	10.8	38.9	3.2	-20.3	-	-3.1	17.3	-3.3	45.3	15.5	-11.7	-	16.1
Dec.	10.3	17.3	62.1	2.4	-23.4	-	10.4	11.4	1.4	20.7	6.4	-2.3	-	34.6
2009 Jan.	6.5	18.5	26.0	3.1	-18.1	-	-20.2	9.2	1.2	6.7	10.0	-2.3	-	25.3
Feb.	6.8	26.2	24.4	2.6	-12.6	-	-13.7	10.0	5.8	-1.6	12.9	14.8	-	28.3
Mar. (p)	4.3	8.8	13.8	2.4	-3.4	-	-2.2	9.4	-1.9	-3.4	13.7	6.4	-	39.1

C9 Total deposits by sector [2)]
(annual growth rates)



C10 Total deposits and deposits included in M3 by sector [2)]
(annual growth rates)



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

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

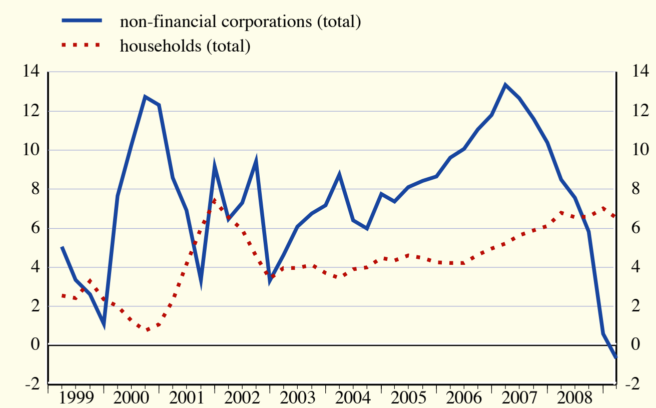
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2006	1,352.7	855.0	361.3	69.4	40.9	1.3	24.8	4,551.7	1,751.4	668.9	607.4	1,354.3	99.8	70.0
2007	1,488.8	888.9	485.3	59.6	29.9	1.4	23.7	4,990.6	1,778.9	993.3	561.6	1,458.6	111.1	87.1
2008 Q3	1,517.4	879.9	520.8	64.2	26.0	1.4	25.1	5,203.5	1,751.0	1,270.4	525.1	1,446.0	103.0	108.0
Q4	1,517.2	889.9	509.5	64.6	28.3	1.3	23.7	5,374.1	1,814.6	1,350.2	521.7	1,490.1	113.7	83.7
2009 Jan.	1,494.4	884.0	488.2	67.1	32.4	1.3	21.3	5,443.8	1,859.0	1,335.8	523.0	1,535.0	114.4	76.6
Feb.	1,480.0	868.2	483.4	68.6	35.8	1.3	22.7	5,453.1	1,883.4	1,309.4	522.8	1,553.3	114.3	69.9
Mar. (p)	1,488.8	879.0	479.8	70.3	38.7	1.3	19.7	5,451.3	1,899.9	1,280.9	524.5	1,569.6	114.9	61.4
	Transactions													
2006	143.0	86.8	56.0	3.5	-3.6	0.1	0.1	215.1	65.6	137.5	-23.0	2.4	15.3	17.2
2007	140.2	34.1	126.8	-8.1	-10.8	-0.7	-1.1	282.9	22.4	320.9	-45.4	-43.2	11.2	17.1
2008	8.9	-4.6	14.2	3.2	-3.6	-0.3	0.0	351.4	28.5	335.7	-39.2	28.1	1.7	-3.4
2008 Q4	-2.1	9.0	-12.6	0.6	2.3	-0.1	-1.4	166.9	63.1	76.8	-3.2	44.0	10.6	-24.4
2009 Q1 (p)	-38.5	-16.2	-33.8	4.4	11.1	0.0	-3.9	40.8	64.0	-80.9	0.2	79.2	0.5	-22.2
2009 Jan.	-39.4	-15.7	-27.7	2.2	4.1	0.0	-2.4	29.3	22.4	-29.0	-1.4	44.4	-0.1	-7.1
Feb.	-13.6	-15.3	-4.8	1.6	3.4	0.0	1.4	10.3	24.4	-25.4	-0.3	18.4	-0.1	-6.6
Mar. (p)	14.5	14.8	-1.4	0.5	3.5	0.0	-2.9	1.2	17.2	-26.5	1.9	16.4	0.6	-8.5
	Growth rates													
2006 Dec.	11.8	11.3	18.2	5.2	-8.1	5.9	0.6	5.0	3.9	25.8	-3.6	0.2	18.1	32.6
2007 Dec.	10.4	4.0	35.1	-11.7	-26.3	-31.6	-4.4	6.1	1.3	47.7	-7.5	-3.3	11.2	24.4
2008 Sep.	5.8	3.0	14.7	-2.7	-23.2	-17.3	3.0	6.6	-0.6	40.8	-7.0	-1.0	-5.2	28.6
Dec.	0.6	-0.5	3.0	5.3	-11.4	-15.8	0.0	7.0	1.6	33.2	-7.0	1.9	1.5	-3.9
2009 Jan.	1.6	2.8	-1.2	9.1	6.3	-17.2	-4.5	7.0	4.1	24.7	-6.5	4.8	1.5	-16.5
Feb.	-0.4	1.8	-6.4	10.9	20.7	-11.0	-2.7	7.0	6.4	19.4	-5.7	6.1	2.2	-27.1
Mar. (p)	-0.7	1.3	-6.8	12.2	31.4	-9.5	-13.8	6.5	6.7	15.1	-4.5	6.9	4.7	-35.7

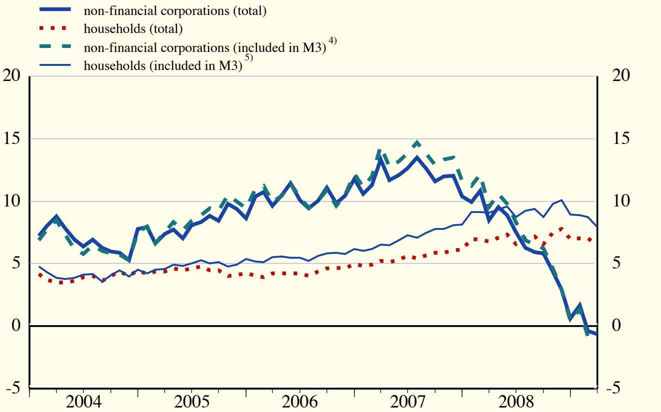
C11 Total deposits by sector [2]

(annual growth rates)



C12 Total deposits and deposits included in M3 by sector [2]

(annual growth rates)



Source: ECB.

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

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

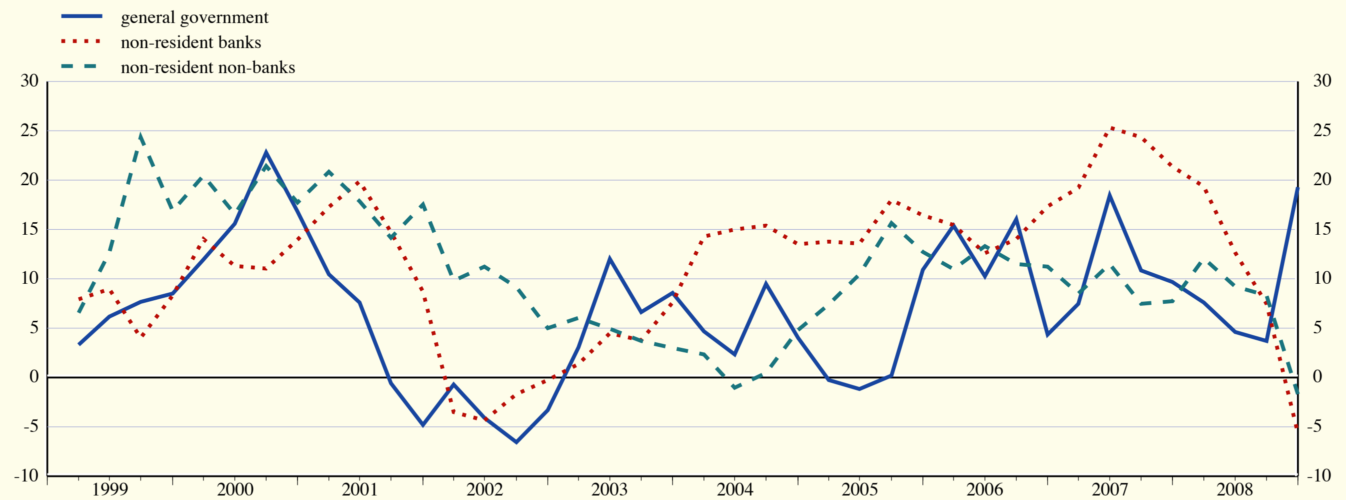
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2006	329.6	124.1	45.4	91.4	68.8	3,430.0	2,561.5	868.6	128.5	740.1
2007	374.8	126.9	59.0	108.5	80.4	3,857.3	2,948.7	908.8	143.3	765.5
2008 Q1	377.1	139.5	49.6	108.6	79.3	4,039.6	3,079.4	960.2	131.0	829.2
Q2	412.3	156.0	56.4	113.5	86.4	4,020.6	3,041.3	979.3	129.3	850.1
Q3	401.7	139.9	61.7	114.4	85.7	4,145.6	3,142.2	1,003.4	141.8	861.6
Q4 (p)	445.1	190.7	52.3	116.2	85.8	3,714.7	2,813.5	900.0	67.5	832.4
	Transactions									
2006	13.6	-24.6	7.0	7.6	23.6	475.9	387.2	88.7	6.6	82.1
2007	31.9	-3.1	13.6	9.8	11.6	610.6	543.8	67.1	20.2	46.9
2008 (p)	72.3	63.4	-6.5	8.5	6.8	-183.5	-168.3	-16.7	-36.2	19.5
2008 Q1	2.1	12.5	-9.3	0.0	-1.1	277.6	219.4	57.9	-8.5	66.4
Q2	35.2	16.1	6.8	4.9	7.4	-16.6	-36.1	19.5	-1.8	21.3
Q3	-10.8	-16.0	5.2	0.8	-0.8	-15.4	-16.8	1.4	8.8	-7.4
Q4 (p)	45.9	50.8	-9.2	2.9	1.3	-429.0	-334.8	-95.5	-34.8	-60.7
	Growth rates									
2006 Dec.	4.3	-16.6	18.4	9.3	52.1	15.7	17.3	11.2	5.3	12.4
2007 Dec.	9.7	-2.4	29.9	10.7	16.9	17.9	21.4	7.8	15.8	6.4
2008 Mar.	7.6	-3.8	18.1	13.2	16.4	17.6	19.4	12.1	5.5	13.2
June	4.6	-12.1	28.9	10.5	21.0	11.9	12.6	9.2	-0.2	10.8
Sep.	3.7	-6.8	2.9	8.3	18.9	7.7	7.5	8.3	-1.2	10.1
Dec. (p)	19.3	49.9	-11.0	7.8	8.5	-4.7	-5.7	-1.7	-25.2	2.7

C13 Deposits by government and non-euro area residents [2)]

(annual growth rates)



Source: ECB.

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

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

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

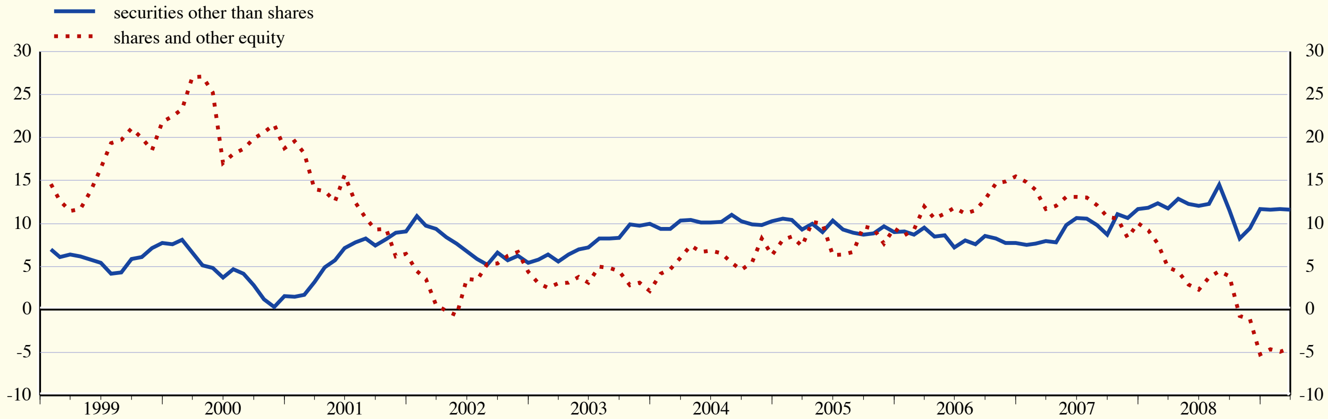
2.6 MFI holdings of securities, breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2006	4,671.3	1,564.7	72.3	1,262.7	16.1	615.7	30.1	1,109.8	1,465.0	372.7	798.7	293.6
2007	5,124.7	1,656.3	84.0	1,180.3	16.6	919.6	33.3	1,234.6	1,636.5	424.5	869.3	342.7
2008 Q3	5,515.8	1,803.6	102.0	1,179.8	15.6	1,056.9	49.4	1,308.5	1,605.7	452.1	864.0	289.5
Q4	5,869.9	1,895.4	96.1	1,225.1	19.1	1,344.4	51.2	1,238.6	1,480.0	422.6	777.7	279.8
2009 Jan.	6,046.7	1,947.7	104.6	1,285.5	23.4	1,352.1	55.5	1,278.0	1,489.7	425.5	779.5	284.7
Feb.	6,135.1	1,969.7	107.1	1,321.4	20.9	1,372.0	55.9	1,288.1	1,463.9	421.3	768.0	274.6
Mar. (p)	6,123.9	1,987.0	103.5	1,367.2	20.5	1,394.1	50.8	1,200.9	1,458.6	422.4	765.2	271.0
	Transactions											
2006	340.2	123.6	10.7	-120.1	0.7	100.2	6.5	218.8	197.3	62.5	96.4	38.4
2007	543.9	136.1	18.0	-86.2	1.5	269.5	9.5	195.5	147.8	51.3	55.4	41.0
2008	600.5	225.4	9.7	37.0	1.7	287.5	15.8	23.4	-83.7	22.5	-55.7	-50.5
2008 Q4	217.2	91.7	-4.5	37.9	3.2	145.3	-0.9	-55.5	-85.4	-9.2	-70.2	-6.0
2009 Q1 (p)	242.9	90.5	5.1	134.9	0.5	48.6	-2.5	-34.3	-4.3	1.5	-0.7	-5.0
2009 Jan.	112.0	49.7	1.4	52.7	2.4	6.9	0.2	-1.3	21.6	5.1	10.2	6.3
Feb.	88.9	25.1	2.3	36.8	-2.4	19.3	-0.1	7.9	-16.6	-2.4	-6.7	-7.5
Mar. (p)	42.0	15.6	1.4	45.4	0.6	22.4	-2.6	-40.9	-9.2	-1.2	-4.2	-3.8
	Growth rates											
2006 Dec.	7.7	8.5	16.5	-8.7	4.4	19.2	25.6	24.2	15.5	20.1	13.6	15.1
2007 Dec.	11.7	8.7	25.3	-6.8	10.7	43.3	33.4	17.7	10.0	13.7	6.9	13.9
2008 Sep.	11.5	11.1	24.2	-1.8	6.5	31.6	46.0	10.0	3.8	11.0	7.9	-14.6
Dec.	11.7	13.5	12.1	3.1	8.5	31.4	48.2	1.9	-5.2	5.3	-6.6	-15.3
2009 Jan.	11.6	14.6	5.0	6.2	16.4	31.3	35.7	-1.6	-4.6	5.3	-6.5	-12.8
Feb.	11.7	14.1	5.9	9.4	18.9	30.0	36.6	-2.9	-4.9	2.6	-5.3	-14.2
Mar. (p)	11.6	14.8	10.7	12.6	15.9	30.3	-2.5	-6.5	-4.5	0.1	-6.0	-7.0

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.5	-6.7	-1.1	-2.0	-3.6
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.5	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2008 Q3	-1.0	-0.2	-0.4	-0.4	-0.4	0.0	0.0	-0.4	-1.3	-0.2	-0.5	-0.7
Q4	-1.5	-0.3	-0.5	-0.7	-0.6	0.0	-0.1	-0.5	-2.1	-0.4	-0.8	-1.0
2009 Jan.	-0.6	-0.2	-0.2	-0.3	-0.6	0.0	0.0	-0.5	-0.9	-0.5	0.0	-0.4
Feb.	-0.5	0.0	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.4
Mar. (p)	-0.5	-0.1	-0.2	-0.2	-0.5	0.0	0.0	-0.4	-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
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.8	-4.0	-9.2	-4.5	-6.6	-3.4	-3.2
2008 Q3	-4.0	-0.8	-2.2	-1.0	-1.3	-0.7	-0.5
Q4	-5.6	-1.2	-2.8	-1.6	-2.9	-0.8	-2.1
2009 Jan.	-1.8	-0.8	-0.3	-0.6	-1.3	-0.9	-0.5
Feb.	-1.4	-0.6	-0.3	-0.4	-0.4	-0.1	-0.3
Mar. (p)	-1.6	-0.5	-0.3	-0.7	-0.9	-0.3	-0.6

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-12.2	0.7	-0.3	-10.6	-0.4	-0.5	-0.2	-0.8	28.9	3.4	17.3	8.2
2007	-14.2	-3.3	0.1	-0.3	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-59.3	-10.7	0.0	4.5	0.0	-23.0	1.1	-31.2	-58.0	-8.5	-43.6	-5.9
2008 Q3	-2.7	-1.4	0.3	6.4	0.2	-3.1	0.0	-5.1	-12.0	-7.6	-8.4	4.0
Q4	-15.1	-2.7	0.1	6.9	0.1	-13.0	2.1	-8.7	-25.9	-7.4	-14.8	-3.7
2009 Jan.	-10.3	2.0	0.0	-3.2	0.0	-3.1	0.1	-6.1	-12.5	-3.9	-8.8	0.2
Feb.	-4.1	-2.6	-0.1	-0.8	0.0	0.3	0.2	-1.1	-9.1	-1.7	-4.8	-2.6
Mar. (p)	-0.3	1.5	0.0	0.3	0.0	-0.4	0.0	-1.7	3.9	2.4	1.3	0.3

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

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

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total							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													
2006	5,239.3	90.7	9.3	5.6	0.4	1.5	1.2	8,025.9	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,085.8	92.1	7.9	4.8	0.4	1.1	1.0	9,012.4	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q1	6,144.9	91.8	8.2	4.7	0.5	1.3	1.0	9,173.9	96.4	3.6	2.1	0.4	0.1	0.6
Q2	6,284.2	91.6	8.4	5.0	0.4	1.4	1.0	9,399.0	96.4	3.6	2.1	0.5	0.1	0.5
Q3	6,746.8	89.4	10.6	6.9	0.4	1.5	1.0	9,487.6	96.2	3.8	2.2	0.5	0.1	0.6
Q4 (p)	6,862.1	89.7	10.3	7.2	0.4	1.2	0.8	9,900.3	96.9	3.1	1.9	0.4	0.1	0.4
	By non-euro area residents													
2006	2,561.5	45.4	54.6	35.0	2.3	2.7	11.5	868.6	50.8	49.2	31.9	1.3	2.0	10.4
2007	2,948.7	46.9	53.1	33.6	2.9	2.4	11.0	908.8	50.1	49.9	32.9	1.6	1.8	9.9
2008 Q1	3,079.4	48.2	51.8	32.8	2.9	2.6	10.5	960.2	52.4	47.6	31.9	1.4	1.8	8.7
Q2	3,041.3	46.6	53.4	33.8	3.0	2.7	10.6	979.3	51.9	48.1	31.8	1.2	1.7	9.3
Q3	3,142.2	45.8	54.2	35.2	3.2	2.7	9.8	1,003.4	52.6	47.4	30.3	1.3	1.5	10.3
Q4 (p)	2,813.5	48.1	51.9	34.2	2.7	2.6	9.5	900.0	54.5	45.5	29.0	1.4	2.0	9.4

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2006	4,470.8	80.6	19.4	10.0	1.6	1.9	3.5
2007	4,933.2	81.5	18.5	9.2	1.7	1.9	3.4
2008 Q1	4,978.1	82.2	17.8	8.8	1.8	1.9	3.2
Q2	5,133.1	82.1	17.9	8.8	1.7	1.8	3.5
Q3	5,168.7	81.9	18.1	8.9	1.9	1.8	3.3
Q4 (p)	5,113.8	83.3	16.7	8.5	2.0	1.8	2.6

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

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

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

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2006	4,938.0	-	-	-	-	-	-	9,943.7	96.4	3.6	1.6	0.2	1.1	0.5
2007	5,800.8	-	-	-	-	-	-	11,093.4	96.2	3.8	1.8	0.2	0.9	0.6
2008 Q1	5,848.0	-	-	-	-	-	-	11,392.7	96.1	3.9	1.8	0.2	1.0	0.5
Q2	6,012.4	-	-	-	-	-	-	11,613.8	96.0	4.0	1.9	0.2	1.0	0.6
Q3	6,355.5	-	-	-	-	-	-	11,779.4	95.8	4.2	2.1	0.2	1.0	0.5
Q4 (p)	6,318.1	-	-	-	-	-	-	11,737.9	95.9	4.1	2.1	0.3	1.0	0.4
	To non-euro area residents													
2006	2,070.6	50.9	49.1	28.7	2.0	2.3	11.0	861.2	39.3	60.7	43.1	1.1	4.0	8.6
2007	2,352.4	48.3	51.7	28.8	2.3	2.4	12.7	955.3	40.9	59.1	41.2	1.2	3.7	8.2
2008 Q1	2,407.3	48.4	51.6	27.8	2.9	2.8	12.4	1,015.9	43.0	57.0	39.1	1.3	4.2	7.8
Q2	2,312.2	46.5	53.5	29.2	2.3	2.9	12.7	1,008.8	43.0	57.0	38.3	1.1	4.0	8.7
Q3	2,461.8	42.7	57.3	33.2	2.9	2.6	12.4	1,063.9	41.4	58.6	40.5	1.5	3.9	8.0
Q4 (p)	2,272.8	45.9	54.1	32.2	2.5	2.6	11.2	969.1	40.8	59.2	41.6	1.8	4.1	7.2

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2006	1,636.9	95.6	4.4	2.3	0.2	0.3	1.3	1,924.6	97.6	2.4	1.3	0.3	0.1	0.7
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,149.8	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q1	1,819.2	95.2	4.8	2.4	0.3	0.3	1.4	2,225.8	97.2	2.8	1.9	0.3	0.1	0.4
Q2	1,897.8	94.8	5.2	2.6	0.4	0.3	1.6	2,310.4	97.3	2.7	1.8	0.3	0.1	0.5
Q3	1,905.6	94.6	5.4	2.9	0.4	0.3	1.5	2,301.7	97.2	2.8	1.9	0.3	0.1	0.4
Q4 (p)	1,991.5	95.2	4.8	2.6	0.4	0.2	1.3	2,639.8	97.3	2.7	1.9	0.3	0.1	0.4
	Issued by non-euro area residents													
2006	515.3	52.3	47.7	28.8	0.7	0.4	14.5	594.5	38.9	61.1	36.5	4.9	0.8	14.2
2007	582.4	53.9	46.1	27.3	0.7	0.4	14.4	652.2	35.9	64.1	39.3	4.5	0.8	12.6
2008 Q1	637.5	50.9	49.1	30.1	0.8	0.6	14.4	629.5	38.1	61.9	36.7	5.8	0.9	11.4
Q2	664.8	50.3	49.7	30.6	0.7	0.5	14.8	627.4	38.6	61.4	36.9	5.8	0.8	10.4
Q3	645.1	51.1	48.9	30.7	0.8	0.5	14.2	663.4	37.2	62.8	38.1	6.4	0.9	10.5
Q4 (p)	579.8	53.4	46.6	29.0	0.8	0.5	13.6	652.8	39.0	61.0	39.3	5.9	0.8	9.4

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

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

1. Assets

	Total	Deposits	Holdings of securities other than shares: Total	Up to 1 year	Over 1 year	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7	8	9
2007 Q3	5,892.8	358.3	2,015.0	187.0	1,828.0	2,168.5	773.6	180.6	396.6
Q4	5,781.3	353.4	1,993.4	184.1	1,809.3	2,077.4	784.0	189.1	384.0
2008 Q1	5,160.6	365.5	1,857.8	164.8	1,693.0	1,670.3	719.8	197.1	350.1
Q2	5,015.2	359.3	1,807.2	157.5	1,649.7	1,624.4	690.7	204.9	328.7
Q3	4,713.2	377.1	1,747.3	148.1	1,599.2	1,411.3	641.3	202.8	333.3
Q4 (p)	4,242.6	349.7	1,704.3	132.1	1,572.2	1,133.6	566.0	196.3	292.7

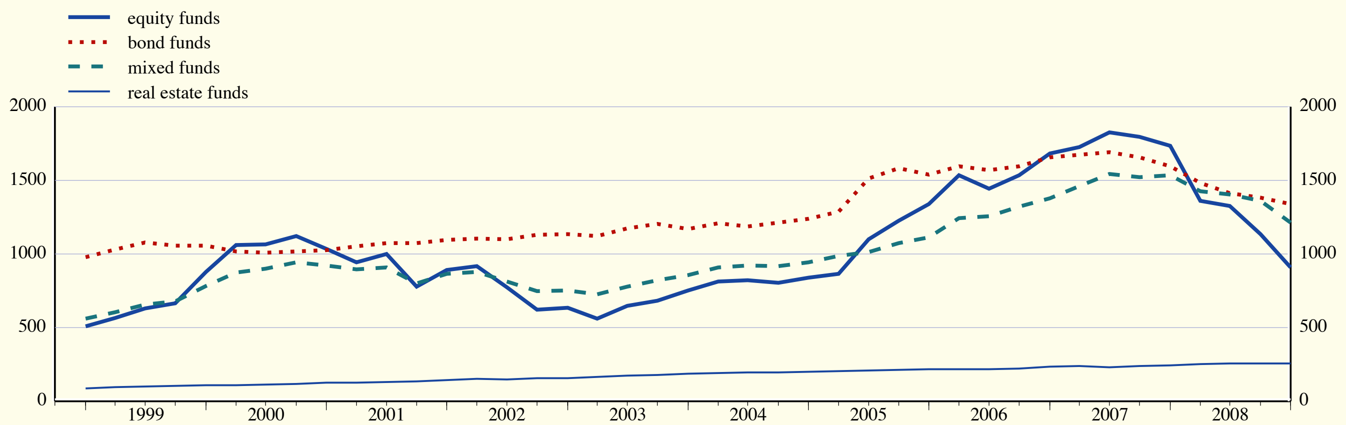
2. Liabilities

	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2007 Q3	5,892.8	78.5	5,496.8	317.5
Q4	5,781.3	76.8	5,411.5	293.0
2008 Q1	5,160.6	76.4	4,846.6	237.6
Q2	5,015.2	74.8	4,720.9	219.5
Q3	4,713.2	71.0	4,413.4	228.7
Q4 (p)	4,242.6	63.7	3,993.8	185.1

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
2007 Q3	5,892.8	1,797.1	1,654.6	1,523.2	236.1	681.7	4,468.3	1,424.5
Q4	5,781.3	1,735.5	1,596.8	1,535.4	244.2	669.4	4,344.6	1,436.7
2008 Q1	5,160.6	1,362.6	1,483.3	1,427.8	249.6	637.4	3,778.1	1,382.5
Q2	5,015.2	1,325.3	1,413.4	1,405.2	256.1	615.3	3,647.1	1,368.1
Q3	4,713.2	1,132.2	1,382.8	1,358.9	253.1	586.2	3,340.9	1,372.3
Q4 (p)	4,242.6	908.7	1,339.2	1,210.7	254.1	529.9	2,961.6	1,281.0

C15 Total assets of investment funds
(EUR billions)



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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2007 Q3	1,797.1	72.0	68.7	26.7	41.9	1,505.5	82.4	-	68.5
Q4	1,735.5	58.1	71.8	26.5	45.2	1,464.2	79.5	-	61.9
2008 Q1	1,362.6	51.2	63.0	21.3	41.7	1,130.9	65.7	-	51.7
Q2	1,325.3	54.3	65.0	22.0	43.0	1,088.6	65.7	-	51.6
Q3	1,132.2	48.3	61.3	20.2	41.1	915.2	57.2	-	50.2
Q4 (p)	908.7	36.8	65.7	19.4	46.3	715.8	47.2	-	43.3
	Bond funds								
2007 Q3	1,654.6	109.9	1,318.4	97.0	1,221.5	62.6	53.3	-	110.4
Q4	1,596.8	116.1	1,273.1	92.7	1,180.4	58.0	49.8	-	99.8
2008 Q1	1,483.3	124.7	1,167.7	80.3	1,087.5	56.8	45.5	-	88.6
Q2	1,413.4	115.9	1,118.4	74.6	1,043.7	57.9	42.7	-	78.5
Q3	1,382.8	128.7	1,073.6	67.9	1,005.6	55.7	41.3	-	83.5
Q4 (p)	1,339.2	120.0	1,042.5	61.1	981.4	60.2	36.3	-	80.2
	Mixed funds								
2007 Q3	1,523.2	86.2	522.6	46.3	476.3	405.4	345.1	0.5	163.3
Q4	1,535.4	89.7	547.0	47.3	499.7	393.1	343.6	0.7	161.4
2008 Q1	1,427.8	97.9	528.0	46.4	481.6	339.4	313.9	1.2	147.3
Q2	1,405.2	99.0	519.9	42.6	477.3	341.6	307.9	0.8	135.9
Q3	1,358.9	108.9	512.5	42.2	470.4	312.1	287.3	1.1	137.0
Q4 (p)	1,210.7	110.2	495.3	34.0	461.3	244.0	235.7	1.2	124.3
	Real estate funds								
2007 Q3	236.1	20.7	6.4	1.6	4.8	3.9	13.1	179.2	12.8
Q4	244.2	19.7	6.0	1.5	4.5	3.4	12.5	187.9	14.7
2008 Q1	249.6	19.9	5.3	1.1	4.2	3.1	11.3	195.4	14.6
Q2	256.1	17.9	5.9	1.1	4.8	3.0	10.1	203.5	15.7
Q3	253.1	18.9	4.7	1.3	3.4	3.0	9.3	201.2	15.9
Q4 (p)	254.1	14.3	4.8	1.1	3.7	14.5	6.8	194.6	19.1

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2007 Q3	4,468.3	287.9	1,375.7	1,791.2	564.1	142.9	306.4
Q4	4,344.6	279.9	1,336.9	1,717.4	569.6	149.1	291.8
2008 Q1	3,778.1	277.6	1,218.3	1,362.1	514.2	154.1	251.9
Q2	3,647.1	264.5	1,177.3	1,326.8	485.5	155.0	238.0
Q3	3,340.9	265.1	1,104.8	1,140.6	440.8	152.4	237.2
Q4 (p)	2,961.6	242.8	1,054.5	934.7	381.4	142.8	205.5
	Special investors' funds						
2007 Q3	1,424.5	70.4	639.3	377.3	209.5	37.7	90.2
Q4	1,436.7	73.4	656.6	360.0	214.5	40.0	92.2
2008 Q1	1,382.5	88.0	639.6	308.1	205.6	43.0	98.2
Q2	1,368.1	94.8	629.9	297.6	205.2	49.9	90.7
Q3	1,372.3	112.0	642.5	270.7	200.5	50.5	96.1
Q4 (p)	1,281.0	106.9	649.8	198.9	184.6	53.5	87.2

Source: ECB.

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses 2008 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						504.1
Trade balance [1]						-7.6
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,190.9	117.4	755.3	59.6	258.6	
Other taxes less subsidies on production	42.1	8.4	23.3	5.0	5.4	
Consumption of fixed capital	339.2	91.2	193.0	11.2	43.8	
Net operating surplus and mixed income [1]	538.3	287.8	227.6	26.4	-3.5	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.6
Taxes less subsidies on production						
Property income	878.3	57.6	298.0	456.1	66.6	135.6
Interest	562.2	54.6	95.0	346.1	66.6	85.2
Other property income	316.1	3.0	203.0	110.0	0.0	50.4
Net national income [1]	2,010.7	1,679.9	51.1	33.9	245.8	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	318.5	252.3	53.2	12.6	0.4	1.4
Social contributions	447.0	447.0				1.0
Social benefits other than social transfers in kind	438.2	1.4	15.9	28.3	392.5	0.6
Other current transfers	204.9	76.3	26.2	50.3	52.0	8.5
Net non-life insurance premiums	48.1	34.9	11.5	0.9	0.7	1.5
Non-life insurance claims	48.4			48.4		0.6
Other	108.4	41.4	14.7	1.0	51.2	6.4
Net disposable income [1]	1,980.4	1,435.6	-14.9	38.1	521.7	
Use of income account						
Net disposable income						
Final consumption expenditure	1,836.0	1,315.9			520.1	
Individual consumption expenditure	1,627.3	1,315.9			311.4	
Collective consumption expenditure	208.7				208.7	
Adjustment for the change in net equity of households in pension fund reserves	16.9	0.1	-0.2	17.0	0.0	0.0
Net saving/current external account [1]	144.4	136.5	-14.7	21.1	1.5	24.4
Capital account						
Net saving / current external account						
Gross capital formation	508.0	156.6	257.3	15.4	78.8	
Gross fixed capital formation	505.4	153.2	258.1	15.3	78.8	
Changes in inventories and acquisitions less disposals of valuables	2.6	3.4	-0.8	0.0	0.0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.0	-1.9	1.9	0.2	-0.2	0.0
Capital transfers	56.7	9.4	2.8	3.3	41.2	6.6
Capital taxes	6.0	5.8	0.2	0.0		0.0
Other capital transfers	50.7	3.6	2.6	3.3	41.2	6.6
Net lending (+)/net borrowing (-) (from capital account) [1]	-20.6	79.0	-53.9	17.6	-63.2	20.6
Statistical discrepancy	0.0	18.5	-18.5	0.0	0.0	0.0

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

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

(EUR billions)

Resources 2008 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						496.5
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,110.5	504.8	1,199.2	102.2	304.4	
Taxes less subsidies on products	241.1					
Gross domestic product (market prices)[2)]	2,351.7					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	538.3	287.8	227.6	26.4	-3.5	
Compensation of employees	1,192.7	1,192.7				2.8
Taxes less subsidies on production	290.7				290.7	-7.5
Property income	867.3	257.0	121.5	463.6	25.2	146.6
Interest	543.8	81.9	50.6	401.1	10.3	103.6
Other property income	323.4	175.2	70.8	62.5	14.9	43.0
Net national income						
Secondary distribution of income account						
Net national income	2,010.7	1,679.9	51.1	33.9	245.8	
Current taxes on income, wealth, etc.	319.4				319.4	0.4
Social contributions	446.9	1.1	17.8	45.9	382.2	1.1
Social benefits other than social transfers in kind	435.6	435.6				3.2
Other current transfers	176.4	96.0	11.7	49.6	19.1	37.0
Net non-life insurance premiums	48.4			48.4		1.2
Non-life insurance claims	47.4	37.0	9.3	0.7	0.3	1.6
Other	80.6	59.0	2.4	0.5	18.7	34.1
Net disposable income						
Use of income account						
Net disposable income	1,980.4	1,435.6	-14.9	38.1	521.7	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	16.9	16.9				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	144.4	136.5	-14.7	21.1	1.5	24.4
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	339.2	91.2	193.0	11.2	43.8	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	60.5	15.4	29.8	4.1	11.2	2.8
Capital taxes	6.0				6.0	0.0
Other capital transfers	54.5	15.4	29.8	4.1	5.2	2.8
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

Assets 2008 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		16,877.0	14,668.4	23,703.7	10,013.8	6,117.4	2,950.0	15,381.0
Monetary gold and special drawing rights (SDRs)				221.5				
Currency and deposits		5,910.6	1,806.9	2,572.0	1,707.6	838.3	572.8	4,491.2
Short-term debt securities		70.7	90.4	139.9	382.2	346.7	26.7	743.8
Long-term debt securities		1,275.6	198.4	3,974.9	1,748.8	2,010.8	281.6	2,924.7
Loans		64.6	2,516.2	12,867.3	1,958.4	357.7	384.1	1,798.9
of which long-term		47.5	1,358.5	9,644.5	1,542.4	290.5	327.0	.
Shares and other equity		4,093.8	6,923.8	1,810.7	3,999.4	2,110.1	1,146.5	4,719.9
Quoted shares		736.3	1,522.8	562.2	1,848.6	535.4	311.4	.
Unquoted shares and other equity		1,935.6	5,056.0	1,009.6	1,543.7	465.6	697.1	.
Mutual fund shares		1,421.9	344.9	238.9	607.1	1,109.1	137.9	.
Insurance technical reserves		5,210.5	141.3	2.1	0.0	141.4	3.4	155.0
Other accounts receivable and financial derivatives		251.2	2,991.4	2,115.4	217.4	312.4	534.9	547.4
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		127.8	191.0	90.2	-58.5	70.0	255.7	-313.4
Monetary gold and special drawing rights (SDRs)				-0.8				0.8
Currency and deposits		215.9	13.1	-186.0	37.0	38.0	58.7	-323.1
Short-term debt securities		-10.9	10.3	15.8	-52.4	-4.4	10.5	85.8
Long-term debt securities		-26.7	27.8	165.9	-77.7	-1.6	35.1	-9.3
Loans		-0.6	71.5	-121.8	68.8	5.7	69.6	-8.5
of which long-term		-0.6	20.7	11.5	49.6	-2.2	38.4	.
Shares and other equity		-63.7	89.5	-68.9	-14.1	29.5	42.0	-62.7
Quoted shares		-22.2	14.7	-31.6	15.1	-6.6	3.2	.
Unquoted shares and other equity		7.2	88.3	-24.2	11.9	14.8	45.8	.
Mutual fund shares		-48.7	-13.6	-13.0	-41.1	21.3	-7.0	.
Insurance technical reserves		21.6	-0.3	0.0	0.0	0.7	0.0	-2.3
Other accounts receivable and financial derivatives		-7.9	-20.9	286.0	-20.1	2.1	39.7	5.7
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-552.5	-823.1	-109.9	-488.9	-174.0	-21.4	-203.8
Monetary gold and special drawing rights (SDRs)				1.1				
Currency and deposits		4.7	7.4	-7.4	51.5	-1.2	-1.8	-1.2
Short-term debt securities		-1.4	-3.5	-0.1	2.2	0.0	0.0	6.1
Long-term debt securities		-38.0	-9.7	92.3	21.1	25.5	4.4	71.0
Loans		-0.2	-8.5	-14.9	-5.2	2.7	0.0	11.4
of which long-term		-0.2	-3.6	-14.6	2.5	0.7	0.2	.
Shares and other equity		-441.9	-866.5	-118.9	-563.6	-201.7	-22.1	-259.7
Quoted shares		-123.8	-412.1	-54.6	-346.9	-102.2	-51.4	.
Unquoted shares and other equity		-257.7	-427.5	-62.7	-183.0	-31.3	39.3	.
Mutual fund shares		-60.4	-26.9	-1.6	-33.7	-68.1	-10.0	.
Insurance technical reserves		-75.7	-0.2	0.0	0.0	0.1	0.0	-0.8
Other accounts receivable and financial derivatives		0.0	57.7	-62.0	5.1	0.5	-2.0	-30.4
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		16,452.2	14,036.3	23,684.0	9,466.5	6,013.4	3,184.3	14,862.9
Monetary gold and special drawing rights (SDRs)				221.8				
Currency and deposits		6,131.2	1,827.4	2,378.7	1,796.1	875.1	629.8	4,166.9
Short-term debt securities		58.4	97.2	155.6	332.0	342.3	37.3	835.7
Long-term debt securities		1,210.9	216.6	4,233.0	1,692.2	2,034.7	321.1	2,986.4
Loans		63.8	2,579.2	12,730.6	2,022.0	366.1	453.7	1,801.8
of which long-term		46.7	1,375.6	9,641.4	1,594.4	289.0	365.6	.
Shares and other equity		3,588.3	6,146.8	1,622.8	3,421.8	1,938.0	1,166.3	4,397.5
Quoted shares		590.3	1,125.4	476.0	1,516.8	426.6	263.2	.
Unquoted shares and other equity		1,685.0	4,716.9	922.6	1,372.7	449.1	782.2	.
Mutual fund shares		1,312.9	304.4	224.3	532.3	1,062.3	121.0	.
Insurance technical reserves		5,156.4	140.9	2.1	0.0	142.2	3.4	151.9
Other accounts receivable and financial derivatives		243.3	3,028.2	2,339.4	202.4	315.0	572.6	522.7
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities 2008 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		6,235.0	22,913.6	23,253.3	9,841.8	6,302.6	6,992.7	13,950.7
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			25.3	14,749.9	33.7	1.9	233.9	2,854.6
Short-term debt securities			277.5	384.6	128.9	9.4	710.6	289.4
Long-term debt securities			434.4	2,839.5	1,977.6	27.2	4,461.8	2,674.1
Loans		5,572.1	8,018.8		1,867.3	206.6	1,227.5	3,054.7
of which long-term		5,240.8	5,435.2		837.9	74.6	1,031.4	.
Shares and other equity			11,250.0	2,840.9	5,638.5	550.2	5.1	4,519.5
Quoted shares			3,437.6	609.3	176.0	212.9	0.0	.
Unquoted shares and other equity			7,812.4	1,072.6	1,044.2	336.5	5.1	.
Mutual fund shares				1,159.0	4,418.3			.
Insurance technical reserves		33.5	328.8	58.8	0.6	5,231.6	0.5	
Other accounts payable and financial derivatives		629.5	2,578.7	2,379.7	195.2	275.6	353.2	558.3
Net financial worth [1]	-1,208.8	10,642.0	-8,245.1	450.3	171.9	-185.1	-4,042.7	
Financial account, transactions in liabilities								
Total transactions in liabilities		30.3	263.5	97.8	-47.2	33.6	318.9	-334.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.8	44.4	1.6	0.0	19.8	-212.8
Short-term debt securities			7.0	-58.9	-4.0	1.5	136.7	-27.5
Long-term debt securities			7.4	-93.1	162.5	5.0	89.2	-57.7
Loans		35.8	134.5		-70.0	2.8	26.3	-44.5
of which long-term		34.8	113.8		-28.9	-2.4	38.5	.
Shares and other equity			88.5	-7.9	-136.0	6.4	0.0	0.7
Quoted shares			7.4	10.9	10.4	0.7	0.0	.
Unquoted shares and other equity			81.0	-5.2	43.9	5.6	0.0	.
Mutual fund shares				-13.6	-190.3			.
Insurance technical reserves		0.1	-0.1	3.6	0.0	16.2	0.0	
Other accounts payable and financial derivatives		-5.6	25.4	209.5	-1.2	1.8	47.0	7.7
Changes in net financial worth due to transactions [1]	-20.6	97.5	-72.4	-7.6	-11.2	36.4	-63.2	20.6
Other changes account, liabilities								
Total other changes in liabilities		4.8	-1,152.1	-361.8	-435.2	-177.6	133.3	-385.9
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	47.5	0.0	0.0	0.0	4.6
Short-term debt securities			-2.4	2.3	-1.0	0.0	-0.9	5.3
Long-term debt securities			8.4	7.4	22.6	0.0	141.1	-12.9
Loans		4.6	14.5		-27.2	3.4	0.0	-9.9
of which long-term		4.6	-0.8		-23.4	-0.2	-0.4	.
Shares and other equity			-1,203.9	-385.9	-441.8	-66.5	-0.8	-375.4
Quoted shares			-601.1	-245.1	-74.6	-48.5	0.0	.
Unquoted shares and other equity			-602.8	-146.9	-69.0	-18.0	-0.8	.
Mutual fund shares				6.1	-298.2			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-76.7	0.0	
Other accounts payable and financial derivatives		0.2	31.3	-33.3	12.3	-37.9	-6.1	2.4
Other changes in net financial worth [1]	-181.0	-557.3	329.0	251.9	-53.7	3.6	-154.6	182.1
Closing balance sheet, liabilities								
Total liabilities		6,270.0	22,024.9	22,989.3	9,359.4	6,158.5	7,444.9	13,230.8
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.1	14,841.9	35.3	1.9	253.7	2,646.4
Short-term debt securities			282.1	328.0	123.9	10.9	846.4	267.3
Long-term debt securities			450.3	2,753.9	2,162.7	32.3	4,692.1	2,603.6
Loans		5,612.4	8,167.8		1,770.0	212.8	1,253.9	3,000.3
of which long-term		5,280.2	5,548.2		785.7	72.0	1,069.6	.
Shares and other equity			10,134.5	2,447.1	5,060.7	490.0	4.3	4,144.8
Quoted shares			2,843.9	375.1	111.9	165.2	0.0	.
Unquoted shares and other equity			7,290.6	920.5	1,019.1	324.0	4.3	.
Mutual fund shares				1,151.5	3,929.8			.
Insurance technical reserves		33.6	328.7	62.4	0.6	5,171.1	0.5	
Other accounts payable and financial derivatives		624.0	2,635.4	2,555.9	206.2	239.6	394.0	568.4
Net financial worth [1]	-1,410.3	10,182.2	-7,988.5	694.7	107.0	-145.1	-4,260.6	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2004	2005	2006	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,777.3	3,891.5	4,050.9	4,231.0	4,279.8	4,328.4	4,373.1	4,407.5
Other taxes less subsidies on production	122.9	130.0	129.3	137.9	137.9	137.4	138.1	136.3
Consumption of fixed capital	1,123.9	1,177.7	1,234.8	1,299.3	1,311.2	1,323.5	1,335.4	1,347.2
Net operating surplus and mixed income [1]	1,991.4	2,062.1	2,172.7	2,304.2	2,331.8	2,368.8	2,381.0	2,363.6
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,367.1	2,608.5	3,022.3	3,527.0	3,621.2	3,715.3	3,802.4	3,817.3
Interest	1,250.3	1,342.8	1,635.4	2,002.2	2,083.2	2,158.1	2,231.6	2,257.6
Other property income	1,116.8	1,265.6	1,386.9	1,524.8	1,538.0	1,557.2	1,570.8	1,559.7
Net national income [1]	6,694.2	6,939.1	7,275.5	7,639.6	7,705.1	7,769.7	7,821.9	7,818.1
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	883.7	933.3	1,025.2	1,108.5	1,124.7	1,135.8	1,137.3	1,118.9
Social contributions	1,430.0	1,472.4	1,534.7	1,594.4	1,610.2	1,626.4	1,643.6	1,658.6
Social benefits other than social transfers in kind	1,455.9	1,499.8	1,550.2	1,594.3	1,607.4	1,622.3	1,641.2	1,658.1
Other current transfers	685.1	707.3	715.5	741.6	750.5	757.4	759.1	767.0
Net non-life insurance premiums	178.1	178.4	177.4	182.7	183.2	184.6	185.1	185.8
Non-life insurance claims	178.7	179.3	177.5	182.1	182.6	184.2	184.9	186.2
Other	328.4	349.6	360.5	376.7	384.7	388.6	389.2	394.9
Net disposable income [1]	6,618.4	6,852.2	7,184.1	7,546.2	7,606.7	7,670.2	7,725.2	7,717.2
Use of income account								
Net disposable income								
Final consumption expenditure	6,084.6	6,327.4	6,594.0	6,845.0	6,913.6	6,989.0	7,061.8	7,101.7
Individual consumption expenditure	5,438.4	5,666.3	5,915.1	6,140.8	6,202.9	6,268.2	6,332.6	6,363.9
Collective consumption expenditure	646.2	661.1	678.9	704.2	710.7	720.7	729.2	737.9
Adjustment for the change in net equity of households in pension funds reserves	58.0	60.4	59.0	59.4	60.5	63.2	65.4	66.0
Net saving [1]	534.0	525.1	590.3	701.4	693.3	681.4	663.5	615.7
Capital account								
Net saving								
Gross capital formation	1,614.4	1,705.0	1,857.5	1,994.0	2,020.0	2,047.7	2,069.2	2,062.7
Gross fixed capital formation	1,603.2	1,699.0	1,844.5	1,974.5	1,995.5	2,021.7	2,038.1	2,022.0
Changes in inventories and acquisitions less disposals of valuables	11.2	6.0	13.0	19.5	24.5	26.0	31.1	40.8
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1.1	-0.1	0.5	-0.1	0.0	0.3	0.3	0.3
Capital transfers	174.6	181.9	174.7	166.6	166.8	170.6	163.5	162.4
Capital taxes	29.9	24.4	22.5	23.8	23.4	23.6	23.9	23.6
Other capital transfers	144.7	157.5	152.1	142.9	143.4	147.0	139.6	138.8
Net lending (+)/net borrowing (-) (from capital account) [1]	60.6	11.2	-18.3	21.0	-1.0	-27.8	-56.3	-87.4

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

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

(EUR billions; four-quarter cumulated flows)

Resources	2004	2005	2006	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4
Generation of income account								
Gross value added (basic prices)	7,015.5	7,261.3	7,587.6	7,972.3	8,060.8	8,158.1	8,227.7	8,254.6
Taxes less subsidies on products	797.4	841.1	910.4	953.8	954.2	951.0	949.7	944.8
Gross domestic product (market prices)[2)]	7,812.9	8,102.4	8,498.0	8,926.1	9,015.0	9,109.1	9,177.4	9,199.4
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	1,991.4	2,062.1	2,172.7	2,304.2	2,331.8	2,368.8	2,381.0	2,363.6
Compensation of employees	3,784.8	3,897.9	4,057.4	4,238.0	4,287.2	4,335.7	4,380.4	4,414.6
Taxes less subsidies on production	934.9	983.8	1,050.8	1,098.3	1,097.1	1,093.3	1,093.0	1,085.9
Property income	2,350.3	2,603.7	3,017.0	3,526.1	3,610.1	3,687.2	3,769.9	3,771.3
Interest	1,217.0	1,315.8	1,608.8	1,964.4	2,036.6	2,103.2	2,172.4	2,192.2
Other property income	1,133.3	1,287.9	1,408.1	1,561.7	1,573.5	1,584.0	1,597.5	1,579.1
Net national income								
Secondary distribution of income account								
Net national income	6,694.2	6,939.1	7,275.5	7,639.6	7,705.1	7,769.7	7,821.9	7,818.1
Current taxes on income, wealth, etc.	886.8	937.1	1,030.1	1,116.1	1,132.1	1,143.4	1,144.8	1,126.6
Social contributions	1,429.1	1,471.7	1,533.9	1,593.6	1,609.3	1,625.5	1,642.8	1,657.8
Social benefits other than social transfers in kind	1,448.2	1,492.0	1,541.9	1,584.9	1,597.9	1,612.7	1,631.7	1,648.3
Other current transfers	614.7	625.2	628.1	650.7	655.1	660.8	665.3	669.0
Net non-life insurance premiums	178.7	179.3	177.5	182.1	182.6	184.2	184.9	186.2
Non-life insurance claims	176.0	177.0	174.7	179.8	180.3	181.6	182.0	182.8
Other	260.1	268.9	275.8	288.8	292.2	295.0	298.5	300.0
Net disposable income								
Use of income account								
Net disposable income	6,618.4	6,852.2	7,184.1	7,546.2	7,606.7	7,670.2	7,725.2	7,717.2
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	58.2	60.7	59.3	59.6	60.7	63.4	65.6	66.1
Net saving								
Capital account								
Net saving	534.0	525.1	590.3	701.4	693.3	681.4	663.5	615.7
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,123.9	1,177.7	1,234.8	1,299.3	1,311.2	1,323.5	1,335.4	1,347.2
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	190.7	195.2	189.3	180.8	181.3	185.9	177.8	175.2
Capital taxes	29.9	24.4	22.5	23.8	23.4	23.6	23.9	23.6
Other capital transfers	160.8	170.8	166.7	157.1	158.0	162.3	153.9	151.6
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2004	2005	2006	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	3,784.8	3,897.9	4,057.4	4,238.0	4,287.2	4,335.7	4,380.4	4,414.6
Gross operating surplus and mixed income (+)	1,270.5	1,322.0	1,398.3	1,480.4	1,500.5	1,520.4	1,536.4	1,545.2
Interest receivable (+)	233.3	229.8	266.4	302.0	311.0	321.1	330.4	332.2
Interest payable (-)	126.2	130.5	164.5	208.6	215.6	222.4	228.7	227.2
Other property income receivable (+)	667.1	716.3	758.0	797.1	799.3	802.9	807.3	797.3
Other property income payable (-)	9.2	9.5	9.6	9.9	9.9	10.1	9.9	9.8
Current taxes on income and wealth (-)	707.3	739.8	792.7	851.5	865.5	879.0	885.8	887.5
Net social contributions (-)	1,426.3	1,468.4	1,530.6	1,590.2	1,605.9	1,622.3	1,639.4	1,654.5
Net social benefits (+)	1,443.3	1,486.8	1,536.5	1,579.3	1,592.3	1,607.1	1,626.1	1,642.7
Net current transfers receivable (+)	63.4	66.0	66.1	69.1	69.0	72.0	73.5	74.4
= Gross disposable income	5,193.4	5,370.7	5,585.1	5,805.8	5,862.3	5,925.5	5,990.2	6,027.4
Final consumption expenditure (-)	4,489.8	4,669.5	4,869.9	5,053.2	5,105.3	5,155.9	5,208.2	5,226.8
Changes in net worth in pension funds (+)	57.8	60.3	58.9	59.6	60.6	63.2	65.2	65.6
= Gross saving	761.4	761.6	774.2	812.3	817.7	832.8	847.2	866.2
Consumption of fixed capital (-)	301.5	317.2	334.5	352.7	355.7	359.1	361.6	363.5
Net capital transfers receivable (+)	18.4	24.1	22.5	15.5	16.0	17.0	17.3	17.2
Other changes in net worth [1] (+)	323.8	531.5	556.9	-3.2	-771.6	-1,156.7	-1,382.2	-1,901.1
= Changes in net worth [1]	802.1	999.9	1,019.0	472.0	-293.6	-665.9	-879.4	-1,381.1
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	513.1	543.7	599.0	634.0	637.9	637.9	637.4	632.2
Consumption of fixed capital (-)	301.5	317.2	334.5	352.7	355.7	359.1	361.6	363.5
Main items of financial investment (+)								
Short-term assets	214.3	206.2	305.8	422.1	444.8	422.7	427.8	435.7
Currency and deposits	212.7	246.9	284.1	349.4	385.0	386.4	391.5	436.8
Money market fund shares	-7.1	-20.2	0.9	40.0	34.0	10.5	13.5	-9.6
Debt securities [2]	8.7	-20.5	20.9	32.7	25.8	25.8	22.8	8.5
Long-term assets	336.5	421.7	347.5	188.1	121.1	129.9	72.7	12.2
Deposits	28.5	-4.8	0.8	-26.5	-35.6	-36.6	-40.2	-30.3
Debt securities	64.8	1.1	74.2	9.0	29.2	63.2	65.5	20.8
Shares and other equity	-9.4	132.5	-38.8	-61.6	-119.4	-122.1	-161.4	-152.5
Quoted, unquoted shares and other equity	-18.9	66.0	-14.0	12.1	-18.2	-7.2	-20.4	-10.0
Mutual fund shares	9.5	66.5	-24.8	-73.7	-101.2	-114.9	-141.0	-142.5
Life insurance and pension fund reserves	252.7	292.9	311.3	267.2	246.9	225.4	208.8	174.2
Main items of financing (-)								
Loans	307.6	390.6	392.8	346.5	313.7	284.8	247.5	196.1
of which from euro area MFIs	277.8	358.5	347.4	281.5	249.1	196.5	181.0	78.9
Other changes in financial assets (+)								
Shares and other equity	281.7	448.4	505.6	-27.9	-694.8	-1,018.9	-1,112.5	-1,498.7
Life insurance and pension fund reserves	48.9	105.5	54.7	-2.0	-79.9	-127.9	-176.4	-244.1
Remaining net flows (+)	16.6	-17.7	-66.3	-43.2	-53.3	-65.8	-119.1	-158.8
= Changes in net worth [1]	802.1	999.9	1,019.0	472.0	-293.6	-665.9	-879.4	-1,381.1
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,271.5	4,486.3	4,748.0	5,208.5	5,362.0	5,483.0	5,539.3	5,712.6
Currency and deposits	3,925.6	4,174.1	4,454.2	4,844.2	4,937.2	5,055.3	5,104.9	5,313.7
Money market fund shares	309.9	296.4	257.6	296.0	347.0	346.5	348.7	327.4
Debt securities [2]	36.1	15.9	36.2	68.3	77.9	81.2	85.7	71.5
Long-term assets	9,919.9	10,921.0	11,878.2	12,004.2	11,349.8	11,087.5	10,669.2	10,082.4
Deposits	893.9	944.8	945.1	882.5	829.0	818.8	805.6	817.5
Debt securities	1,218.9	1,196.6	1,281.1	1,292.5	1,315.0	1,301.0	1,260.6	1,197.8
Shares and other equity	3,960.4	4,534.5	5,041.0	4,953.2	4,350.3	4,093.0	3,745.2	3,260.8
Quoted, unquoted shares and other equity	2,784.2	3,190.3	3,622.5	3,578.1	3,145.1	2,941.5	2,671.9	2,275.4
Mutual fund shares	1,176.2	1,344.2	1,418.5	1,375.1	1,205.2	1,151.5	1,073.3	985.4
Life insurance and pension fund reserves	3,846.7	4,245.1	4,611.0	4,876.1	4,855.6	4,874.7	4,857.7	4,806.2
Remaining net assets (+)	121.5	87.8	64.1	23.0	6.8	1.8	5.6	-0.4
Liabilities (-)								
Loans	4,293.6	4,692.1	5,081.7	5,415.5	5,458.3	5,521.4	5,572.1	5,612.4
of which from euro area MFIs	3,812.5	4,201.0	4,545.1	4,814.6	4,850.2	4,875.6	4,926.2	4,888.3
= Net financial wealth	10,019.3	10,803.0	11,608.6	11,820.2	11,260.4	11,050.9	10,642.0	10,182.2

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

3.4 Non-financial corporations

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

	2004	2005	2006	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4
Income and saving								
Gross value added (basic prices) (+)	4,017.0	4,156.5	4,353.6	4,591.2	4,642.9	4,699.1	4,737.0	4,737.7
Compensation of employees (-)	2,397.6	2,469.6	2,580.2	2,705.0	2,739.5	2,769.2	2,798.2	2,818.3
Other taxes less subsidies on production (-)	65.7	73.1	75.6	81.7	82.6	82.6	83.8	82.5
= Gross operating surplus (+)	1,553.8	1,613.7	1,697.9	1,804.5	1,820.8	1,847.2	1,855.1	1,836.9
Consumption of fixed capital (-)	636.9	667.3	698.0	735.5	742.7	750.0	757.6	765.8
= Net operating surplus (+)	916.9	946.5	999.9	1,069.0	1,078.1	1,097.2	1,097.4	1,071.1
Property income receivable (+)	376.8	440.7	497.3	567.4	571.8	573.2	580.0	579.7
Interest receivable	125.1	136.1	158.3	184.4	190.3	195.7	199.1	201.1
Other property income receivable	251.8	304.6	339.1	382.9	381.5	377.4	380.9	378.5
Interest and rents payable (-)	226.4	236.4	278.8	332.6	347.5	361.3	375.3	386.1
= Net entrepreneurial income (+)	1,067.4	1,150.8	1,218.4	1,303.8	1,302.3	1,309.1	1,302.1	1,264.7
Distributed income (-)	773.7	876.9	945.8	1,007.1	1,015.7	1,022.0	1,030.2	1,012.9
Taxes on income and wealth payable (-)	135.4	148.6	187.6	208.8	210.2	208.4	203.6	185.4
Social contributions receivable (+)	73.5	72.7	77.1	66.8	66.2	66.4	67.0	67.7
Social benefits payable (-)	60.4	60.6	62.5	64.4	64.7	64.3	64.1	63.9
Other net transfers (-)	59.9	61.6	64.4	55.0	55.0	56.7	56.7	56.3
= Net saving	111.4	75.7	35.2	35.3	22.9	24.0	14.5	13.8
Investment, financing and saving								
Net acquisition of non-financial assets (+)	226.3	253.7	304.4	356.3	367.8	381.2	391.8	374.7
Gross fixed capital formation (+)	856.5	913.5	986.2	1,069.7	1,084.4	1,103.0	1,117.1	1,102.1
Consumption of fixed capital (-)	636.9	667.3	698.0	735.5	742.7	750.0	757.6	765.8
Net acquisition of other non-financial assets (+)	6.6	7.4	16.1	22.1	26.1	28.2	32.3	38.3
Main items of financial investment (+)								
Short-term assets	104.0	128.2	164.1	161.8	163.7	124.1	95.4	52.7
Currency and deposits	89.2	113.6	146.2	154.9	127.8	116.4	90.2	17.2
Money market fund shares	16.1	8.3	2.6	-18.1	-10.0	-9.3	7.9	31.5
Debt securities [1]	-1.3	6.2	15.4	24.9	45.9	16.9	-2.7	3.9
Long-term assets	209.3	378.7	490.2	466.5	504.8	500.2	545.8	657.4
Deposits	-10.0	32.3	29.3	26.1	5.9	-22.4	8.6	16.1
Debt securities	-48.8	-34.2	-4.7	-48.5	-84.4	-103.5	-59.0	-31.5
Shares and other equity	200.2	244.2	259.6	315.8	354.4	370.4	346.6	364.2
Other, mainly intercompany loans	67.9	136.4	206.0	173.1	228.9	255.7	249.6	308.5
Remaining net assets (+)	48.4	85.5	145.0	200.6	110.7	44.8	-30.9	-103.6
Main items of financing (-)								
Debt	207.6	443.8	760.2	801.3	784.5	728.4	716.7	653.5
of which loans from euro area MFIs	164.8	264.5	448.9	558.9	592.1	562.6	515.7	422.0
of which debt securities	9.8	14.0	39.0	40.7	39.7	16.8	36.0	39.6
Shares and other equity	203.3	265.5	236.6	283.0	274.1	231.4	201.9	241.6
Quoted shares	11.7	101.3	39.1	42.0	22.4	-12.2	-28.5	1.7
Unquoted shares and other equity	191.5	164.1	197.5	241.0	251.7	243.6	230.4	239.9
Net capital transfers receivable (-)	65.7	61.1	71.7	66.3	66.3	69.9	71.7	70.2
= Net saving	111.4	75.7	35.2	35.3	22.9	24.0	14.5	13.8
Financial balance sheet								
Financial assets								
Short-term assets	1,379.5	1,517.4	1,675.2	1,820.3	1,841.8	1,848.1	1,853.8	1,874.9
Currency and deposits	1,102.9	1,229.3	1,367.0	1,519.3	1,506.6	1,535.1	1,548.7	1,554.3
Money market fund shares	164.1	176.5	184.9	162.0	183.0	183.2	184.4	189.8
Debt securities [1]	112.5	111.7	123.3	139.0	152.2	129.8	120.7	130.7
Long-term assets	7,672.1	8,686.4	10,041.2	10,746.8	10,108.8	9,904.8	9,681.9	8,992.3
Deposits	157.0	199.0	222.5	265.8	249.4	235.3	258.2	273.1
Debt securities	328.6	280.9	277.3	229.7	174.1	160.7	168.1	183.0
Shares and other equity	5,433.6	6,308.6	7,451.5	7,968.8	7,288.1	7,036.3	6,739.4	5,956.9
Other, mainly intercompany loans	1,753.0	1,897.9	2,089.9	2,282.6	2,397.2	2,472.5	2,516.2	2,579.2
Remaining net assets	327.8	384.0	449.1	610.5	599.8	564.1	579.4	559.8
Liabilities								
Debt	6,582.9	7,063.4	7,799.9	8,558.9	8,714.2	8,923.5	9,059.6	9,228.9
of which loans from euro area MFIs	3,160.8	3,429.3	3,868.0	4,404.9	4,545.5	4,668.6	4,761.1	4,828.6
of which debt securities	651.5	674.3	691.9	695.4	696.5	702.0	712.0	732.4
Shares and other equity	9,591.1	10,940.8	12,874.9	13,808.7	12,454.3	12,014.5	11,250.0	10,134.5
Quoted shares	2,995.0	3,692.4	4,468.8	4,985.6	4,204.2	3,976.5	3,437.6	2,843.9
Unquoted shares and other equity	6,596.0	7,248.4	8,406.1	8,823.1	8,250.2	8,038.0	7,812.4	7,290.6

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

3.5 Insurance corporations and pension funds

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

	2004	2005	2006	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	39.5	25.5	64.4	87.4	109.1	102.5	88.6	106.9
Currency and deposits	13.2	7.2	11.0	6.4	32.7	35.8	32.1	59.1
Money market fund shares	2.7	-0.5	3.5	3.1	15.8	14.2	20.9	22.2
Debt securities [1]	23.5	18.9	49.8	77.8	60.6	52.6	35.7	25.5
Long-term assets	223.7	295.0	313.8	215.9	217.6	178.7	169.3	161.3
Deposits	36.9	17.2	76.7	51.6	27.9	16.0	0.9	-1.7
Debt securities	133.1	132.8	125.2	89.9	83.6	75.2	95.4	88.6
Loans	7.4	-4.1	2.6	-13.6	20.6	17.0	20.8	30.8
Quoted shares	12.7	30.7	-1.5	-4.8	-2.3	-1.1	-8.8	-5.1
Unquoted shares and other equity	2.6	31.1	27.0	27.2	45.2	41.2	45.7	41.1
Mutual fund shares	30.9	87.2	83.9	65.6	42.7	30.4	15.4	7.4
Remaining net assets (+)	11.8	11.4	4.3	-26.1	-23.7	-19.3	-9.6	22.9
Main items of financing (-)								
Debt securities	-1.7	-0.4	5.2	3.2	4.4	5.2	5.4	9.3
Loans	4.3	17.3	35.9	21.7	43.9	18.0	4.1	21.8
Shares and other equity	12.2	13.6	11.4	2.7	4.4	6.9	5.1	18.7
Insurance technical reserves	262.6	334.3	322.0	292.0	273.3	255.8	240.4	197.3
Net equity of households in life insurance and pension fund reserves	231.0	292.1	308.2	282.0	262.4	239.6	219.6	178.0
Prepayments of insurance premiums and reserves for outstanding claims	31.7	42.2	13.9	10.0	10.9	16.1	20.8	19.2
= Changes in net financial worth due to transactions	-2.5	-32.8	7.9	-42.5	-23.0	-23.8	-6.6	44.0
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	110.7	190.7	181.2	-15.4	-226.4	-334.6	-401.6	-536.7
Other net assets	142.3	75.5	-34.4	-45.0	14.1	-3.5	-13.1	40.3
Other changes in liabilities (-)								
Shares and other equity	21.3	118.3	34.5	-32.7	-91.8	-143.2	-137.8	-174.2
Insurance technical reserves	83.8	137.8	52.9	-3.3	-79.6	-128.3	-179.6	-245.5
Net equity of households in life insurance and pension fund reserves	63.9	146.9	56.2	-2.8	-77.8	-125.4	-174.5	-239.6
Prepayments of insurance premiums and reserves for outstanding claims	19.8	-9.1	-3.3	-0.4	-1.8	-2.9	-5.1	-5.8
= Other changes in net financial worth	148.0	10.1	59.4	-24.4	-40.9	-66.6	-97.3	-76.7
Financial balance sheet								
Financial assets (+)								
Short-term assets	403.1	437.2	509.0	603.3	661.2	670.7	675.5	713.1
Currency and deposits	133.6	146.6	157.1	164.6	192.5	182.6	189.5	226.6
Money market fund shares	74.4	75.6	81.5	82.4	95.4	94.8	98.3	102.2
Debt securities [1]	195.1	215.0	270.3	356.2	373.3	393.3	387.6	384.3
Long-term assets	4,089.5	4,615.9	5,050.6	5,197.8	5,106.1	5,044.2	4,988.2	4,843.1
Deposits	500.4	524.7	602.1	650.5	649.2	653.5	648.7	648.5
Debt securities	1,615.0	1,774.2	1,845.5	1,888.9	1,942.4	1,921.4	1,969.9	1,992.7
Loans	348.5	353.4	351.2	331.8	359.5	355.6	357.7	366.1
Quoted shares	587.2	653.3	724.5	708.1	613.2	594.1	535.4	426.6
Unquoted shares and other equity	349.2	403.1	480.8	511.1	488.7	473.4	465.6	449.1
Mutual fund shares	689.2	907.3	1,046.5	1,107.3	1,053.0	1,046.2	1,010.8	960.1
Remaining net assets (+)	139.4	176.8	204.5	173.8	191.6	177.5	176.2	215.7
Liabilities (-)								
Debt securities	22.3	21.3	35.9	35.2	35.8	36.6	36.7	43.2
Loans	118.5	136.2	167.6	187.1	221.4	211.2	206.6	212.8
Shares and other equity	497.7	629.6	675.5	645.5	595.3	564.2	550.2	490.0
Insurance technical reserves	4,083.5	4,555.6	4,930.5	5,219.3	5,214.5	5,242.5	5,231.6	5,171.1
Net equity of households in life insurance and pension fund reserves	3,451.0	3,890.0	4,254.4	4,533.5	4,520.5	4,543.0	4,529.1	4,471.9
Prepayments of insurance premiums and reserves for outstanding claims	632.5	665.6	676.2	685.8	694.0	699.4	702.5	699.2
= Net financial wealth	-90.0	-112.8	-45.5	-112.3	-108.2	-162.0	-185.1	-145.1

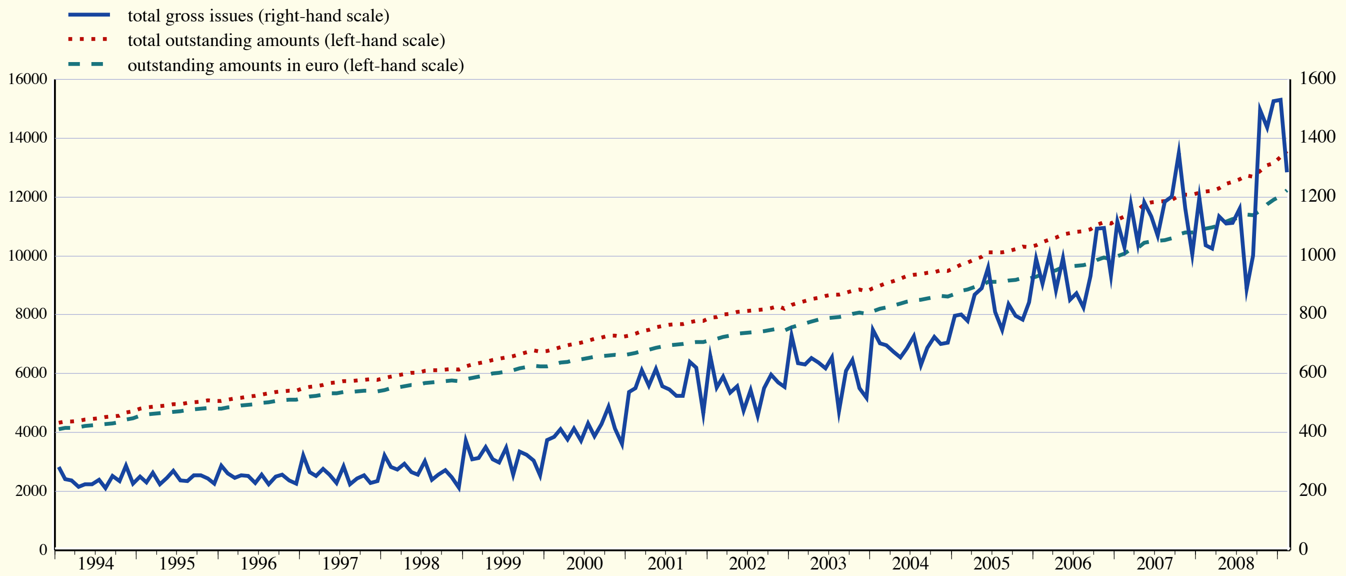
Source: ECB.
1) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.

FINANCIAL MARKETS

4.1 Securities, other than shares, by original maturity, residency of the issuer and currency
(EUR billions and period growth rates; seasonally adjusted; transactions during the month and end-of-period outstanding amounts; nominal values)

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2] Net issues	Seasonally adjusted [2] 6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2008 Feb.	13,017.1	1,027.0	82.5	10,917.8	968.4	72.5	12,196.0	1,036.6	76.1	8.0	45.5	6.9
Mar.	13,122.6	1,073.2	104.5	10,964.4	968.8	45.4	12,216.3	1,024.5	43.6	7.1	20.0	6.1
Apr.	13,172.6	1,160.6	50.0	11,029.8	1,069.0	65.3	12,294.8	1,133.6	77.0	7.1	57.9	5.0
May	13,351.5	1,126.7	177.8	11,169.2	1,036.8	138.4	12,457.9	1,110.8	153.1	6.7	98.1	5.8
June	13,487.1	1,155.7	135.9	11,243.7	1,040.4	74.9	12,528.6	1,112.9	81.2	6.8	88.0	5.6
July	13,499.0	1,138.0	10.6	11,300.7	1,072.4	55.2	12,603.5	1,159.4	74.6	7.1	96.8	6.8
Aug.	13,625.9	880.0	123.9	11,409.6	815.3	106.1	12,734.6	889.0	111.8	7.8	162.8	8.8
Sep.	13,629.7	1,022.3	2.3	11,378.0	930.7	-32.9	12,695.5	1,001.9	-42.3	7.1	-13.5	8.2
Oct.	13,727.3	1,454.3	97.5	11,528.4	1,417.4	150.1	12,893.6	1,494.9	145.2	7.0	103.3	8.9
Nov.	13,945.4	1,422.3	218.7	11,755.7	1,370.0	228.1	13,086.7	1,437.5	213.8	8.1	199.7	10.5
Dec.	14,129.6	1,535.6	187.8	11,906.9	1,447.7	155.1	13,158.3	1,525.2	141.7	9.5	273.3	13.6
2009 Jan.	.	.	.	12,047.2	1,450.8	136.9	13,359.7	1,529.8	146.2	10.1	104.1	13.6
Feb.	.	.	.	12,232.8	1,199.1	183.5	13,562.8	1,285.1	203.5	11.1	166.0	13.5
Long-term												
2008 Feb.	11,689.1	182.8	46.7	9,725.6	163.3	48.8	10,817.3	187.8	51.4	6.1	29.1	4.7
Mar.	11,724.4	180.1	34.6	9,750.5	145.2	24.0	10,818.6	160.6	21.3	5.3	11.7	4.5
Apr.	11,811.2	258.6	86.8	9,813.7	207.5	63.1	10,891.8	225.1	68.1	5.5	63.8	4.4
May	11,965.3	290.7	153.4	9,927.9	234.9	113.6	11,016.6	257.4	122.7	5.1	69.0	4.9
June	12,079.3	283.6	114.2	10,015.2	230.1	87.5	11,103.2	253.3	94.9	5.2	67.9	4.8
July	12,105.7	207.0	25.0	10,047.0	176.8	29.9	11,142.1	195.0	35.5	5.4	60.4	5.7
Aug.	12,195.9	159.0	88.1	10,126.0	132.8	77.0	11,241.9	148.2	78.0	6.1	133.9	7.7
Sep.	12,185.7	183.5	-9.5	10,104.7	145.5	-20.4	11,226.1	158.5	-30.9	5.7	-16.9	7.1
Oct.	12,209.6	198.7	24.7	10,140.2	182.5	36.1	11,318.1	195.2	30.6	5.3	22.8	6.3
Nov.	12,384.9	275.4	174.4	10,315.9	253.9	175.0	11,473.9	262.5	165.9	6.3	145.9	7.7
Dec.	12,562.6	361.3	179.0	10,486.5	327.3	172.2	11,567.5	338.8	152.7	7.3	181.0	9.7
2009 Jan.	.	.	.	10,576.0	275.8	88.6	11,701.4	299.2	89.3	8.2	111.6	10.6
Feb.	.	.	.	10,737.1	268.4	160.2	11,873.9	295.7	173.0	9.2	148.9	10.8

C16 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents
(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2007	12,072	5,048	1,510	654	4,534	327	1,138	841	59	109	116	12
2008	13,158	5,267	1,940	696	4,916	340	1,177	818	74	99	162	24
2008 Q1	12,216	5,091	1,524	659	4,625	317	1,086	787	38	92	150	19
Q2	12,529	5,232	1,629	670	4,677	320	1,119	787	69	102	140	20
Q3	12,696	5,268	1,697	681	4,726	324	1,017	691	54	97	147	27
Q4	13,158	5,267	1,940	696	4,916	340	1,486	1,006	136	107	209	28
2008 Nov.	13,087	5,326	1,808	691	4,930	332	1,437	966	125	97	224	25
Dec.	13,158	5,267	1,940	696	4,916	340	1,525	1,033	186	111	162	34
2009 Jan.	13,360	5,341	1,967	710	5,004	337	1,530	1,017	83	105	269	56
Feb.	13,563	5,407	2,022	718	5,078	338	1,285	874	82	82	225	23
						Short-term						
2007	1,288	788	36	100	345	18	946	755	18	101	64	9
2008	1,591	823	61	115	566	25	963	723	26	92	101	19
2008 Q1	1,398	820	49	111	407	11	906	701	21	88	83	14
Q2	1,425	836	51	111	415	11	874	666	21	92	77	17
Q3	1,469	827	62	111	457	13	850	615	25	92	94	24
Q4	1,591	823	61	115	566	25	1,220	911	38	95	152	23
2008 Nov.	1,613	844	61	115	575	17	1,175	885	35	89	146	20
Dec.	1,591	823	61	115	566	25	1,186	916	27	92	120	30
2009 Jan.	1,658	864	38	108	630	19	1,231	906	18	82	178	47
Feb.	1,689	887	38	103	642	19	989	749	16	66	140	18
						Long-term [2]						
2007	10,783	4,260	1,473	553	4,189	309	191	86	41	8	52	3
2008	11,568	4,443	1,879	580	4,350	315	214	94	48	8	60	4
2008 Q1	10,819	4,271	1,475	548	4,219	306	180	86	17	4	67	5
Q2	11,103	4,396	1,577	559	4,262	309	245	120	48	10	64	3
Q3	11,226	4,441	1,635	570	4,270	311	167	76	29	5	53	3
Q4	11,568	4,443	1,879	580	4,350	315	266	95	97	11	57	5
2008 Nov.	11,474	4,483	1,747	575	4,355	314	263	81	91	8	77	5
Dec.	11,568	4,443	1,879	580	4,350	315	339	116	159	19	42	3
2009 Jan.	11,701	4,477	1,929	602	4,375	318	299	111	65	23	91	9
Feb.	11,874	4,520	1,984	615	4,436	319	296	124	66	15	85	6
						Of which long-term fixed rate						
2007	7,325	2,263	594	420	3,797	250	107	44	10	5	45	3
2008	7,602	2,325	636	444	3,947	250	119	48	9	6	53	3
2008 Q1	7,303	2,260	587	412	3,798	246	110	43	4	3	56	3
Q2	7,471	2,347	605	424	3,846	248	145	66	11	9	56	2
Q3	7,528	2,370	619	432	3,859	248	101	42	7	3	47	2
Q4	7,602	2,325	636	444	3,947	250	120	42	13	10	53	2
2008 Nov.	7,633	2,384	629	439	3,933	248	131	34	17	8	72	1
Dec.	7,602	2,325	636	444	3,947	250	132	54	20	16	40	3
2009 Jan.	7,703	2,348	664	466	3,974	251	213	76	27	23	82	6
Feb.	7,829	2,382	691	479	4,027	250	203	76	32	15	76	4
						Of which long-term variable rate						
2007	3,004	1,621	861	123	342	58	69	31	30	3	4	0
2008	3,476	1,724	1,214	126	349	64	81	36	38	1	4	1
2008 Q1	3,043	1,633	866	124	359	60	53	32	12	1	7	2
Q2	3,176	1,682	947	125	362	60	88	46	36	1	4	1
Q3	3,225	1,698	989	129	348	61	52	24	21	2	4	1
Q4	3,476	1,724	1,214	126	349	64	129	39	83	1	3	2
2008 Nov.	3,362	1,726	1,090	128	354	64	116	36	73	1	3	3
Dec.	3,476	1,724	1,214	126	349	64	182	41	138	2	2	1
2009 Jan.	3,496	1,723	1,239	125	343	66	63	19	37	0	3	3
Feb.	3,537	1,730	1,266	125	348	68	79	38	34	0	6	2

Source: ECB.

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

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

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

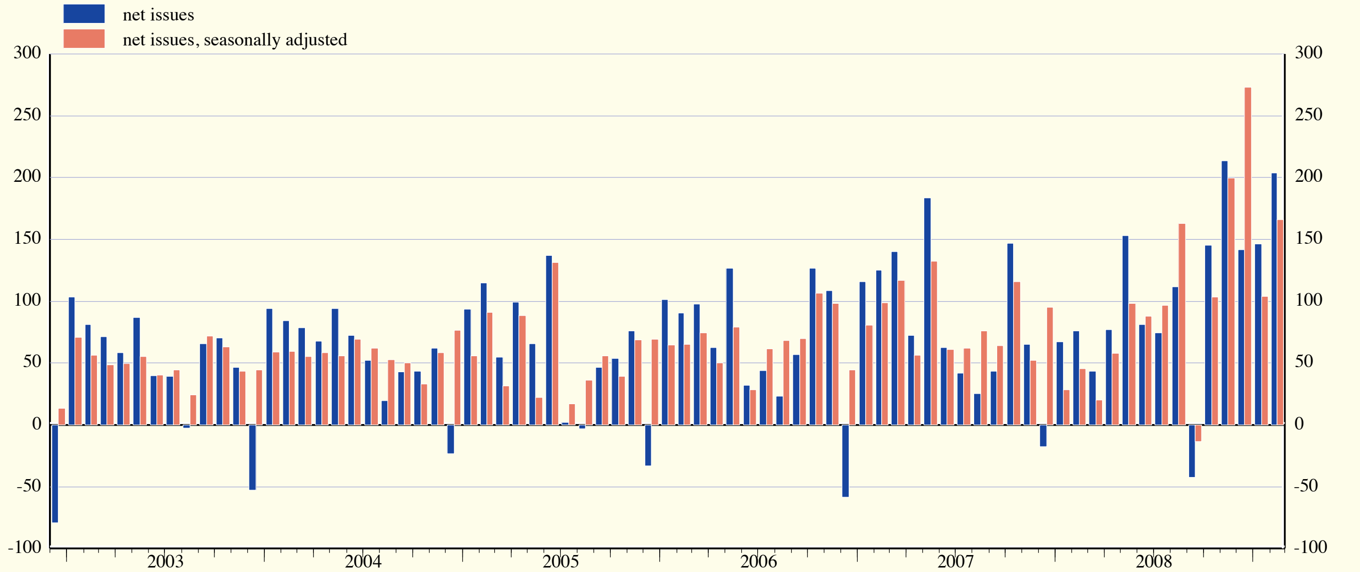
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2007	83.8	40.7	27.8	4.2	9.9	1.2	84.4	41.3	27.3	4.3	10.2	1.2
2008	95.2	23.1	35.8	3.8	31.4	1.1	96.7	23.2	35.1	3.9	33.3	1.1
2008 Q1	62.3	23.9	7.0	2.8	31.7	-3.1	31.3	4.7	16.7	2.2	11.2	-3.4
Q2	103.8	46.3	34.9	4.8	16.9	0.9	81.3	48.2	30.8	0.7	1.1	0.6
Q3	48.0	11.0	19.9	1.8	14.1	1.2	82.0	18.9	33.2	5.1	22.4	2.4
Q4	166.9	11.2	81.6	5.8	62.9	5.3	192.1	21.2	59.8	7.6	98.7	4.8
2008 Nov.	213.8	35.5	74.6	4.9	97.0	1.9	199.7	42.0	64.9	5.5	88.4	-1.2
Dec.	141.7	-15.8	143.8	11.2	-6.1	8.6	273.3	44.5	102.8	21.3	93.6	11.1
2009 Jan.	146.2	41.0	18.2	9.3	80.9	-3.2	104.1	10.3	51.4	6.4	40.6	-4.8
Feb.	203.5	67.2	54.5	7.8	73.3	0.8	166.0	47.9	54.3	7.9	55.7	0.1
	Long-term											
2007	61.9	23.9	27.1	2.4	7.8	0.7	61.6	24.1	26.7	2.4	7.8	0.7
2008	65.8	16.1	33.8	2.4	13.0	0.5	65.3	16.2	33.1	2.4	13.0	0.5
2008 Q1	24.3	11.9	2.9	-0.8	11.1	-0.7	18.5	2.8	12.3	1.6	2.5	-0.8
Q2	95.2	42.3	34.0	4.0	14.1	0.9	66.9	35.9	30.0	0.4	-0.2	0.7
Q3	27.5	7.5	16.4	2.4	0.7	0.5	59.2	15.3	29.1	4.0	9.2	1.6
Q4	116.4	2.6	81.9	4.3	26.1	1.5	116.6	10.7	61.1	3.7	40.5	0.5
2008 Nov.	165.9	9.4	77.3	2.3	75.5	1.3	145.9	13.8	68.9	1.4	63.4	-1.7
Dec.	152.7	-4.6	143.8	11.1	1.0	1.4	181.0	23.0	107.1	12.1	36.4	2.4
2009 Jan.	89.3	9.1	41.4	16.7	19.2	2.9	111.6	9.7	73.3	20.7	5.2	2.7
Feb.	173.0	44.6	54.3	12.8	60.9	0.4	148.9	24.6	54.3	14.8	54.7	0.5

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

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



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

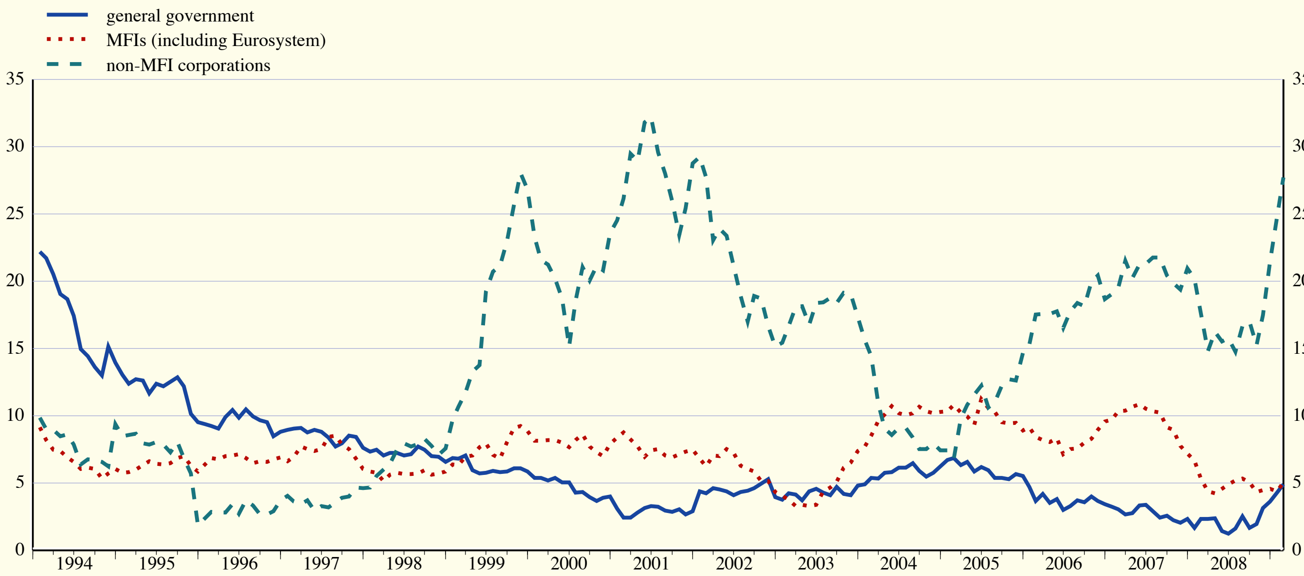
4.3 Growth rates of securities, other than shares, issued by euro area residents [1]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2008 Feb.	8.0	8.8	23.9	9.2	3.0	2.1	6.9	7.6	21.9	7.2	2.2	0.4
Mar.	7.1	7.9	20.2	7.4	2.8	1.1	6.1	5.8	22.4	6.6	2.1	-1.0
Apr.	7.1	7.4	22.2	6.1	3.0	0.3	5.0	4.2	19.0	4.2	2.5	-3.3
May	6.7	7.9	21.2	6.2	1.7	1.9	5.8	6.4	19.9	4.1	1.6	-0.9
June	6.8	8.3	23.0	3.4	1.4	2.1	5.6	6.3	20.2	2.7	1.6	-5.2
July	7.1	8.5	22.0	2.6	2.0	3.3	6.8	7.4	20.2	1.0	3.1	2.2
Aug.	7.8	8.3	24.5	4.8	3.0	3.4	8.8	9.1	27.1	2.6	3.7	6.6
Sep.	7.1	6.9	24.4	5.9	2.6	2.3	8.2	8.1	26.7	5.3	3.1	5.8
Oct.	7.0	5.3	21.6	4.2	4.9	2.8	8.9	6.4	24.3	4.2	7.4	9.5
Nov.	8.1	5.7	24.5	4.1	6.7	2.8	10.5	4.9	29.4	4.2	11.9	6.7
Dec.	9.5	5.5	28.4	7.0	8.3	3.9	13.6	4.6	37.2	11.7	16.3	14.1
2009 Jan.	10.1	5.3	30.4	6.8	9.5	5.3	13.6	3.2	41.7	12.7	16.8	8.5
Feb.	11.1	6.3	32.5	7.8	10.0	6.4	13.5	3.5	38.1	13.3	17.0	6.1
Long-term												
2008 Feb.	6.1	5.3	22.6	6.2	2.4	1.9	4.7	2.9	18.8	4.6	2.3	0.9
Mar.	5.3	4.4	19.0	4.8	2.4	0.9	4.5	2.9	19.2	3.9	1.9	0.0
Apr.	5.5	4.2	21.1	4.7	2.5	0.4	4.4	2.7	17.7	4.2	2.2	-1.9
May	5.1	4.6	19.9	5.1	1.4	1.8	4.9	4.5	18.4	4.3	1.4	0.5
June	5.2	4.9	21.5	2.2	1.2	1.9	4.8	5.5	18.4	2.2	0.3	-0.1
July	5.4	5.2	20.0	2.1	1.5	3.1	5.7	6.2	17.4	0.3	2.0	3.0
Aug.	6.1	5.3	22.2	3.0	2.4	3.5	7.7	7.7	25.8	1.4	2.5	6.2
Sep.	5.7	5.1	22.2	4.4	1.6	2.2	7.1	7.3	25.4	4.9	1.3	4.6
Oct.	5.3	4.3	19.8	3.7	2.0	1.4	6.3	5.9	22.0	3.0	1.8	5.0
Nov.	6.3	4.4	23.1	3.1	3.3	1.3	7.7	4.4	28.0	1.9	5.2	2.2
Dec.	7.3	4.5	27.5	5.3	3.7	2.1	9.7	3.6	37.2	8.5	7.2	4.1
2009 Jan.	8.2	4.4	31.1	7.9	4.4	3.3	10.6	2.5	46.5	16.1	6.7	3.4
Feb.	9.2	5.0	34.3	10.3	5.0	3.8	10.8	2.4	43.4	19.8	7.5	1.5

C18 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

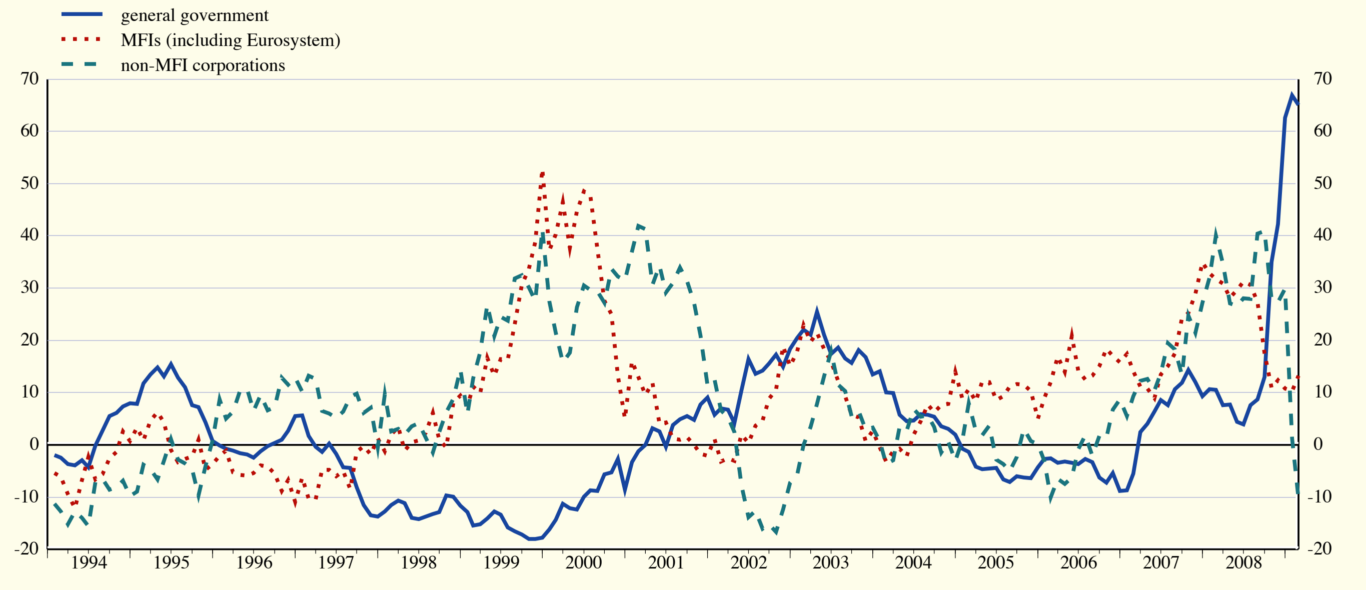
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2007	5.2	7.2	17.1	3.9	2.5	6.6	15.8	11.1	37.8	18.4	3.8	-1.8
2008	3.1	4.9	5.7	4.1	1.6	1.4	12.9	5.4	34.4	7.2	6.4	3.2
2008 Q1	3.3	5.4	8.2	4.7	1.3	3.3	14.1	6.0	37.4	13.0	11.0	-3.2
Q2	2.7	4.3	5.0	4.0	1.3	1.4	12.0	5.0	32.3	8.7	7.2	0.4
Q3	3.1	5.6	5.0	3.3	1.4	2.0	12.4	5.3	33.3	3.4	6.0	6.0
Q4	3.2	4.5	4.9	4.3	2.4	-0.8	13.1	5.6	35.1	4.5	1.8	10.2
2008 Sep.	3.0	5.5	5.7	5.0	1.1	0.8	12.3	5.1	34.4	4.7	2.3	7.4
Oct.	2.7	4.6	3.4	3.9	1.7	-0.7	11.8	5.3	31.3	5.3	1.3	9.2
Nov.	3.4	4.2	4.9	3.2	3.0	-1.7	13.7	5.9	35.8	4.8	2.0	12.2
Dec.	4.1	4.0	6.8	6.6	3.8	-0.4	15.5	6.0	41.1	2.0	2.0	10.9
2009 Jan.	5.4	4.1	10.9	10.5	5.0	1.2	15.6	5.3	44.9	0.5	-1.9	10.0
Feb.	6.7	5.4	15.6	13.8	5.7	2.0	16.1	5.1	47.4	-0.1	-1.9	9.5
	In euro											
2007	4.6	6.5	13.7	2.2	2.7	6.7	15.1	10.3	35.5	18.2	3.9	-2.4
2008	2.9	4.8	6.1	2.0	1.8	1.3	14.4	6.4	36.1	7.3	6.7	2.0
2008 Q1	3.0	5.0	6.9	3.2	1.5	3.5	14.6	5.9	37.7	12.1	11.4	-4.0
Q2	2.4	4.0	4.4	1.9	1.5	1.4	13.1	5.6	33.5	8.5	7.6	-1.1
Q3	3.0	5.4	6.0	0.9	1.6	1.8	14.3	6.7	35.3	4.0	6.4	4.6
Q4	3.4	4.7	7.2	2.0	2.6	-1.2	15.4	7.6	37.7	5.2	2.0	9.2
2008 Sep.	3.0	5.6	7.4	2.9	1.4	0.4	14.4	6.9	36.7	5.5	2.6	6.3
Oct.	2.8	4.7	5.4	1.8	1.9	-1.2	13.9	7.0	33.9	6.2	1.5	8.3
Nov.	3.5	4.4	7.5	1.0	3.2	-2.3	16.1	8.0	38.6	5.5	2.2	11.4
Dec.	4.5	4.8	9.8	3.6	4.1	-1.0	18.3	8.5	43.9	2.3	2.1	9.7
2009 Jan.	5.8	5.2	13.7	7.7	5.2	0.6	18.5	8.0	47.9	0.7	-1.8	9.2
Feb.	7.2	6.6	19.3	10.9	5.9	1.4	19.0	7.5	50.4	0.0	-1.8	10.0

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

(annual percentage changes)



Source: ECB.

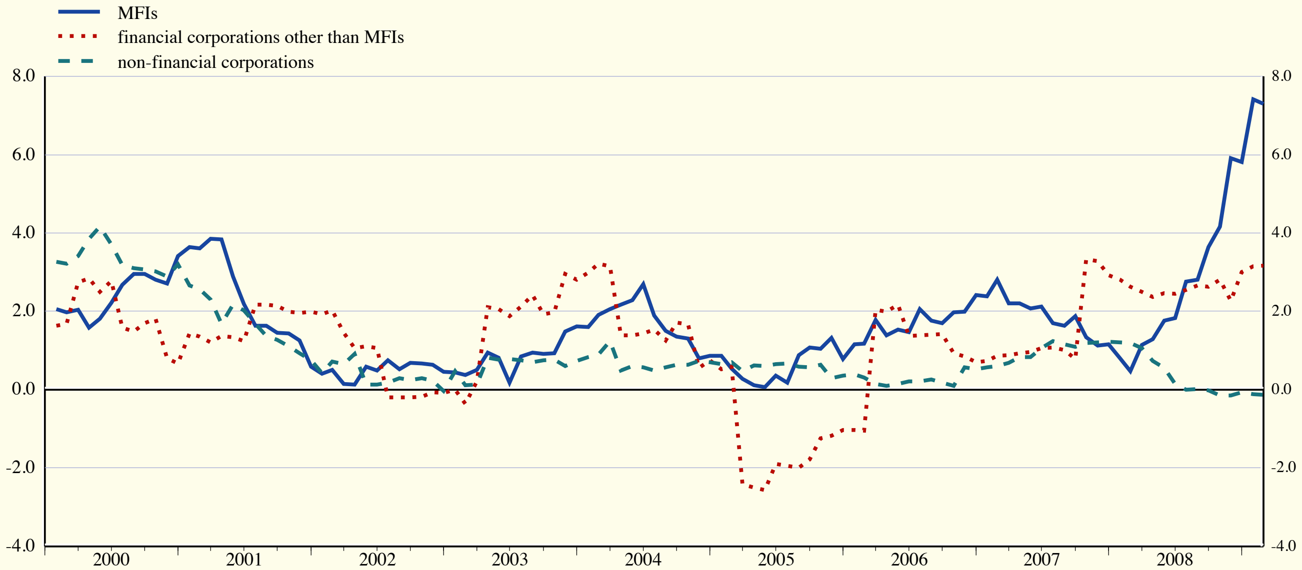
1) For the calculation of the growth rates, see the Technical notes.

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

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

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2007 Feb.	6,292.4	103.2	1.0	1,094.6	2.8	637.9	0.9	4,559.9	0.6
Mar.	6,518.9	103.2	1.0	1,113.2	2.2	649.3	0.9	4,756.4	0.7
Apr.	6,769.2	103.5	1.1	1,170.5	2.2	675.6	0.9	4,923.2	0.8
May	7,048.9	103.5	1.1	1,176.3	2.1	688.9	1.0	5,183.7	0.8
June	6,970.5	103.8	1.3	1,130.4	2.1	677.2	1.1	5,162.9	1.1
July	6,740.3	104.0	1.3	1,101.6	1.7	608.9	1.1	5,029.8	1.2
Aug.	6,626.8	103.9	1.2	1,062.0	1.6	583.9	1.0	4,981.0	1.2
Sep.	6,690.9	104.0	1.2	1,050.6	1.9	597.3	0.8	5,042.9	1.1
Oct.	6,945.9	104.3	1.4	1,074.6	1.3	629.3	3.3	5,242.0	1.2
Nov.	6,631.8	104.3	1.4	1,034.6	1.1	579.2	3.3	5,018.0	1.2
Dec.	6,588.7	104.4	1.4	1,019.0	1.2	579.0	2.9	4,990.6	1.2
2008 Jan.	5,766.1	104.4	1.3	889.8	0.8	497.4	2.8	4,378.9	1.2
Feb.	5,820.8	104.5	1.2	860.1	0.5	492.4	2.6	4,468.3	1.2
Mar.	5,567.1	104.5	1.2	860.5	1.1	501.4	2.5	4,205.2	1.1
Apr.	5,748.0	104.4	1.0	837.2	1.3	519.5	2.4	4,391.3	0.7
May	5,729.4	104.5	0.9	771.0	1.8	497.1	2.5	4,461.2	0.6
June	5,081.0	104.5	0.6	665.3	1.8	435.8	2.4	3,979.9	0.1
July	4,972.6	104.6	0.6	691.6	2.8	428.3	2.5	3,852.7	0.0
Aug.	4,999.2	104.6	0.6	665.5	2.8	438.5	2.7	3,895.2	0.0
Sep.	4,430.0	104.7	0.7	612.2	3.6	382.2	2.6	3,435.6	0.0
Oct.	3,743.7	105.0	0.7	451.9	4.2	280.3	2.8	3,011.5	-0.1
Nov.	3,489.2	105.2	0.9	394.5	5.9	265.3	2.3	2,829.4	-0.2
Dec.	3,482.5	105.4	1.0	377.0	5.8	269.2	3.0	2,836.2	-0.1
2009 Jan.	3,286.8	105.6	1.1	344.6	7.4	240.0	3.1	2,702.1	-0.1
Feb.	2,922.0	105.6	1.1	276.7	7.3	189.1	3.2	2,456.2	-0.1

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



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

4.4 Quoted shares issued by euro area residents [1)]

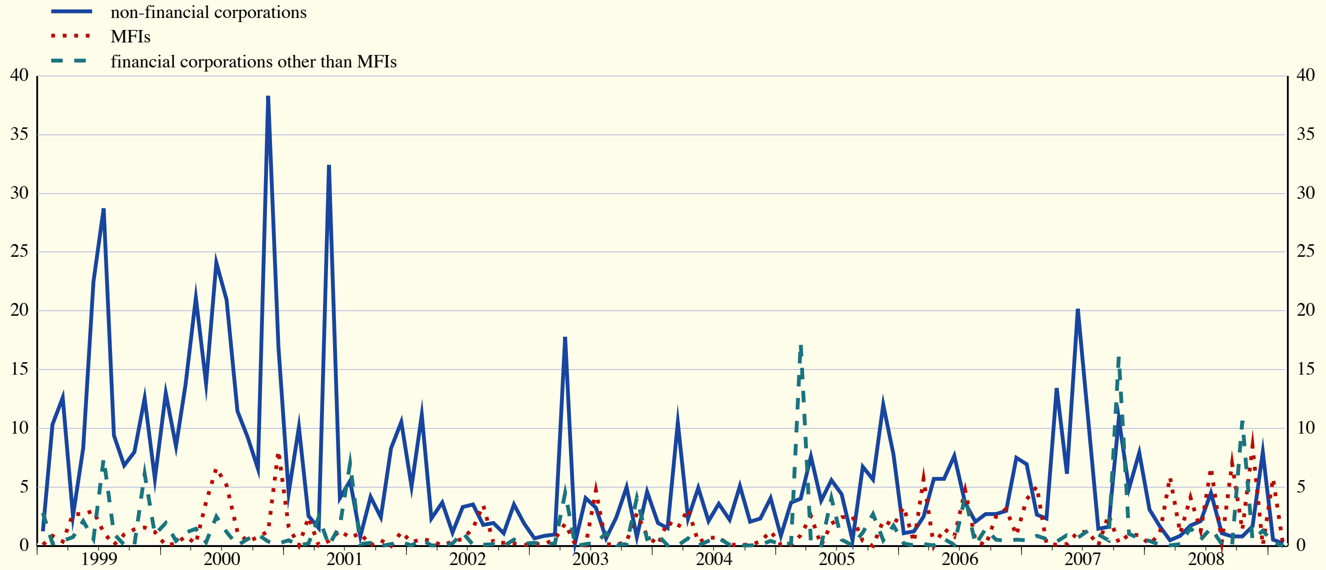
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2007 Feb.	8.6	2.0	6.5	5.0	0.0	5.0	0.9	0.0	0.9	2.7	2.0	0.7
Mar.	3.1	1.7	1.4	0.2	0.0	0.2	0.6	0.3	0.3	2.3	1.4	1.0
Apr.	13.9	0.4	13.4	0.1	0.3	-0.2	0.3	0.0	0.3	13.4	0.2	13.2
May	7.2	2.0	5.2	0.1	0.0	0.1	0.9	0.0	0.9	6.1	2.0	4.1
June	22.0	1.6	20.5	1.2	0.0	1.1	0.7	0.0	0.7	20.2	1.6	18.6
July	13.3	1.8	11.5	1.2	0.0	1.2	1.3	0.3	1.0	10.9	1.5	9.3
Aug.	2.5	6.6	-4.2	0.0	0.1	-0.1	1.0	1.4	-0.5	1.5	5.1	-3.6
Sep.	4.7	2.5	2.2	2.6	0.0	2.6	0.4	0.3	0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.2	3.2	-3.0	16.1	0.5	15.6	10.8	4.3	6.5
Nov.	6.8	3.3	3.5	0.9	0.0	0.9	1.0	1.3	-0.3	4.9	2.0	2.9
Dec.	9.5	4.6	4.9	0.9	0.0	0.9	0.7	2.2	-1.5	7.9	2.5	5.5
2008 Jan.	3.6	1.4	2.3	0.1	0.0	0.1	0.4	0.7	-0.2	3.1	0.7	2.4
Feb.	2.8	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.7	1.6	0.1
Mar.	6.4	6.0	0.3	5.9	0.0	5.9	0.0	0.5	-0.4	0.4	5.6	-5.1
Apr.	2.0	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.8	2.5	-1.7
May	7.3	6.0	1.4	4.1	0.1	4.1	1.5	0.3	1.2	1.7	5.6	-3.9
June	3.9	4.8	-0.9	1.3	0.0	1.3	0.5	0.1	0.4	2.1	4.7	-2.6
July	12.7	3.4	9.4	6.7	0.0	6.7	1.5	0.5	1.0	4.5	2.9	1.6
Aug.	1.5	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.8	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.7	-1.9
Oct.	12.8	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	9.3	2.6	6.8	0.0	0.0	0.0	1.3	0.0	1.2	8.0	2.5	5.5
2009 Jan.	6.5	0.5	6.1	5.7	0.0	5.7	0.3	0.0	0.3	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6

C21 Gross issues of quoted shares by sector of the issuer

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



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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents [1]

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With agreed maturity			Redeemable at notice [2), 3)]		Overnight [2]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2008 Mar.	1.22	4.14	3.97	3.08	2.69	3.78	2.03	4.20	4.23	4.07	3.96
Apr.	1.22	4.28	4.16	3.14	2.72	3.81	2.05	4.27	4.56	4.64	4.00
May	1.23	4.32	4.27	3.17	2.73	3.84	2.07	4.26	4.68	4.48	4.03
June	1.24	4.43	4.62	3.28	2.74	3.88	2.06	4.28	4.72	4.01	4.11
July	1.26	4.61	4.83	3.37	2.81	3.94	2.14	4.46	5.06	4.57	4.26
Aug.	1.29	4.59	4.84	3.45	2.87	3.98	2.17	4.46	5.34	4.55	4.30
Sep.	1.32	4.65	4.85	3.35	2.97	4.01	2.20	4.52	5.19	4.69	4.27
Oct.	1.34	4.77	4.85	3.56	3.01	4.12	2.20	4.25	5.12	4.55	3.66
Nov.	1.29	4.26	4.67	3.71	3.02	4.20	1.98	3.53	4.58	4.09	3.19
Dec.	1.16	3.75	4.35	3.69	2.95	4.17	1.62	2.87	4.24	4.09	2.63
2009 Jan.	1.02	3.27	3.91	3.52	2.88	4.08	1.28	2.24	3.83	3.74	2.06
Feb.	0.90	2.62	3.40	3.24	2.46	3.98	1.10	1.62	3.22	3.46	1.54

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2008 Mar.	10.52	8.42	7.05	8.42	8.56	5.20	4.89	4.96	5.11	5.28	5.65	5.79	5.46
Apr.	10.53	8.33	7.02	8.46	8.55	5.23	4.91	4.95	5.12	5.29	5.83	5.80	5.45
May	10.57	8.69	7.01	8.44	8.63	5.34	4.96	4.98	5.13	5.36	5.99	5.87	5.59
June	10.63	8.61	6.93	8.44	8.57	5.48	5.11	5.08	5.20	5.46	6.03	6.12	5.67
July	10.66	8.82	7.15	8.58	8.80	5.67	5.27	5.22	5.34	5.62	6.08	6.21	5.82
Aug.	10.77	8.85	7.22	8.69	8.95	5.77	5.37	5.29	5.26	5.69	6.05	6.28	5.70
Sep.	10.80	8.77	7.20	8.70	8.85	5.80	5.43	5.28	5.37	5.71	6.24	6.36	5.77
Oct.	10.83	8.88	7.22	8.70	8.92	5.84	5.42	5.28	5.37	5.70	6.37	6.26	5.80
Nov.	10.78	8.98	7.17	8.69	8.92	5.62	5.34	5.23	5.28	5.58	5.84	6.15	5.75
Dec.	10.45	8.22	7.06	8.39	8.50	5.10	5.07	5.11	5.13	5.31	4.97	5.75	5.29
2009 Jan.	10.12	8.33	7.03	8.63	8.67	4.38	4.78	4.93	5.00	4.86	4.41	5.44	5.23
Feb.	10.17	8.18	6.66	8.47	8.38	3.98	4.56	4.80	4.89	4.63	4.08	5.04	5.16

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

	Bank overdrafts [2]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2008 Mar.	6.56	5.91	5.77	5.23	5.19	5.43	5.34
Apr.	6.54	6.03	5.77	5.20	5.30	5.42	5.39
May	6.57	6.10	5.93	5.25	5.27	5.70	5.39
June	6.67	6.16	6.09	5.43	5.35	5.68	5.52
July	6.74	6.26	6.29	5.53	5.45	5.82	5.55
Aug.	6.77	6.27	6.34	5.49	5.45	5.60	5.56
Sep.	6.92	6.34	6.37	5.64	5.62	5.83	5.64
Oct.	6.89	6.52	6.35	5.57	5.59	5.74	5.07
Nov.	6.67	6.04	6.10	5.41	4.86	5.02	4.97
Dec.	6.26	5.38	5.78	5.32	4.29	4.50	4.78
2009 Jan.	5.68	4.73	5.46	5.24	3.51	3.96	4.59
Feb.	5.39	4.32	5.26	4.98	3.10	3.52	4.25

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

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

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

4. Interest rates on deposits (outstanding amounts)

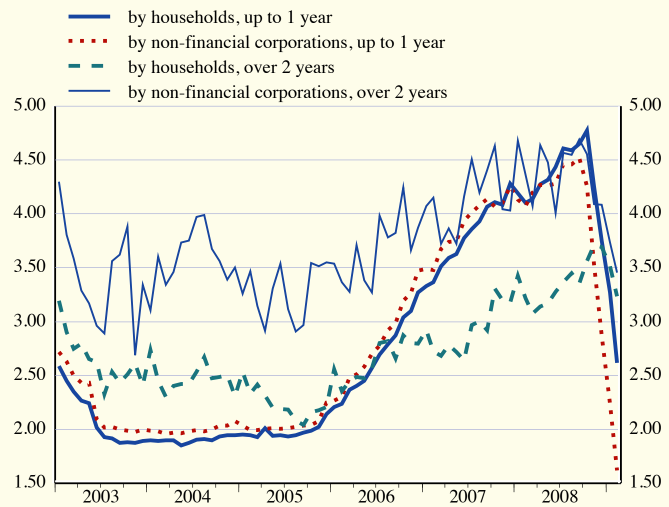
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2]	With agreed maturity		Redeemable at notice [2),3)]		Overnight [2]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2008 Mar.	1.22	4.01	3.07	2.69	3.78	2.03	4.29	4.23	3.96
Apr.	1.22	4.07	3.07	2.72	3.81	2.05	4.37	4.29	3.91
May	1.23	4.13	3.06	2.73	3.84	2.07	4.43	4.26	4.04
June	1.24	4.20	3.08	2.74	3.88	2.06	4.47	4.31	4.12
July	1.26	4.31	3.07	2.81	3.94	2.14	4.59	4.39	4.24
Aug.	1.29	4.38	3.09	2.87	3.98	2.17	4.65	4.38	4.23
Sep.	1.32	4.45	3.11	2.97	4.01	2.20	4.73	4.45	4.32
Oct.	1.34	4.54	3.08	3.01	4.12	2.20	4.68	4.45	4.06
Nov.	1.29	4.51	3.12	3.02	4.20	1.98	4.44	4.40	3.95
Dec.	1.16	4.40	3.07	2.95	4.17	1.62	4.01	4.30	3.56
2009 Jan.	1.02	4.16	3.10	2.88	4.08	1.28	3.49	4.11	3.05
Feb.	0.90	3.98	3.17	2.46	3.98	1.10	3.21	3.99	2.68

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2008 Mar.	5.61	4.80	5.02	9.06	7.19	6.25	5.99	5.51	5.27
Apr.	5.59	4.85	5.03	9.07	7.22	6.28	6.04	5.54	5.29
May	5.62	4.85	5.05	9.08	7.22	6.27	6.09	5.59	5.32
June	5.68	4.89	5.07	9.11	7.29	6.35	6.18	5.68	5.39
July	5.72	4.93	5.11	9.19	7.34	6.37	6.25	5.76	5.44
Aug.	5.78	4.95	5.11	9.26	7.38	6.41	6.28	5.79	5.46
Sep.	5.77	5.03	5.14	9.38	7.47	6.47	6.40	5.90	5.54
Oct.	5.78	5.06	5.17	9.45	7.48	6.48	6.43	5.99	5.58
Nov.	5.71	5.01	5.16	9.24	7.48	6.47	6.17	5.81	5.51
Dec.	5.50	4.89	5.08	9.01	7.38	6.38	5.72	5.42	5.27
2009 Jan.	5.23	4.72	4.93	8.72	7.23	6.22	5.11	4.89	4.89
Feb.	5.10	4.76	4.91	8.59	7.29	6.23	4.77	4.61	4.75

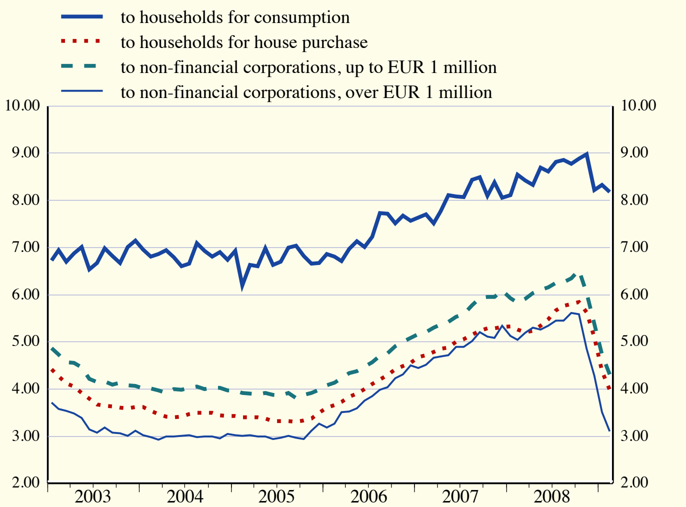
C22 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



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

(percentages per annum excluding charges; period averages)

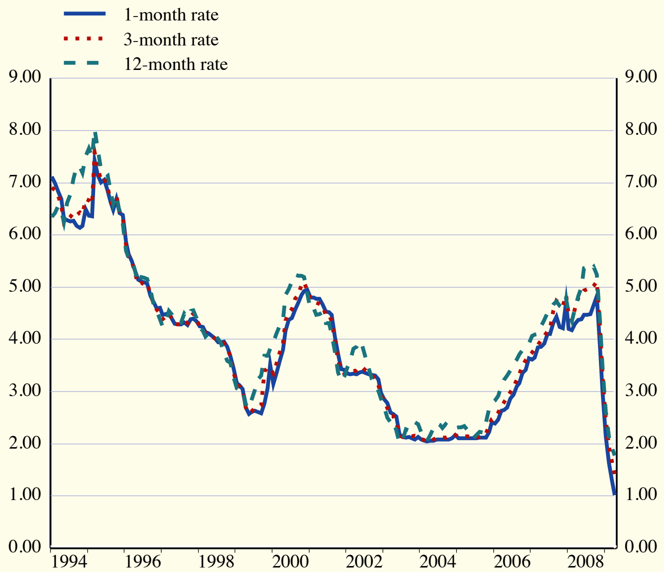


Source: ECB.

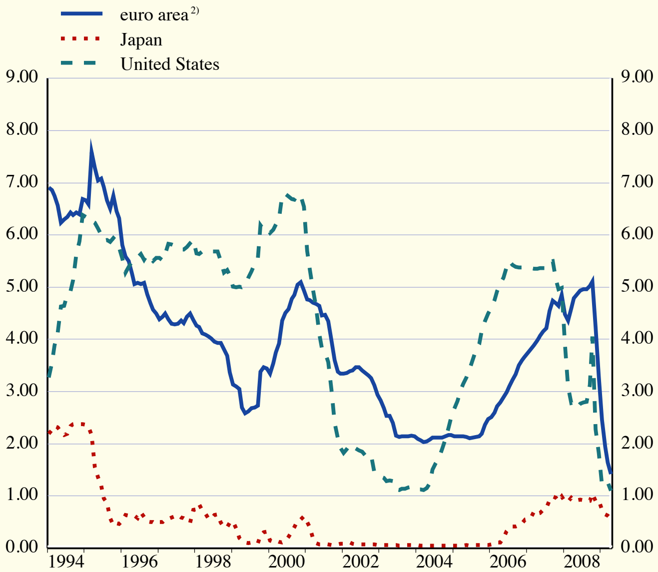
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area [1,2]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2006	2.83	2.94	3.08	3.23	3.44	5.20	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2008 Q1	4.05	4.23	4.48	4.48	4.48	3.29	0.92
Q2	4.00	4.41	4.86	4.93	5.05	2.75	0.92
Q3	4.25	4.54	4.98	5.18	5.37	2.91	0.90
Q4	3.17	3.92	4.24	4.31	4.38	2.77	0.96
2009 Q1	1.37	1.67	2.01	2.11	2.22	1.24	0.67
2008 Apr.	3.99	4.37	4.78	4.80	4.82	2.79	0.92
May	4.01	4.39	4.86	4.90	4.99	2.69	0.92
June	4.01	4.47	4.94	5.09	5.36	2.77	0.92
July	4.19	4.47	4.96	5.15	5.39	2.79	0.92
Aug.	4.30	4.49	4.97	5.16	5.32	2.81	0.89
Sep.	4.27	4.66	5.02	5.22	5.38	3.12	0.91
Oct.	3.82	4.83	5.11	5.18	5.25	4.06	1.04
Nov.	3.15	3.84	4.24	4.29	4.35	2.28	0.91
Dec.	2.49	2.99	3.29	3.37	3.45	1.83	0.92
2009 Jan.	1.81	2.14	2.46	2.54	2.62	1.21	0.73
Feb.	1.26	1.63	1.94	2.03	2.14	1.24	0.64
Mar.	1.06	1.27	1.64	1.77	1.91	1.27	0.62
Apr.	0.84	1.01	1.42	1.61	1.77	1.11	0.57

C24 Euro area money market rates [2]
(monthly; percentages per annum)



C25 3-month money market rates
(monthly; percentages per annum)



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

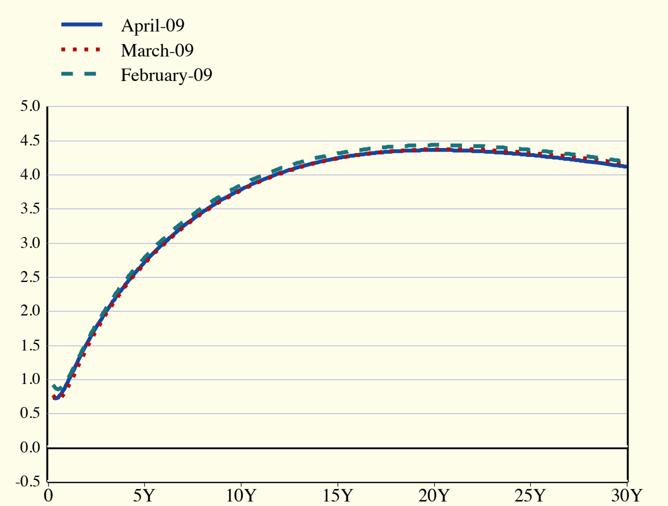
4.7 Euro area yield curves [1]

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

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99
Mar.	3.87	3.70	3.60	3.70	3.87	4.13	0.26	0.54	3.53	3.49	4.10	4.91
Apr.	3.90	3.89	3.86	3.95	4.10	4.32	0.42	0.46	3.86	3.81	4.29	4.95
May	3.88	4.20	4.28	4.27	4.35	4.52	0.64	0.24	4.41	4.29	4.40	5.03
June	4.21	4.49	4.62	4.63	4.65	4.73	0.52	0.11	4.73	4.72	4.64	5.00
July	4.20	4.31	4.31	4.31	4.39	4.53	0.33	0.21	4.36	4.27	4.46	4.93
Aug.	4.24	4.20	4.13	4.11	4.19	4.34	0.10	0.21	4.13	4.02	4.26	4.82
Sep.	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Oct.	2.52	2.86	2.68	3.58	3.95	4.25	1.74	1.58	2.27	2.99	4.80	4.97
Nov.	2.00	2.10	2.38	3.16	3.49	3.77	1.78	1.40	2.33	2.97	4.16	4.48
Dec.	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009 Jan.	1.19	1.27	1.79	3.02	3.53	4.02	2.83	2.24	1.70	2.85	4.53	5.26
Feb.	0.93	1.01	1.56	2.79	3.31	3.85	2.93	2.30	1.48	2.64	4.32	5.25
Mar.	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Apr.	0.74	0.96	1.53	2.72	3.25	3.79	3.05	2.26	1.52	2.58	4.24	5.19

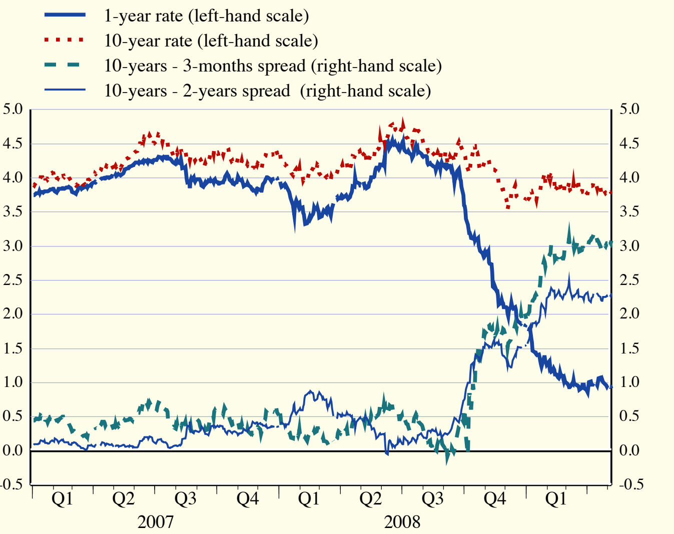
C26 Euro area spot yield curves

(percentages per annum; end-of-period)



C27 Euro area spot rates and spreads

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



Source: ECB, underlying data provided by EuroMTS, ratings provided by Fitch Ratings.

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

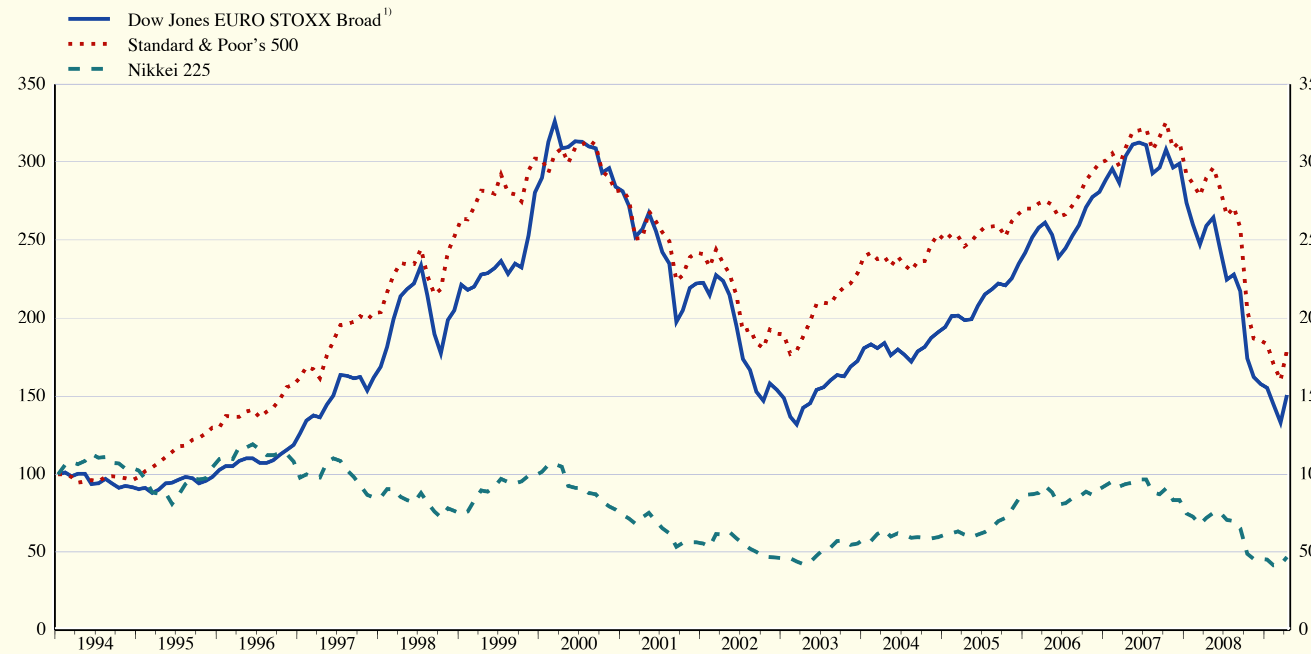
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2008 Q1	361.8	3,809.4	520.9	194.0	327.1	412.0	318.1	413.3	339.2	573.3	490.1	454.4	1,351.7	13,372.6
Q2	355.9	3,705.6	576.2	185.0	317.8	442.8	313.7	408.2	306.5	557.1	437.7	427.1	1,371.7	13,818.3
Q3	309.7	3,278.8	506.0	162.2	282.2	382.8	260.5	345.7	285.6	494.8	412.4	407.4	1,252.7	12,758.7
Q4	228.7	2,497.7	320.7	136.5	236.9	287.6	169.3	238.1	200.0	384.7	387.0	358.1	910.9	8,700.4
2009 Q1	200.2	2,166.4	293.6	131.6	207.9	272.5	126.3	223.0	175.7	340.6	367.2	345.7	810.1	7,968.8
2008 Apr.	359.6	3,768.1	553.9	189.3	324.6	423.2	326.5	406.2	312.8	550.2	449.3	429.6	1,370.5	13,382.1
May	367.1	3,812.8	588.9	189.2	328.2	462.5	325.8	424.3	313.2	567.2	447.5	436.3	1,402.0	14,000.2
June	340.2	3,527.8	586.2	176.1	299.6	442.6	287.6	393.5	292.8	553.8	415.3	414.7	1,341.3	14,084.6
July	311.9	3,298.7	529.0	158.2	272.7	401.5	260.0	348.6	281.7	513.7	412.7	418.1	1,257.6	13,153.0
Aug.	316.1	3,346.0	513.7	167.1	287.0	388.1	266.0	356.6	304.4	504.4	411.2	403.0	1,281.5	12,989.4
Sep.	301.3	3,193.7	474.6	161.8	287.4	358.2	255.8	332.2	271.8	465.8	413.2	400.6	1,220.0	12,126.2
Oct.	241.5	2,627.3	342.1	135.6	249.1	287.9	195.0	245.1	212.8	392.4	378.2	363.7	968.8	9,080.5
Nov.	225.0	2,452.9	315.2	136.2	237.6	294.8	159.0	229.5	197.7	393.6	386.0	361.7	883.3	8,502.7
Dec.	219.0	2,407.0	304.0	137.8	224.2	281.0	152.5	238.7	189.4	369.2	396.6	349.4	877.2	8,492.1
2009 Jan.	215.5	2,344.9	309.7	136.8	220.8	280.5	143.4	236.4	188.1	376.5	384.1	364.8	866.6	8,402.5
Feb.	200.4	2,159.8	299.2	132.7	208.0	280.9	123.3	226.1	175.7	341.0	361.7	354.1	806.3	7,707.3
Mar.	184.6	1,993.9	272.5	125.3	194.9	256.9	111.8	206.8	163.5	304.2	355.2	319.1	757.1	7,772.8
Apr.	209.3	2,256.3	308.4	134.6	219.0	268.1	145.0	237.9	196.0	323.2	356.8	327.7	848.5	8,755.5

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	83.0	58.6	41.4	100.0	11.9	7.5	29.7	9.6	41.4	89.3	10.7
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.7
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.1
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.3	3.0
2008 Q1	106.4	3.4	2.5	3.9	2.6	1.0	2.1	0.7	0.2	3.4	0.8	3.5	2.5
Q2	108.1	3.6	2.5	4.5	2.4	1.1	1.1	1.1	0.2	6.0	0.5	3.7	2.8
Q3	108.4	3.8	2.5	4.7	2.6	0.7	0.8	0.8	0.2	2.1	0.7	3.9	3.3
Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.2	0.4	0.3	-8.7	0.5	2.1	3.4
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.3	-0.1	0.5	0.1	-4.9	0.4	0.7	2.9
2008 Nov.	108.0	2.1	2.2	1.8	2.6	-0.4	0.0	-0.1	0.0	-4.9	0.2	2.0	3.4
Dec.	107.9	1.6	2.1	0.9	2.6	-0.4	0.0	0.2	0.0	-4.7	0.2	1.4	3.4
2009 Jan.	107.0	1.1	1.8	0.2	2.4	0.0	0.0	0.2	-0.1	0.0	0.1	0.9	2.9
Feb.	107.4	1.2	1.7	0.3	2.4	0.2	0.0	0.5	0.1	0.5	0.2	1.0	2.9
Mar.	107.8	0.6	1.5	-0.4	1.9	0.0	0.0	-0.2	0.1	-1.2	0.1	0.3	2.9
Apr. [4]	.	0.6	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.3	11.9	7.5	39.3	29.7	9.6	10.1	6.0	6.3	3.2	14.9	6.8
	14	15	16	17	18	19	20	21	22	23	24	25
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2008 Q1	5.2	6.4	3.5	3.2	0.8	10.7	2.5	1.9	3.1	-2.5	3.2	3.2
Q2	5.7	6.9	3.7	3.9	0.8	13.6	2.3	1.9	3.6	-1.8	3.0	2.2
Q3	5.6	6.7	3.9	4.2	0.7	15.1	2.3	1.9	4.4	-2.4	3.4	2.3
Q4	3.8	4.3	3.0	1.2	0.9	2.1	2.2	1.9	4.5	-2.0	3.3	2.2
2009 Q1	2.4	2.1	2.8	-1.1	0.7	-6.1	2.0	1.7	3.6	-1.7	2.7	2.1
2008 Oct.	4.4	5.1	3.4	3.1	1.0	9.6	2.3	1.9	4.6	-2.2	3.3	2.3
Nov.	3.7	4.2	2.8	0.8	0.9	0.7	2.2	1.8	4.4	-2.1	3.4	2.2
Dec.	3.3	3.5	2.8	-0.3	0.8	-3.7	2.2	1.8	4.5	-1.8	3.2	2.1
2009 Jan.	2.7	2.7	2.6	-1.0	0.5	-5.3	2.0	1.7	3.9	-1.9	3.1	2.2
Feb.	2.5	2.0	3.3	-0.7	0.7	-4.9	2.0	1.8	3.9	-1.4	3.0	2.1
Mar.	1.9	1.6	2.4	-1.5	0.8	-8.1	2.0	1.8	3.1	-1.8	2.2	2.1

Sources: Eurostat and ECB calculations.

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

	Industrial producer prices excluding construction										Construct-ion [2]	Residential property prices [3]
	Total (index 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [4]	100.0	100.0	83.2	75.3	30.0	20.3	24.9	3.0	21.9	24.7		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	100.0	4.1	3.3	1.8	2.9	1.2	1.1	1.5	0.9	13.9	2.8	7.6
2006	105.1	5.1	3.5	2.8	4.6	1.6	1.7	1.5	1.5	12.8	4.1	6.5
2007	107.9	2.7	3.1	3.2	4.6	2.2	2.4	2.5	2.2	1.2	4.0	4.4
2008	114.3	5.9	4.8	3.5	4.1	2.1	4.0	2.8	4.1	13.4	4.1	1.7
2008 Q1	111.9	5.3	5.5	3.6	4.0	1.6	4.8	3.1	5.0	11.0	3.1	-
Q2	114.7	6.8	6.4	3.8	4.2	2.0	4.9	2.8	5.2	16.6	4.0	2.8 [5]
Q3	117.1	8.2	6.7	4.3	5.7	2.3	4.2	2.7	4.4	20.7	5.5	-
Q4	113.5	3.3	0.7	2.4	2.6	2.4	2.0	2.7	1.9	5.7	3.9	0.6 [5]
2009 Q1	109.9	-1.8	-4.0	-1.0	-2.8	1.7	-0.6	2.0	-0.9	-4.8	.	-
2008 Oct.	115.7	5.9	3.5	3.4	4.3	2.7	2.8	2.8	2.8	13.5	-	-
Nov.	113.3	2.8	0.3	2.3	2.6	2.6	2.0	2.7	1.8	4.0	-	-
Dec.	111.6	1.1	-1.7	1.4	1.1	2.0	1.3	2.6	1.0	-0.1	-	-
2009 Jan.	110.5	-0.7	-3.0	-0.1	-1.3	1.9	0.0	2.1	-0.3	-2.8	-	-
Feb.	110.0	-1.7	-3.9	-1.0	-3.0	1.8	-0.6	2.0	-0.9	-4.2	-	-
Mar.	109.2	-3.1	-5.1	-1.7	-4.1	1.5	-1.2	1.8	-1.6	-7.3	-	-

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

	Oil prices [6] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [7]			Use-weighted [8]			Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [9]	Imports [9]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	44.3	55.7								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2005	44.6	11.9	0.9	17.9	9.0	2.5	14.4	111.6	2.0	2.3	2.1	2.4	2.5	2.4	3.3
2006	52.9	27.5	5.8	37.6	24.4	5.9	38.1	113.8	2.0	2.4	2.2	2.1	3.0	2.7	3.9
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.4	2.3	2.2	2.2	1.7	2.7	1.5	1.3
2008	65.9	2.0	18.1	-4.3	-1.7	9.6	-8.5	119.1	2.3	2.8	2.9	2.6	2.3	2.1	3.5
2008 Q1	64.2	8.4	36.4	-1.3	7.2	31.6	-5.8	118.0	2.2	2.9	3.0	2.2	2.2	2.3	4.2
Q2	78.5	2.5	32.4	-7.5	-0.3	20.3	-11.1	118.9	2.3	3.2	3.3	3.3	2.2	2.4	4.5
Q3	77.6	6.7	16.2	2.8	0.5	4.3	-1.9	119.4	2.3	3.2	3.5	2.5	2.8	2.9	5.3
Q4	43.5	-10.2	-8.0	-11.2	-14.6	-13.0	-15.8	120.1	2.4	2.0	2.0	2.3	1.9	0.9	0.2
2009 Q1	35.1	-23.5	-15.0	-27.6	-25.0	-17.4	-30.6	.	.	.	.	.	.	.	.
2008 Nov.	43.1	-7.0	-4.4	-8.3	-10.7	-7.4	-13.0	-	-	-	-	-	-	-	-
Dec.	32.1	-17.3	-14.4	-18.7	-21.5	-18.7	-23.7	-	-	-	-	-	-	-	-
2009 Jan.	34.3	-21.2	-10.9	-26.0	-22.4	-13.7	-28.7	-	-	-	-	-	-	-	-
Feb.	34.6	-24.3	-16.1	-28.2	-26.6	-20.4	-31.4	-	-	-	-	-	-	-	-
Mar.	36.5	-25.0	-17.7	-28.5	-25.8	-17.8	-31.7	-	-	-	-	-	-	-	-
Apr.	39.0	-19.8	-11.7	-23.6	-20.1	-10.8	-26.6	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Data refer to the Euro 16.
2) Input prices for residential buildings.
3) Experimental data based on non-harmonised national sources (see the ECB website for further details).
4) In 2005.
5) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
6) Brent Blend (for one-month forward delivery).
7) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
8) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see the ECB website for details).
9) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

4. Unit labour costs, compensation per employee and labour productivity [1)]

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity: Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
				Unit labour costs [2)]				
2005	109.0	1.2	8.7	-1.1	2.9	1.3	2.1	2.0
2006	110.0	0.9	3.2	-0.7	3.3	0.1	2.5	2.1
2007	111.8	1.7	0.7	-0.5	4.0	1.4	2.7	2.1
2008	115.4	3.2	-0.2	3.5	2.1	3.5	3.0	3.1
2007 Q4	113.0	2.5	0.2	0.0	4.3	2.6	3.4	2.7
2008 Q1	113.5	2.4	0.2	0.9	2.2	2.1	3.7	2.8
Q2	114.8	2.8	-1.3	1.4	2.3	2.9	2.7	4.2
Q3	115.7	3.4	-0.3	4.0	2.7	4.5	3.3	2.5
Q4	118.1	4.5	0.3	9.7	1.9	5.0	2.5	3.0
				Compensation per employee				
2005	112.3	2.0	2.4	1.8	2.0	2.1	2.4	1.9
2006	114.8	2.2	3.4	3.5	3.5	1.4	2.3	1.5
2007	117.7	2.5	2.7	2.9	2.9	2.2	2.4	2.4
2008	121.4	3.2	3.2	3.1	3.8	3.0	2.4	3.5
2007 Q4	119.2	3.0	2.6	3.2	3.1	2.3	2.8	3.3
2008 Q1	120.1	3.1	3.2	3.4	3.2	2.5	2.5	3.4
Q2	121.1	3.2	2.9	2.7	4.0	2.5	2.2	4.3
Q3	121.8	3.4	3.7	3.1	4.5	4.1	2.7	3.2
Q4	122.8	3.0	2.8	3.2	3.8	3.0	2.2	3.3
				Labour productivity [3)]				
2005	103.1	0.8	-5.8	2.9	-0.8	0.8	0.2	-0.1
2006	104.4	1.3	0.2	4.3	0.1	1.3	-0.2	-0.6
2007	105.3	0.8	2.0	3.4	-1.0	0.7	-0.3	0.3
2008	105.3	0.0	3.4	-0.4	1.7	-0.5	-0.6	0.5
2007 Q4	105.5	0.5	2.4	3.3	-1.2	-0.3	-0.6	0.5
2008 Q1	105.8	0.6	3.0	2.5	1.0	0.4	-1.2	0.6
Q2	105.5	0.4	4.2	1.3	1.6	-0.4	-0.5	0.1
Q3	105.3	0.0	4.0	-0.8	1.8	-0.4	-0.6	0.7
Q4	104.0	-1.4	2.5	-5.9	1.8	-1.9	-0.3	0.2

5. Hourly labour costs [1), 4)]

	Total (s.a. index 2000 = 100)	Total	By component: Wages and salaries	Employers' social contributions	By selected economic activity: Mining, manufacturing and energy	Construction	Services	Memo: indicator of negotiated wages [5)]
% of total [6)]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2005	116.5	2.4	2.5	2.2	2.4	2.1	2.5	2.1
2006	119.4	2.5	2.6	2.1	3.4	1.6	2.1	2.3
2007	122.5	2.7	2.8	2.3	2.6	3.1	2.6	2.1
2008	126.8	3.5	3.6	3.4	4.1	4.6	3.1	3.2
2007 Q4	123.8	3.0	3.2	2.3	3.1	4.0	2.8	2.1
2008 Q1	124.8	3.5	3.7	3.1	4.3	4.2	3.0	2.8
Q2	125.9	2.6	2.7	2.4	2.7	4.0	2.4	2.9
Q3	127.4	4.2	4.2	4.3	3.8	5.0	4.3	3.4
Q4	128.9	3.8	3.9	3.6	5.4	5.1	2.6	3.6

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1 and column 7 in Table 5 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

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

5.2 Output and demand

1. GDP and expenditure components [1]

	GDP								
	Total	Domestic demand					External balance [2]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [3]	Total	Exports [2]	Imports [2]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2005	8,143.9	8,022.7	4,668.4	1,664.9	1,684.4	5.1	121.1	3,113.2	2,992.1
2006	8,558.5	8,455.5	4,871.9	1,732.6	1,837.2	13.9	102.9	3,473.1	3,370.2
2007	8,995.5	8,856.7	5,062.3	1,800.6	1,969.9	23.9	138.7	3,740.4	3,601.7
2008	9,267.4	9,178.9	5,232.8	1,885.5	2,012.9	47.7	88.5	3,867.9	3,779.3
2007 Q4	2,282.6	2,249.6	1,288.5	457.3	502.3	1.5	32.9	955.7	922.7
2008 Q1	2,310.4	2,278.0	1,298.4	461.0	510.2	8.6	32.4	980.6	948.2
Q2	2,323.4	2,292.4	1,307.1	472.6	507.9	4.8	31.0	985.4	954.4
Q3	2,329.2	2,316.4	1,318.8	473.3	507.8	16.5	12.8	991.8	979.1
Q4	2,304.4	2,292.0	1,308.6	478.6	487.0	17.8	12.4	910.1	897.7
	percentage of GDP								
2008	100.0	99.0	56.5	20.3	21.7	0.5	1.0	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [4])								
	quarter-on-quarter percentage changes								
2007 Q4	0.5	0.1	0.3	0.3	0.9	-	-	0.7	-0.1
2008 Q1	0.6	0.5	0.0	0.4	1.0	-	-	1.5	1.2
Q2	-0.2	-0.4	-0.3	0.9	-1.2	-	-	-0.2	-0.6
Q3	-0.2	0.4	0.1	0.6	-0.7	-	-	-0.3	1.2
Q4	-1.6	-0.7	-0.3	0.4	-4.0	-	-	-6.7	-4.7
	annual percentage changes								
2005	1.7	1.9	1.8	1.5	3.3	-	-	5.0	5.7
2006	2.9	2.8	2.0	1.9	5.6	-	-	8.4	8.3
2007	2.7	2.4	1.6	2.2	4.4	-	-	6.0	5.4
2008	0.8	0.8	0.5	2.0	0.0	-	-	1.3	1.3
2007 Q4	2.2	2.0	1.3	2.0	3.1	-	-	4.0	3.6
2008 Q1	2.2	1.6	1.4	1.5	3.0	-	-	5.1	3.8
Q2	1.5	0.9	0.5	2.1	1.5	-	-	3.7	2.5
Q3	0.6	0.6	0.1	2.2	-0.1	-	-	1.7	1.7
Q4	-1.4	-0.2	-0.5	2.3	-5.0	-	-	-5.8	-3.0
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2007 Q4	0.5	0.1	0.2	0.1	0.2	-0.3	0.3	-	-
2008 Q1	0.6	0.5	0.0	0.1	0.2	0.2	0.2	-	-
Q2	-0.2	-0.4	-0.2	0.2	-0.3	-0.1	0.1	-	-
Q3	-0.2	0.4	0.0	0.1	-0.2	0.3	-0.6	-	-
Q4	-1.6	-0.7	-0.2	0.1	-0.9	0.3	-0.9	-	-
	contributions to annual percentage changes of GDP in percentage points								
2005	1.7	1.9	1.0	0.3	0.7	-0.2	-0.1	-	-
2006	2.9	2.7	1.1	0.4	1.2	0.1	0.2	-	-
2007	2.7	2.4	0.9	0.4	0.9	0.1	0.3	-	-
2008	0.8	0.8	0.3	0.4	0.0	0.1	0.0	-	-
2007 Q4	2.2	2.0	0.7	0.4	0.7	0.2	0.2	-	-
2008 Q1	2.2	1.6	0.8	0.3	0.7	-0.2	0.6	-	-
Q2	1.5	0.9	0.3	0.4	0.3	-0.1	0.6	-	-
Q3	0.6	0.6	0.1	0.4	0.0	0.1	0.0	-	-
Q4	-1.4	-0.2	-0.3	0.5	-1.1	0.7	-1.2	-	-

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

5.2 Output and demand

2. Value added by economic activity [1]

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2005	7,299.0	144.0	1,482.4	441.6	1,540.4	2,030.0	1,660.5	844.9
2006	7,644.0	141.5	1,558.9	479.2	1,603.1	2,145.0	1,716.3	914.5
2007	8,037.5	151.7	1,642.7	518.1	1,670.4	2,268.9	1,785.8	958.0
2008	8,307.0	150.8	1,664.4	542.0	1,723.6	2,367.4	1,858.7	960.4
2007 Q4	2,043.6	39.3	417.0	132.3	423.5	577.4	454.1	238.9
2008 Q1	2,068.0	39.1	424.2	136.0	429.2	583.6	455.8	242.5
Q2	2,083.5	38.0	424.7	135.5	429.7	590.9	464.6	240.0
Q3	2,087.7	37.6	419.8	136.3	433.6	595.6	464.8	241.5
Q4	2,067.9	36.1	395.6	134.2	431.1	597.3	473.5	236.5
	percentage of value added							
2008	100.0	1.8	20.0	6.5	20.7	28.5	22.4	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [2])							
	quarter-on-quarter percentage changes							
2007 Q4	0.6	1.6	0.8	0.6	0.5	0.6	0.4	-0.7
2008 Q1	0.5	1.6	0.2	1.7	0.7	0.6	0.3	1.5
Q2	-0.1	-0.1	-0.6	-2.2	-0.5	0.6	0.4	-1.2
Q3	-0.3	-0.5	-1.3	-1.4	-0.1	0.0	0.6	0.0
Q4	-1.6	0.6	-5.5	-1.7	-1.5	-0.4	0.3	-1.7
	annual percentage changes							
2005	1.7	-6.5	1.8	1.8	1.5	2.7	1.4	1.8
2006	2.9	-1.7	4.0	2.9	3.1	3.6	1.2	3.3
2007	2.9	0.7	3.7	3.0	2.7	3.7	1.7	0.7
2008	0.9	1.9	-0.7	-0.7	0.8	1.9	1.6	-0.3
2007 Q4	2.6	0.9	3.5	1.0	1.9	3.4	1.9	-0.7
2008 Q1	2.4	1.7	2.9	1.4	2.7	2.7	1.5	0.4
Q2	1.6	2.1	1.4	-0.1	1.2	2.5	1.5	0.3
Q3	0.7	2.5	-1.0	-1.3	0.5	1.7	1.7	-0.4
Q4	-1.4	1.5	-7.2	-3.5	-1.5	0.7	1.6	-1.5
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2007 Q4	0.6	0.0	0.2	0.0	0.1	0.2	0.1	-
2008 Q1	0.5	0.0	0.0	0.1	0.1	0.2	0.1	-
Q2	-0.1	0.0	-0.1	-0.1	-0.1	0.2	0.1	-
Q3	-0.3	0.0	-0.3	-0.1	0.0	0.0	0.1	-
Q4	-1.6	0.0	-1.1	-0.1	-0.3	-0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2005	1.7	-0.1	0.4	0.1	0.3	0.8	0.3	-
2006	2.9	0.0	0.8	0.2	0.6	1.0	0.3	-
2007	2.9	0.0	0.7	0.2	0.6	1.0	0.4	-
2008	0.9	0.0	-0.1	0.0	0.2	0.5	0.4	-
2007 Q4	2.6	0.0	0.7	0.1	0.4	0.9	0.4	-
2008 Q1	2.4	0.0	0.6	0.1	0.6	0.8	0.3	-
Q2	1.6	0.0	0.3	0.0	0.3	0.7	0.3	-
Q3	0.7	0.0	-0.2	-0.1	0.1	0.5	0.4	-
Q4	-1.4	0.0	-1.5	-0.2	-0.3	0.2	0.4	-

Sources: Eurostat and ECB calculations.
1) Data refer to Euro 16.
2) Annual data are not adjusted for the variations in the number of working days.

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

3. Industrial production [1)]

	Total	Industry excluding construction										Construction
		Total (s.a. index 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [2)]	100.0	75.0	75.0	67.4	66.8	27.6	21.6	17.6	2.6	15.0	8.2	25.0
	1	2	3	4	5	6	7	8	9	10	11	12
2006	4.1	104.4	4.3	4.7	4.3	4.8	5.9	3.0	4.7	2.9	0.8	3.6
2007	3.4	108.3	3.8	4.2	3.7	3.7	6.7	2.5	1.5	2.7	-1.0	1.8
2008	-2.2	106.3	-1.7	-1.9	-2.4	-3.4	-0.4	-1.5	-5.3	-0.9	-0.4	-4.3
2008 Q1	2.2	111.1	2.7	2.6	1.6	1.7	5.1	0.9	-0.9	1.3	2.8	-0.2
Q2	0.1	108.9	1.1	1.0	0.8	0.2	3.5	-0.9	-2.1	-0.7	1.2	-3.8
Q3	-2.2	106.0	-1.4	-1.5	-2.1	-1.9	-0.7	-2.1	-6.9	-1.4	-0.8	-4.8
Q4	-8.7	99.4	-9.0	-9.3	-9.5	-13.6	-8.6	-4.0	-11.2	-2.6	-4.4	-8.1
2008 Sep.	-3.2	104.5	-2.3	-2.5	-3.0	-3.7	-1.5	-2.3	-7.4	-1.5	-1.0	-6.4
Oct.	-5.8	102.3	-5.9	-6.0	-6.1	-8.1	-5.6	-3.6	-8.2	-2.6	-3.1	-5.8
Nov.	-8.4	99.4	-9.1	-9.3	-9.5	-12.7	-8.9	-4.7	-11.9	-3.2	-5.3	-5.9
Dec.	-12.4	96.6	-12.3	-13.1	-13.5	-21.4	-11.5	-3.7	-13.8	-2.1	-4.8	-13.0
2009 Jan.	-14.2	94.2	-16.1	-18.3	-17.4	-22.1	-22.3	-6.5	-17.8	-4.7	-1.1	-7.6
Feb.	-16.1	92.1	-18.4	-20.5	-20.1	-24.2	-24.6	-8.3	-21.8	-6.4	-3.5	-8.4
	month-on-month percentage changes (s.a.)											
2008 Sep.	-1.9	-	-2.1	-2.4	-2.2	-3.4	-2.9	-0.9	-2.5	-0.6	-1.0	-1.5
Oct.	-1.5	-	-2.1	-2.2	-1.9	-3.2	-2.8	-0.4	-1.4	-0.1	-1.2	-0.3
Nov.	-2.5	-	-2.8	-2.9	-2.8	-4.0	-3.2	-0.8	-4.0	-0.4	-2.4	-0.9
Dec.	-3.2	-	-2.9	-3.3	-3.2	-6.4	-2.9	-0.4	-2.5	-0.1	0.5	-2.7
2009 Jan.	-1.0	-	-2.5	-3.2	-3.4	-0.9	-7.1	-0.9	-2.3	-0.7	0.1	1.8
Feb.	-1.8	-	-2.2	-2.3	-2.6	-2.3	-2.8	-1.5	-3.5	-1.4	-1.1	-0.9

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

	Industrial new orders		Industrial turnover		Retail sales (exluding automotive fuel)							New passenger car registrations	
	Manufacturing [3)] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2005 = 100)	Total	Total (s.a. index 2005 = 100)	Total	Total	Total (s.a. index 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [4)]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [2)]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.3	56.7	10.1	13.6		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	110.7	10.4	108.3	8.0	3.4	102.3	2.4	1.3	3.2	3.3	4.9	978	3.3
2007	120.1	8.6	115.1	6.5	2.8	103.8	1.4	0.3	2.2	3.8	1.9	970	-0.9
2008	113.1	-5.3	116.9	1.9	1.7	103.3	-0.5	-0.5	-0.6	-1.5	-1.9	892	-8.0
2008 Q2	119.7	-0.2	120.5	6.5	2.6	103.6	0.0	-0.3	0.0	-1.4	-1.3	910	-4.8
Q3	115.8	-1.5	118.6	4.3	2.1	103.1	-0.6	-0.3	-0.8	-0.9	-3.0	892	-8.8
Q4	94.5	-22.3	107.4	-7.4	-0.3	102.3	-1.7	-1.1	-2.1	-2.9	-2.9	824	-18.5
2009 Q1	.	.	.	.	-2.2	101.6	-2.8	-3.4	-2.3	.	.	816	-12.6
2008 Oct.	103.5	-15.2	112.8	-2.8	0.4	102.5	-1.6	-0.7	-2.4	-2.9	-3.9	841	-14.4
Nov.	94.5	-27.3	108.5	-11.9	-0.7	102.3	-2.1	-1.3	-2.5	-1.9	-2.9	812	-18.2
Dec.	85.4	-24.6	100.9	-7.8	-0.5	102.2	-1.5	-1.3	-1.6	-3.7	-2.0	819	-23.2
2009 Jan.	83.7	-34.3	96.3	-23.7	-1.2	101.9	-1.8	-1.6	-2.0	2.0	-5.8	777	-20.5
Feb.	83.4	-34.4	95.1	-24.8	-2.8	101.6	-3.3	-3.4	-3.1	-2.6	-6.1	840	-12.7
Mar.	.	.	.	.	-2.7	101.2	-3.2	-5.2	-1.9	.	.	831	-5.9
	month-on-month percentage changes (s.a.)												
2008 Nov.	-	-8.7	-	-3.8	-0.2	-	-0.2	-0.3	-0.2	0.1	-0.1	-	-3.4
Dec.	-	-9.6	-	-7.1	-0.1	-	-0.1	-0.2	-0.1	-0.7	-0.1	-	0.9
2009 Jan.	-	-2.0	-	-4.5	-0.3	-	-0.3	-0.6	-0.1	3.0	-1.3	-	-5.2
Feb.	-	-0.3	-	-1.2	-0.1	-	-0.3	-0.2	-0.4	-2.1	-0.5	-	8.1
Mar.	-	.	-	.	-0.4	-	-0.5	-1.4	0.0	.	.	-	-1.1

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) Data refer to Euro 16.
2) In 2005.
3) Includes manufacturing industries working mainly on the basis of orders, representing 60.1% of total manufacturing in 2005.
4) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2]) (long-term average = 100)	Manufacturing industry: Industrial confidence indicator: Total [4])	Order books	Stocks of finished products	Production expectations	Capacity utilisation [3]) (percentages)	Consumer confidence indicator: Total [4])	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
	1	2	3	4	5	6	7	8	9	10	11
2005	98.2	-7	-16	11	6	81.1	-14	-4	-15	28	-9
2006	106.8	2	0	6	13	83.1	-9	-3	-9	15	-9
2007	108.9	4	5	5	13	84.1	-5	-2	-4	4	-8
2008	91.1	-9	-15	11	-2	81.8	-18	-10	-25	23	-14
2008 Q1	101.4	1	-1	7	10	83.8	-12	-7	-17	11	-12
Q2	97.5	-3	-6	9	7	83.3	-15	-10	-22	13	-14
Q3	89.9	-10	-15	12	-2	82.2	-19	-12	-28	22	-15
Q4	75.8	-25	-36	18	-22	78.1	-26	-11	-34	44	-15
2009 Q1	65.7	-36	-56	20	-31	72.6	-32	-11	-41	62	-14
2008 Nov.	76.8	-25	-36	17	-22	-	-25	-11	-32	43	-15
Dec.	68.9	-33	-47	22	-30	-	-30	-11	-39	55	-14
2009 Jan.	67.2	-33	-49	20	-31	74.7	-31	-11	-38	58	-15
Feb.	65.3	-36	-57	20	-32	-	-33	-12	-41	62	-15
Mar.	64.7	-38	-61	21	-32	-	-34	-11	-44	66	-13
Apr.	67.2	-35	-60	20	-25	70.5	-31	-10	-38	66	-11

	Construction confidence indicator: Total [4])	Order books	Employment expectations	Retail trade confidence indicator: Total [4])	Present business situation	Volume of stocks	Expected business situation	Services confidence indicator: Total [4])	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-8	7	1	4	15	12	19	16	19	23
2008	-14	-20	-7	-7	-6	16	1	2	-5	4	7
2008 Q1	-7	-13	-1	0	3	16	12	10	4	12	15
Q2	-10	-17	-3	-3	-1	16	7	8	3	9	13
Q3	-14	-21	-7	-9	-9	17	-1	1	-7	3	6
Q4	-23	-31	-16	-15	-16	17	-13	-12	-20	-9	-6
2009 Q1	-31	-36	-26	-19	-21	15	-20	-24	-33	-21	-18
2008 Nov.	-23	-31	-15	-13	-11	15	-12	-12	-21	-8	-7
Dec.	-27	-35	-19	-20	-23	19	-18	-17	-27	-15	-10
2009 Jan.	-30	-35	-26	-20	-21	20	-18	-22	-32	-19	-15
Feb.	-32	-37	-26	-19	-21	17	-20	-24	-33	-19	-19
Mar.	-32	-37	-26	-17	-20	9	-22	-25	-34	-23	-19
Apr.	-34	-41	-26	-19	-25	10	-21	-24	-32	-22	-19

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

1) Difference between the percentages of respondents giving positive and negative replies.

2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.

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

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

5.3 Labour markets [1)]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2)]	100.0	100.0	85.2	14.8	3.9	17.0	7.5	25.6	16.0	30.0
	1	2	3	4	5	6	7	8	9	10
2005	141.863	1.0	1.1	0.4	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.179	1.6	1.8	0.7	-1.9	-0.3	2.7	1.7	3.8	1.8
2007	146.830	1.8	2.0	0.9	-1.3	0.3	4.1	1.9	4.0	1.4
2008	148.005	0.8	1.0	-0.3	-1.4	-0.3	-2.4	1.3	2.5	1.2
2007 Q4	147.598	1.7	1.9	0.5	-1.6	0.1	2.4	2.3	3.9	1.4
2008 Q1	148.118	1.5	1.6	0.7	-1.2	0.3	0.4	2.4	4.0	0.8
Q2	148.237	1.1	1.3	-0.1	-2.0	0.1	-1.6	1.6	3.0	1.4
Q3	148.065	0.6	0.9	-0.9	-1.5	-0.1	-2.9	1.0	2.3	1.0
Q4	147.598	0.0	0.1	-0.6	-1.0	-1.3	-5.4	0.4	0.9	1.5
	quarter-on-quarter percentage changes (s.a.)									
2007 Q4	0.386	0.3	0.4	-0.7	-0.3	0.1	0.0	0.2	0.8	0.3
2008 Q1	0.520	0.4	0.3	0.5	0.6	0.2	0.1	0.5	1.1	-0.1
Q2	0.119	0.1	0.2	-0.3	-1.3	-0.2	-1.6	0.2	0.3	0.6
Q3	-0.171	-0.1	-0.1	-0.4	-0.5	-0.4	-1.5	0.1	0.1	0.1
Q4	-0.467	-0.3	-0.3	-0.6	0.2	-1.0	-2.3	-0.4	-0.5	0.7

2. Unemployment

(seasonally adjusted)

	Total		By age [3)]				By gender [4)]			
			Adult		Youth		Male		Female	
	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2)]	100.0		77.9		22.1		50.5		49.5	
	1	2	3	4	5	6	7	8	9	10
2005	13.718	9.0	10.674	7.9	3.044	17.5	6.925	8.1	6.794	10.0
2006	12.875	8.3	10.054	7.3	2.822	16.4	6.396	7.5	6.479	9.4
2007	11.650	7.5	9.113	6.6	2.537	14.9	5.734	6.7	5.917	8.5
2008	11.896	7.6	9.283	6.6	2.612	15.4	6.010	6.9	5.886	8.3
2008 Q1	11.381	7.2	8.891	6.4	2.490	14.5	5.610	6.5	5.771	8.2
Q2	11.619	7.4	9.070	6.5	2.549	14.9	5.794	6.7	5.825	8.2
Q3	11.932	7.6	9.312	6.6	2.620	15.5	6.070	7.0	5.863	8.3
Q4	12.650	8.0	9.861	7.0	2.788	16.4	6.565	7.6	6.085	8.6
2009 Q1	13.747	8.7	10.744	7.6	3.002	17.6	7.289	8.3	6.457	9.0
2008 Oct.	12.383	7.8	9.647	6.8	2.735	16.1	6.389	7.4	5.994	8.4
Nov.	12.637	8.0	9.850	7.0	2.787	16.4	6.558	7.5	6.079	8.5
Dec.	12.930	8.2	10.087	7.1	2.843	16.7	6.748	7.8	6.182	8.7
2009 Jan.	13.344	8.4	10.431	7.4	2.912	17.2	7.028	8.1	6.316	8.9
Feb.	13.739	8.7	10.735	7.6	3.003	17.7	7.288	8.3	6.451	9.0
Mar.	14.158	8.9	11.066	7.8	3.091	18.1	7.552	8.6	6.605	9.2

Source: Eurostat.

1) Data refer to Euro 16. Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2008.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1)]

(as a percentage of GDP)

1. Euro area − revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	46.5	46.2	12.6	9.6	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.4	12.2	9.4	2.7	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.1	11.3	8.6	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.8
2005	44.8	44.3	11.5	8.7	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.8	3.0	13.9	0.3	15.3	8.0	4.5	2.1	0.3	0.3	41.5
2007	45.5	45.2	12.4	9.0	3.2	13.8	0.3	15.1	8.1	4.4	2.1	0.3	0.3	41.7
2008	44.8	44.6	12.2	9.2	2.8	13.3	0.3	15.3	8.1	4.4	2.1	0.2	0.3	41.0

2. Euro area − expenditure

	Total	Current expenditure								Capital expenditure				Memo: 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
2000	46.6	43.8	10.4	4.8	3.9	24.7	21.6	2.0	0.5	2.8	2.5	1.3	0.0	42.7
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.3	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.3	43.4	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.6	42.8	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.7
2007	46.1	42.3	10.0	5.0	3.0	24.4	21.6	1.6	0.4	3.9	2.5	1.3	0.0	43.2
2008	46.8	42.9	10.1	5.1	3.0	24.8	21.9	1.6	0.4	3.8	2.5	1.3	0.0	43.8

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
2000	-0.1	-0.5	-0.1	0.1	0.5	3.8	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.1	1.9	2.2	8.2	12.3
2006	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.7	-1.2	0.0	0.0	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-1.9	-2.0	-0.2	-0.1	0.4	1.1	20.3	10.1	5.1	5.2	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	-2.7	-3.3	1.7	-5.1	1.0	-2.9	-4.3	-2.4	0.0	-2.9	-0.3	-1.6	-6.1	-1.4	-2.8	2.8
2006	0.3	-1.5	3.0	-2.8	2.0	-2.3	-3.3	-1.2	1.4	-2.6	0.6	-1.6	-3.9	-1.3	-3.5	4.0
2007	-0.2	-0.2	0.2	-3.6	2.2	-2.7	-1.5	3.4	3.6	-2.2	0.3	-0.5	-2.6	0.5	-1.9	5.2
2008	-1.2	-0.1	-7.1	-5.0	-3.8	-3.4	-2.7	0.9	2.6	-4.7	1.0	-0.4	-2.6	-0.9	-2.2	4.2

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

1) The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

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

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1999	71.9	2.9	14.4	4.3	50.3	48.7	25.4	13.7	9.6	23.2
2000	69.2	2.7	13.2	3.7	49.6	44.1	22.1	12.4	9.7	25.1
2001	68.1	2.8	12.4	4.0	49.0	42.0	20.6	11.1	10.3	26.2
2002	67.9	2.7	11.8	4.6	48.9	40.1	19.4	10.6	10.0	27.9
2003	69.0	2.1	12.4	5.0	49.6	39.4	19.6	11.1	8.7	29.7
2004	69.4	2.2	11.9	5.0	50.4	37.6	18.4	10.8	8.4	31.8
2005	70.0	2.4	11.8	4.7	51.1	35.5	17.1	11.2	7.2	34.5
2006	68.2	2.4	11.4	4.1	50.2	33.8	17.3	9.4	7.1	34.4
2007	66.0	2.2	10.8	4.2	48.8	32.1	16.6	8.6	6.9	33.9
2008	69.4	2.3	10.8	6.7	49.5	32.7	16.9	8.2	7.6	36.6

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	71.9	60.4	6.0	5.1	0.4	7.3	64.6	7.0	13.5	27.8	30.6	69.9	2.0
2000	69.2	58.1	5.8	4.9	0.4	6.5	62.7	6.3	13.4	27.8	28.0	67.4	1.8
2001	68.1	57.0	6.0	4.7	0.4	7.0	61.1	5.3	13.7	26.6	27.9	66.6	1.5
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.6	1.3
2003	69.0	56.9	6.5	5.0	0.6	7.8	61.2	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.4	57.3	6.6	5.1	0.4	7.8	61.6	4.7	14.8	26.2	28.5	68.6	0.9
2005	70.0	57.6	6.7	5.2	0.5	7.9	62.1	4.6	14.8	25.5	29.6	69.0	1.0
2006	68.2	55.8	6.5	5.4	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.6	0.6
2007	66.0	54.0	6.2	5.2	0.5	7.4	58.6	4.3	14.1	22.5	29.4	65.6	0.4
2008	69.4	57.2	6.6	5.2	0.4	10.2	59.2	4.4	17.5	22.1	29.7	68.8	0.5

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	92.2	67.8	27.5	98.8	43.0	66.4	105.8	69.1	6.1	69.8	51.8	63.7	63.6	27.0	34.2	41.4
2006	87.9	67.6	24.9	95.9	39.6	63.7	106.5	64.6	6.7	63.7	47.4	62.0	64.7	26.7	30.4	39.2
2007	84.0	65.1	25.0	94.8	36.2	63.8	103.5	59.4	6.9	62.1	45.6	59.4	63.5	23.4	29.4	35.1
2008	89.6	65.9	43.2	97.6	39.5	68.0	105.8	49.1	14.7	64.1	58.2	62.5	66.4	22.8	27.6	33.4

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

1) The data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

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

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000	1.0	1.2	0.0	-0.1	0.0	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.6	3.1
2001	1.8	1.9	-0.1	0.1	0.0	0.2	-0.3	0.5	1.4	-0.3	-0.5	-0.8	2.1
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.5	0.7	0.8	2.6
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.2	-0.4	0.1	3.3
2005	3.0	3.0	0.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.2	-0.4	1.5	0.0	1.0	-1.2	1.5
2007	1.1	1.1	0.0	0.0	0.0	-0.1	-0.1	0.3	1.0	-0.1	0.1	-0.4	1.2
2008	5.3	5.2	0.1	0.0	0.0	0.1	0.4	2.6	2.2	1.6	0.8	-0.2	3.7

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10]
				Total	Currency and deposits	Loans	Securities [11]	Shares and other equity	Privatisations	Equity injections		Exchange rate effects		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	1.0	-0.1	1.0	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.0	0.1	-0.1	0.0
2001	1.8	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.5
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.1	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.1
2005	3.0	-2.5	0.5	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2006	1.5	-1.3	0.2	0.3	0.3	-0.1	0.3	-0.2	0.0	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.7	0.4	0.5	0.2	0.0	0.3	0.0	-0.1	0.1	0.0	0.0	0.0	-0.1
2008	5.3	-1.9	3.4	3.1	0.8	0.9	0.7	0.8	0.0	0.7	0.1	0.0	0.0	0.1

Source: ECB.
1) The data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2002 Q4	48.9	48.4	13.4	14.0	16.2	2.9	0.9	0.6	0.3	43.9
2003 Q1	41.8	41.4	9.8	12.8	15.5	1.7	0.7	0.5	0.2	38.3
Q2	45.9	44.5	11.9	12.9	15.7	2.0	1.4	1.4	1.2	41.6
Q3	42.6	42.1	10.8	12.5	15.5	1.9	0.6	0.5	0.2	39.0
Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.3	40.8	9.5	12.8	15.3	1.7	0.6	0.4	0.3	38.0
Q2	45.0	44.2	12.0	13.0	15.3	2.0	1.1	0.8	0.6	40.9
Q3	42.6	42.1	10.6	12.7	15.4	1.9	0.7	0.5	0.3	38.9
Q4	49.1	48.1	12.9	14.3	16.2	2.9	0.7	1.0	0.4	43.8
2005 Q1	41.9	41.4	9.9	13.0	15.2	1.7	0.6	0.5	0.3	38.4
Q2	44.5	43.9	11.7	13.2	15.1	2.0	1.1	0.6	0.3	40.4
Q3	43.2	42.5	11.0	12.9	15.2	1.9	0.7	0.7	0.3	39.4
Q4	49.1	48.3	13.3	14.3	16.1	2.9	0.8	0.8	0.3	44.0
2006 Q1	42.3	41.9	10.2	13.3	15.1	1.7	0.8	0.4	0.3	38.8
Q2	45.6	45.2	12.4	13.6	15.1	2.0	1.3	0.5	0.3	41.3
Q3	43.6	43.0	11.5	12.9	15.2	1.9	0.8	0.5	0.3	39.8
Q4	49.4	48.8	14.0	14.3	15.9	2.9	0.9	0.6	0.3	44.5
2007 Q1	42.1	41.7	10.3	13.4	14.8	1.7	0.8	0.4	0.3	38.7
Q2	46.0	45.6	12.9	13.6	15.0	2.0	1.4	0.4	0.3	41.7
Q3	43.7	43.2	12.0	12.8	14.9	1.9	0.8	0.5	0.3	40.0
Q4	49.6	49.1	14.4	14.2	15.8	2.9	0.9	0.6	0.3	44.7
2008 Q1	42.0	41.7	10.6	12.9	14.8	1.7	0.9	0.3	0.2	38.5
Q2	45.3	44.9	12.8	12.9	15.0	2.0	1.5	0.4	0.3	40.9
Q3	43.1	42.8	11.7	12.4	15.0	1.9	0.8	0.3	0.3	39.5
Q4	48.8	48.3	13.6	13.7	16.2	2.8	1.1	0.5	0.3	43.8

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002 Q4	50.7	46.3	11.1	5.6	3.3	26.3	22.7	1.6	4.4	2.8	1.7	-1.8	1.5
2003 Q1	46.8	43.3	10.3	4.6	3.5	25.0	21.4	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.1	43.5	10.4	4.7	3.4	25.1	21.6	1.3	3.5	2.3	1.2	-1.1	2.2
Q3	47.1	43.4	10.3	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.5	-1.2
Q4	51.1	46.3	11.1	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.3	43.0	10.2	4.6	3.2	24.9	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
Q2	46.6	43.2	10.4	4.8	3.3	24.7	21.4	1.3	3.4	2.3	1.1	-1.6	1.6
Q3	46.1	42.7	10.0	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.5	-0.3
Q4	50.9	45.6	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.8	1.1
2005 Q1	46.8	43.0	10.2	4.6	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.9	-1.7
Q2	46.1	42.7	10.2	4.9	3.2	24.4	21.3	1.1	3.4	2.3	1.1	-1.5	1.6
Q3	45.8	42.3	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.6	0.4
Q4	50.5	45.7	11.1	5.8	2.7	26.0	22.5	1.3	4.8	3.1	1.7	-1.4	1.3
2006 Q1	45.2	42.1	9.9	4.5	2.9	24.6	21.1	1.1	3.1	1.9	1.2	-2.9	0.0
Q2	45.4	42.2	10.2	4.9	3.1	24.1	21.1	1.1	3.2	2.3	0.9	0.2	3.3
Q3	45.3	41.9	9.8	4.7	2.9	24.4	21.0	1.2	3.4	2.5	1.0	-1.7	1.2
Q4	50.3	45.0	10.7	5.8	2.7	25.8	22.2	1.4	5.3	3.2	2.2	-0.9	1.8
2007 Q1	44.3	41.2	9.8	4.6	2.9	23.9	20.5	1.1	3.2	2.0	1.2	-2.2	0.7
Q2	44.7	41.5	9.9	4.8	3.2	23.6	20.6	1.1	3.2	2.3	0.9	1.4	4.5
Q3	45.0	41.3	9.6	4.7	3.0	23.9	20.7	1.2	3.7	2.5	1.2	-1.3	1.7
Q4	50.1	45.0	10.7	5.8	2.8	25.8	22.1	1.4	5.1	3.3	1.8	-0.5	2.3
2008 Q1	44.5	41.3	9.7	4.6	3.0	24.1	20.5	1.2	3.2	2.0	1.2	-2.5	0.4
Q2	45.3	41.9	10.1	4.9	3.2	23.7	20.6	1.1	3.4	2.4	1.0	0.0	3.2
Q3	45.5	42.0	9.7	4.9	3.1	24.3	21.2	1.2	3.5	2.5	1.0	-2.4	0.7
Q4	51.5	46.4	11.0	6.0	2.8	26.6	22.7	1.4	5.1	3.3	1.8	-2.7	0.1

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

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

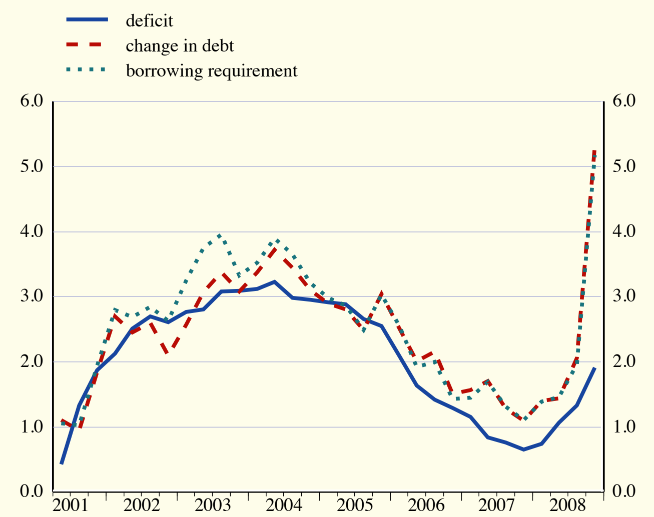
1. Euro area – Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2006 Q1	70.3	2.5	11.7	4.9	51.2
Q2	70.3	2.5	11.6	4.8	51.4
Q3	69.8	2.5	11.6	4.7	51.0
Q4	68.2	2.4	11.4	4.1	50.2
2007 Q1	68.5	2.4	11.4	4.8	49.9
Q2	68.6	2.2	11.1	5.1	50.3
Q3	67.7	2.1	11.0	5.1	49.4
Q4	66.0	2.2	10.8	4.2	48.8
2008 Q1	66.8	2.1	11.0	5.0	48.8
Q2	67.1	2.1	11.0	4.9	49.1
Q3	67.1	2.1	10.8	5.5	48.6
Q4	69.4	2.3	10.8	6.7	49.5

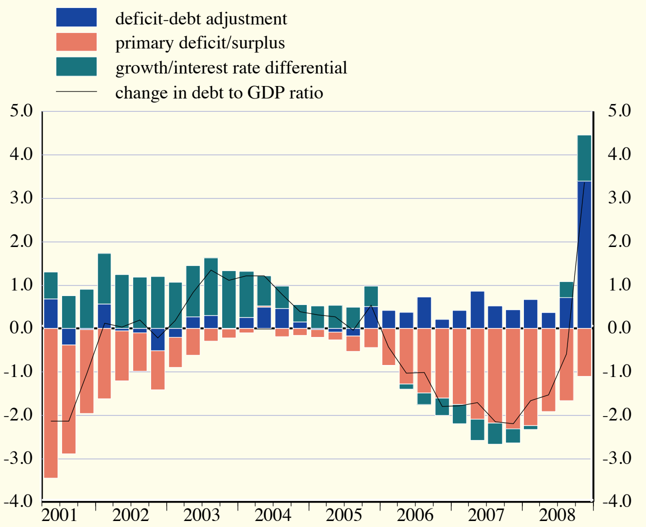
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2006 Q1	4.9	-2.9	2.0	1.3	1.1	0.1	0.6	-0.4	-0.4	1.0	5.2
Q2	3.2	0.2	3.4	3.3	2.6	0.1	0.4	0.1	0.6	-0.4	2.6
Q3	1.2	-1.7	-0.5	-0.9	-0.7	-0.2	0.2	-0.2	0.3	0.1	1.0
Q4	-2.9	-0.9	-3.8	-2.4	-1.5	-0.5	-0.2	-0.2	-0.2	-1.2	-2.8
2007 Q1	4.9	-2.2	2.7	1.9	1.0	0.0	0.7	0.2	-0.2	1.0	5.1
Q2	3.7	1.4	5.1	4.9	4.0	0.0	0.6	0.3	0.2	0.0	3.5
Q3	-0.5	-1.3	-1.8	-1.7	-2.1	0.1	0.4	-0.1	0.1	-0.2	-0.5
Q4	-3.5	-0.5	-4.0	-2.9	-2.0	-0.1	-0.6	-0.3	-0.1	-1.0	-3.4
2008 Q1	6.0	-2.5	3.5	3.2	2.1	-0.1	0.9	0.4	-0.1	0.4	6.1
Q2	3.7	0.0	3.7	3.6	2.0	0.2	1.1	0.2	0.1	0.1	3.7
Q3	2.1	-2.4	-0.3	-0.9	-1.6	-0.1	0.1	0.7	0.5	0.1	1.6
Q4	9.4	-2.7	6.6	6.5	0.6	3.4	0.8	1.8	0.1	0.0	9.3

C29 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C30 Maastricht debt
(annual change in the debt to GDP ratio and underlying factors)



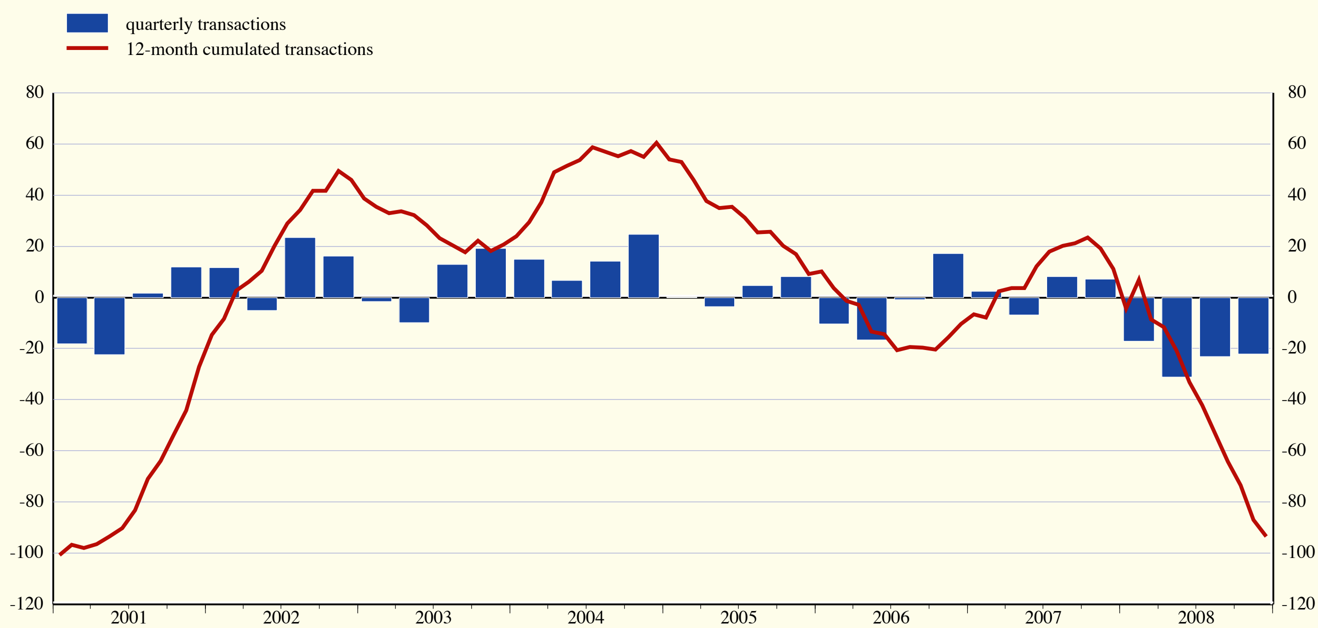
Source: ECB calculations based on Eurostat and national data.
1) The data refer to the Euro 16.
2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

7 EXTERNAL TRANSACTIONS AND POSITIONS

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

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	-10.5	12.3	43.3	13.6	-79.7	9.2	-1.2	141.4	-157.6	293.7	3.3	2.9	-0.9	-140.2
2007	11.1	46.4	49.2	1.4	-85.9	13.7	24.8	41.2	-92.5	159.7	-67.0	46.0	-5.1	-66.0
2008	-93.6	-6.1	41.7	-32.4	-96.8	12.4	-81.2	313.6	-251.3	439.2	-30.9	160.5	-3.9	-232.4
2007 Q4	7.2	8.0	11.5	8.5	-20.8	5.3	12.5	-92.6	12.6	-77.8	-23.2	-8.9	4.7	80.1
2008 Q1	-17.3	-2.5	10.0	3.4	-28.3	6.0	-11.2	35.5	-75.2	88.6	-22.8	50.0	-5.1	-24.3
Q2	-31.1	6.1	13.1	-32.0	-18.3	3.1	-28.0	79.7	-53.4	27.3	-8.9	114.8	0.0	-51.7
Q3	-23.1	-9.0	13.4	-3.0	-24.6	1.9	-21.2	61.7	-35.9	121.5	-8.4	-17.2	1.6	-40.4
Q4	-22.0	-0.7	5.2	-0.9	-25.7	1.3	-20.7	136.7	-86.7	201.8	9.2	12.8	-0.4	-116.0
2008 Feb.	7.3	4.4	4.0	3.6	-4.7	2.3	9.6	-17.8	-20.2	6.8	2.3	-11.3	4.5	8.2
Mar.	-6.3	1.4	3.3	1.4	-12.4	1.1	-5.2	8.0	-22.7	14.7	3.8	15.4	-3.2	-2.8
Apr.	-7.5	5.1	2.9	-7.4	-8.1	0.7	-6.8	25.7	-23.0	-17.9	-3.1	73.0	-3.3	-18.9
May	-24.0	-1.6	4.1	-21.0	-5.6	1.9	-22.2	39.1	-5.4	1.4	-10.6	50.9	2.7	-16.9
June	0.4	2.6	6.1	-3.6	-4.7	0.6	0.9	14.9	-25.1	43.8	4.8	-9.0	0.5	-15.9
July	-4.1	0.4	4.3	-0.6	-8.2	0.9	-3.2	48.5	-1.6	29.1	-0.1	23.4	-2.3	-45.3
Aug.	-11.5	-7.1	5.0	-1.1	-8.2	0.5	-10.9	0.4	-11.8	19.3	-8.3	-1.1	2.3	10.6
Sep.	-7.5	-2.3	4.1	-1.2	-8.2	0.5	-7.1	12.8	-22.5	73.1	0.1	-39.5	1.6	-5.7
Oct.	-5.1	3.7	1.5	0.6	-10.9	0.0	-5.1	97.3	-10.9	135.3	17.7	-36.8	-8.0	-92.3
Nov.	-13.7	-4.0	0.9	-1.5	-9.2	1.5	-12.2	19.6	-53.3	60.2	-5.7	18.8	-0.4	-7.4
Dec.	-3.3	-0.4	2.8	-0.1	-5.6	-0.2	-3.4	19.7	-22.5	6.4	-2.9	30.8	7.9	-16.3
2009 Jan.	-19.9	-10.1	1.6	-1.7	-9.7	0.7	-19.2	51.2	-15.9	-7.4	5.8	63.3	5.4	-32.0
Feb.	-2.3	1.5	1.8	-0.5	-5.1	0.9	-1.4	-5.4	-13.2	61.2	2.9	-57.4	1.1	6.8
	12-month cumulated transactions													
2009 Feb.	-104.9	-10.8	38.4	-36.7	-95.8	9.1	-95.8	331.9	-227.9	419.2	4.3	131.7	4.5	-236.1

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



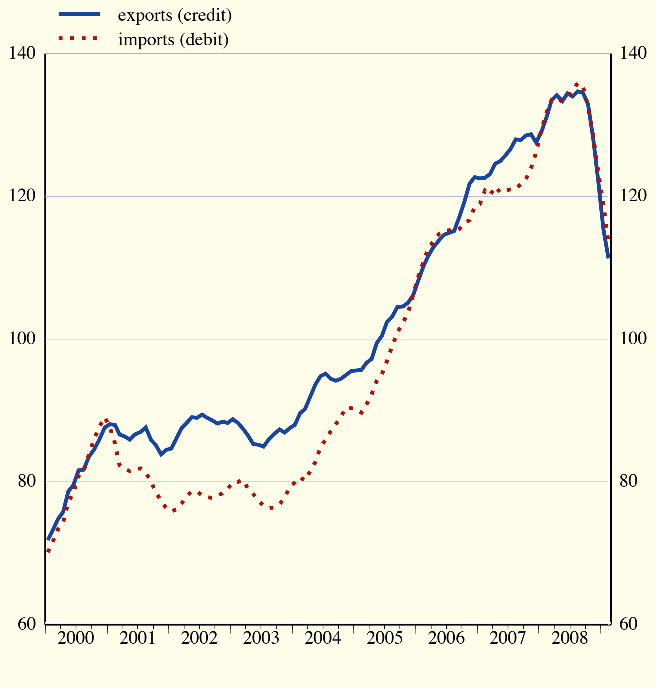
Source: ECB.
1) The sign convention is explained in the general notes.

7.2 Current and capital accounts
(EUR billions; transactions)

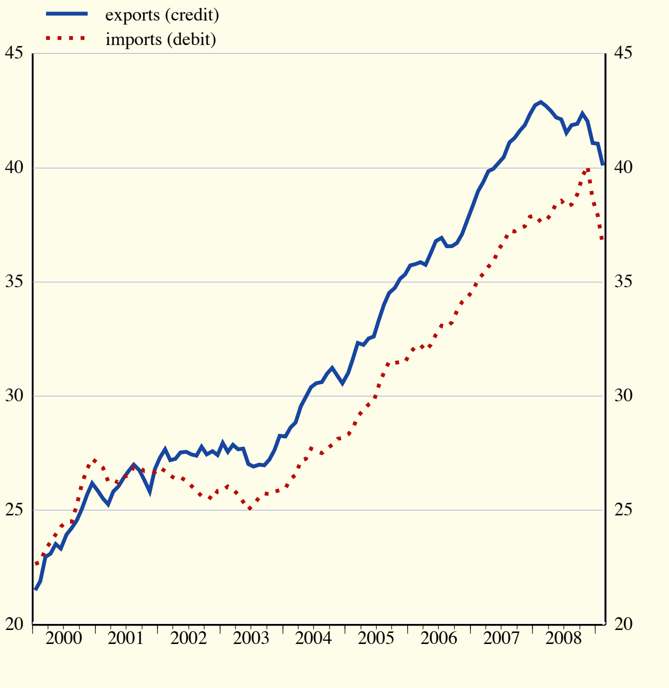
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers remit-tances		Workers remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	2,423.8	2,434.3	-10.5	1,396.8	1,384.5	440.8	397.5	496.4	482.8	89.8	5.4	169.5	17.4	23.9	14.7
2007	2,686.1	2,675.0	11.1	1,513.7	1,467.3	490.3	441.1	592.3	591.0	89.8	6.4	175.7	20.5	25.9	12.2
2008	2,760.3	2,853.9	-93.6	1,579.3	1,585.4	504.0	462.3	588.8	621.2	88.2	6.6	185.0	21.1	25.7	13.3
2007 Q4	703.7	696.4	7.2	395.5	387.5	128.5	117.0	152.6	144.0	27.1	1.6	47.9	5.6	8.8	3.6
2008 Q1	680.4	697.7	-17.3	390.3	392.7	116.9	106.9	147.1	143.7	26.1	1.6	54.3	5.1	8.9	2.9
Q2	709.2	740.4	-31.1	407.8	401.7	126.1	113.0	153.4	185.3	22.0	1.5	40.3	5.3	7.3	4.1
Q3	696.6	719.8	-23.1	403.1	412.1	136.2	122.8	143.8	146.7	13.5	1.8	38.1	5.4	4.8	2.9
Q4	674.0	696.1	-22.0	378.2	378.9	124.7	119.5	144.5	145.5	26.6	1.7	52.2	5.3	4.8	3.4
2008 Dec.	221.9	225.2	-3.3	113.8	114.2	41.8	39.0	50.3	50.4	16.0	.	21.6	.	1.7	1.8
2009 Jan.	181.5	201.4	-19.9	98.5	108.6	37.0	35.4	40.2	41.9	5.7	.	15.5	.	1.7	1.0
Feb.	192.8	195.1	-2.3	103.1	101.6	34.7	32.9	39.0	39.5	16.0	.	21.0	.	1.5	0.6
	Seasonally adjusted														
2007 Q4	681.3	689.0	-7.6	382.8	378.6	127.1	113.6	149.4	152.3	22.1	.	44.5	.	.	.
2008 Q1	701.6	718.3	-16.7	400.4	400.5	128.1	113.1	151.2	157.5	21.8	.	47.2	.	.	.
Q2	702.1	718.9	-16.8	403.4	401.6	126.4	115.7	148.4	154.5	23.9	.	47.1	.	.	.
Q3	696.4	719.9	-23.5	403.5	406.4	125.8	116.5	147.8	154.9	19.3	.	42.1	.	.	.
Q4	653.4	688.7	-35.3	366.4	370.3	123.3	115.8	141.8	154.0	21.9	.	48.6	.	.	.
2008 Sep.	231.3	238.7	-7.5	133.3	133.3	42.3	40.0	48.7	51.5	7.0	.	13.9	.	.	.
Oct.	227.8	234.7	-6.9	130.4	127.6	41.9	40.1	48.2	50.5	7.3	.	16.6	.	.	.
Nov.	220.2	235.8	-15.6	120.9	124.9	42.0	40.1	50.2	55.1	7.1	.	15.7	.	.	.
Dec.	205.4	218.2	-12.8	115.1	117.8	39.4	35.7	43.4	48.3	7.5	.	16.4	.	.	.
2009 Jan.	203.4	215.7	-12.3	110.1	114.0	41.8	38.0	44.5	48.1	7.0	.	15.5	.	.	.
Feb.	197.0	205.1	-8.1	108.5	108.5	39.1	36.1	41.2	45.9	8.1	.	14.6	.	.	.

C32 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C33 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

(EUR billions)

2. Income account
(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity				Debt		Equity		Debt		Credit	Debit
					Credit		Debit		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	17.4	9.8	478.9	472.9	182.7	41.4	111.5	36.6	20.6	20.2	39.2	99.1	103.6	91.5	132.9	150.6
2007	18.7	10.2	573.6	580.7	207.0	75.0	130.5	38.6	26.1	24.4	45.5	116.1	117.5	113.2	177.5	196.5
2008	19.1	10.4	569.7	610.8	192.3	65.8	126.6	43.3	30.0	25.7	42.8	124.4	123.0	129.3	181.6	204.8
2007 Q4	4.9	2.7	147.7	141.4	52.5	13.8	31.2	6.9	7.4	6.5	9.4	20.6	30.7	30.5	47.5	52.5
2008 Q1	4.9	2.0	142.2	141.7	50.1	22.2	31.7	15.9	6.8	6.2	9.7	21.0	30.3	31.4	45.3	51.4
Q2	4.7	2.6	148.7	182.7	52.0	13.3	34.7	4.6	7.5	6.9	14.4	58.5	30.4	31.4	44.4	51.2
Q3	4.6	3.1	139.2	143.6	45.8	18.1	31.9	15.5	7.1	6.1	10.2	23.8	32.0	31.1	44.0	50.7
Q4	4.9	2.7	139.7	142.7	44.4	12.2	28.4	7.3	8.6	6.5	8.5	21.0	30.3	35.3	47.9	51.6

3. Geographical breakdown
(cumulated transactions)

2008 Q1 to 2008 Q4	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,760.3	999.7	60.5	85.8	518.6	277.7	57.1	41.1	35.9	85.2	31.1	57.2	103.4	185.8	404.8	815.9
Goods	1,579.3	542.5	36.4	54.3	233.6	218.1	0.0	22.5	18.6	65.5	23.5	33.8	79.1	91.8	192.6	509.4
Services	504.0	171.4	12.9	13.7	110.0	29.0	5.7	7.3	6.8	15.2	5.7	11.3	14.2	50.6	79.8	141.8
Income	588.8	222.7	10.4	16.2	162.1	27.4	6.7	11.0	9.8	4.3	1.8	11.8	9.8	36.9	125.4	155.4
Investment income	569.7	216.1	10.3	16.0	160.3	26.6	2.9	11.0	9.7	4.2	1.7	11.7	9.7	29.9	123.6	152.1
Current transfers	88.2	63.2	0.8	1.5	13.0	3.2	44.6	0.2	0.8	0.3	0.1	0.4	0.4	6.5	7.1	9.3
Capital account	25.7	22.3	0.0	0.0	1.1	0.2	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.4	1.2
	Debits															
Current account	2,853.9	904.0	47.3	85.1	439.4	228.0	104.1	-	31.8	-	-	100.4	-	180.9	391.2	-
Goods	1,585.4	435.9	30.4	51.5	176.2	177.8	0.0	27.9	14.3	179.3	20.9	55.8	111.9	79.2	143.1	517.1
Services	462.3	141.2	8.2	11.7	87.6	33.4	0.2	5.3	6.8	11.2	4.6	8.3	9.4	39.9	95.4	140.2
Income	621.2	212.7	7.7	20.6	163.5	11.9	9.0	-	8.9	-	-	35.7	-	55.8	144.1	-
Investment income	610.8	206.6	7.6	20.5	162.0	7.5	9.0	-	8.8	-	-	35.6	-	55.3	143.1	-
Current transfers	185.0	114.2	1.0	1.3	12.1	4.9	95.0	1.5	1.8	2.5	0.7	0.6	0.5	6.0	8.7	48.6
Capital account	13.3	2.3	0.0	0.1	1.2	0.2	0.8	0.2	1.1	0.1	0.2	0.1	0.1	0.6	1.3	7.6
	Net															
Current account	-93.6	95.7	13.2	0.7	79.2	49.7	-47.1	-	4.1	-	-	-43.2	-	4.9	13.6	-
Goods	-6.1	106.6	6.0	2.9	57.3	40.4	0.0	-5.4	4.3	-113.8	2.6	-22.0	-32.8	12.6	49.5	-7.7
Services	41.7	30.1	4.7	2.0	22.4	-4.5	5.5	2.0	0.0	4.0	1.1	3.0	4.8	10.7	-15.6	1.6
Income	-32.4	10.1	2.7	-4.5	-1.4	15.5	-2.3	-	0.8	-	-	-24.0	-	-18.9	-18.7	-
Investment income	-41.1	9.5	2.7	-4.5	-1.8	19.2	-6.1	-	0.9	-	-	-23.9	-	-25.4	-19.5	-
Current transfers	-96.8	-51.1	-0.2	0.3	0.9	-1.6	-50.3	-1.2	-1.1	-2.2	-0.6	-0.2	-0.1	0.6	-1.6	-39.3
Capital account	12.4	20.0	0.0	0.0	-0.1	-0.1	20.2	-0.1	-1.0	-0.1	-0.1	-0.1	0.0	0.0	0.2	-6.3

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2004	8,602.5	9,518.4	-915.9	109.5	121.2	-11.7	2,268.7	2,235.4	3,045.0	4,080.2	-37.4	3,045.2	3,202.9	281.0
2005	10,785.2	11,605.3	-820.2	132.3	142.4	-10.1	2,790.8	2,444.3	3,887.5	5,109.1	-21.4	3,805.8	4,052.0	322.5
2006	12,258.8	13,306.1	-1,047.3	143.3	155.5	-12.2	3,131.7	2,728.7	4,371.5	5,866.5	-20.8	4,448.7	4,711.0	327.7
2007	13,750.6	14,915.4	-1,164.9	152.9	165.9	-13.0	3,526.1	3,091.6	4,653.8	6,340.0	-10.2	5,233.5	5,483.9	347.4
2008 Q3	13,929.1	15,185.3	-1,256.3	150.5	164.1	-13.6	3,777.4	3,198.8	4,281.0	6,029.1	23.2	5,476.5	5,957.5	370.9
Q4	13,126.5	14,847.4	-1,720.9	141.5	160.1	-18.6	3,753.7	3,185.7	3,747.3	5,978.2	19.7	5,222.0	5,683.5	383.9
	Changes to outstanding amounts													
2004	740.8	888.6	-147.8	9.4	11.3	-1.9	99.2	151.2	389.4	494.0	-17.3	295.4	243.4	-25.7
2005	2,182.7	2,086.9	95.7	26.8	25.6	1.2	522.1	209.0	842.5	1,028.9	16.0	760.6	849.1	41.5
2006	1,473.6	1,700.8	-227.1	17.2	19.9	-2.7	340.9	284.3	484.0	757.4	0.6	642.9	659.0	5.2
2007	1,491.8	1,609.3	-117.5	16.6	17.9	-1.3	394.4	362.9	282.3	473.5	10.6	784.7	772.9	19.7
2008 Q3	229.7	288.3	-58.6	10.0	12.6	-2.6	112.7	45.7	-151.1	-20.8	27.9	223.2	263.4	17.0
Q4	-802.5	-337.9	-464.6	-33.9	-14.3	-19.6	-23.8	-13.0	-533.8	-50.9	-3.5	-254.5	-274.0	13.0
	Transactions													
2005	1,329.2	1,339.4	-10.2	16.3	16.4	-0.1	358.4	152.4	416.2	543.3	17.3	554.9	643.7	-17.7
2006	1,680.0	1,821.4	-141.4	19.6	21.3	-1.7	417.4	259.8	527.6	821.4	-3.3	737.4	740.3	0.9
2007	1,896.7	1,937.9	-41.2	21.1	21.6	-0.5	474.2	381.7	439.5	599.3	67.0	910.9	956.9	5.1
2008	395.2	708.8	-313.6	4.3	7.6	-3.4	351.0	99.7	-14.7	424.5	30.9	24.2	184.7	3.9
2008 Q2	75.9	155.6	-79.7	3.2	6.6	-3.4	45.0	-8.4	134.5	161.7	8.9	-112.5	2.3	0.0
Q3	135.6	197.3	-61.7	5.9	8.6	-2.7	88.7	52.8	-60.9	60.7	8.4	101.0	83.8	-1.6
Q4	-373.1	-236.4	-136.7	-15.8	-10.0	-5.8	50.5	-36.2	-155.3	46.5	-9.2	-259.6	-246.8	0.4
2008 Oct.	-97.7	-0.4	-97.3	.	.	.	9.2	-1.7	-131.1	4.2	-17.7	34.0	-2.8	8.0
Nov.	-49.9	-30.3	-19.6	.	.	.	33.3	-20.0	-2.1	58.1	5.7	-87.2	-68.4	0.4
Dec.	-225.5	-205.8	-19.7	.	.	.	8.0	-14.5	-22.1	-15.7	2.9	-206.4	-175.6	-7.9
2009 Jan.	-14.3	36.9	-51.2	.	.	.	27.2	11.3	20.8	13.5	-5.8	-51.2	12.1	-5.4
Feb.	-109.0	-114.3	5.4	.	.	.	20.6	7.4	-25.2	36.0	-2.9	-100.3	-157.7	-1.1
	Other changes													
2004	-76.9	97.0	-173.9	-1.0	1.2	-2.2	-69.8	61.8	43.6	76.2	-25.8	-11.7	-41.0	-13.3
2005	853.5	747.5	105.9	10.5	9.2	1.3	163.7	56.5	426.3	485.6	-1.4	205.7	205.4	59.2
2006	-206.4	-120.6	-85.7	-2.4	-1.4	-1.0	-76.5	24.5	-43.6	-63.9	3.9	-94.4	-81.3	4.3
2007	-404.9	-328.5	-76.3	-4.5	-3.7	-0.8	-79.7	-18.8	-157.2	-125.8	-56.4	-126.1	-184.0	14.6
	Other changes due to exchange rate changes													
2004	-168.8	-96.4	-72.4	-2.1	-1.2	-0.9	-36.0	7.4	-62.3	-50.2	.	-61.2	-53.5	-9.4
2005	369.3	214.4	154.9	4.5	2.6	1.9	86.9	-18.2	136.8	118.1	.	126.9	114.5	18.7
2006	-321.7	-207.9	-113.8	-3.8	-2.4	-1.3	-70.7	11.7	-131.1	-118.0	.	-104.6	-101.5	-15.3
2007	-501.6	-244.1	-257.5	-5.6	-2.7	-2.9	-110.0	27.1	-194.5	-124.1	.	-182.2	-147.1	-14.9
	Other changes due to price changes													
2004	102.1	218.6	-116.5	1.3	2.8	-1.5	30.7	25.0	100.3	193.6	-25.8	.	.	-3.1
2005	288.1	327.5	-39.4	3.5	4.0	-0.5	60.7	48.6	186.6	278.9	-1.4	.	.	42.1
2006	297.0	309.5	-12.5	3.5	3.6	-0.1	61.2	39.4	215.7	270.1	3.9	.	.	16.3
2007	156.6	-63.8	220.3	1.7	-0.7	2.5	29.6	12.3	151.7	-76.1	-56.4	.	.	31.6
	Other changes due to other adjustments													
2004	-10.3	-25.2	15.0	-0.1	-0.3	0.2	-64.5	29.4	5.6	-67.2	.	49.5	12.5	-0.8
2005	195.5	205.6	-10.2	2.4	2.5	-0.1	16.0	26.1	102.9	88.6	.	78.8	90.9	-2.2
2006	-181.4	-222.3	40.9	-2.1	-2.6	0.5	-67.0	-26.6	-128.2	-216.0	.	10.2	20.3	3.7
2007	-59.5	-20.7	-38.9	-0.7	-0.2	-0.4	0.6	-58.2	-114.3	74.4	.	56.0	-36.8	-1.9
	Growth rates of outstanding amounts													
2004	10.3	9.1	-	.	.	.	7.8	4.2	12.8	11.5	.	11.1	9.5	-4.1
2005	14.9	13.7	-	.	.	.	15.2	6.8	13.1	12.8	.	17.6	19.5	-5.8
2006	15.7	15.8	-	.	.	.	15.0	10.6	13.8	16.3	.	19.5	18.4	0.2
2007	15.5	14.5	-	.	.	.	15.2	14.0	10.0	10.1	.	20.5	20.4	1.6
2008 Q2	10.2	10.4	-	.	.	.	13.3	10.3	7.6	7.0	.	9.8	14.8	1.4
Q3	8.2	8.1	-	.	.	.	12.2	8.9	5.3	6.6	.	7.4	9.6	-0.4
Q4	2.8	4.8	-	.	.	.	10.1	3.2	-0.6	7.1	.	0.4	3.4	1.1

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

7.3 Financial account

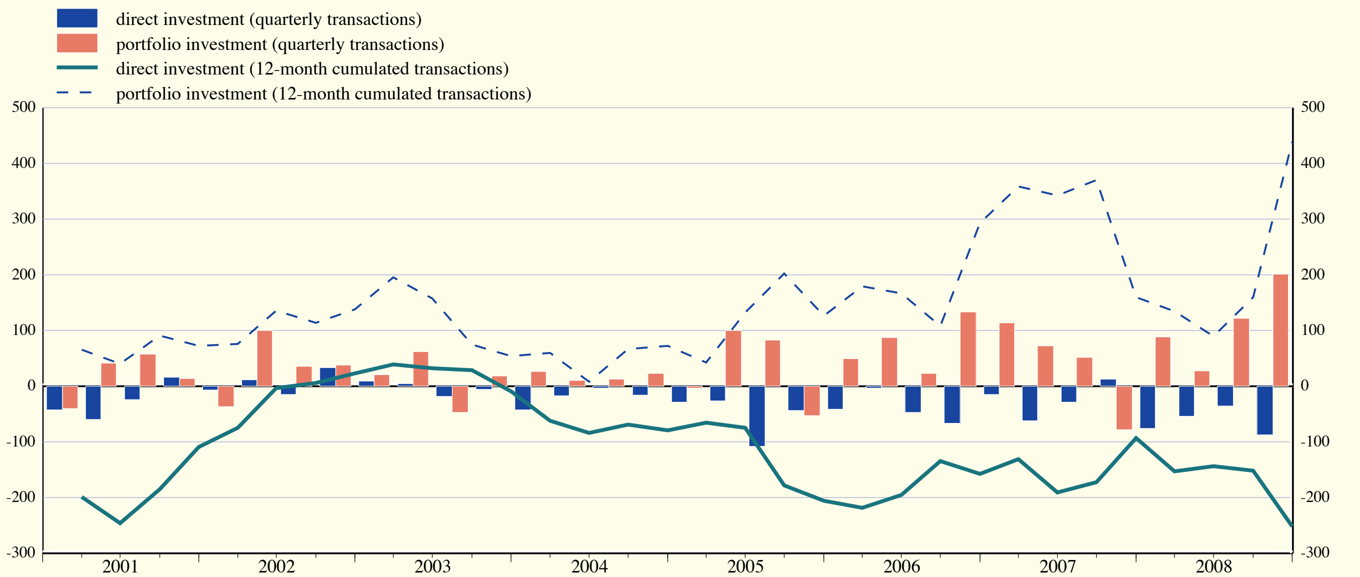
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	into MFIs	into Non-MFIs	Total	to MFIs	to Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2006	3,131.7	2,540.4	217.4	2,323.0	591.3	2.2	589.1	2,728.7	2,091.9	65.5	2,026.4	636.8	9.7	627.1
2007	3,526.1	2,844.3	246.4	2,597.9	681.9	6.3	675.6	3,091.6	2,343.9	69.1	2,274.8	747.7	14.9	732.8
2008 Q3	3,777.4	3,007.4	253.2	2,754.2	770.1	6.7	763.4	3,198.8	2,371.8	65.7	2,306.2	826.9	18.3	808.7
Q4	3,753.7	2,970.1	241.2	2,728.8	783.6	6.4	777.2	3,185.7	2,368.9	65.6	2,303.3	816.8	17.1	799.7
	Transactions													
2007	474.2	355.5	24.6	330.9	118.7	-0.1	118.8	381.7	267.4	5.2	262.2	114.3	1.4	112.9
2008	351.0	234.6	15.2	219.4	116.4	-0.2	116.6	99.7	69.0	-1.2	70.2	30.7	1.5	29.2
2008 Q2	45.0	16.3	7.6	8.8	28.7	-1.9	30.5	-8.4	-5.2	-2.1	-3.1	-3.2	1.0	-4.3
Q3	88.7	65.7	-7.6	73.4	22.9	-0.4	23.3	52.8	30.9	0.8	30.2	21.9	0.5	21.4
Q4	50.5	35.0	7.1	28.0	15.5	-0.3	15.8	-36.2	0.7	0.0	0.7	-36.9	-0.2	-36.7
2008 Oct.	9.2	12.7	2.3	10.4	-3.5	0.0	-3.4	-1.7	1.7	-0.8	2.6	-3.5	0.0	-3.5
Nov.	33.3	15.2	2.6	12.6	18.1	0.2	17.9	-20.0	-3.6	0.4	-4.0	-16.3	0.0	-16.4
Dec.	8.0	7.2	2.2	5.0	0.8	-0.5	1.3	-14.5	2.6	0.5	2.1	-17.1	-0.2	-16.9
2009 Jan.	27.2	15.1	5.6	9.5	12.1	1.6	10.5	11.3	6.3	0.6	5.7	5.0	0.4	4.6
Feb.	20.6	9.0	1.0	8.1	11.6	0.5	11.1	7.4	5.5	0.4	5.1	1.9	0.1	1.8
	Growth rates													
2006	15.0	14.6	20.1	14.1	17.1	-2.9	17.2	10.6	12.3	10.2	12.4	5.5	-1.2	5.6
2007	15.2	14.0	11.1	14.3	20.1	-82.4	20.3	14.0	12.8	8.5	12.9	18.0	9.0	18.2
2008 Q2	13.3	11.1	11.7	11.1	22.6	11.0	22.7	10.3	7.8	2.5	8.0	18.5	15.6	18.5
Q3	12.2	10.2	1.1	11.1	20.6	11.5	20.7	8.9	6.4	1.0	6.5	17.2	15.6	17.2
Q4	10.1	8.3	6.2	8.5	17.1	-4.5	17.3	3.2	3.0	-1.9	3.1	4.1	8.4	4.0

C34 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Eurosystem		General government			Eurosystem		General government			Eurosystem		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2006	4,371.5	1,936.2	127.8	2.8	1,808.4	37.0	2,056.0	875.0	13.0	1,181.0	14.1	379.3	311.6	11.1	67.7	0.2
2007	4,653.8	1,984.7	145.2	2.4	1,839.5	44.6	2,231.5	937.4	15.5	1,294.0	16.9	437.7	350.6	33.9	87.1	0.5
2008 Q3	4,281.0	1,510.5	88.2	2.7	1,422.3	39.0	2,287.9	990.8	23.2	1,297.1	19.4	482.6	390.8	55.1	91.9	0.7
Q4	3,747.3	1,154.7	70.2	2.9	1,084.5	28.1	2,147.3	957.6	19.2	1,189.7	17.0	445.3	376.8	61.6	68.5	1.2
	Transactions															
2007	439.5	79.5	36.0	-0.4	43.6	5.5	282.5	153.6	3.8	128.9	2.0	77.5	68.5	25.0	9.0	0.3
2008	-14.7	-113.0	-55.4	0.6	-57.6	-0.5	91.1	49.7	6.9	41.4	2.4	7.1	24.9	24.5	-17.8	0.3
2008 Q2	134.5	32.3	-6.2	0.1	38.5	0.8	93.8	36.9	8.3	56.9	1.5	8.3	18.1	20.8	-9.8	0.2
Q3	-60.9	-51.3	-4.4	0.1	-46.9	0.6	19.9	-0.8	-0.2	20.6	1.1	-29.4	-33.0	-1.2	3.6	-0.2
Q4	-155.3	-49.7	-4.0	0.4	-45.6	-1.3	-59.6	-15.3	-4.5	-44.3	-0.5	-46.1	-19.0	-1.8	-27.1	0.2
2008 Oct.	-131.1	-45.7	-8.2	0.0	-37.5	.	-31.0	-11.4	-1.6	-19.6	.	-54.4	-31.5	-0.5	-22.9	.
Nov.	-2.1	1.1	5.9	0.3	-4.9	.	-5.3	1.3	-1.4	-6.6	.	2.2	3.0	-0.8	-0.8	.
Dec.	-22.1	-5.0	-1.7	0.1	-3.3	.	-23.3	-5.2	-1.5	-18.1	.	6.2	9.5	-0.5	-3.3	.
2009 Jan.	20.8	7.8	-0.2	0.0	8.0	.	10.9	7.7	-0.7	3.2	.	2.2	1.7	1.0	0.4	.
Feb.	-25.2	-8.0	-3.7	0.0	-4.3	.	-12.5	-2.3	0.3	-10.2	.	-4.7	-0.3	1.5	-4.4	.
	Growth rates															
2006	13.8	9.0	17.5	0.9	8.4	22.1	17.1	24.1	15.8	12.5	9.0	21.3	22.2	220.7	20.4	-27.3
2007	10.0	4.0	29.0	-13.1	2.3	14.4	13.8	17.8	30.1	10.8	14.0	20.8	22.5	225.0	13.0	173.4
2008 Q2	7.6	1.5	-27.7	0.6	3.9	7.9	10.4	11.2	75.6	9.8	17.1	21.2	29.6	216.0	-9.9	-92.8
Q3	5.3	-2.4	-26.2	6.6	-0.6	4.4	9.8	10.3	65.0	9.4	19.3	16.9	22.7	146.4	-5.8	-94.1
Q4	-0.6	-6.5	-37.8	26.0	-3.9	-1.3	4.1	5.3	26.0	3.3	14.5	1.3	7.0	94.5	-22.7	52.8

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2006	5,866.5	2,910.8	657.6	2,253.2	2,656.9	953.8	1,705.5	1,019.2	298.8	125.7	173.2	138.0
2007	6,340.0	3,103.1	754.7	2,348.3	2,917.3	1,128.0	1,789.3	1,113.4	319.6	153.4	166.1	142.5
2008 Q3	6,029.1	2,414.9	715.4	1,699.3	3,152.6	1,150.5	2,001.6	1,253.7	461.6	176.6	285.0	228.4
Q4	5,978.2	2,126.5	680.8	1,445.7	3,275.8	1,165.8	2,110.1	1,383.1	575.8	171.7	404.1	339.3
	Transactions											
2007	599.3	127.6	76.7	50.6	433.0	229.7	203.4	148.6	38.6	41.1	-2.6	8.1
2008	424.5	-77.1	93.4	-170.5	281.6	45.1	237.0	197.4	219.9	-6.7	226.6	198.8
2008 Q2	161.7	-17.7	17.6	-35.3	155.5	57.7	97.9	44.2	24.0	3.5	20.6	10.7
Q3	60.7	-73.6	-14.9	-58.8	63.9	10.3	53.7	54.8	70.4	-4.2	74.7	52.3
Q4	46.5	-45.9	17.8	-63.8	-13.0	-42.0	29.0	32.8	105.5	-11.0	116.5	108.7
2008 Oct.	4.2	-60.4	.	.	-14.6	.	.	.	79.2	.	.	.
Nov.	58.1	20.5	.	.	30.5	.	.	.	7.0	.	.	.
Dec.	-15.7	-6.1	.	.	-29.0	.	.	.	19.3	.	.	.
2009 Jan.	13.5	-44.5	.	.	27.8	.	.	.	30.2	.	.	.
Feb.	36.0	-5.7	.	.	35.7	.	.	.	5.9	.	.	.
	Growth rates											
2006	16.3	12.1	17.5	10.6	22.9	25.9	21.2	15.2	1.5	21.5	-10.0	-11.2
2007	10.1	4.4	11.4	2.3	16.3	24.3	11.9	14.6	12.7	33.7	-0.2	6.6
2008 Q2	7.0	0.8	11.5	-2.6	13.1	14.6	12.3	16.0	8.7	23.6	0.8	3.7
Q3	6.6	-2.4	5.6	-5.1	13.0	10.9	14.3	17.8	26.0	19.1	34.3	27.6
Q4	7.1	-3.4	12.8	-8.8	9.9	4.1	13.4	18.1	65.5	-3.7	135.6	144.4

Source: ECB.

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other assets	Total	Loans/ currency and deposits	Other assets		Trade credits	Loans/currency and deposits			Trade credits	Loans/currency and deposits	
											Currency and deposits				Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2006	4,448.7	14.1	12.7	1.4	2,937.6	2,874.9	62.8	120.0	14.2	58.2	15.4	1,377.1	187.9	1,062.1	395.6
2007	5,233.5	39.1	37.7	1.4	3,342.5	3,271.4	71.1	107.1	12.7	48.1	13.5	1,744.8	191.1	1,387.7	441.7
2008 Q3	5,476.5	34.2	33.2	1.0	3,553.1	3,477.3	75.8	100.8	12.3	39.9	8.7	1,788.5	199.8	1,365.6	371.0
Q4	5,222.0	33.5	32.5	1.0	3,284.5	3,226.8	57.7	101.4	12.0	41.2	7.0	1,802.6	190.2	1,388.9	379.7
	Transactions														
2007	910.9	22.0	22.0	0.0	548.3	541.0	7.3	-7.6	-1.4	-7.2	-2.0	348.3	13.7	292.7	38.7
2008	24.2	-4.3	-4.3	0.0	-31.0	-50.0	19.0	-7.0	-1.1	-6.7	-5.9	66.4	13.3	-5.9	-50.7
2008 Q2	-112.5	-9.3	-9.3	0.0	-102.4	-103.4	0.9	6.2	-0.4	5.9	5.6	-7.0	10.3	-30.1	-56.4
Q3	101.0	-1.9	-1.9	0.0	81.3	81.3	0.0	-8.0	-0.1	-8.8	-8.3	29.6	2.7	6.8	-1.5
Q4	-259.6	-2.2	-2.3	0.0	-227.2	-240.8	13.7	-0.3	-0.3	1.0	-1.9	-29.9	-5.6	-23.6	-9.5
2008 Oct.	34.0	-4.2	.	.	20.5	.	.	-0.2	.	.	-2.8	17.9	.	.	17.1
Nov.	-87.2	4.3	.	.	-86.1	.	.	7.2	.	.	8.1	-12.6	.	.	-0.4
Dec.	-206.4	-2.3	.	.	-161.5	.	.	-7.3	.	.	-7.2	-35.3	.	.	-26.1
2009 Jan.	-51.2	-2.4	.	.	-52.6	.	.	13.4	.	.	11.3	-9.7	.	.	-3.6
Feb.	-100.3	-3.6	.	.	-91.0	.	.	-7.8	.	.	-3.2	2.1	.	.	-2.1
	Growth rates														
2006	19.5	-37.6	-40.0	1.6	21.1	21.3	10.7	-5.5	-26.1	-4.3	24.5	20.0	3.4	24.5	8.5
2007	20.5	157.3	173.8	-1.7	18.8	18.9	11.5	-6.4	-9.7	-12.4	-13.1	25.2	7.4	27.3	9.8
2008 Q2	9.8	25.4	26.9	-1.1	7.5	7.5	6.4	-12.1	-9.9	-22.9	-34.1	16.2	11.9	15.7	-11.0
Q3	7.4	2.0	2.3	0.3	7.6	7.5	10.5	-5.1	-8.9	-13.2	-31.4	7.9	12.5	3.7	-12.5
Q4	0.4	-13.6	-14.0	5.0	-0.9	-1.5	27.0	-6.5	-8.6	-14.1	-45.7	3.8	7.0	-0.5	-12.0

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/ currency and deposits	Other liabilities	Total	Loans/ currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2006	4,711.0	116.3	116.1	0.2	3,484.8	3,430.4	54.5	51.6	0.0	47.5	4.1	1,058.2	146.8	819.6	91.7
2007	5,483.9	201.7	201.4	0.2	3,938.7	3,871.7	67.0	51.8	0.0	46.6	5.2	1,291.7	158.4	1,024.1	109.3
2008 Q3	5,957.5	371.8	371.4	0.3	4,197.0	4,126.6	70.4	52.3	0.0	48.8	3.4	1,336.5	170.0	1,062.0	104.4
Q4	5,683.5	481.7	481.5	0.3	3,774.7	3,718.0	56.7	61.3	0.0	57.7	3.6	1,365.8	166.8	1,090.4	108.6
	Transactions														
2007	956.9	91.4	91.4	0.0	635.2	630.4	4.8	-0.9	0.0	-1.8	0.9	231.3	9.9	224.4	-3.0
2008	184.7	280.0	280.0	0.1	-173.3	-191.3	18.0	9.4	0.0	10.8	-1.4	68.6	6.8	62.8	-1.1
2008 Q2	2.3	42.0	42.1	-0.1	-25.4	-23.4	-2.1	-1.2	0.0	-1.5	0.3	-13.0	5.3	-11.4	-6.8
Q3	83.8	107.8	107.7	0.1	-26.9	-30.9	4.0	2.2	0.0	2.4	-0.1	0.7	1.5	2.8	-3.7
Q4	-246.8	110.6	110.7	-0.1	-403.6	-416.9	13.4	8.9	0.0	8.5	0.4	37.3	-3.4	34.4	6.2
2008 Oct.	-2.8	130.8	.	.	-177.5	.	.	6.7	.	.	.	37.1	.	.	.
Nov.	-68.4	-31.6	.	.	-52.6	.	.	2.7	.	.	.	13.0	.	.	.
Dec.	-175.6	11.4	.	.	-173.5	.	.	-0.5	.	.	.	-12.9	.	.	.
2009 Jan.	12.1	-59.1	.	.	99.2	.	.	2.1	.	.	.	-30.0	.	.	.
Feb.	-157.7	-27.9	.	.	-107.2	.	.	-4.9	.	.	.	-17.7	.	.	.
	Growth rates														
2006	18.4	22.4	22.4	5.7	16.1	16.1	13.3	3.6	-24.1	4.2	-3.2	27.3	9.8	31.9	17.6
2007	20.4	79.2	79.4	-6.9	18.3	18.5	8.8	-1.6	29.1	-3.6	18.0	21.4	6.7	27.4	-1.5
2008 Q2	14.8	72.5	72.7	-6.3	11.7	11.8	3.0	-8.4	22.9	-5.9	-33.4	18.5	9.9	23.8	-9.1
Q3	9.6	126.0	126.3	10.3	7.1	7.1	7.2	-9.6	54.1	-6.0	-42.4	3.0	9.2	4.0	-13.5
Q4	3.4	140.9	141.1	20.8	-4.4	-4.9	26.8	18.2	-4.8	23.3	-28.1	5.3	4.3	6.1	-1.3

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.8	20.3	0.5	0.0	44.1	-38.5
2008 Q2	353.9	207.9	352.314	4.3	4.0	137.7	7.4	24.0	105.6	0.5	89.9	15.2	0.6	0.0	59.4	-59.2
Q3	370.9	216.8	350.634	4.6	4.0	145.4	11.6	18.1	117.8	0.5	100.0	17.2	-2.1	0.0	188.9	-185.3
Q4	383.9	217.0	349.190	4.7	7.3	154.8	7.6	8.0	129.5	0.6	111.0	17.9	9.7	0.1	253.1	-245.7
2009 Jan.	409.9	251.2	350.157	5.0	7.7	145.9	6.1	6.2	137.0	-	-	-	-3.4	0.1	212.1	-197.2
Feb.	419.7	263.1	349.401	5.0	7.6	144.0	6.7	5.8	135.1	-	-	-	-3.7	0.1	170.2	-153.5
Mar.	395.8	240.4	349.059	4.8	8.4	142.2	8.4	3.7	129.9	-	-	-	0.2	0.1	155.4	-141.4
	Transactions															
2006	0.9	-4.2	-	0.5	-5.2	9.8	-6.1	2.4	13.6	0.0	19.3	-5.7	0.0	0.0	-	-
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-
2008	3.9	-2.1	-	-0.1	3.7	2.3	4.9	-15.7	11.8	0.1	15.8	-4.1	1.3	0.1	-	-
2008 Q2	0.0	-0.4	-	0.0	0.7	-0.2	0.7	-2.9	2.0	0.0	1.7	0.3	-0.1	-0.1	-	-
Q3	-1.6	-0.3	-	0.1	-0.2	-1.3	4.5	-7.7	1.7	0.0	1.8	-0.1	0.3	0.0	-	-
Q4	0.4	-0.9	-	0.0	3.2	-2.0	0.5	-10.7	7.1	0.0	6.2	0.9	1.1	0.1	-	-
	Growth rates															
2005	-5.8	-2.8	-	4.4	-44.7	-3.8	-2.0	-23.7	1.6	2.2	6.9	-7.9	20.5	-	-	-
2006	0.2	-2.4	-	11.6	-48.8	7.2	-48.4	10.6	13.1	0.0	28.4	-15.3	-73.2	-	-	-
2007	1.6	-1.7	-	7.3	-18.2	6.3	15.0	6.2	5.7	1.1	18.5	-27.5	-59.1	-	-	-
2008 Q2	1.4	-1.4	-	-2.4	2.7	5.3	27.2	-3.6	6.4	165.8	17.3	-33.7	-47.9	-	-	-
Q3	-0.4	-1.3	-	-1.5	6.1	0.8	51.2	-36.7	6.1	81.6	16.6	-33.3	67.2	-	-	-
Q4	1.1	-1.0	-	-2.6	104.7	1.7	66.0	-69.0	10.8	27.7	18.0	-20.7	-26.2	-	-	-

Source: ECB.

7.3 Financial account

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

8. Geographical breakdown

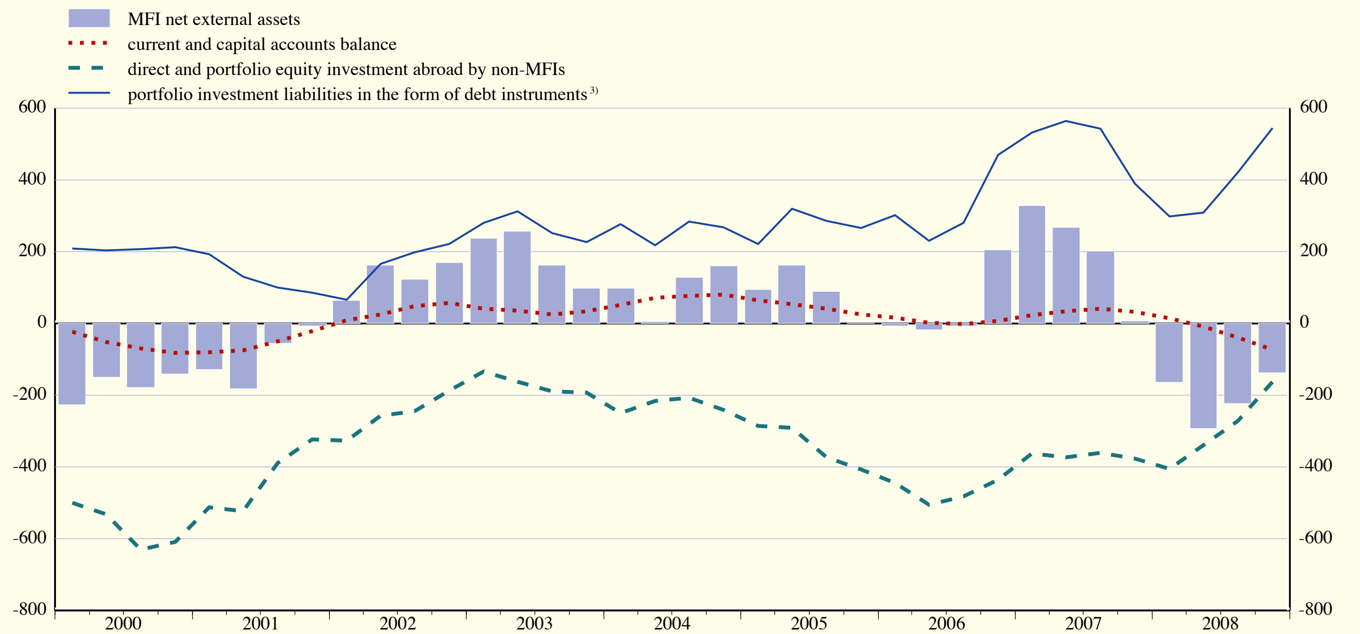
	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	Outstanding amounts (international investment position)														
Direct investment	434.6	-97.4	-4.0	-32.9	-277.8	217.6	-0.3	23.7	27.0	-11.0	112.6	-67.4	-37.4	-0.2	484.6
Abroad	3,526.1	1,285.8	37.1	82.5	916.2	249.9	0.0	91.6	30.7	69.1	350.1	684.4	391.6	0.0	622.8
Equity/reinvested earnings	2,844.3	1,012.7	32.3	55.2	710.0	215.2	0.0	67.8	24.1	57.8	292.5	525.9	366.1	0.0	497.4
Other capital	681.9	273.1	4.9	27.3	206.2	34.7	0.0	23.8	6.6	11.4	57.6	158.6	25.5	0.0	125.3
In the euro area	3,091.6	1,383.2	41.2	115.4	1,194.0	32.3	0.3	67.9	3.7	80.1	237.4	751.9	429.0	0.3	138.2
Equity/reinvested earnings	2,343.9	1,127.8	33.6	93.7	988.2	12.1	0.2	56.6	0.9	65.7	181.6	552.6	267.8	0.1	90.8
Other capital	747.7	255.4	7.6	21.7	205.8	20.2	0.1	11.3	2.7	14.4	55.9	199.3	161.2	0.2	47.4
Portfolio investment assets	4,653.8	1,371.3	68.2	139.3	995.5	97.8	70.6	82.5	42.0	241.9	132.4	1,493.5	630.2	26.8	633.3
Equity	1,984.7	415.3	11.4	45.9	335.4	22.1	0.5	20.3	39.5	141.7	115.7	635.1	285.3	1.0	331.0
Debt instruments	2,669.2	956.0	56.8	93.4	660.1	75.6	70.1	62.3	2.5	100.2	16.6	858.4	344.9	25.9	302.4
Bonds and notes	2,231.5	781.0	52.7	78.2	505.6	75.0	69.4	58.6	2.2	63.5	12.9	713.3	303.1	24.8	272.0
Money market instruments	437.7	174.9	4.0	15.1	154.5	0.6	0.7	3.6	0.3	36.7	3.8	145.1	41.8	1.1	30.4
Other investment	-250.4	-163.9	-155.4	-8.8	122.2	43.5	-165.5	-66.0	-45.3	-31.5	-54.9	-71.1	-91.2	-23.8	297.4
Assets	5,233.5	2,571.9	104.5	72.3	2,242.6	141.7	10.8	23.5	35.0	81.3	266.2	840.1	516.8	57.5	841.1
General government	107.1	21.6	0.8	0.1	10.3	1.2	9.2	0.0	1.8	0.2	0.1	3.1	1.4	38.3	40.7
MFIs	3,381.6	1,916.2	86.7	52.1	1,663.5	113.0	0.8	15.0	15.3	45.0	157.5	411.6	353.5	18.7	448.8
Other sectors	1,744.8	634.1	16.9	20.1	568.8	27.5	0.9	8.5	17.9	36.1	108.6	425.4	162.0	0.5	351.6
Liabilities	5,483.9	2,735.8	259.8	81.0	2,120.5	98.1	176.4	89.5	80.3	112.8	321.1	911.2	608.1	81.3	543.7
General government	51.8	28.9	0.0	0.3	2.4	0.0	26.2	0.0	0.0	0.5	0.8	6.3	0.3	11.9	3.0
MFIs	4,140.4	2,142.4	249.6	58.4	1,660.0	72.6	101.9	81.5	62.2	89.0	247.6	525.1	523.7	66.8	402.1
Other sectors	1,291.7	564.5	10.2	22.4	458.0	25.6	48.3	8.0	18.1	23.3	72.7	379.8	84.1	2.6	138.7
2008 Q1 to 2008 Q4	Cumulated transactions														
Direct investment	251.3	83.4	1.1	3.8	52.7	25.7	0.0	4.1	3.7	4.7	8.7	84.4	31.8	0.0	30.5
Abroad	351.0	72.6	2.9	20.8	26.9	22.0	0.0	9.8	3.6	6.1	21.5	107.3	41.1	0.0	89.0
Equity/reinvested earnings	234.6	41.5	1.9	8.6	19.3	11.6	0.0	9.3	4.0	4.3	23.1	70.8	29.9	0.0	51.8
Other capital	116.4	31.0	0.9	12.2	7.6	10.4	0.0	0.6	-0.4	1.8	-1.5	36.5	11.1	0.0	37.2
In the euro area	99.7	-10.8	1.8	17.1	-25.9	-3.8	0.0	5.8	-0.1	1.4	12.8	22.9	9.2	0.0	58.5
Equity/reinvested earnings	69.0	-3.8	-0.1	10.9	-16.5	1.9	0.0	3.5	0.2	3.0	4.9	23.3	24.6	0.0	13.3
Other capital	30.7	-6.9	1.9	6.2	-9.3	-5.7	0.0	2.3	-0.3	-1.6	7.9	-0.4	-15.4	0.0	45.2
Portfolio investment assets	-14.7	79.9	2.3	-5.7	82.1	0.8	0.5	16.6	0.9	-6.4	-13.1	-54.7	-35.1	-1.8	-0.9
Equity	-113.0	-14.2	0.2	-6.2	-7.5	-0.8	0.1	7.2	0.2	-26.0	-12.8	-36.5	0.7	0.0	-31.6
Debt instruments	98.2	94.1	2.0	0.5	89.5	1.6	0.5	9.4	0.7	19.6	-0.3	-18.2	-35.8	-1.8	30.7
Bonds and notes	91.1	93.6	-0.3	0.2	93.4	1.1	-0.8	8.9	0.3	-3.3	1.2	8.4	-41.3	-1.1	24.5
Money market instruments	7.1	0.6	2.3	0.3	-3.9	0.6	1.3	0.5	0.3	23.0	-1.5	-26.6	5.5	-0.7	6.1
Other investment	-160.5	-303.1	10.7	6.5	-384.1	71.4	-7.6	0.3	14.7	40.9	22.8	-225.8	121.0	24.6	144.1
Assets	24.2	-75.4	-12.5	0.2	-143.4	73.0	7.4	3.6	-3.1	17.8	-6.9	-44.2	27.6	-1.1	105.9
General government	-7.0	-5.8	-0.1	0.3	-6.8	-0.5	1.3	0.0	0.0	0.0	0.0	0.1	0.0	0.7	-1.8
MFIs	-35.3	-79.2	-12.9	0.3	-142.0	69.4	6.0	3.0	-5.0	19.9	-5.4	-29.9	11.9	-1.8	51.4
Other sectors	66.4	9.7	0.5	-0.4	5.4	4.1	0.1	0.6	1.9	-2.1	-1.5	-14.3	15.7	0.0	56.4
Liabilities	184.7	227.7	-23.2	-6.3	240.6	1.6	14.9	3.4	-17.8	-23.1	-29.8	181.6	-93.3	-25.7	-38.2
General government	9.4	3.8	0.0	-0.1	-1.0	0.0	4.8	0.0	0.0	0.0	-0.4	0.2	0.0	5.8	-0.1
MFIs	106.7	197.4	-23.8	-8.3	227.6	-2.0	3.9	2.7	-18.5	-23.3	-34.3	186.0	-108.0	-31.4	-63.8
Other sectors	68.6	26.5	0.6	2.1	14.1	3.6	6.2	0.7	0.7	0.1	4.9	-4.6	14.6	-0.1	25.7

Source: ECB.

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

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.9	-390.3	264.2	-282.3	237.5	468.9	-225.0	225.8	3.6	-138.5	171.8	205.1
2007	32.4	-451.4	379.2	-182.4	81.9	389.8	-340.9	230.4	-67.3	-64.8	7.0	7.1
2008	-74.1	-336.5	97.5	34.3	-127.6	545.0	-60.3	78.5	-30.8	-231.9	-105.8	-137.5
2007 Q4	15.9	-122.6	127.2	-19.5	-38.8	26.5	-38.8	0.9	-23.2	83.3	10.7	-14.3
2008 Q1	-9.8	-156.3	91.6	-20.1	18.8	73.2	-68.8	43.2	-22.8	-23.8	-74.6	-85.7
Q2	-25.8	-39.2	-9.4	-85.4	-33.9	151.6	0.7	-14.2	-8.8	-52.8	-117.3	-127.3
Q3	-19.5	-97.0	52.1	22.8	-69.6	170.1	-21.8	2.9	-8.5	-41.6	-10.2	3.6
Q4	-19.0	-44.0	-36.8	117.0	-42.9	150.1	29.7	46.6	9.3	-113.7	96.3	71.9
2008 Feb.	10.0	-40.8	24.0	-4.5	26.0	3.2	-37.9	-7.3	2.3	8.4	-16.6	-18.2
Mar.	-4.7	-18.3	-2.5	-22.6	-0.4	13.6	-33.0	23.2	3.8	-2.8	-43.8	-48.1
Apr.	-5.9	9.0	-28.0	-22.2	-44.7	52.9	-3.0	-8.4	-3.0	-20.2	-73.5	-73.9
May	-21.1	-23.8	18.2	-44.2	-1.2	37.4	0.9	-5.2	-10.6	-18.0	-67.5	-69.6
June	1.2	-24.4	0.4	-19.0	12.0	61.2	2.7	-0.6	4.7	-14.6	23.7	16.3
July	-2.5	-38.0	22.9	7.1	-8.2	30.2	-1.7	14.1	-0.1	-44.4	-20.6	-11.9
Aug.	-10.6	-21.5	11.1	-2.2	-17.0	33.3	4.8	-9.1	-8.4	9.5	-10.1	-7.8
Sep.	-6.4	-37.4	18.1	17.9	-44.5	106.6	-25.0	-2.2	0.0	-6.8	20.4	23.3
Oct.	-4.4	-6.7	-2.1	80.0	-59.9	91.9	-18.0	43.9	17.7	-93.0	49.5	41.7
Nov.	-11.8	-30.5	-20.2	12.4	-0.7	69.5	5.3	15.9	-5.8	-6.1	28.0	14.0
Dec.	-2.8	-6.8	-14.5	24.6	17.7	-11.3	42.4	-13.2	-2.6	-14.6	18.9	16.1
2009 Jan.	-19.2	-20.0	10.9	-11.6	-60.7	46.9	-3.8	-27.9	5.8	-32.0	-111.6	-118.3
Feb.	-1.4	-19.2	7.3	19.0	-7.5	55.3	5.7	-22.6	2.9	6.8	46.3	32.2
	12-month cumulated transactions											
2009 Feb.	-89.6	-237.7	21.6	39.2	-215.1	587.5	-22.5	7.9	4.5	-236.2	-140.3	-186.0

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



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

7.5 Trade in goods

1. Values and volumes by product group [1)]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2007	11.4	8.9	1,506.2	739.2	326.3	401.2	1,281.1	1,490.8	913.7	234.5	323.3	1,021.0	227.5
2008	3.8	7.3	1,560.6	768.9	333.7	409.6	1,306.2	1,591.2	1,009.8	228.6	327.4	1,022.7	287.3
2008 Q1	6.8	8.6	398.3	196.8	84.2	106.8	339.2	402.9	254.0	58.5	82.7	264.3	70.7
Q2	8.5	11.1	398.0	197.3	83.9	104.5	331.7	404.0	257.9	55.9	81.8	257.2	75.9
Q3	5.6	12.5	398.7	198.8	84.3	102.8	330.6	411.0	268.6	58.2	82.4	259.6	85.5
Q4	-5.0	-2.5	365.5	175.9	81.3	95.6	304.7	373.2	229.2	56.0	80.6	241.6	55.2
2008 Sep.	9.2	15.6	133.4	65.8	29.1	34.5	110.1	136.0	88.1	19.1	27.7	86.0	26.0
Oct.	0.2	3.3	129.3	63.3	28.2	33.5	107.6	131.5	83.4	18.6	27.3	83.4	23.2
Nov.	-11.6	-5.4	119.5	57.6	26.0	31.3	98.9	123.9	75.9	19.0	26.8	80.6	17.4
Dec.	-3.7	-5.9	116.7	55.0	27.2	30.8	98.2	117.9	69.9	18.4	26.5	77.6	14.6
2009 Jan.	-24.8	-22.9	102.8	48.5	20.9	28.7	85.5	108.1	62.5	16.0	26.0	72.9	11.8
Feb.	-23.9	-21.4	103.3	.	.	.	86.1	107.2	.	.	.	70.3	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2007	8.9	7.3	144.8	141.8	153.3	144.9	142.1	129.3	123.4	143.5	141.9	134.8	107.7
2008	1.5	-0.5	146.7	142.3	156.3	146.3	143.5	128.0	121.4	141.2	141.0	133.4	106.1
2008 Q1	4.6	0.3	151.4	148.3	158.5	152.8	150.3	132.8	126.8	144.0	143.3	139.4	108.8
Q2	7.1	2.3	150.6	147.1	158.3	149.8	147.3	130.5	123.2	140.9	144.2	137.2	102.4
Q3	2.7	1.3	148.6	144.9	158.2	146.1	144.8	127.0	120.9	146.1	141.6	134.9	106.5
Q4	-7.6	-5.8	136.4	128.8	150.3	136.6	131.5	121.9	114.9	133.9	134.8	122.2	106.5
2008 Sep.	5.8	5.1	148.6	143.1	164.2	146.4	144.1	126.9	121.0	141.7	141.6	132.5	105.7
Oct.	-2.7	-3.6	144.6	138.5	158.0	143.3	140.2	125.8	119.1	137.8	139.0	128.3	108.5
Nov.	-14.2	-9.0	133.6	126.0	143.9	134.2	127.9	120.4	113.1	135.8	133.0	121.3	101.4
Dec.	-5.9	-4.8	130.9	121.9	149.1	132.2	126.5	119.5	112.5	128.2	132.3	117.0	109.6
2009 Jan.	-24.7	-17.0	117.5	109.6	115.0	126.6	111.3	115.4	109.0	115.6	129.3	112.2	101.9
Feb.	.	.	.	.	.	.	.	.	.	.	.	.	.

2. Prices [2)]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3)]							Industrial import prices (c.i.f.)						
	Total (index 2005 = 100)	Total					Memo: Manufac-turing	Total (index 2005 = 100)	Total					Memo: Manufac-turing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	32.2	46.3	17.7	3.8	99.4	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	101.4	0.2	2.4	-0.7	0.5	2.6	0.2	106.4	0.1	2.4	-3.6	0.5	1.6	-0.3
2008	102.9	1.5	1.5	-0.3	2.0	26.2	1.5	114.3	7.4	-0.1	-3.5	2.4	28.2	0.9
2008 Q3	104.4	2.8	2.3	-0.2	1.9	47.2	2.6	119.9	12.0	1.3	-3.6	2.3	42.8	2.0
Q4	102.2	0.8	2.6	1.2	2.5	-14.9	0.7	107.9	-1.6	0.6	-1.6	3.7	-8.6	0.1
2009 Q1	100.9	-1.0	-0.7	0.8	1.4	-30.4	-1.2	.	.	.	.	.	.	.
2008 Oct.	103.7	2.3	3.4	1.1	2.8	10.5	2.2	113.3	4.4	1.7	-1.9	3.8	10.3	1.5
Nov.	102.5	1.0	3.0	1.8	2.9	-19.6	0.8	108.1	-1.9	1.2	-1.2	4.4	-10.3	0.5
Dec.	100.6	-0.8	1.6	0.7	1.9	-33.2	-0.9	102.3	-7.2	-0.9	-1.6	3.0	-24.4	-1.6
2009 Jan.	101.0	-0.7	0.3	0.8	1.2	-28.9	-0.8	103.0	-7.4	-2.2	-0.1	2.6	-26.2	-1.6
Feb.	101.1	-1.0	-0.6	0.8	1.6	-30.0	-1.1	103.2	-8.0	-3.5	0.9	2.8	-27.8	-1.9
Mar.	100.7	-1.5	-1.7	0.7	1.3	-32.1	-1.6	.	.	.	.	.	.	.

Source: Eurostat.

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

2) Product groups according to the classification of Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1) mainly because the latter include all goods and services and cover cross-border trade within the euro area.

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

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

3. Geographical breakdown

	Total	European Union 27 (outside the euro area)				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2007	1,506.2	34.2	55.7	230.9	216.4	67.9	82.3	41.5	195.9	296.4	60.6	34.4	87.6	61.5	136.0
2008	1,560.6	35.1	54.2	221.8	231.5	78.5	86.1	42.9	186.8	308.6	65.6	33.4	100.6	68.0	146.5
2007 Q3	381.3	8.7	14.3	58.8	55.0	17.4	20.7	10.3	49.3	75.1	15.6	8.6	22.1	15.4	34.1
Q4	384.1	8.6	13.8	58.3	56.3	17.9	20.9	10.8	47.6	76.4	15.8	8.3	22.4	15.6	35.6
2008 Q1	398.3	8.9	14.0	57.2	59.0	20.0	21.4	12.3	49.7	79.4	17.2	8.6	24.2	16.2	36.0
Q2	398.0	9.1	14.5	58.4	59.6	20.1	22.0	11.3	47.3	77.8	17.0	8.5	25.0	16.5	36.5
Q3	398.7	9.1	14.1	56.6	60.3	20.7	21.7	10.8	46.3	76.7	16.0	8.2	26.7	17.8	37.8
Q4	365.5	8.0	11.6	49.7	52.6	17.7	21.0	8.4	43.5	74.6	15.5	8.0	24.8	17.4	36.2
2008 Sep.	133.4	2.9	4.6	18.7	20.2	7.0	7.3	3.5	15.8	25.5	5.2	2.7	8.8	6.1	13.0
Oct.	129.3	2.9	4.4	18.3	19.4	6.7	7.2	3.2	14.8	25.2	5.4	2.7	8.6	6.2	12.3
Nov.	119.5	2.5	3.8	16.0	17.5	5.4	7.0	2.7	14.7	24.7	5.2	2.7	8.2	5.3	11.7
Dec.	116.7	2.5	3.4	15.3	15.6	5.6	6.8	2.6	14.0	24.7	4.9	2.6	8.0	6.0	12.1
2009 Jan.	102.8	2.6	3.3	14.3	15.1	4.3	6.7	2.5	13.0	20.6	4.6	2.5	7.7	4.1	8.7
Feb.	103.3	.	.	.	.	4.4	6.6	2.6	13.5	22.1	4.6	2.5	7.8	4.4	.
	% share of total exports														
2008	100.0	2.2	3.5	14.2	14.8	5.0	5.5	2.7	12.0	19.8	4.2	2.1	6.5	4.4	9.4
	Imports (c.i.f.)														
2007	1,490.8	28.8	52.2	169.6	169.6	102.2	67.2	32.3	131.7	455.6	172.6	59.1	113.4	75.0	93.1
2008	1,591.2	30.2	52.2	165.3	185.6	117.5	69.6	32.2	137.1	476.9	184.1	56.4	139.5	80.7	104.5
2007 Q3	375.1	7.3	12.9	43.2	43.0	24.7	17.1	8.2	33.3	115.3	44.7	14.8	27.8	18.6	23.8
Q4	385.3	7.1	13.3	42.8	44.1	28.6	16.6	8.2	32.4	114.7	43.5	14.8	31.1	20.2	26.0
2008 Q1	402.9	7.4	13.7	43.7	46.5	29.4	16.9	8.6	34.7	121.3	45.0	14.9	34.3	20.1	26.5
Q2	404.0	7.7	13.6	42.1	47.4	30.6	17.5	8.4	33.9	119.9	45.2	14.5	36.8	19.8	26.2
Q3	411.0	7.9	13.4	42.3	47.9	33.4	17.8	8.1	34.9	123.0	47.5	13.9	37.7	21.0	23.5
Q4	373.2	7.2	11.5	37.2	43.8	24.1	17.4	7.1	33.6	112.8	46.4	13.1	30.6	19.7	28.3
2008 Sep.	136.0	2.6	4.5	14.0	15.9	10.8	5.9	2.7	11.5	40.3	15.8	4.6	12.3	7.1	8.3
Oct.	131.5	2.4	4.3	13.9	15.6	9.4	5.9	2.5	11.0	39.4	15.9	4.5	10.8	6.8	9.6
Nov.	123.9	2.4	3.8	12.1	15.0	7.9	5.8	2.5	11.1	37.5	15.4	4.4	10.2	6.6	9.1
Dec.	117.9	2.4	3.5	11.2	13.1	6.8	5.7	2.1	11.5	35.9	15.1	4.3	9.7	6.4	9.6
2009 Jan.	108.1	2.3	3.2	10.9	12.8	6.2	5.6	2.1	10.2	34.0	14.6	4.2	8.0	4.7	8.1
Feb.	107.2	.	.	.	.	5.3	5.4	2.3	10.8	32.0	13.4	4.0	8.2	5.2	.
	% share of total imports														
2008	100.0	1.9	3.3	10.4	11.7	7.4	4.4	2.0	8.6	30.0	11.6	3.5	8.8	5.1	6.6
	Balance														
2007	15.4	5.5	3.5	61.2	46.7	-34.3	15.1	9.1	64.2	-159.2	-112.0	-24.6	-25.8	-13.5	42.9
2008	-30.6	4.9	2.0	56.5	45.9	-39.0	16.5	10.7	49.7	-168.4	-118.4	-23.1	-38.8	-12.7	42.0
2007 Q3	6.1	1.4	1.4	15.7	11.9	-7.3	3.6	2.1	16.0	-40.2	-29.1	-6.2	-5.7	-3.2	10.4
Q4	-1.2	1.5	0.4	15.4	12.2	-10.8	4.3	2.6	15.1	-38.3	-27.7	-6.5	-8.7	-4.6	9.7
2008 Q1	-4.6	1.5	0.3	13.6	12.4	-9.4	4.5	3.7	15.0	-41.8	-27.8	-6.3	-10.1	-3.9	9.5
Q2	-6.0	1.4	0.9	16.2	12.2	-10.5	4.5	2.9	13.4	-42.2	-28.2	-6.0	-11.9	-3.3	10.3
Q3	-12.3	1.2	0.7	14.2	12.4	-12.7	3.9	2.7	11.4	-46.2	-31.5	-5.6	-11.0	-3.2	14.3
Q4	-7.7	0.8	0.0	12.5	8.8	-6.4	3.6	1.3	10.0	-38.2	-30.8	-5.2	-5.8	-2.3	7.9
2008 Sep.	-2.5	0.3	0.1	4.8	4.3	-3.8	1.3	0.9	4.2	-14.7	-10.6	-1.9	-3.5	-1.0	4.7
Oct.	-2.2	0.5	0.1	4.4	3.8	-2.6	1.3	0.7	3.8	-14.2	-10.5	-1.8	-2.2	-0.6	2.8
Nov.	-4.4	0.1	0.0	4.0	2.5	-2.5	1.2	0.2	3.6	-12.8	-10.2	-1.7	-2.0	-1.3	2.7
Dec.	-1.2	0.1	-0.1	4.1	2.5	-1.3	1.1	0.5	2.5	-11.2	-10.2	-1.7	-1.7	-0.4	2.5
2009 Jan.	-5.4	0.3	0.1	3.3	2.3	-1.9	1.1	0.3	2.8	-13.5	-10.0	-1.6	-0.3	-0.6	0.6
Feb.	-4.0	.	.	.	.	-0.8	1.1	0.4	2.7	-9.8	-8.8	-1.5	-0.4	-0.7	.

Source: Eurostat.

EXCHANGE RATES

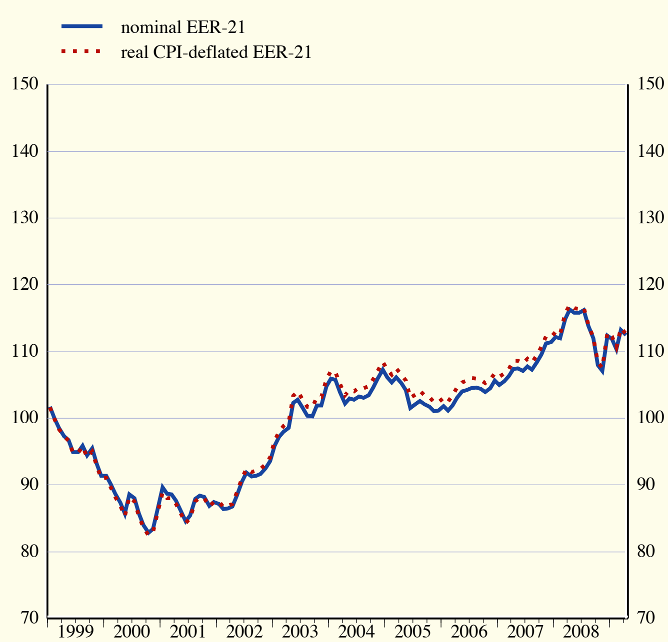
8.1 Effective exchange rates [1]

(period averages; index 1999 Q1=100)

	EER-21						EER-41	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2006	103.7	105.0	103.9	102.3	101.4	100.9	110.1	103.9
2007	107.9	109.0	107.9	106.4	104.5	104.4	114.3	107.2
2008	113.0	113.6	110.9	111.5	111.0	109.9	120.0	111.1
2008 Q1	112.9	113.8	112.2	111.4	110.2	109.2	119.6	111.3
Q2	116.0	116.6	114.1	114.4	113.6	112.7	122.9	114.0
Q3	114.1	114.3	111.2	112.5	112.7	110.5	120.8	111.5
Q4	109.1	109.6	106.3	107.8	107.4	107.0	116.7	107.7
2009 Q1	111.9	112.2	107.8	.	.	.	120.1	110.5
2008 Apr.	116.3	117.0	114.8	-	-	-	123.4	114.6
May	115.8	116.5	113.9	-	-	-	122.7	113.8
June	115.8	116.4	113.5	-	-	-	122.7	113.7
July	116.2	116.6	113.4	-	-	-	123.2	113.9
Aug.	113.9	114.1	111.1	-	-	-	120.3	111.1
Sep.	112.0	112.1	109.0	-	-	-	118.7	109.4
Oct.	107.9	108.3	105.3	-	-	-	115.4	106.4
Nov.	107.1	107.6	104.4	-	-	-	114.5	105.6
Dec.	112.4	112.8	109.2	-	-	-	120.3	110.9
2009 Jan.	111.9	112.3	108.2	-	-	-	119.9	110.4
Feb.	110.4	110.7	106.4	-	-	-	118.6	109.1
Mar.	113.3	113.5	108.8	-	-	-	121.6	111.8
Apr.	112.5	112.7	107.6	-	-	-	120.5	110.6
	% change versus previous month							
2009 Apr.	-0.7	-0.7	-1.1	-	-	-	-1.0	-1.1
	% change versus previous year							
2009 Apr.	-3.3	-3.7	-6.3	-	-	-	-2.4	-3.5

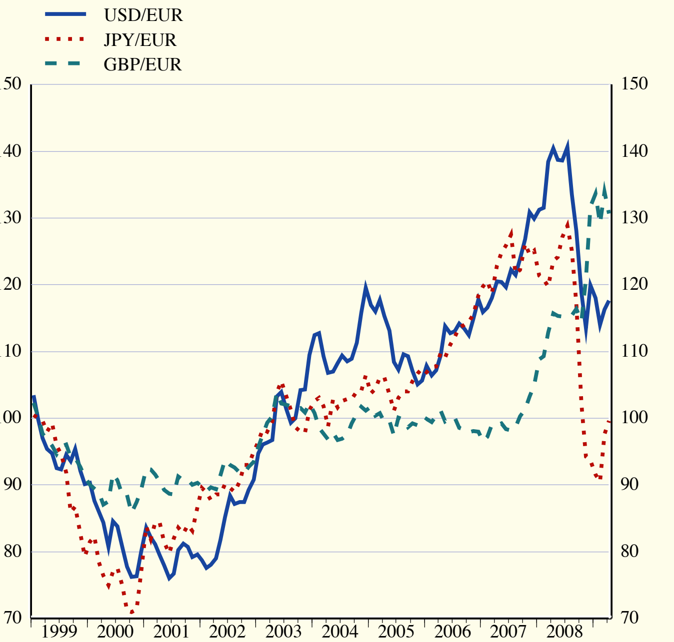
C36 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C37 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2008 Q3	7.4592	9.4738	0.79504	1.5050	161.83	1.6115	1,600.93	11.7372	2.1010	1.5650	8.0604	1.6955
Q4	7.4512	10.2335	0.83907	1.3180	126.71	1.5249	1,796.44	10.2191	1.9588	1.5916	8.9328	1.9606
2009 Q1	7.4514	10.9410	0.90878	1.3029	122.04	1.4977	1,847.59	10.1016	1.9709	1.6223	8.9472	1.9648
2008 Oct.	7.4545	9.8506	0.78668	1.3322	133.52	1.5194	1,759.07	10.3368	1.9666	1.5646	8.5928	1.9345
Nov.	7.4485	10.1275	0.83063	1.2732	123.28	1.5162	1,783.12	9.8687	1.9183	1.5509	8.8094	1.9381
Dec.	7.4503	10.7538	0.90448	1.3449	122.51	1.5393	1,850.06	10.4240	1.9888	1.6600	9.4228	2.0105
2009 Jan.	7.4519	10.7264	0.91819	1.3239	119.73	1.4935	1,801.97	10.2687	1.9742	1.6233	9.2164	1.9633
Feb.	7.4514	10.9069	0.88691	1.2785	118.30	1.4904	1,843.90	9.9128	1.9411	1.5940	8.7838	1.9723
Mar.	7.4509	11.1767	0.91966	1.3050	127.65	1.5083	1,894.48	10.1138	1.9949	1.6470	8.8388	1.9594
Apr.	7.4491	10.8796	0.89756	1.3190	130.25	1.5147	1,760.14	10.2229	1.9823	1.6188	8.7867	1.8504
	% change versus previous month											
2009 Apr.	0.0	-2.7	-2.4	1.1	2.0	0.4	-7.1	1.1	-0.6	-1.7	-0.6	-5.6
	% change versus previous year											
2009 Apr.	-0.2	16.1	12.9	-16.3	-19.4	-5.1	13.1	-16.7	-7.8	1.4	10.3	9.3

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	1.9558	3.5258	7.3247	1.8090
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064
2008 Q3	24.093	15.6466	0.7045	3.4528	236.07	3.3081	1.9558	3.5768	7.1827	1.8235
Q4	25.344	15.6466	0.7090	3.4528	263.36	3.7658	1.9558	3.8165	7.1752	2.0261
2009 Q1	27.601	15.6466	0.7061	3.4528	294.19	4.4988	1.9558	4.2682	7.4116	2.1635
2008 Oct.	24.768	15.6466	0.7093	3.4528	260.15	3.5767	1.9558	3.7479	7.1639	1.9612
Nov.	25.193	15.6466	0.7092	3.4528	265.32	3.7326	1.9558	3.7838	7.1366	2.0342
Dec.	26.120	15.6466	0.7084	3.4528	265.02	4.0044	1.9558	3.9227	7.2245	2.0894
2009 Jan.	27.169	15.6466	0.7043	3.4528	279.86	4.2300	1.9558	4.2354	7.3603	2.1233
Feb.	28.461	15.6466	0.7056	3.4528	298.30	4.6467	1.9558	4.2864	7.4309	2.1280
Mar.	27.231	15.6466	0.7083	3.4528	304.14	4.6210	1.9558	4.2828	7.4430	2.2340
Apr.	26.774	15.6466	0.7093	3.4528	295.26	4.4326	1.9558	4.2041	7.4172	2.1277
	% change versus previous month									
2009 Apr.	-1.7	0.0	0.1	0.0	-2.9	-4.1	0.0	-1.8	-0.3	-4.8
	% change versus previous year									
2009 Apr.	6.8	0.0	1.7	0.0	16.4	28.8	0.0	15.4	2.1	3.8

	Brazilian real [1)]	Chinese yuan renminbi	Icelandic krona [2)]	Indian rupee [3)]	Indonesian rupiah	Malaysian ringgit	Mexican peso [1)]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2006	2.7333	10.0096	87.76	56.844	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	56.419	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.614	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2008 Q3	2.4986	10.2969	125.69	65.797	13,868.99	5.0209	15.5214	2.1094	68.422	36.4917	11.7055	50.959
Q4	3.0102	9.0155	261.87	64.007	14,469.21	4.6798	17.1856	2.2829	63.653	35.9649	13.0786	45.904
2009 Q1	3.0168	8.9066	-	64.795	15,174.96	4.7259	18.7267	2.4498	62.133	44.4165	12.9740	46.038
2008 Oct.	2.9112	9.1071	274.64	64.587	13,283.63	4.6895	16.8177	2.1891	63.882	35.2144	12.9341	45.872
Nov.	2.8967	8.6950	242.95	62.144	14,984.85	4.5682	16.6735	2.2554	62.496	34.7964	12.8785	44.677
Dec.	3.2266	9.2205	290.00	65.146	15,276.62	4.7755	18.0764	2.4119	64.505	37.8999	13.4275	47.107
2009 Jan.	3.0596	9.0496	-	64.510	14,802.07	4.7291	18.3762	2.4132	62.354	42.3282	13.1255	46.218
Feb.	2.9685	8.7406	-	62.885	15,233.33	4.6466	18.6536	2.4851	60.832	45.8079	12.8005	45.156
Mar.	3.0198	8.9210	-	66.803	15,477.84	4.7949	19.1278	2.4527	63.105	45.1451	12.9870	46.667
Apr.	2.9197	9.0110	-	66.047	14,552.65	4.7562	17.7645	2.3123	63.462	44.2135	11.8784	46.741
	% change versus previous month											
2009 Apr.	-3.3	1.0	-	-1.1	-6.0	-0.8	-7.1	-5.7	0.6	-2.1	-8.5	0.2
	% change versus previous year											
2009 Apr.	9.8	-18.3	-	4.8	0.4	-4.5	7.3	15.8	-3.5	19.3	-3.2	-6.1

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.
2) The most recent rate for the Icelandic krona refers to 3 December 2008.
3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
					HICP						
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.7	2.3
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2008 Q3	12.5	6.5	4.6	11.0	15.6	12.0	6.3	4.4	8.2	4.0	4.8
Q4	9.0	4.4	3.0	8.7	11.9	9.4	4.2	3.6	6.9	2.7	3.9
2009 Q1	5.1	1.5	1.7	3.7	9.0	8.4	2.7	3.6	6.8	2.1	3.0
2008 Nov.	8.8	4.1	2.8	8.5	11.6	9.2	4.1	3.6	6.8	2.4	4.1
Dec.	7.2	3.3	2.4	7.5	10.4	8.5	3.4	3.3	6.4	2.1	3.1
2009 Jan.	6.0	1.4	1.7	4.7	9.7	9.5	2.4	3.2	6.8	2.0	3.0
Feb.	5.4	1.3	1.7	3.9	9.4	8.5	2.9	3.6	6.9	2.2	3.2
Mar.	4.0	1.7	1.6	2.5	7.9	7.4	2.8	4.0	6.7	1.9	2.9
					General government deficit (-)/surplus (+) as a % of GDP						
2006	3.0	-2.6	5.2	2.9	-0.5	-0.4	-9.2	-3.9	-2.2	2.5	-2.7
2007	0.1	-0.6	4.5	2.7	-0.4	-1.0	-4.9	-1.9	-2.5	3.8	-2.7
2008	1.5	-1.5	3.6	-3.0	-4.0	-3.2	-3.4	-3.9	-5.4	2.5	-5.5
					General government gross debt as a % of GDP						
2006	22.7	29.6	31.3	4.3	10.7	18.0	65.6	47.7	12.4	45.9	43.4
2007	18.2	28.9	26.8	3.5	9.0	17.0	65.8	44.9	12.7	40.5	44.2
2008	14.1	29.8	33.3	4.8	19.5	15.6	73.0	47.1	13.6	38.0	52.0
					Long-term government bond yield as a % per annum, period average						
2008 Sep.	5.17	4.42	4.37	-	6.60	5.45	7.99	5.89	8.32	3.90	4.57
Oct.	5.17	4.53	4.43	-	6.60	5.40	9.57	6.35	8.27	3.57	4.52
Nov.	6.00	4.52	4.06	-	7.60	8.16	9.41	6.23	8.38	3.34	4.13
Dec.	7.76	4.30	3.50	-	9.03	9.00	8.31	5.70	8.38	2.67	3.37
2009 Jan.	7.14	4.21	3.44	-	10.64	13.95	8.76	5.46	9.23	2.80	3.17
Feb.	7.09	4.74	3.55	-	11.50	14.50	10.65	5.97	8.42	2.93	3.23
					3-month interest rate as a % per annum, period average						
2008 Oct.	7.69	4.19	5.99	6.69	10.03	7.00	8.95	6.80	18.21	5.27	6.13
Nov.	7.89	4.24	6.08	7.25	12.19	7.86	-	6.74	15.24	4.50	4.45
Dec.	7.74	3.89	5.29	7.84	13.94	9.20	11.18	6.38	14.70	2.75	3.20
2009 Jan.	7.03	3.14	4.44	7.28	11.86	8.67	9.80	5.49	14.48	2.23	2.32
Feb.	6.61	2.50	3.86	6.90	10.65	7.19	-	4.69	14.61	1.52	2.09
Mar.	6.58	2.49	3.28	.	12.08	7.11	-	4.30	14.49	1.16	1.83
					Real GDP						
2007	6.2	6.0	1.6	6.3	10.0	8.9	1.1	6.7	6.2	2.6	3.0
2008	6.0	3.2	-1.1	-3.6	-4.6	3.0	0.5	4.8	7.1	-0.2	0.7
2008 Q3	6.8	2.9	-1.5	-3.5	-5.6	2.0	0.4	4.9	9.2	-0.5	0.4
Q4	3.5	0.7	-3.6	-9.7	-10.4	-1.3	-1.3	3.1	2.9	-4.4	-2.0
2009 Q1	.	.	.	.	.	-10.9	.	.	.	.	.
					Current and capital accounts balance as a % of GDP						
2007	-27.2	-2.6	0.7	-16.9	-20.6	-12.8	-5.3	-3.6	-12.9	8.5	-2.7
2008	-24.5	-2.2	2.1	-7.7	-11.2	-9.7	-7.3	-4.4	-11.8	8.2	-1.5
2008 Q2	-30.3	-4.5	3.4	-9.6	-11.4	-13.5	-7.1	-4.2	-15.0	5.7	-1.3
Q3	-14.2	-3.0	4.0	-6.5	-11.0	-8.4	-9.2	-4.2	-10.9	9.1	-2.1
Q4	-28.7	-5.2	2.6	-3.5	-7.0	-2.9	-9.1	-5.0	-8.3	7.7	-1.6
					Unit labour costs						
2007	14.2	3.1	4.2	19.8	27.0	10.3	4.7	1.6	14.6	4.7	1.4
2008	16.2	4.2	7.0	17.5	23.2	10.6	4.7	6.4	15.1	2.7	2.6
2008 Q2	17.7	3.8	3.8	15.2	22.6	11.4	-	-	-	0.5	2.3
Q3	13.0	2.9	.	19.6	24.5	12.0	-	-	-	2.2	2.4
Q4	17.5	4.6	.	13.8	18.5	9.3	-	-	-	6.0	3.6
					Standardised unemployment rate as a % of labour force (s.a.)						
2007	6.9	5.3	3.8	4.6	6.0	4.3	7.3	9.6	6.4	6.1	5.3
2008	5.6	4.4	3.4	5.5	7.6	6.0	7.8	7.2	5.8	6.2	5.6
2008 Q3	5.3	4.3	3.3	6.3	7.5	6.3	7.9	6.9	5.7	6.1	5.8
Q4	5.1	4.5	4.0	7.6	10.4	8.4	8.0	6.9	5.8	6.9	6.3
2009 Q1	5.6	5.2	5.1	10.1	14.6	13.6	8.8	7.5	.	7.7	.
2008 Nov.	5.0	4.5	3.9	7.4	10.3	8.4	8.0	6.9	5.8	7.0	6.3
Dec.	5.3	4.7	4.3	8.4	11.5	9.7	8.3	7.0	5.8	7.0	6.4
2009 Jan.	5.3	4.9	4.7	9.1	13.2	11.6	8.4	7.2	.	7.3	6.6
Feb.	5.6	5.2	5.1	10.0	14.6	13.6	8.8	7.5	.	7.6	.
Mar.	5.9	5.5	5.7	11.1	16.1	15.5	9.2	7.7	.	8.0	.

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

9.2 In the United States and Japan

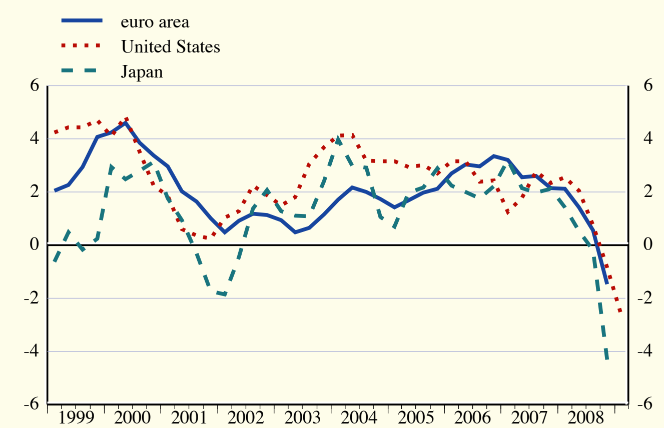
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield [3] end-of-period	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
					United States						
2005	3.4	2.2	2.9	4.2	5.1	4.3	3.57	4.84	1.2441	-3.3	49.1
2006	3.2	2.8	2.8	2.7	4.6	5.0	5.20	5.41	1.2556	-2.2	48.5
2007	2.9	2.7	2.0	1.6	4.6	5.7	5.30	5.35	1.3705	-2.9	49.3
2008	3.8	0.9	1.1	-3.0	5.8	6.7	2.93	4.39	1.4708	-5.9	56.8
2008 Q1	4.1	0.0	2.5	1.3	4.9	6.3	3.29	4.48	1.4976	-4.0	50.4
Q2	4.4	0.2	2.1	-0.9	5.4	6.3	2.75	4.66	1.5622	-5.7	49.6
Q3	5.3	1.7	0.7	-3.9	6.1	6.0	2.91	4.69	1.5050	-5.9	52.8
Q4	1.6	1.8	-0.8	-8.6	6.9	8.3	2.77	3.71	1.3180	-8.0	56.8
2009 Q1	0.0	.	-2.6	-14.0	8.1	9.6	1.24	3.03	1.3029	.	.
2008 Dec.	0.1	-	-	-11.3	7.2	9.6	1.83	2.75	1.3449	-	-
2009 Jan.	0.0	-	-	-13.5	7.6	10.0	1.21	2.75	1.3239	-	-
Feb.	0.2	-	-	-13.6	8.1	9.3	1.24	3.20	1.2785	-	-
Mar.	-0.4	-	-	-14.9	8.5	9.4	1.27	3.15	1.3050	-	-
Apr.	.	-	-	.	.	.	1.11	3.17	1.3190	-	-
					Japan						
2005	-0.3	-2.1	1.9	1.4	4.4	1.8	0.06	1.49	136.85	-6.7	163.2
2006	0.2	-0.6	2.1	4.5	4.1	1.0	0.30	1.98	146.02	-1.6	160.0
2007	0.1	-2.0	2.4	2.8	3.8	1.6	0.79	1.89	161.25	-2.5	156.1
2008	1.4	.	-0.7	-3.4	4.0	2.1	0.93	1.67	152.45	.	.
2008 Q1	1.0	0.1	1.4	2.4	3.9	2.2	0.92	1.61	157.80	.	.
Q2	1.4	0.1	0.5	0.8	4.0	2.0	0.92	1.85	163.35	.	.
Q3	2.2	0.8	-0.2	-1.4	4.0	2.2	0.90	1.75	161.83	.	.
Q4	1.0	.	-4.3	-14.6	4.0	1.8	0.96	1.46	126.71	.	.
2009 Q1	-0.1	.	.	-34.6	.	2.1	0.67	1.24	122.04	.	.
2008 Dec.	0.4	-	-	-20.8	4.3	1.8	0.92	1.33	122.51	-	-
2009 Jan.	0.0	-	-	-31.0	4.2	2.0	0.73	1.27	119.73	-	-
Feb.	-0.1	-	-	-38.4	4.4	2.1	0.64	1.20	118.30	-	-
Mar.	-0.3	-	-	-34.2	.	2.2	0.62	1.26	127.65	-	-
Apr.	.	-	-	.	.	.	0.57	1.41	130.25	-	-

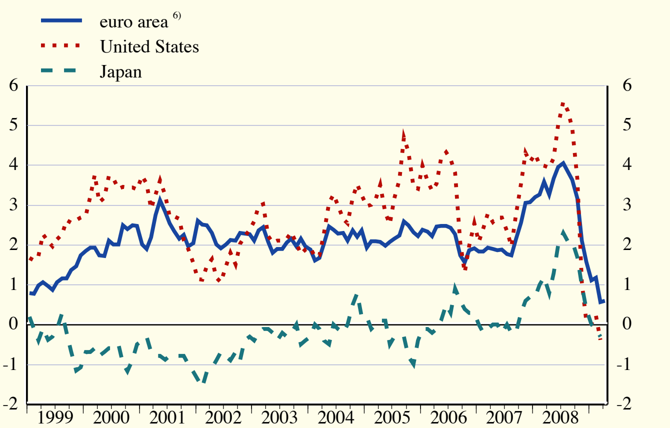
C38 Real gross domestic product

(annual percentage changes; quarterly)



C39 Consumer price indices

(annual percentage changes; monthly)



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

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

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

If L_t represents the outstanding amount at the end of month t, C^M_t the reclassification adjustment in month t, E^M_t the exchange rate adjustment and V^M_t the other revaluation adjustments, the transactions F^M_t in month t are defined as:

c) $$F^M_t = (L_t - L_{t-1}) - C^M_t - E^M_t - V^M_t$$

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

d) $$F^Q_t = (L_t - L_{t-3}) - C^Q_t - E^Q_t - V^Q_t$$

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^Q_t 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^M_t and L_t are defined as above, the index I_t of adjusted outstanding amounts in month t is defined as:

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

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

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

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

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

CALCULATION OF BALANCING ITEMS

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

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

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

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

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

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

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

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

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

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

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

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

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

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

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

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

RELATING TO SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

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

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

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

GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB's Governing Council. For this issue, the cut-off date was 6 May 2009.

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

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia. Data for 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta, and data as of 2009 refer to the Euro 16, i.e. the Euro 15 plus Slovakia.

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled, and end on the day preceding the corresponding settlement day in the following month. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter.

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

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

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

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

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

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

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. The non-seasonally adjusted data on current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how the production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is the national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/ net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts (1) to (5) above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged so as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 16 (i.e. the Euro 15 plus Slovakia) for the whole time series (fixed composition).

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. The euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks, from which the seasonal effects have been removed. See the Technical notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of Table 1 in Section 4.2 are broadly comparable with data for debt securities issued, as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of Table 2 in Section 2.1. The total net issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in Table 1 in Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet, quoted shares).

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

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999, column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999, interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[3]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data may also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger

3 Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.

car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics.[4] Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,[5] has been applied in the production of short-term statistics. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2 sections B to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[6].Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring for simplicity inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details on compilation of the ECB commodity price indices, refer to Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[7] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003.[8] A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

4 OJ L 162, 5.6.1998, p. 1.
5 OJL L 393, 30.12.2006, p. 1
6 OJ L 155, 15.6.2007, p. 3.
7 OJ L 69, 13.3.2003, p. 1.
8 OJ L 169, 8.7.2003, p. 37.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars. The series for the euro area excludes Cyprus and Malta.

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

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

GOVERNMENT FINANCE

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

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[9] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[10]. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB

9 OJ L 172, 12.7.2000, p. 3.
10 OJ L 179, 9.7.2002, p. 1.

(ECB/2004/15)[11] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[12]. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/ international investment position statistical methods" (May 2007), and in the following Task Force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), all of which can be downloaded from the ECB's website. In addition, the report by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual, i.e. surpluses in the current account and in the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically, or as a result of methodological changes in the compilation of the source data.

In Section 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and, for some purposes, also offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

11 OJ L 354, 30.11.2004, p. 34.
12 OJ L 159, 20.6.2007, p. 48.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to the i.i.p. changes other than transactions with information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, Columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.3, Table 7. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, in which the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area balance of payments is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows main trading partners individually or in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional sectors of the importers except households, governments and non-profit institutions. It reflects the cost, insurance and freight (c.i.f.) price excluding import duties and taxes, and refers to the actual transactions in euro recorded at the point when ownership of the goods is being transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board (f.o.b.) price expressed in euro and calculated at the euro area frontiers, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, refer to Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro, calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group includes the EER-21 and the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies. The reference rate of the Indian rupee vis-à-vis the euro has been inserted for the first time in column 26. However data prior to 1 January 2009 are to be considered as indicative rates

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

11 JANUARY AND 8 FEBRUARY 2007

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

8 MARCH 2007

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

12 APRIL AND 10 MAY 2007

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

6 JUNE 2007

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

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

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

3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 5.25% and 3.25% respectively.

8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

15 OCTOBER 2008

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

6 NOVEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

4 DECEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

18 DECEMBER 2008

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be be re-widened symmetrically to 200 basis points.

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the fixed rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the fixed rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the fixed rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2008

This list is designed to inform readers about selected documents published by the European Central Bank since January 2008. For Working Papers, the list only refers to publications released between February and April 2009. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu.

For a complete list of documents published by the European Central Bank and by the European Monetary Institute, please visit the ECB's website (http://www.ecb.europa.eu).

ANNUAL REPORT

"Annual Report 2007", April 2008.
"Annual Report 2008", April 2009.

CONVERGENCE REPORT

"Convergence Report May 2008".

MONTHLY BULLETIN SPECIAL EDITION

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

MONTHLY BULLETIN ARTICLES

"Productivity developments and monetary policy", January 2008.
"Globalisation, trade and the euro area macroeconomy", January 2008.
"The Eurosystem's experience with forecasting autonomous factors and excess reserves", January 2008.
"The analysis of the euro money market from a monetary policy perspective", February 2008.
"Securitisation in the euro area", February 2008.
"The new euro area yield curves", February 2008.
"Business investment in the euro area and the role of firms' financial positions", April 2008.
"Short-term forecasts of economic activity in the euro area", April 2008.
"Developments in the EU arrangements for financial stability", April 2008.
"Price stability and growth", May 2008.
"The Eurosystem's open market operations during the recent period of financial market volatility", May 2008.
"One monetary policy and many fiscal policies: ensuring a smooth functioning of EMU", July 2008.
"Euro area trade in services: some key stylised facts", July 2008.
"The Eurosystem as a provider of technical assistance to EU neighbouring regions", July 2008.
"The external dimension of monetary analysis", August 2008.
"The role of banks in the monetary policy transmission mechanism", August 2008.
"Ten years of the Stability and Growth Pact", October 2008.
"Cross-border bank mergers & acquisitions and institutional investors", October 2008.
"Monitoring labour cost developments across euro area countries", November 2008.
"Valuing stock markets and the equity risk premium", November 2008.
"Ten years of TARGET and the launch of TARGET2", November 2008.
"Housing wealth and private consumption in the euro area", January 2009.
"Foreign asset accumulation by authorities in emerging markets", January 2009.
"New survey evidence on wage setting in Europe", February 2009.
"Assessing global trends in protectionism", February 2009.

"The external financing of households and non-financial corporations: a comparison of the euro area and the United States", April 2009.
"Revisions to GDP estimates in the euro area", April 2009.
"The functional composition of government spending in the European Union", April 2009.
"Expectations and the conduct of monetary policy", May 2009.
"Five years of EU membership", May 2009.
"Credit rating agencies: developments and policy issues", May 2009.

STATISTICS POCKET BOOK

Available monthly since August 2003.

LEGAL WORKING PAPER SERIES

6 "The legal implications of the prudential supervisory assessment of bank mergers and acquisitions under EU law" by S. Kerjean, June 2008.
7 "Electronic money institutions: current trends, regulatory issues and future prospects" by P. Athanassiou and N. Mas-Guix, July 2008.

OCCASIONAL PAPER SERIES

78 "A framework for assessing global imbalances" by T. Bracke, M. Bussière, M. Fidora and R. Straub, January 2008.
79 "The workings of the Eurosystem: monetary policy preparations and decision-making – selected issues" by P. Moutot, A. Jung and F. P. Mongelli, January 2008.
80 "China's and India's roles in global trade and finance: twin titans for the new millennium?" by M. Bussière and A. Mehl, January 2008.
81 "Measuring financial integration in new EU Member States" by M. Baltzer, L. Cappiello, R. A. De Santis and S. Manganelli, March 2008.
82 "The sustainability of China's exchange rate policy and capital account liberalisation" by L. Cappiello and G. Ferrucci, March 2008.
83 "The predictability of monetary policy" by T. Blattner, M. Catenaro, M. Ehrmann, R. Strauch and J. Turunen, March 2008.
84 "Short-term forecasting of GDP using large monthly datasets: a pseudo real-time forecast evaluation exercise" by G. Rünstler, K. Barhoumi, R. Cristadoro, A. Den Reijer, A. Jakaitiene, P. Jelonek, A. Rua, K. Ruth, S. Benk and C. Van Nieuwenhuyze, May 2008.
85 "Benchmarking the Lisbon strategy" by D. Ioannou, M. Ferdinandusse, M. Lo Duca and W. Coussens, June 2008.
86 "Real convergence and the determinants of growth in EU candidate and potential candidate countries: a panel data approach" by M. M. Borys, É. K. Polgár and A. Zlate, June 2008.
87 "Labour supply and employment in the euro area countries: developments and challenges", by a Task Force of the Monetary Policy Committee of the European System of Central Banks, June 2008.
88 "Real convergence, financial markets, and the current account – emerging Europe versus emerging Asia" by S. Herrmann and A. Winkler, June 2008.
89 "An analysis of youth unemployment in the euro area" by R. Gomez-Salvador and N. Leiner-Killinger, June 2008.
90 "Wage growth dispersion across the euro area countries: some stylised facts" by M. Andersson, A. Gieseck, B. Pierluigi and N. Vidalis, July 2008.

91 “The impact of sovereign wealth funds on global financial markets” by R. Beck and M. Fidora, July 2008.
92 “The Gulf Cooperation Council countries: economic structures, recent developments and role in the global economy” by M. Sturm, J. Strasky, P. Adolf and D. Peschel, July 2008.
93 “Russia, EU enlargement and the euro” by Z. Polański and A. Winkler, August 2008.
94 “The changing role of the exchange rate in a globalised economy” by F. di Mauro, R. Rüffer and I. Bunda, September 2008.
95 “Financial stability challenges in candidate countries managing the transition to deeper and more market-oriented financial systems” by the International Relations Committee expert group on financial stability challenges in candidate countries, September 2008.
96 “The monetary presentation of the euro area balance of payments” by L. Bê Duc, F. Mayerlen and P. Sola, September 2008.
97 “Globalisation and the competitiveness of the euro area” by F. di Mauro and K. Forster, September 2008.
98 “Will oil prices decline over the long run?” by R. Kaufmann, P. Karadeloglou and F. di Mauro, October 2008.
99 “The ECB and IMF indicators for the macro-prudential analysis of the banking sector: a comparison of the two approaches” by A. M. Agresti, P. Baudino and P. Poloni, November 2008.
100 “Survey data on household finance and consumption: research summary and policy use” by the Eurosystem Household Finance and Consumption Network, January 2009.
101 “Housing finance in the euro area” by the Task Force of the Monetary Policy Committee of the European System of Central Banks, March 2009.
102 “Domestic financial development in emerging economies: evidence and implications” by E. Dorrucci, A. Meyer-Cirkel and D. Santabárbara, April 2009.
103 “Transnational governance in global finance: the principles for stable capital flows and fair debt restructuring in emerging markets” by R. Ritter, April 2009.

RESEARCH BULLETIN

“Research Bulletin”, No 7, June 2008.
“Research Bulletin”, No 8, March 2009.

WORKING PAPER SERIES

1002 “Assessing portfolio credit risk changes in a sample of EU large and complex banking groups in reaction to macroeconomic shocks” by O. Castrén, T. Fitzpatrick and M. Sydow, February 2009.
1003 “Real wages over the business cycle: OECD evidence from the time and frequency domains” by J. Messina, C. Strozzi and J. Turunen, February 2009.
1004 “Characterising the inflation-targeting regime in South Korea” by M. Sánchez, February 2009.
1005 “Labour market institutions and macroeconomic volatility in a panel of OECD countries” by F. Rumler and J. Scharler, February 2009.
1006 “Understanding sectoral differences in downward real wage rigidity: workforce composition, institutions, technology and competition” by P. Du Caju, C. Fuss and L. Wintr, February 2009.

1007 "Sequential bargaining in a new-Keynesian model with frictional unemployment and staggered wage negotiation" by G. de Walque, O. Pierrard, H. Sneessens and R. Wouters, February 2009.
1008 "Liquidity (risk) concepts: definitions and interactions" by K. Nikolaou, February 2009.
1009 "Optimal sticky prices under rational inattention" by B. Maćkowiak and M. Wiederholt, February 2009.
1010 "Business cycles in the euro area" by D. Giannone, M. Lenza and L. Reichlin, February 2009.
1011 "The global dimension of inflation – evidence from factor-augmented Phillips curves" by S. Eickmeier and K. Moll, February 2009.
1012 "Petrodollars and imports of oil-exporting countries" by R. Beck and A. Kamps, February 2009.
1013 "Structural breaks, cointegration, and the Fisher effect" by A. Beyer, A. Haug and B. Dewald, February 2009.
1014 "Asset prices and current account fluctuations in G7 economies" by M. Fratzscher and R. Straub, February 2009.
1015 "Inflation forecasting in the new EU Member States" by O. Arratibel, C. Kamps and N. Leiner-Killinger, February 2009.
1016 "When does lumpy factor adjustment matter for aggregate dynamics?" by S. Fahr and F. Yao, March 2009.
1017 "Optimal prediction pools" by J. Geweke and G. Amisano, March 2009.
1018 "Cross-border mergers and acquisitions: financial and institutional forces" by N. Coeurdacier, R. A. De Santis and A. Aviat, March 2009.
1019 "What drives returns to euro area housing? Evidence from a dynamic dividend-discount model" by P. Hiebert and M. Sydow, March 2009.
1020 "Opting out of the Great Inflation: German monetary policy after the breakdown of Bretton Woods" by A. Beyer, V. Gaspar, C. Gerberding and O. Issing, March 2009.
1021 "Rigid labour compensation and flexible employment? Firm-level evidence with regard to productivity for Belgium" by C. Fuss and L. Wintr, March 2009.
1022 "Understanding inter-industry wage structures in the euro area" by V. Genre, K. Kohn and D. Momferatou, March 2009.
1023 "Bank loan announcements and borrower stock returns: does bank origin matter?" by S. Ongena and V. Roscovan, March 2009.
1024 "Funding liquidity risk: definition and measurement" by M. Drehmann and K. Nikolaou, March 2009.
1025 "Liquidity risk premia in unsecured interbank money markets" by J. Eisenschmidt and J. Tapking, March 2009.
1026 "Do house price developments spill over across euro area countries? Evidence from a global VAR" by I. Vansteenkiste and P. Hiebert, March 2009.
1027 "Long-run evidence on money growth and inflation" by L. Benati, March 2009.
1028 "Large debt financing: syndicated loans versus corporate bonds" by Y. Altunbaş, A. Kara and D. Marqués-Ibáñez, March 2009.
1029 "The role of fiscal transfers for regional economic convergence in Europe" by C. Checherita, C. Nickel and P. Rother, March 2009.
1030 "Forecast evaluation of small nested model sets" by K. Hubrich and K. D. West, March 2009.
1031 "Global roles of currencies" by C. Thimann, March 2009.
1032 "Assessing long-term fiscal developments: a new approach" by A. Afonso, L. Agnello, D. Furceri and R. Sousa, March 2009.

1033 “Fiscal competition over taxes and public inputs: theory and evidence” by S. Hauptmeier, F. Mittermaier and J. Rincke, March 2009.
1034 “The role of the United States in the global economy and its evolution over time” by S. Dées and A. Saint-Guilhem, March 2009.
1035 “The role of labour markets for euro area monetary policy” by K. Christoffel, K. Kuester and T. Linzert, March 2009.
1036 “Search in the product market and the real business cycle” by T. Y. Mathä and O. Pierrard, March 2009.
1037 “What do asset prices have to say about risk appetite and uncertainty?” by G. Bekaert, M. Hoerova and M. Scheicher, March 2009.
1038 “Are ‘intrinsic inflation persistence’ models structural in the sense of Lucas (1976)?” by L. Benati, March 2009.
1039 “Real Time’ early warning indicators for costly asset price boom/bust cycles: a role for global liquidity” by L. Alessi and C. Detken, March 2009.
1040 “The external and domestic side of macroeconomic adjustment in China” by R. Straub and C. Thimann, March 2009.
1041 “An economic capital model integrating credit and interest rate risk in the banking book” by P. Alessandri and M. Drehmann, April 2009.
1042 “The determinants of public deficit volatility” by L. Agnello and R. M. Sousa, April 2009.
1043 “Optimal monetary policy in a model of the credit channel” by F. De Fiore and O. Tristani, April 2009.
1044 “The forecasting power of international yield curve linkages” by M. Modugno and K. Nikolaou, April 2009.
1045 “The term structure of equity premia in an affine arbitrage-free model of bond and stock market dynamics” by W. Lemke and T. Werner, April 2009.
1046 “Productivity shocks and real exchange rates: a reappraisal” by T. A. Peltonen and M. Sager, April 2009.
1047 “The impact of reference norms on inflation persistence when wages are staggered” by M. Knell and A. Stiglbauer, April 2009.
1048 “Downward wage rigidity and optimal steady-state inflation” by G. Fagan and J. Messina, April 2009.

OTHER PUBLICATIONS

“Bond markets and long-term interest rates in non-euro area Member States of the European Union”, January 2008 (online only).
“Oversight framework for card payment schemes – standards”, January 2008 (online only).
“The role of money – money and monetary policy in the twenty-first century – proceedings of the Fourth ECB Central Banking Conference 2006”, February 2008.
“Euro area balance of payments and international investment position statistics – Annual quality report”, March 2008 (online only).
“ECB statistics quality framework (SQF)”, April 2008 (online only).
“Quality assurance procedures within the ECB statistical function”, April 2008 (online only).
“ECB statistics – an overview”, April 2008 (online only).
“TARGET Annual Report 2007”, April 2008 (online only).
“Financial integration in Europe”, April 2008.
“Financial Stability Review”, June 2008.
“Labour supply and employment in the euro area countries: developments and challenges”, June 2008.

"The international role of the euro", July 2008 (online only).
"Payment systems and market infrastructure oversight report", July 2008 (online only).
"Letter from the ECB President to Mr Dimitrios Papadimoulis, Member of the European Parliament", July 2008 (online only).
"Letter from the ECB President to Mr Ashley Mote, Member of the European Parliament", July 2008 (online only).
"Legal framework of the Eurosystem and the ESCB. ECB legal acts and instruments", July 2008.
"CCBM2 User Requirements 4.1", July 2008 (online only).
"Simulating financial instability – conference on stress testing and financial crisis simulation exercises, 12-13 July 2007", September 2008.
"New procedure for constructing ECB staff projection ranges", September 2008 (online only).
"Commission's draft directive/regulation on credit rating agencies – Eurosystem contribution to the public consultation", September 2008 (online only).
"Euro money market survey", September 2008 (online only).
"EU banking structures", October 2008 (online only).
"Letter from the ECB President to Mr Mario Borghezio, Member of the European Parliament", October 2008 (online only).
"Letter from the ECB President to Mr Ashley Mote, Member of the European Parliament", October 2008 (online only).
"A strategic vision for statistics: challenges for the next 10 years – Fourth ECB Conference on Statistics, 24 and 25 April 2008", November 2008.
"The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures", November 2008.
"The Eurosystem policy principles on the location and operation of infrastructures settling euro-denominated payment transactions: specification of 'legally and operationally located in the euro area' ", November 2008 (online only).
"Single Euro Payments Area – sixth progress report", November 2008 (online only).
"EU banks' liquidity stress-testing and contingency funding plans", November 2008 (online only).
"Government finance statistics guide", December 2008 (online only).
"Financial Stability Review", December 2008.
"Covered bonds in the EU financial system", December 2008 (online only).
"The incentive structure of the 'originate and distribute' model", December 2008 (online only).
"Recommendations of the Governing Council of the European Central Bank on the pricing of recapitalisations", December 2008 (online only).
"Recommendations of the Governing Council of the European Central Bank on government guarantees for bank debt", December 2008 (online only).
"Commercial property markets – financial stability risks, recent developments and EU banks' exposures", December 2008 (online only).
"Correspondent central banking model (CCBM) – procedures for Eurosystem counterparties", December 2008 (online only).
"Letter from the ECB President to Mr Robert Sturdy, Member of the European Parliament", January 2009 (online only).
"Euro money market study 2008", February 2009 (online only).
"Eurosystem oversight policy framework", February 2009 (online only).
"Harmonised oversight approach and oversight standards for payment instruments", February 2009 (online only).
"European Commission's consultation on hedge funds – Eurosystem contribution", February 2009 (online only).

"Guiding principles for bank asset support schemes", March 2009 (online only).
"Letter from the ECB President to Mr José Ribeiro e Castro, Member of the European Parliament", March 2009 (online only).
"Letter from the ECB President to Mr Dimitrios Papadimoulis, Member of the European Parliament", March 2009 (online only).
"Letter from the ECB President to Mr Manolis Mavrommatis, Member of the European Parliament, regarding the issuance of low denomination euro banknotes", March 2009 (online only).
"Letter from the ECB President to Mr Eoin Ryan, Member of the European Parliament, concerning the recent widening of spreads between euro area government bond yields", March 2009 (online only).
"Eurosystem's SEPA expectations", March 2009 (online only).
"Housing finance in the euro area", March 2009 (online only).
"Euro area monetary and financial statistics: 2008 quality report", March 2009 (online only).
"Euro area balance of payments and international investment position statistics: 2008 quality report", March 2009 (online only).

INFORMATION BROCHURES

"The European Central Bank, the Eurosystem, the European System of Central Banks", April 2008.
"Price stability – why is it important for you?", June 2008.
"A single currency – an integrated market infrastructure", September 2008.
"The European Central Bank, the Eurosystem, the European System of Central Banks", April 2009.
"Price stability – why is it important for you?", April 2009.

GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by the general government.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee or per hour worked: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees or by the total number of employees' hours worked.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. the general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period.

Debt (general government): the gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The nominal EER indices for the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of the development of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also **MFIs**.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has recently taken active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the rates at the main refinancing operations, on the marginal lending facility and on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP (volume) divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem over a predefined maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP (volume) per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

ISSN 1561-0136
9 771561 013006