



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 09 | 2004

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MONTHLY BULLETIN  
SEPTEMBER



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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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



## EDITORIAL

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

The decision to leave the key ECB interest rates unchanged reflects the Governing Council's assessment that although some upside risks to price stability exist, the overall prospects remain in line with price stability over the medium term. The level of interest rates is very low by historical standards, both in nominal and in real terms, lending support to economic activity. The information which has become available in recent months indicates that the economic recovery in the euro area has maintained its momentum and should remain firm in the coming quarters. Inflation rates have been somewhat higher, mainly due to developments in oil prices. The Governing Council will remain vigilant with regard to all developments which could imply risks to price stability over the medium term.

Starting with the economic analysis underlying the Governing Council's assessment, the latest data releases confirm that the economic recovery in the euro area is continuing. According to Eurostat's flash estimate, real GDP grew by 0.5% quarter on quarter in the second quarter of this year, having recorded a 0.6% increase in the first quarter. These growth rates are the strongest in the euro area for some time. The latest indicators of output and demand remain consistent with ongoing growth in real activity in the third quarter of 2004, increasingly supported by domestic demand.

Looking ahead, the conditions for a continuation of the recovery remain in place. Economic growth outside the euro area continues to be robust overall, even if subject to temporary fluctuations, and should continue to support euro area export growth. On the domestic side, investment should benefit from the positive global environment and the very

favourable financing conditions. Improvements in corporate efficiency and higher profits are also supporting business investment. Moreover, private consumption should continue its gradual recovery, broadly in line with growth in real disposable income which, with the usual lag, should be further underpinned by an increase in employment growth later on.

Against this background, the economic recovery in the euro area is expected to continue and to become more broadly based over the coming quarters, leading to a somewhat stronger upswing in the course of 2005. This is also reflected in the September ECB staff projections, which envisage euro area real GDP growth of between 1.6% and 2.2% on average in 2004, rising to between 1.8% and 2.8% in 2005. These growth rates are close to estimates for long-run potential growth and, for both years, they are slightly higher than was expected in the June Eurosystem staff projections. Available forecasts from international organisations and other sources convey a broadly similar picture.

Overall, the risks to these projections seem to be broadly balanced. On the upside, the ongoing momentum of the recovery may imply more positive developments for economic growth in the coming quarters. On the downside, there are still concerns about continuing economic imbalances in other parts of the world. These imbalances could affect the sustainability of the economic recovery.

Another downside risk to the growth projections relates to oil prices. If these were to remain higher than currently expected by markets, this could dampen both foreign and domestic demand. In assessing these risks, however, it should be taken into account that, when expressed in euro, the recent rise in oil prices has been significantly smaller than in previous episodes when oil price increases had a major impact on the world economy. In addition, in real terms, oil prices are significantly below the peaks they have reached

in the past. Moreover, when compared with the 1970s and 1980s, the oil intensity of production in the euro area and elsewhere has fallen significantly. Finally, it should be kept in mind that, in contrast to previous periods of oil price turmoil, this year's rise in oil prices is not only due to supply-side factors, but is also driven by the strong expansion of the global economy. All these factors put the downside risks to economic activity coming from oil prices into perspective.

However, recent oil price developments have had a visible direct impact on price developments in the euro area. Eurostat's flash estimate for annual HICP inflation in August was 2.3%, unchanged from July. On the basis of current market expectations for oil prices, it appears unlikely that annual inflation rates will return to levels below 2% in the remainder of this year.

Looking ahead, however, there are no indications at present of stronger underlying inflationary pressures building up domestically. Recent wage developments have been moderate, and this trend is expected to continue for some time to come in view of the continued high level of unemployment in the euro area. If this is the case, and provided that one-off shocks to prices from sources such as oil prices or indirect taxes and administered prices are not repeated, annual inflation rates should drop below 2% in 2005.

Against this background, the ECB staff projections put average annual HICP inflation at between 2.1% and 2.3% for 2004 and between 1.3% and 2.3% for 2005. The lower end of these ranges is slightly higher for both 2004 and 2005 than what was projected in June. The ECB staff projections for inflation are broadly consistent with other recently released forecasts.

However, several upward risks to the projections for inflation exist. Concerns relate in particular to oil price developments, which may continue to have a visible impact on inflation. Oil price rises also imply the risk of

second-round effects emerging in wage and price-setting, a risk which intensifies when the economic upswing strengthens. A further upward risk relates to the future evolution of indirect taxes and administered prices. Upside risks to inflation are also reflected in the continued elevated levels of measures of long-term inflation expectations derived from financial market indicators. While these indicators should always be interpreted with caution, their current levels call for particular vigilance.

Turning to the monetary analysis underlying the Governing Council's assessment, the annual rate of M3 growth has moderated significantly since the summer of 2003. This moderation largely represents a normalisation of portfolio allocation behaviour following the easing of the exceptional economic and financial uncertainty which prevailed between 2001 and early 2003.

Nonetheless, M3 growth remains resilient. It appears that the reversal of past portfolio shifts is proceeding more slowly than would have been expected on the basis of historical regularities. This may reflect an increased risk aversion of households and firms, given the stock market losses they experienced between 2000 and the spring of 2003. In addition, the low level of interest rates continues to support monetary expansion, especially of the most liquid assets included in the narrow aggregate M1.

The low level of interest rates also seems to be fuelling the growth of loans to the private sector, which has risen to a relatively robust rate over recent months. In this respect, the growth rate of mortgage loans to households is rather high and is associated with fairly dynamic housing market developments and real estate prices in several euro area countries.

There remains substantially more liquidity in the euro area than is needed to finance non-inflationary growth. At present, it is not clear how this excess liquidity will be used in the future. If significant parts of these liquid

holdings were to be transformed into transaction balances, particularly at a time when confidence and economic activity were strengthening, inflationary risks would rise. In addition, high excess liquidity and strong credit growth could become a source for strong asset price increases.

To sum up, while the economic analysis indicates that prospects are consistent with price stability being maintained over the medium term, a number of upside risks need to be carefully monitored. Cross-checking with the monetary analysis also supports the case for strong vigilance with regard to the materialisation of risks to price stability.

As regards fiscal policy, the latest information for 2004 indicates that most euro area countries are likely to miss the original budgetary targets set in their updated stability programmes. In some cases, countries seem to have based their programmes on overly optimistic assumptions for economic developments. In addition, some countries have been implementing fewer consolidation measures than originally planned. As a consequence, the aggregate fiscal balance for the euro area is not likely to improve in 2004. Progress in fiscal consolidation needs to be prioritised and should be part of a comprehensive and growth-friendly reform agenda.

As regards the EU fiscal framework, the Governing Council remains convinced that there is no need for changes to the text of the Treaty and of the Stability and Growth Pact. The Pact is an appropriate framework for dealing with countries' fiscal developments on a level playing-field. At the same time, the Governing Council considers that improvements could be introduced in the implementation of the Pact.

In line with the Broad Economic Policy Guidelines, economic policies need to be oriented towards promoting growth and stability in the euro area. This requires sustained efforts to increase the flexibility of

labour and product markets. In this respect, several governments in the euro area have taken courageous steps over recent months. It is important that the reform momentum is maintained, taking advantage of the economic recovery. This will not only increase overall economic efficiency and enhance longer-term growth prospects in the euro area, but will also strengthen the basis for a sustained economic upswing.





# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*In the second quarter of 2004, the international economy was characterised by a moderation in the activity growth rate, largely in line with expectations and following the brisk pace of activity in the previous months. The pick-up in oil prices exerted a downward impact on aggregate demand, which nevertheless remains at high levels. These developments notwithstanding, the outlook for the euro area external environment remains favourable.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

After a brisk first quarter, the pace of activity in the global economy slowed slightly in the second quarter (see Chart 1), broadly in line with expectations. The pick-up in oil prices had an impact on both household purchasing power and the corporate economic environment. In the United States, household expenses have decelerated, whereas corporate investment has been flat in Japan.

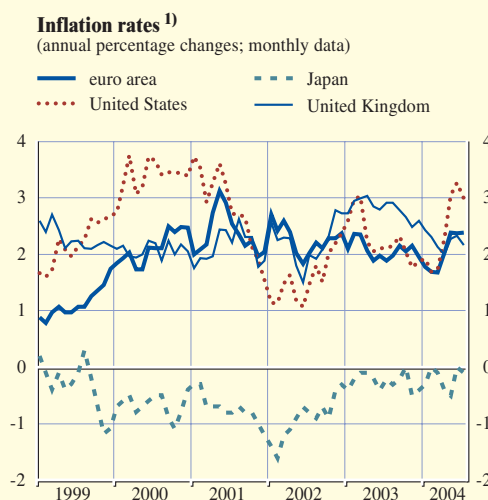
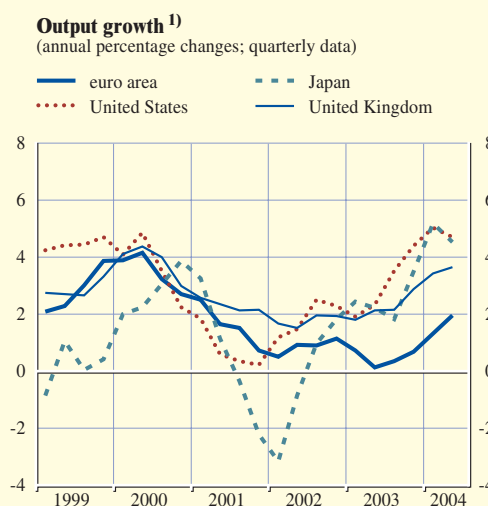
While the United States and Asia continue to be overall the main driving forces of global economy activity, other countries and regions are increasingly contributing to the global recovery. The pace of activity has been very robust in the new EU Member States and several emerging economies in Latin America.

Inflationary pressures, though edging upwards, have remained rather moderate in most countries despite relatively strong economic growth and the sharp rise in commodity prices. Among the factors containing inflation, relatively subdued wage increases have played an important role.

#### UNITED STATES

In the United States, economic activity has softened somewhat in the last few months. According to preliminary estimates, real GDP grew at a quarterly annualised rate of 2.8% in the second quarter of 2004, after 4.5% in the previous quarter. The deceleration stemmed primarily from a marked slowdown of real personal consumption expenditure. In line with patterns over the last year, real GDP growth in the second quarter was mainly driven by private fixed investment. The contribution of net exports to growth was negative, reflecting a moderate rise in exports, which was more than offset by a strong rise in imports.

Chart 1 Main developments in major industrialised economies



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

Looking ahead, growth in private non-residential fixed investment spending – though remaining solid – is expected to moderate somewhat from its recent brisk growth rates. Concerning households, while July data indicate some renewed strength in personal consumption spending, this was not fully supported by income gains. An increase in the growth rate of real labour income would be needed to support households' consumption expenditure going forward in view of a waning impact of past macroeconomic policy stimuli, historically high levels of debt and historically low savings as a proportion of disposable income. Moreover, recent increases in energy prices may reduce the purchasing power of households in the near term.

Following increases in previous months, inflation mitigated somewhat in July, with the annual rate of the CPI easing from 3.3% in June to 3.0%. The decline was led by a sizeable retrenchment in gasoline costs and affected a broad number of categories. Excluding food and energy, annual consumer price inflation reached 1.8%, 0.1 percentage point lower than in June.

On 10 August the Federal Open Market Committee raised the target for the federal funds rate by 25 basis points for the second consecutive meeting to 1.50%. While maintaining the position that the softening in economic activity is likely to be due to a substantial rise in energy prices, the Federal Open Market Committee indicated in its statement that *“the economy nevertheless appears poised to resume a stronger pace of expansion going forward”*.

## JAPAN

In Japan, growth slowed in the second quarter of 2004, though the underlying growth momentum is judged to be robust. Quarter-on-quarter real GDP grew by 0.4%, after an upward revised rate of 1.6% in the first quarter. The decomposition of GDP figures shows that external demand remains an important driving factor. Exports increased by 3.5% quarter on quarter, with the relative growth contributions of exports to Europe, Asia and the United States becoming more balanced. Import growth slowed somewhat resulting in a net trade contribution of 0.3 percentage point. On the domestic side, private consumption growth remained robust at 0.6% quarter on quarter, reflecting improvements in the labour market and disposable income. Private non-residential investment spending – previously an important growth driver – was flat in the second quarter, despite rising machinery orders and robust corporate profits. The decline in public investment accelerated as fiscal consolidation continues.

Looking forward, economic activity in Japan could weaken from an overall strong performance in the first half of 2004 as growth approaches its potential rate. The net trade contribution may decline as foreign demand slows and imports are likely to remain robust. On the domestic side, however, a further improvement in the income and labour market situations could support private consumption. Private investment is also expected to recover as suggested by solid growth in corporate profits and improving business sentiment.

Against this background, deflationary pressures seem to have abated somewhat. The annual rate of change of the CPI was -0.1% year on year, while the CPI excluding fresh food stood at -0.2% in July 2004. The rise in commodities and intermediate goods prices has resulted in corporate goods prices (former wholesale prices) rising by 1.6% year on year in July. The GDP deflator continues to indicate more pronounced deflationary pressures, declining by 2.6% year on year in the second quarter. Sustained growth above potential suggests increasing upwards price pressures ahead. On 10 August the Bank of Japan decided to keep its target for the outstanding balance on the current accounts held at the bank at JPY 30-35 trillion.

## UNITED KINGDOM

Growth continued to be strong in the United Kingdom. Real GDP rose by a quarter-on-quarter rate of 0.7% in the first quarter of 2004 and was 3.4% higher than a year earlier. The latest national accounts data show that growth continued to be strong in the second quarter of this year, with real GDP rising by 0.9% quarter on quarter (3.7% on an annual basis). Growth continued to be driven by domestic demand, with investment playing a major role (1.4% higher than in the first quarter), followed by household expenditure (1.1% quarter on quarter) and government consumption (1% quarter on quarter). Both exports and imports increased in the second quarter of this year, by quarterly rates of 2.2% and 1.9% respectively.

Annual HICP inflation stood at 1.4% in July (down from 1.6% in June), with the largest downward effect coming from furniture and household equipment. House price inflation remained strong: the Halifax index increased by 21.5% year on year in the second quarter of 2004 (22.1% in July), while the rise in house prices was 19.4% on the nationwide measure over the same period (20.3% in July). In the first quarter of 2004, whole economy productivity increased by 1.9% year on year, and unit labour costs by 3.5%. Average earnings – both including and excluding bonuses – remained unchanged in the second quarter of 2004.

On 5 August the Bank of England's Monetary Policy Committee (MPC) increased the repo rate by 25 basis points to 4.75%. This followed two similar decisions taken in May and June 2004 and is the fifth increase since November 2003. The MPC explained the August decision by referring to the continued strong macroeconomic performance of the UK economy, with robust output growth and business surveys pointing to continued expansion.

## OTHER EUROPEAN COUNTRIES

In Sweden, quarter-on-quarter real GDP rose by a preliminary 0.9% in the second quarter of 2004, 3.4% year on year (working-day adjusted), compared with 0.8% in the first quarter. Net exports were the main contributor to output growth, while investments also recovered markedly. Annual HICP inflation stood at 1.2% in July 2004, the same as the average inflation rate in the second quarter of 2004. The repo rate has remained at 2.0% since March 2004, and the outlook for CPI inflation is considered as remaining in line with Sveriges Riksbank's inflation target of 2%  $\pm$  1 percentage point over the forecast period. Real GDP growth could remain above potential growth in the coming quarters mainly on account of robust export growth and a recovery in investment.

In Denmark, real GDP growth continued to increase by a quarter-on-quarter rate of 0.2% in the second quarter. Investment and private consumption were the main real GDP growth drivers in the first two quarters of 2004, while net exports also contributed positively to GDP growth. Furthermore, government consumption grew after having stagnated previously, while inventories deteriorated significantly. The annual rate of HICP inflation increased from 0.5% in April to 1.1% in July 2004, mainly reflecting higher energy prices. Danmarks Nationalbank has kept its lending rate unchanged at 2.15% since June 2003. Looking ahead, real GDP is expected to pick up, supported by strengthening investment and private consumption. HICP inflation is projected to increase slightly, mainly reflecting higher import prices.

In the new Member States, the economic situation seems to have strengthened over the past few months. In Poland the economy continued to recover with real GDP growing by 6.9% (year on year) in the first quarter of 2004, compared to 4.7% in the previous quarter. Short-term indicators suggest that economic growth remained robust in the second quarter of 2004. The recovery was mainly driven by strong export growth and, more recently, also by domestic demand. Annual HICP

inflation continued to rise strongly at 4.7% in July 2004, up from 4.3% in June, mainly as a result of developments in food and energy prices and indirect tax increases due to EU accession. Against this background, Narodowy Bank Polski increased its main policy interest rate between June and August 2004 in three steps by a total of 125 basis points to 6.5%.

In the Czech Republic, real GDP grew by 3.1% (year on year) in the first quarter of 2004 (3.3% in the previous quarter). Growth in investment and private consumption were temporarily spurred by the anticipation of VAT changes in May 2004, while overall domestic consumption growth weakened due to a decline in government consumption. The contribution of trade to real GDP growth remained negative. Activity indicators in the second quarter of 2004 have remained positive. Annual HICP inflation stood at 3.1% in July 2004. The steady increase in inflation this year has been mainly driven by the impact of changes in indirect taxes and administered prices and higher oil prices. On 24 June, Česká národní banka (ČNB) raised its main policy rate by 25 basis points to 2.25%. This was the first movement since August 2003 and the first increase since July 2001. On 26 August, ČNB increased its main policy rate again by another 25 basis points to 2.5%.

In Hungary, the recovery has continued with real GDP growing by 4.2% (year on year) in the first quarter of 2004 and, according to preliminary data, by 4.0% in the second quarter. In the first quarter of 2004, growth was driven primarily by the strong pick-up in gross fixed capital formation and robust export growth, while private consumption had decelerated substantially. In the second quarter, gross fixed capital formation decelerated compared to the exceptionally dynamic first quarter, but remained strong at 10% (year on year). Overall, activity indicators confirm that growth remained strong in the second quarter. Annual HICP inflation reached 7.8% in May 2004, before declining to 7.2% in July. On 16 August, Magyar Nemzeti Bank decided to reduce its policy rate by 50 basis points to 11%, taking into account the recent decrease in the risk premium on forint-denominated assets, the improvement in the composition of growth and the recent moderation in inflation.

In the smaller new Member States, the recovery continued with particularly strong output growth in the first quarter of 2004 in the Baltic States and Slovakia, but seems to be more moderate in Slovenia, Malta and Cyprus. Inflation picked up in most of the smaller new Member States and disinflation came to a halt in Slovenia. These price developments mainly reflect indirect tax changes, administered price and food price increases and a pick-up in energy prices. Banka Slovenije reduced its official interest rates in several steps until mid-June in order to decrease the interest rate differential with respect to the euro area before fixing the exchange rate on joining ERM II on 28 June. Since then, official interest rates have remained unchanged. In Slovakia the key policy interest rate was reduced by 50 basis points to 4.5% in order to contain appreciation pressures on the koruna.

In Switzerland, the latest national accounts data showed a continuation of the economic recovery in the first quarter of 2004. Recent surveys suggest that the economy has accelerated further in the second quarter. The Swiss economy has benefited from buoyant external demand and a pick-up in domestic demand, supported by improved consumer sentiment and favourable investment conditions. With regard to price developments, CPI inflation was 1.0% (year on year) in August, compared with 0.9% in July. On 17 June, reacting to the continued strengthening of the economic recovery, the Swiss National Bank decided to raise the target range for the three-month Libor rate by 0.25 percentage point to 0.0%-1.0% and to keep the three-month Libor rate in the middle of the target range.

Finally, in Russia, the economy has continued to expand rapidly. GDP rose by 7.4% (year on year) in the first quarter of 2004 in a context of high oil prices, strong investment and private consumption. Industrial output growth moderated in July, from 9.2% year on year in June to 4.5%.

### NON-JAPAN ASIA

In non-Japan Asia, the latest information indicates that the growth momentum continues to be very robust. Exports from the region's major economies are still picking up at a fast pace, helped by sustained demand from the United States and strong intra-regional trade. Furthermore, domestic demand is exhibiting considerable strength in most countries.

In China, economic activity continues to expand very rapidly, although it has decelerated somewhat from the pace reached in the first quarter. This has largely been the result of tightening policies targeting selected overheated sectors. Industrial production rose by 15.5% (year on year) in July, led by exports and fixed asset investment which were 33% and 31% higher, respectively, than one year ago. Retail sales increased by 13.2% year on year. In the same month, annual CPI inflation reached 5.3%, driven by surging food and housing prices. In the meantime, M2 growth declined somewhat to 15.3% (year on year).

In South Korea, the expansion in economic activity has overall been rather strong, with industrial production being higher by 12.8% (year on year) in July. This favourable outcome, however, remains driven by rapid export growth, while domestic demand continues to be subdued. On 12 August, the Bank of Korea decided to lower its policy interest rate from 3.75% to the all-time low level of 3.5%.

The economic prospects for non-Japan Asia are positive for the rest of the year and into 2005. The external environment is expected to remain favourable, and domestic demand is likely to continue to pick up in most countries.

### LATIN AMERICA

Recent economic indicators in Latin America point to a consolidation of the economic recovery. The Brazilian economy has strengthened further, with industrial production rising by more than 10% (year on year) in the period May-June. This expansion continues to be led by exports and business investment activity. In Mexico, real GDP expanded by 3.9% (year on year), marking the fifth consecutive quarter of positive year-on-year growth. The economy is benefiting from surging sales to the United States, as well as from robust growth in residential and commercial construction. In Argentina the economy is still expanding healthily in year-on-year terms even though there is continuing uncertainty about the negotiations with external creditors. Overall, the economic outlook for Latin America is promising, although the possibility of further interest rate increases in the United States remains a source of concern in light of the region's dependence on foreign borrowing.

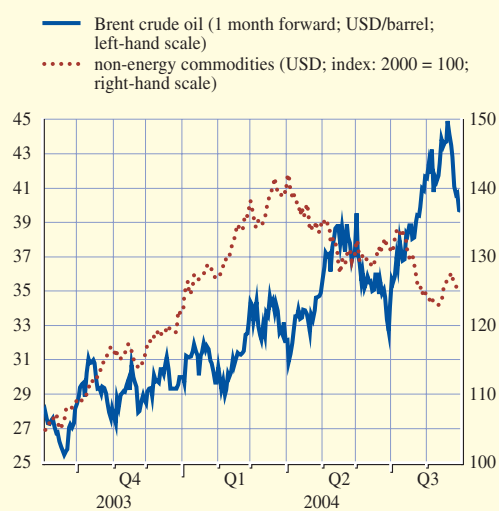
## 1.2 COMMODITY MARKETS

Oil prices soared to all-time highs in August 2004, pushed by a combination of buoyant demand, supply-side concerns and limited spare capacity, before subsiding somewhat towards the end of the month. World demand for oil is proving to be stronger than previously expected, led by soaring demand from Asia and the United States. Despite rising supplies of oil, supply-side concerns have pressured prices on the upside. These concerns related mostly to the threat of attacks on the oil

infrastructure of key Middle Eastern producers, political tensions in Nigeria and Venezuela, and a dispute between the Russian government and Russia's largest oil producer. In addition, as most producers are currently producing at near capacity, global spare capacity has shrunk considerably, leaving only a very limited cushion in the event of unexpected oil market disruptions. Nevertheless, the current level of oil prices contains a sizeable "premium" that cannot be accounted for by the tightness in oil market fundamentals. The price of Brent crude oil stood at USD 39.68 (€32.76) on 31 August (see Chart 2). Market participants expect oil prices to remain high throughout the remainder of the year.

Prices of non-energy commodities have eased over recent months after having reached their highest levels in many years at the beginning of April 2004. Nevertheless, in US dollar terms, non-energy commodity prices in July 2004 were 27.4% higher than a year earlier.

**Chart 2 Main developments in commodity markets**



Sources: Datastream and HWWA.

### 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The medium-term outlook for global activity outside the euro area continues to be favourable, despite the rise in commodity prices and continued geopolitical uncertainty. Overall, financial conditions remain broadly supportive to the expansion. Moreover, confidence indicators in main trading partners, related to both consumer and business, still post high levels, indicating a firm pace of activity in the coming months. The high level of oil prices, if sustained, pose however a downside risk to the strength of the recovery.

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

M3 growth has fallen significantly since the summer of 2003, driven by the unwinding of past portfolio shifts into monetary assets. However, the shorter-term dynamics of M3 have strengthened again in recent months as the most liquid components of M3, contained in the narrow aggregate M1, have grown rapidly. This rapid growth of M1 reflects the fact that the low level of interest rates is stimulating demand for liquid assets. The low level of interest rates has also contributed to the strengthening of the annual growth rate of MFI loans to the private sector. Demand for loans for house purchases has been particularly buoyant. Moreover, demand for loans on the part of non-financial corporations has also recovered, albeit from lower initial rates of growth. Overall, the monetary analysis calls for vigilance with regard to the materialisation of upward risks to price stability.

#### THE BROAD MONETARY AGGREGATE M3

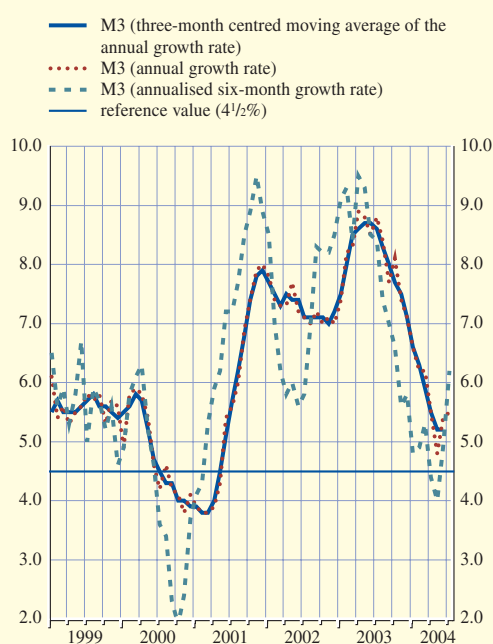
The annual rate of growth of M3 increased slightly to 5.5% in July 2004, from 5.4% in the previous month. Following the significant fall in monetary growth observed since mid-2003 (see Chart 3), the shorter-term dynamics of M3 have strengthened again over the past few months. For example, the six-month annualised rate of growth of M3 was 6.5% in July 2004, significantly higher than in April, when it was around 4.5%.

Recent data indicate that monetary dynamics have been driven by two opposing forces. On the one hand, the normalisation in the portfolio allocation behaviour of euro area households and firms seems to have continued over recent months. Following the extraordinarily strong preference for liquidity observed between 2001 and 2003, euro area residents have, since early 2003, resumed investment in longer-term assets, such as equity, as the exceptional financial market uncertainty has receded. This factor tends to dampen M3 growth, even though the available evidence indicates that investors may be acting more cautiously than in the past in their reallocation of portfolios in favour of riskier assets. This caution is probably due in part to the large capital losses experienced in the stock market between 2000 and 2003.

On the other hand, M3 growth continues to be stimulated by the low level of interest rates in the euro area. The low opportunity cost of holding very liquid assets is fostering demand for money, especially for the instruments included in the narrow monetary aggregate M1. In addition, precautionary demand for money seems to be remaining fairly strong in an environment of relatively low consumer confidence.

Chart 3 M3 growth and the reference value

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



Source: ECB.



Reflecting the recent trends in M3 growth, accumulated excess liquidity stemming from past portfolio shifts remains substantial. There is significantly more liquidity in the euro area than is needed to finance non-inflationary growth. This is shown by developments in measures of the nominal and real money gaps, which reflect the cumulative deviation of M3 growth from its reference value since the beginning of 1999.<sup>1</sup> Although these measures have stabilised over recent quarters (see Chart 4), they have remained at relatively high levels. While the absolute level of these measures should be interpreted with some caution, since it depends to a large extent on the choice of base period, these measures do indicate the existence of substantial excess liquidity in the euro area.

#### MAIN COMPONENTS OF M3

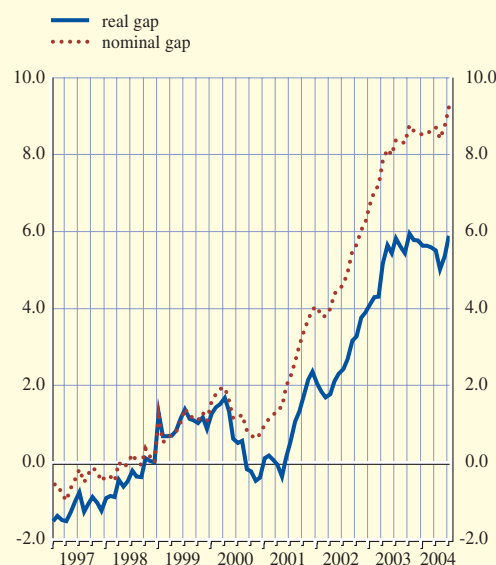
The overall decline in M3 growth observed since the middle of 2003 reflects a moderation in all its main components. However, recent months have seen a revival in demand for the very liquid assets included in the narrow monetary aggregate M1. The annual rate of growth of M1 increased to 10.1% in July, from 9.6% in the previous month (see Table 1). The strong growth of M1 is being driven by rapid increases in the holdings of both its components, namely currency in circulation and overnight deposits. Although the annual growth rate of currency in circulation has moderated somewhat in recent months, it has nevertheless remained very high in absolute terms (standing at 21.6% in the second quarter of 2004). This reflects the continued rebuilding of currency holdings by euro area residents after the euro cash changeover and strong demand for euro banknotes from outside the euro area. As regards overnight deposits, demand has continued to be supported by the very low opportunity costs of holding these liquid instruments resulting from the historically low level of nominal interest rates in the euro area. It is interesting to note that the sectoral breakdown of the holdings of these deposits suggests that the revival in demand for these assets observed in recent months may have been driven mainly by non-financial corporations, whereas the annual growth rate of overnight deposits held by households has remained fairly stable since mid-2003 (see Chart 5). The relatively buoyant demand for overnight deposits on the part of non-financial corporations might suggest the accumulation of internal funds at a time of improving corporate profitability.

The annual rate of growth of short-term deposits other than overnight deposits has stabilised at a relatively subdued level in recent months, standing at 1.7% in July. The stability of the annual growth rate of the aggregate masks a reduction in the annual rate of decline of deposits with an agreed maturity of up to and including two years and a fall in the annual rate of increase of deposits

<sup>1</sup> The measure of the nominal money gap shown in the chart is the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period). The measure of the real money gap is the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, again using December 1998 as the base period.

**Chart 4 Estimates of the nominal and real money gaps**

(as percentages of the stock of M3; adjusted for seasonal and calendar effects)



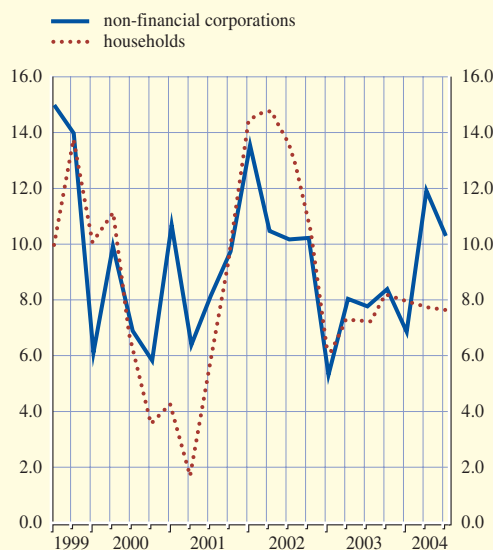
Source: ECB.  
Note: For details, see footnote 1 below.

redeemable at notice of up to and including three months. A major factor in the subdued growth of demand for these instruments appears to be their relatively low remuneration, which makes them less attractive, especially compared with the more liquid overnight deposits.

The annual rate of growth of marketable instruments included in M3 has fallen sharply since mid-2003. In July 2004 the annual rate of growth of holdings of these assets stood at 2.9%, down from 3.6% in the previous month. This behaviour obscured different developments in the sub-components of this aggregate. Notably, the annual rate of growth of money market fund shares and units remained on a clear downward trend, falling to 3.3% in July, from 4.5% in June and 8.6% in the first quarter of this year. The dwindling demand for these safe but low-return assets, which are often held by households as a safe means of saving in times of economic and financial uncertainty, indicates the ongoing normalisation of the portfolio allocation behaviour of euro area households and firms. By contrast, the annual rate of growth of debt securities with maturities of up to and including two years and the annual rate of growth of repurchase agreements turned positive in June and July, having been largely negative previously. However, these latter components are typically somewhat volatile.

Chart 5 Annual rates of growth of overnight deposits by sector

(non-seasonally adjusted data)



Source: ECB.

Table I Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates						
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 June	2004 July
<b>M1</b>	<b>44.6</b>	<b>11.3</b>	<b>11.4</b>	<b>11.0</b>	<b>11.1</b>	<b>10.2</b>	<b>9.6</b>	<b>10.1</b>
Currency in circulation	6.7	35.7	29.6	26.5	24.0	21.6	21.1	20.0
Overnight deposits	37.9	8.2	8.9	8.8	9.1	8.5	7.7	8.6
<b>M2 - M1 (= other short-term deposits)</b>	<b>40.8</b>	<b>5.7</b>	<b>5.8</b>	<b>4.9</b>	<b>3.3</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
Deposits with an agreed maturity of up to and including two years	15.7	0.2	-1.3	-2.9	-4.4	-7.0	-6.8	-6.3
Deposits redeemable at notice of up to and including three months	25.1	10.1	11.6	11.1	9.2	8.1	8.0	7.4
<b>M2</b>	<b>85.3</b>	<b>8.4</b>	<b>8.6</b>	<b>7.9</b>	<b>7.2</b>	<b>6.0</b>	<b>5.7</b>	<b>5.9</b>
<b>M3 - M2 (= marketable instruments)</b>	<b>14.7</b>	<b>10.3</b>	<b>7.6</b>	<b>6.0</b>	<b>2.4</b>	<b>1.9</b>	<b>3.6</b>	<b>2.9</b>
<b>M3</b>	<b>100.0</b>	<b>8.7</b>	<b>8.4</b>	<b>7.6</b>	<b>6.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>
<b>Credit to euro area residents</b>	<b>169.6</b>	<b>4.8</b>	<b>5.3</b>	<b>5.9</b>	<b>5.8</b>	<b>6.0</b>	<b>6.5</b>	<b>6.3</b>
Credit to general government	36.7	3.4	4.8	6.6	6.1	6.5	7.6	6.4
Loans to general government	13.4	-0.4	1.0	1.5	1.2	2.2	2.6	2.5
Credit to the private sector	132.9	5.2	5.5	5.7	5.7	5.9	6.2	6.3
Loans to the private sector	115.6	4.7	4.9	5.3	5.4	5.6	6.0	6.2
<b>Longer-term financial liabilities (excluding capital and reserves)</b>	<b>52.1</b>	<b>5.6</b>	<b>5.8</b>	<b>6.7</b>	<b>7.4</b>	<b>8.4</b>	<b>8.6</b>	<b>8.6</b>

Source: ECB.

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

### MAIN COUNTERPARTS OF M3

The annual growth rate of MFI loans to the private sector has been on a slight upward trend in recent months and stood at 6.2% in July, up from 6.0% in the previous month and 5.4% in the first quarter of 2004 (see Table 1). The pick-up in loans to the private sector is also confirmed by looking at the shorter-term dynamics of this aggregate. For example, the six-month annualised growth rate was close to 7% in July, higher than in previous months.

The stronger growth of loans to the private sector reflects increases in the annual growth rates of MFI loans to both households and non-financial corporations, albeit from different starting points (see Table 2). The annual rate of growth of loans to households has increased in recent months from what was already a relatively high level, standing at 7.3% in July, compared with 6.6% in the first quarter of 2004. The strength of household borrowing has been due mainly to strong demand for lending for house purchases, which has in turn benefited from the low level of mortgage lending rates in the euro area. This buoyant mortgage lending is associated with strong housing market dynamics in some euro area countries (see Box 5, entitled “Recent trends in residential property prices in the euro area and across euro area countries”). In this respect, strong credit growth might itself become a driver of higher real estate prices in these countries (see Box 1, entitled “The link between asset prices and monetary developments”).

The annual rate of growth of bank lending to non-financial firms has remained subdued in comparison with that of lending to households, but has nevertheless shown a tendency to rise in recent months (the annual rate of growth was 4.3% in July, up from 3.3% in the first quarter of this year). It appears that demand for bank loans on the part of non-financial corporations may be recovering, on account of the improved macroeconomic outlook and the prevailing low level of bank lending rates. This interpretation was supported by the Eurosystem’s July 2004 bank lending survey for the euro area.<sup>2</sup> The annual rate of growth of loans to other sectors (insurance corporations and pension funds, and non-monetary financial intermediaries) also remained high in July.

**Table 2 MFI loans to the private sector**

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

	Outstanding amount as a percentage of total <sup>1)</sup>	Annual growth rates					
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 June	2004 July
<b>Non-financial corporations</b>	<b>42.1</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>3.3</b>	<b>4.0</b>	<b>4.3</b>
Up to one year	31.0	0.5	-0.9	-0.8	-2.5	-2.0	-1.1
Over one and up to five years	17.4	2.5	4.5	3.1	3.8	6.4	5.9
Over five years	51.6	6.3	6.5	6.6	6.9	7.1	7.2
<b>Households <sup>2)</sup></b>	<b>50.2</b>	<b>5.5</b>	<b>5.8</b>	<b>6.4</b>	<b>6.6</b>	<b>7.2</b>	<b>7.3</b>
Consumer credit <sup>3)</sup>	13.6	3.5	3.0	2.9	4.4	5.5	5.4
Lending for house purchase <sup>3)</sup>	67.5	7.2	7.4	8.1	8.4	9.0	9.2
Other lending	18.9	1.4	2.4	3.2	2.3	2.3	2.4
<b>Insurance corporations and pension funds</b>	<b>0.8</b>	<b>5.0</b>	<b>10.5</b>	<b>13.1</b>	<b>9.4</b>	<b>18.8</b>	<b>16.2</b>
<b>Other non-monetary financial intermediaries</b>	<b>6.9</b>	<b>3.5</b>	<b>5.9</b>	<b>11.7</b>	<b>9.0</b>	<b>8.8</b>	<b>9.1</b>

Source: ECB.

Notes: MFI sector including Eurosystem; sectoral classification based on the ESA 95. For further details, see footnote 2 to Table 2.4 in the “Euro area statistics” section and the relevant technical notes.

1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.

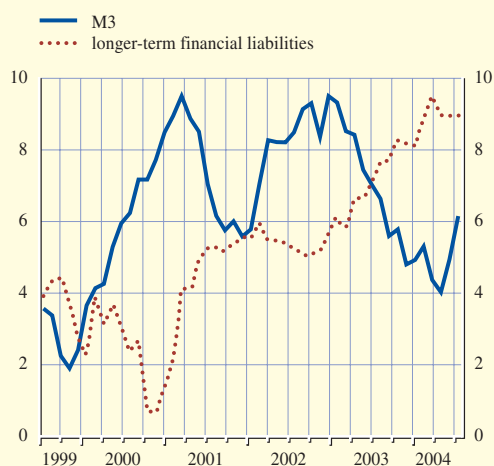
2) As defined in the ESA 95.

3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

<sup>2</sup> See Box 1 in the August 2004 issue of the ECB’s Monthly Bulletin, entitled “The results of the July 2004 bank lending survey for the euro area”.

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

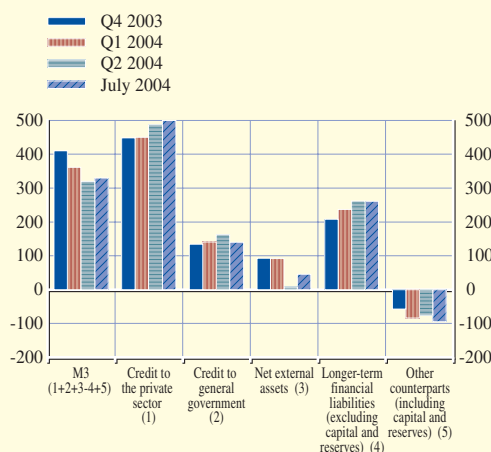
(annualised six-month percentage changes)



Source: ECB.

**Chart 7 Movements in M3 and its counterparts**

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



Source: ECB.

The annual rate of growth of credit to general government remained relatively high in July, at 6.4%, partly reflecting increased public borrowing requirements in some euro area countries. Overall, the annual growth rate of total MFI credit to euro area residents was 6.3% in July.

Among the other counterparts of M3, the annual growth rate of longer-term financial liabilities (excluding capital and reserves) has stabilised at relatively high levels in recent months, having increased in the second half of 2003 and the first few months of this year. Euro area investors' increased interest in these instruments supports the view that a portfolio readjustment from monetary towards longer-term assets is taking place (see Chart 6) and thus provides further evidence of a gradual shift towards more normal portfolio allocation behaviour among households and firms.

Finally, the annual increase in MFI net external assets was relatively small in absolute terms in the 12 months to July, following the downward trend observed since the second half of 2003 (see Chart 7). As developments in MFI net external assets reflect transactions between euro area and non-euro area residents that are settled via the euro area MFI sector, this evidence suggests a renewed interest in foreign equity and bonds on the part of euro area households and firms. It therefore constitutes a further indication of a normalisation of portfolio allocation behaviour involving portfolio shifts away from monetary assets.

Summarising the information from the counterparts of M3, on the one hand, the stronger expansion of MFI longer-term financial liabilities (excluding capital and reserves) and the decline in the annual flow of net external assets both suggest a portfolio reallocation in favour of non-monetary assets, thereby dampening M3 growth. On the other hand, the relatively robust expansion of MFI credit to euro area residents, driven by the low level of interest rates, continues to have a strong positive impact on M3 growth. Overall, while the former effect dominated over the first half of 2004, in recent months the latter, stimulating effect on M3 has prevailed.

## GENERAL ASSESSMENT OF LIQUIDITY CONDITIONS IN THE EURO AREA

Given the slow nature of the readjustment of past portfolio shifts, there remains significantly more liquidity in the euro area than is needed to finance non-inflationary economic growth. While monetary dynamics continue to be influenced by the unwinding of past portfolio shifts, it appears that M3 growth is increasingly being driven by the low level of interest rates. If significant parts of these liquid holdings were to be transformed into transaction balances, particularly at a time when confidence and economic activity were strengthening, inflationary risks would rise. The monetary analysis therefore supports the case for vigilance with regard to the materialisation of risks to price stability. In addition, substantial excess liquidity and robust credit growth could give rise to strong asset price increases.

### Box 1

#### THE LINK BETWEEN ASSET PRICES AND MONETARY DEVELOPMENTS

At least since the Great Depression of the 1930s, economists and policy-makers have been aware of the potentially damaging effects of large fluctuations in asset prices, such as equity and property prices, on overall economic performance. The experience of Japan in the 1990s has confirmed that, in some circumstances, boom and bust cycles in asset prices can be very damaging, as they may lead to financial and, ultimately, macroeconomic instability.

From the point of view of monetary policy, boom and bust cycles in asset prices pose a significant challenge. In particular, it is important for central banks to be able to identify the underlying sources of asset price changes in order to calibrate the appropriate policy response.<sup>1</sup> More specifically, it is important to distinguish between asset price changes driven by changes in current and expected future “fundamentals” (e.g. enhanced profits and productivity growth, which would justify an increase in equity prices) and changes driven by deviations from those fundamentals (e.g. overly optimistic expectations of future equity price developments).<sup>2</sup> The latter case is often referred to as an “asset price bubble”. The eventual bursting of such bubbles can be destabilising for the financial system and the real economy. At the same time, on a practical level, it is also recognised that distinguishing between fundamental and non-fundamental sources of asset price movements in real time is an extremely difficult task, as estimates of the equilibrium value of asset prices are usually surrounded by a high degree of uncertainty.

In this respect, however, several studies have shown that the analysis of monetary and credit developments may be very useful. As was pointed out long ago by pioneering studies on the topic,<sup>3</sup> boom and bust cycles in asset markets have historically been strongly associated with large movements in monetary and credit aggregates. There are several reasons why monetary and asset price developments tend to be positively correlated. One reason is that both sets of variables may react in the same way to monetary policy or cyclical shocks to the economy. For example, strong money and credit growth may be indicative of an excessively lax monetary policy and this may fuel price developments in the asset markets. Moreover, self-reinforcing

1 See, for instance, F. Smets (1997), *Financial assets and monetary policy: Theory and evidence*, BIS Working Paper No 47 and B. Dupor (2002), “Comment on monetary policy and asset prices”, *Journal of Monetary Economics*, 49(1), pp. 99-106.

2 For a more detailed discussion of this issue, see the article entitled “The stock market and monetary policy” in the February 2002 issue of the ECB’s Monthly Bulletin, pp. 38-51. See also the proceedings of the ECB Workshop on “Asset prices and monetary policy”, 11-12 December 2003 (<http://www.ecb.int>).

3 See, for instance, I. Fisher (1932), *Booms and depressions*, New York, Adelphi, and C. Kindleberger (1978), *Manias, panics and crashes: A history of financial crises*, New York, J. Wiley & Sons, Inc.

mechanisms can be at work. For example, the value of collateral increases during asset price booms, permitting a further extension of credit for investment by the banking system, which may reinforce the increase in asset prices. The opposite mechanism can be observed during asset price downturns.

Recently, a number of studies have confirmed that it is useful to look at monetary and credit developments as early indicators of the building-up of financial imbalances and/or to assess the possible consequences of sharp asset price movements. In particular, a recent BIS study analyses the performance of various indicators in predicting episodes of financial crises in 34 countries since the 1970s.<sup>4</sup> The analysis suggests that measures of credit gaps (deviations of the ratio of credit to GDP from historical trends above a certain threshold) are the best leading indicators of future financial distress. The study also shows that the performance of these indicators can be further improved if combined with measures of other financial imbalances, such as asset price and investment gaps. A recent study by ECB staff reviews evidence on episodes of asset price booms since the 1970s for 18 OECD countries.<sup>5</sup> It distinguishes high from low-cost booms, depending on the post-boom growth performance of the economy. According to this analysis, one of the few robust and significant differences between high and low-cost booms seems to be the presence of higher than average pre-boom real money growth and higher than average real credit growth in the first years of the boom for high-cost episodes.

Various authors have analysed past episodes of asset price booms and busts which, with hindsight, are regarded as having involved substantial monetary policy mistakes. The evidence suggests that monetary aggregates would have provided useful information on the appropriate monetary policy stance, over and above standard benchmarks such as those provided by simple Taylor rules.<sup>6</sup> Moreover, it has been found that, following the bursting of a bubble, monitoring monetary aggregates is sometimes of key importance for avoiding major deflationary risks.<sup>7</sup>

The evidence that money and credit indicators may provide useful information for the development of asset price misalignments and financial instability is one of the reasons for assigning a prominent role to monetary analysis in the ECB's monetary policy strategy. At the same time, as emphasised by the economic literature on the subject, the relationship between asset prices, money and credit is complex and possibly changing over time. For example, particularly at times of high financial turbulence and uncertainty, substitution effects from money to asset prices can be substantial, as the experience in the euro area in the period between 2001 and 2003 indicates. Therefore, no mechanical link between monetary and asset price developments can be assumed. Rather the central bank has to carefully analyse all factors involved, in particular the overall balance sheet conditions of the financial sector, households and firms, and interpret the nature of movements in money and credit.

4 See C. Borio and P. Lowe (2002), *Asset prices, financial and monetary stability: Exploring the nexus*, BIS Working Paper No 114, and the subsequent paper by C. Borio and P. Lowe (2004), *Securing sustainable price stability: Should credit come back from the wilderness?*, BIS Working Paper No 157.

5 See C. Detken and F. Smets (2004), *Asset price booms and monetary policy*, ECB Working Paper No 364.

6 See B. McCallum (1999), "Recent developments in the analysis of monetary policy rules", in *Review*, Federal Reserve Bank of St. Louis, Volume 81, No 6; A. H. Meltzer (2001), "Money and monetary policy: An essay in honor of Darryl Francis", in *Review*, Federal Reserve Bank of St. Louis, Volume 83, No 5; and O. Issing (2002), "Monetary policy in a changing environment", contribution to the symposium on "Rethinking stabilization policy" hosted by the Federal Reserve Bank of Kansas City (Jackson Hole, August 2002).

7 See, for instance, M. Bordo and A. Filardo (2004), "Deflation in a historical perspective", paper presented at the conference "Understanding low inflation and deflation" in Brunnen, Switzerland, 18-19 June 2004, and L. Christiano, R. Motto and M. Rostagno (2003), "The Great Depression and the Friedman-Schwartz hypothesis", *Journal of Money, Credit and Banking*, 35(6), pp. 1119-1197.

## 2.2 SECURITIES ISSUANCE

The annual rate of growth of debt securities issued by euro area residents increased slightly in the second quarter of 2004. Underlying this development was an increase in the annual rate of growth of debt securities issued by MFIs, which was offset by a significant decline in the annual growth rate of debt securities issued by non-financial corporations. During the same quarter, the annual growth rate of quoted shares issued by euro area residents remained broadly unchanged at a subdued level.

### DEBT SECURITIES

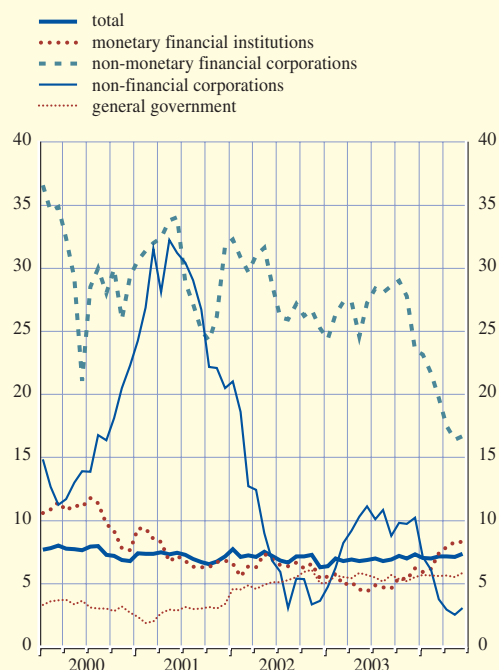
The annual rate of growth of debt securities issued by euro area residents increased slightly to 7.2% in the second quarter of 2004 (see Chart 8). The annual growth rate of short-term debt securities issuance continued to decline, falling from 3.7% in the first quarter of 2004 to 1.6% in the second quarter. At the same time, the annual rate of growth of long-term debt securities issuance remained robust at 7.8%. Issuers seem to have lengthened the average maturity of their debt over recent months to take advantage of the still favourable long-term financing conditions, despite the relatively wide differential between long and short-term interest rates, and possibly reflecting expectations of higher interest rates in the future.

Turning to the sectoral breakdown, the annual growth rate of debt securities issued by MFIs increased by 1.7 percentage points to 8.0% in the second quarter of 2004 (see Table 3). The upward trend in MFIs' debt securities issuance observed in the first half of 2004 may reflect the improved financing and credit conditions for MFIs, as for example reflected in a rising number of credit rating upgrades with respect to this sector.

The annual growth rate of debt securities issued by the non-MFI corporate sector, which includes non-monetary financial corporations and non-financial corporations, decreased by 4.2 percentage points to 10.3% in the second quarter of 2004. Underlying this decline was a significant 3.7 percentage point decrease in the annual growth rate of debt securities issued by non-financial corporations to 3.0% in the same period. The debt securities issuance activity of non-financial corporations in the first half of 2004 was thus considerably lower than the average annual growth rate of 8.9% in 2003, which partly reflected increased internal financing and continued debt restructuring efforts by euro area companies (see also Section 2.4). As regards securities issued by non-monetary financial corporations, the annual growth rate decreased by 4.7 percentage points

Chart 8 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)



Source: ECB.

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

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (€ billion) 2004 Q2	Annual growth rates <sup>1)</sup>				
		2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
<b>Debt securities:</b>	<b>9,172</b>	<b>6.8</b>	<b>6.9</b>	<b>7.1</b>	<b>7.1</b>	<b>7.2</b>
MFIs	3,477	4.8	4.7	5.4	6.3	8.0
Non-monetary financial corporations	719	26.4	28.1	27.6	22.1	17.4
Non-financial corporations	602	9.7	10.3	9.7	6.7	3.0
General government	4,373	5.6	5.4	5.4	5.6	5.6
<i>of which:</i>						
Central government	4,135	4.7	4.7	4.6	4.9	5.0
Other general government	238	29.4	22.8	22.4	21.4	18.4
<b>Quoted shares:</b>	<b>3,770</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.1</b>
MFIs	583	0.8	0.8	1.3	1.9	2.3
Non-monetary financial corporations	358	1.6	2.1	2.4	3.1	1.7
Non-financial corporations	2,829	1.0	1.0	0.9	0.9	0.8

Source: ECB.

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

to 17.4% in the second quarter of 2004, a still high level partly reflecting indirect debt issuance by non-financial corporations via financial subsidiaries and special purpose vehicles as well as strong securitisation activity (in particular by MFIs). More recently, in June, a slight pick-up in net issuance of debt securities by non-monetary financial corporations was observed.

Regarding the government sector, the annual growth rate of debt securities issued by the general government remained unchanged at 5.6% in the second quarter of 2004. The annual growth rate of debt securities issued by the central government sector increased marginally to 5.0% in the second quarter of 2004, while the annual growth rate of debt securities issued by other parts of general government, which mainly include state and local governments, decreased somewhat but remained high at 18.4%.

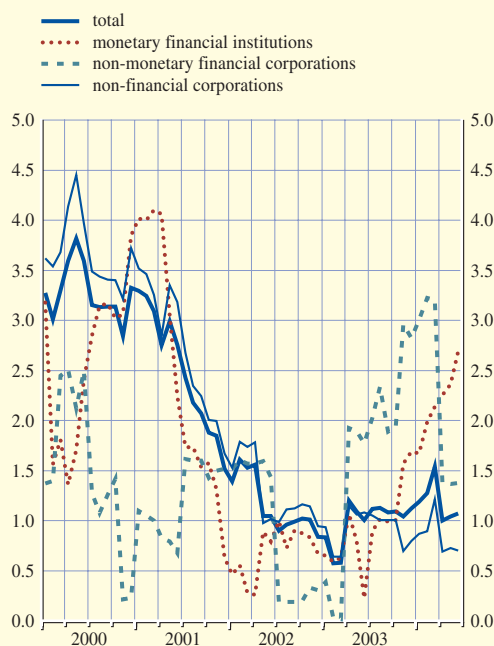
### QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained at a very low level, decreasing slightly from 1.3% in the first quarter of 2004 to 1.1% in the second quarter (see Chart 9 and Table 3). Underlying this development was a further weakening of growth in quoted shares issued by non-financial corporations in the second quarter of 2004 to 0.8% year on year. By contrast, the annual growth rate of quoted shares issued by MFIs increased by 0.4 percentage point to 2.3% in the second quarter of 2004, continuing an upward trend that started in the first quarter of 2003. This may partly reflect the fact that some MFIs are trying to strengthen further their capital base and are taking advantage of their ability to tap the capital markets. Finally, the annual growth rate of quoted shares issued by non-monetary financial corporations, including insurance corporations, decreased by 1.4 percentage points to 1.7% in the second quarter of 2004. The overall subdued activity in the primary equity market in recent quarters may be due to the still relatively high cost of equity as well as the currently limited financing needs of the corporate sector. Despite the relatively difficult conditions in the primary equity market at present, anecdotal evidence points to a slight pick-up in public offerings in very recent months.



**Chart 9 Sectoral breakdown of quoted shares issued by euro area residents**

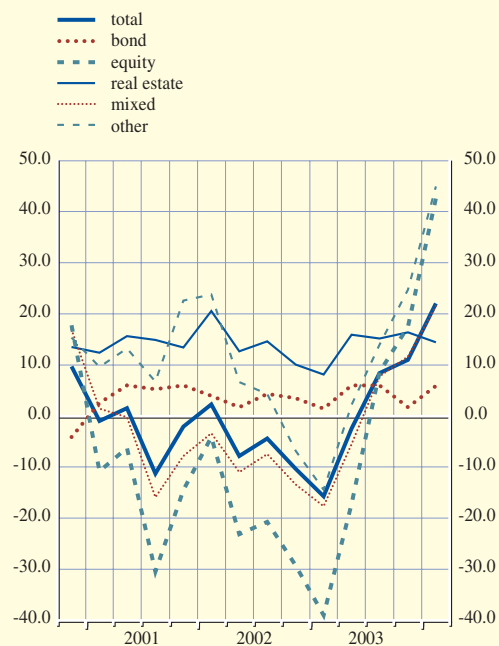
(annual growth rates)



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

**Chart 10 Total assets of investment funds (by investment policy)**

(annual percentage changes)



Source: ECB.

## 2.3 INSTITUTIONAL INVESTORS

*Data on financial investment by investment funds, insurance corporations and pension funds in the first quarter of 2004 confirm that institutional investors' interest in equities continues to increase gradually.*

### INVESTMENT FUNDS

The annual rate of change in the value of the total assets of euro area investment funds continued to increase in the first quarter of 2004, reaching 22%, compared with 11% in the last quarter of 2003 (see Chart 10). Underlying this development was an increase in the annual rate of change in the value of total assets held by all types of funds, with the exception of real estate funds, for which the annual rate of change was 14% in the first quarter of 2004, compared with 16% in the last quarter of 2003. There was a further strong increase in the annual rate of change in the value of total assets held by equity funds, which rose from 17% in the last quarter of 2003 to 43% in the first quarter of 2004. Furthermore, there was an increase in the annual rate of change in the value of total assets held by bond funds, to 6%, from 2% in the last quarter of 2003.

The increase in the Dow Jones EURO STOXX Broad Index in the first quarter of 2004 largely explains the increased annual rate of change in the value of total assets held by equity funds, since these changes include valuation effects.

## INSURANCE CORPORATIONS AND PENSION FUNDS

The annual growth rate of the financial investment of insurance corporations and pension funds (ICPFs) in the euro area increased to 6.9% in the first quarter of 2004, from 6.1% in the last quarter of 2003. Underlying this was an increase in the annual rate of growth of loans granted by ICPFs and, in particular, a higher annual rate of growth of the acquisition of quoted shares. The latter development reinforces the gradual upward trend in the acquisition of quoted shares observed since the first quarter of 2003 (see Chart 11).

## 2.4 FINANCING AND FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

*The rate of growth of financing of the non-financial sector decreased in the first quarter of 2004 and is estimated to have remained broadly stable in the second quarter. As regards sectoral developments, the financing of non-financial corporations has remained subdued in recent quarters, possibly reflecting ongoing debt restructuring efforts and higher internal savings. By contrast, the annual growth rate of financing of households in the euro area has increased further, from what was already a high level, reflecting strong demand for loans for house purchases. The growth rate of financing of general government has remained stable at a robust level.*

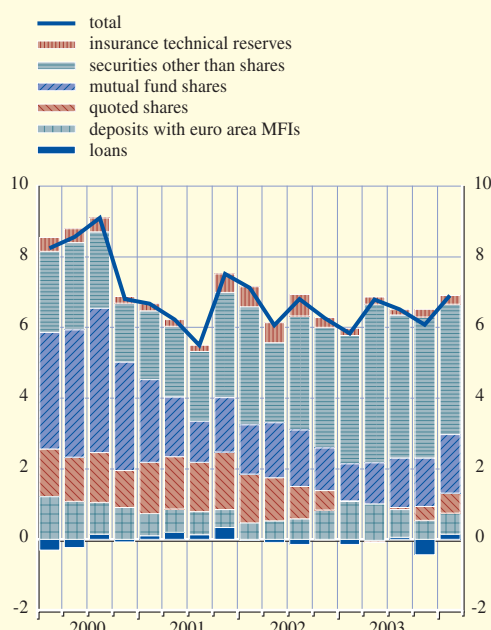
### FINANCING OF THE NON-FINANCIAL SECTOR

In the first quarter of 2004 the annual growth rate of financing of the non-financial sector in the euro area decreased to 4.3%, from 4.8% in the previous quarter. The annual growth rate of debt financing also fell, to 4.8% in the first quarter of 2004, from 5.5% in the last quarter of 2003. On the basis of information derived from money and banking statistics and securities issues statistics, it is estimated that total financing of the non-financial sector grew by 4¼% in the second quarter of 2004, similar to the growth rate seen in the first quarter.

As regards households, the growth of total financing of the households sector remained strong in the first quarter of 2004, mainly reflecting households' robust demand for loans for house purchase. The annual growth rate of total loans to households increased to 7.4% in the first quarter of 2004 (see Table 4), exceeding the annual growth rate of MFI loans to households over the same period. This may reflect the continuing high growth rate of loans by other financial institutions (OFIs) to households in the context of the securitisation of residential mortgages in a number of countries.

Chart 11 Financial investment of insurance corporations and pension funds

(annual growth rates; contributions in percentage points)



Source: ECB.

**Table 4 Financing of the euro area non-financial sector**

	Outstanding amount as a percentage of (sector) financing <sup>1)</sup>	Annual growth rates									
		2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2 <sup>2)</sup>
<b>Non-financial sector</b>	<b>100</b>	<b>4.5</b>	<b>4.1</b>	<b>3.9</b>	<b>3.9</b>	<b>4.4</b>	<b>4.8</b>	<b>5.2</b>	<b>4.8</b>	<b>4.3</b>	<b>4%</b>
<i>of which: long-term financing<sup>3)</sup></i>	85.4	4.7	4.5	4.5	4.1	4.2	4.4	5.0	4.7	4.6	5
Debt financing <sup>4)</sup>	83.2	5.3	5.1	4.6	4.8	5.5	5.8	6.0	5.5	4.8	5
<i>of which: short-term debt financing</i>	14.6	2.9	1.8	0.7	2.3	5.5	7.1	6.3	5.0	2.8	1 ½
<i>of which: long-term debt financing</i>	68.6	5.9	5.8	5.5	5.3	5.5	5.5	5.9	5.6	5.3	5 ½
<b>Households<sup>4),5)</sup></b>	<b>23.1</b>	<b>5.7</b>	<b>6.0</b>	<b>6.1</b>	<b>6.5</b>	<b>6.7</b>	<b>6.5</b>	<b>7.1</b>	<b>7.1</b>	<b>7.4</b>	<b>7%</b>
<i>of which: short-term debt financing</i>	7.2	-0.2	0.7	0.2	0.8	-0.3	-1.6	-1.5	-0.9	0.3	1 ½
<i>of which: long-term debt financing</i>	92.8	6.2	6.5	6.7	7.1	7.3	7.2	7.9	7.8	8.0	8 ½
<b>Non-financial corporations</b>	<b>43.6</b>	<b>4.1</b>	<b>3.3</b>	<b>2.7</b>	<b>2.5</b>	<b>3.0</b>	<b>3.4</b>	<b>3.7</b>	<b>3.0</b>	<b>1.8</b>	<b>1%</b>
<i>of which: long-term financing</i>	81.8	4.9	4.7	4.2	3.5	3.4	3.3	3.9	3.4	2.5	2
Debt financing <sup>4)</sup>	61.5	6.4	5.5	3.8	4.0	5.1	5.2	5.1	4.2	2.2	2
<i>of which: short-term debt financing</i>	18.2	0.6	-2.9	-3.8	-2.2	0.9	3.9	3.0	1.5	-0.9	-½
<i>of which: long-term debt financing</i>	43.3	9.3	9.7	7.5	7.0	7.0	5.8	6.1	5.4	3.6	3 ¼
<i>of which: loans</i>	49.5	5.2	5.1	3.2	3.9	4.6	4.3	4.4	3.2	1.6	1 ½
<i>of which: securities other than shares</i>	8.1	15.6	8.9	6.8	4.1	8.0	11.3	9.4	10.0	4.2	4
<i>of which: pension fund reserves</i>	3.9	4.6	4.6	4.9	5.3	5.6	5.9	6.0	6.2	6.1	6
Quoted shares	38.5	1.7	0.9	1.2	0.7	0.4	0.8	0.9	0.8	1.0	½
<b>General government<sup>4)</sup></b>	<b>33.3</b>	<b>4.2</b>	<b>4.0</b>	<b>4.3</b>	<b>4.2</b>	<b>5.0</b>	<b>5.8</b>	<b>5.9</b>	<b>5.4</b>	<b>5.3</b>	<b>5%</b>
<i>of which: short-term debt financing</i>	15.1	9.0	12.3	10.4	11.9	17.1	16.3	15.6	13.4	9.8	5 ½
<i>of which: long-term debt financing</i>	84.9	3.5	2.8	3.4	3.0	3.1	4.0	4.3	4.1	4.5	6
<i>of which: loans</i>	17.0	0.4	-0.6	-0.8	-1.9	-1.5	0.8	2.6	3.1	3.0	3
<i>of which: securities other than shares</i>	79.6	4.6	4.6	5.0	5.2	6.1	6.5	6.2	5.7	5.7	6
<i>of which: central government deposit liabilities</i>	3.4	16.2	15.8	15.8	12.3	14.7	13.4	13.2	8.9	7.5	6%
<b>Debt-to-GDP ratios</b>											
Households		50	50	50	51	51	52	53	53	53	54
Non-financial corporations		62	62	62	62	62	63	63	62	62	62
General government		73	73	74	74	75	76	76	75	77	77
<b>Debt-to-equity ratio of the non-financial corporations</b>		121	142	189	184	210	184	183	166	160	162

Source: ECB.

Note: See also Table 3.2 in the "Euro area statistics" section of the Monthly Bulletin.

1) As at the end of the first quarter of 2004. Short-term and long-term (debt) financing and sector financing as a percentage of financing. Sector short-term and long-term (debt) financing and financing instruments as a percentage of sector financing. Figures may not add up due to rounding.

2) Figures for the most recent quarter shown in the table have been estimated on the basis of transactions reported in money and banking statistics and in securities issues statistics.

3) Long-term financing with an original maturity of over one year includes long-term loans, long-term debt securities issued, quoted shares issued and pension fund reserves of non-financial corporations.

4) Debt financing includes loans, debt securities issued, pension fund reserves of non-financial corporations and deposit liabilities of central government. Short-term debt financing with an original maturity of up to one year includes short-term loans, short-term debt securities issued and deposit liabilities of central government. Long-term debt financing equals long-term financing excluding quoted shares issued.

5) Including non-profit institutions serving households.

More recent information on household lending, i.e. also covering the second quarter of 2004, is available only for loans by the MFI sector (see Table 2). This provides a breakdown of household borrowing according to how the loan is used. These data confirm the continued strong growth of loans for house purchases. They also reveal that the annual growth rate of MFI loans for consumer credit increased to a little more than 5% at the end of the second quarter. The annual growth rate of other lending to households (including loans to unincorporated businesses) broadly stabilised in the first half of 2004.

The increased borrowing by households is reflected in a rising sectoral debt-to-GDP ratio, which stood at 53% in the first quarter of 2004. The estimated debt-to-GDP ratio for the second quarter of 2004 is 54% (see Chart 12). Despite the historically high level of household debt, the low level of interest rates prevailing across the maturity spectrum means that the ratio of households' interest payments to disposable income has not risen and remains well below the levels observed in the early 1990s. However, the pace of debt growth entails an increased repayment burden in the future, which may impinge on income available for spending.

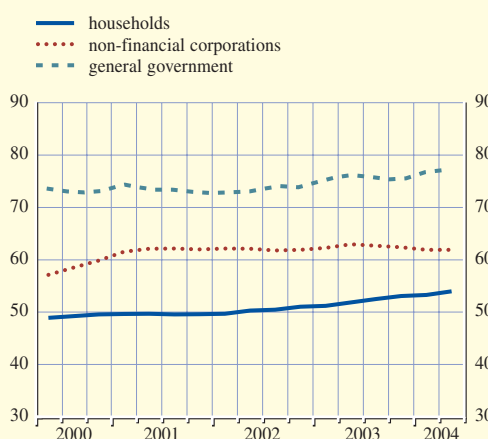
As regards non-financial corporations, the annual growth rate of total financing and debt financing continued to decline in the first quarter of 2004 and is estimated to have stabilised at the relatively low level of around 2% in the second quarter. Underlying the moderation of debt financing in the first half of 2004 were marked declines in both the growth of loans and debt securities issuance. The slowdown in debt financing may reflect not only the fact that some pre-funding for 2004 may have taken place in the second half of 2003, but also the fact that non-financial corporations have been using the higher levels of internal savings observed in recent months, which have resulted from improved earnings, to reduce and restructure the debt overhang accumulated in previous years. In addition, the continuing low levels of mergers and acquisitions activity and the subdued level of fixed capital formation may also have helped to dampen demand for external debt financing. Table 4 also suggests that in recent months some companies may have substituted debt securities issuance with loan financing as banks have adopted more favourable lending policies as regards their credit standards.

Thus far in 2004 equity financing of non-financial corporations has remained at the fairly subdued level observed in the past two years, reflecting the difficult conditions still prevailing on the primary equity market and the general weak demand for external financing among non-financial corporations in the euro area. Nevertheless, considering the current phase of the economic cycle, the growth rate of total non-financial corporate financing does not appear unusually low from a historical perspective. Overall, it is consistent with the picture of an ongoing economic recovery in which companies record rising profits and have not yet started to invest in fixed capital on a large scale.

The debt-to-GDP ratio of non-financial corporations is estimated to have remained stable at a relatively high level in the second quarter of 2004 (see Chart 12). The ratio of debt to corporate earnings (as measured by the operating surplus, which has increased in previous quarters) was also high. In contrast, the debt-to-equity ratio is estimated to have edged up somewhat in the second quarter of 2004, mainly as a result of the weak performance of the stock market during this period (see Table 4).

Chart 12 Ratio of debt to GDP of the non-financial sector

(in percentages)



Source: ECB.

Note: For details, see Table 4. Compared with the annual financial accounts, the ratio of debt to GDP is somewhat lower on the basis of the quarterly financial accounts, mainly because loans granted by non-financial sectors and by banks outside the euro area are not included. The debt-to-GDP ratio of general government differs somewhat from the public debt definition set out in the excessive deficit procedure, owing to differences in valuation, coverage and treatment of accrued interest.

The annual growth rate of debt financing of general government remained broadly stable in the first quarter of 2004, at 5.3%. This robust growth rate reflects the weak budgetary positions of many euro area governments. Following the reliance of governments on short-term funding observed in 2003, some moderation took place in the first quarter of 2004. On the basis of the information available thus far, total financing of the general government sector is estimated to have remained broadly unchanged in the second quarter of 2004, growing at an annual rate of 5½%.

### FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTOR

Data on financial investment by the non-financial sector are available only until the first quarter of 2004. They show an annual growth rate of 4.5% in the first quarter, unchanged from the fourth quarter of 2003 (see Table 5).

The data for the first quarter of 2004 confirm the continued, albeit gradual, reversal of past portfolio shifts, with funds slowly being transferred from liquid monetary assets back into longer-term assets. The annual growth rate of direct investment by the non-financial sector in quoted shares increased in the first quarter of 2004 but remained moderate. In addition, the annual rate of growth of long-term investment in securities other than shares increased in the first quarter of 2004. The financial accounts data therefore support the conclusions drawn on the basis of the monetary analysis.

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

	Outstanding amount as a percentage of financial investment <sup>1)</sup>	Annual growth rates									
		2002 Q1	2002 Q2	2002 Q3	2002 Q4	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
<b>Financial investment</b>	<b>100</b>	<b>4.3</b>	<b>4.2</b>	<b>4.4</b>	<b>3.9</b>	<b>4.3</b>	<b>4.6</b>	<b>4.7</b>	<b>4.5</b>	<b>4.5</b>	.
Currency and deposits	37.9	4.8	4.8	4.7	5.0	5.9	6.4	6.5	5.5	5.4	.
Securities other than shares	12.5	2.0	1.5	2.0	0.9	-0.6	-2.4	-3.4	-2.3	-0.2	.
<i>of which: short-term</i>	1.2	-26.9	-26.6	-15.8	-14.0	-16.1	-14.6	-23.7	-16.4	-4.8	.
<i>of which: long-term</i>	11.3	7.4	5.9	4.7	3.0	1.3	-1.1	-1.0	-0.6	0.3	.
Mutual fund shares	12.4	5.6	6.1	6.3	4.7	5.6	7.1	6.9	6.9	4.6	.
<i>of which: mutual fund shares, excluding money market fund shares</i>	9.7	3.4	4.3	4.5	3.4	4.4	5.8	6.4	6.5	5.5	.
<i>of which: money market fund shares</i>	2.7	21.0	18.1	16.6	12.1	11.9	13.5	9.2	8.4	1.6	.
Quoted shares	12.7	0.5	0.1	-0.1	0.1	0.8	1.3	2.2	2.0	2.2	.
Insurance technical reserves	24.6	7.3	7.2	7.2	6.4	6.4	6.5	6.6	6.7	6.5	.
M3 <sup>2)</sup>		7.3	7.2	7.2	7.0	8.3	8.5	7.7	7.1	5.4	5.4
Annual gains and losses in the holdings of securities by the non-financial sector (as a percentage of GDP)		-2.7	-9.6	-9.0	-13.1	-16.1	-6.2	2.3	2.7	6.1	

Source: ECB.

Note: See also Table 3.1 in the "Euro area statistics" section of the Monthly Bulletin.

1) As at the end of the first quarter of 2004. Figures may not add up due to rounding.

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

## 2.5 MONEY MARKET INTEREST RATES

Longer-term money market interest rates, after rising in the second quarter of 2004, decreased in July and August. As a result, the slope of the money market yield curve has flattened over the past few months.

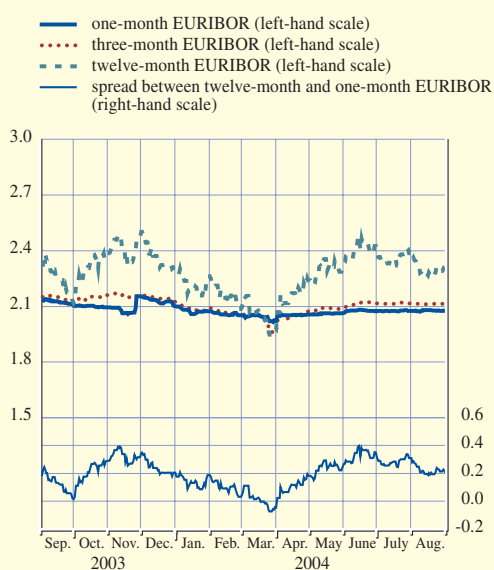
Short-term money market interest rates have remained broadly unchanged over the past few months at levels in line with the 2.0% minimum bid rate in the Eurosystem's main refinancing operations (see Chart 13). In contrast, longer-term money market rates have decreased, after reaching a peak in the second half of June 2004. Consequently, the slope of the money market yield curve has flattened. The spread between the twelve-month and the one-month EURIBOR dropped from 35 basis points at the end of June to 20 basis points on 1 September 2004 (see Chart 13).

The decline in the longer-term money market interest rates was also reflected in developments in the implied three-month EURIBOR futures rates (see Chart 14). The rates implied by three-month EURIBOR futures contracts maturing in December 2004 and March and June 2005 decreased by between 19 and 43 basis points between the end of June and 1 September 2004 to stand at 2.20%, 2.31% and 2.46% respectively. These developments indicate that market participants have revised downwards their expectations regarding the course of short-term interest rates during the remainder of 2004 and early 2005.

The implied volatilities derived from options on the three-month EURIBOR futures rates have declined further over the past few months from what were already low levels at the end of June

Chart 13 Money market interest rates

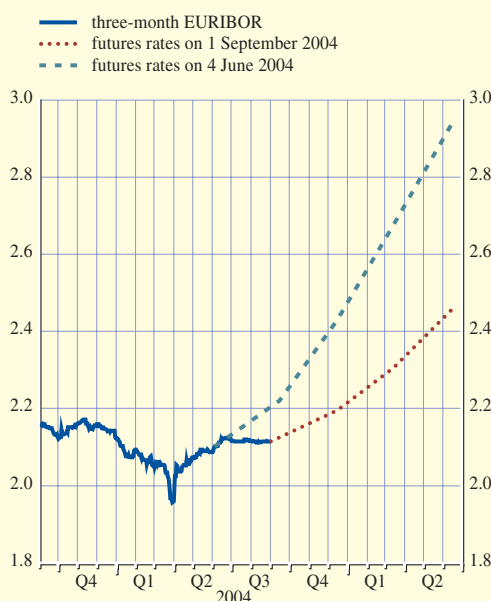
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 14 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)

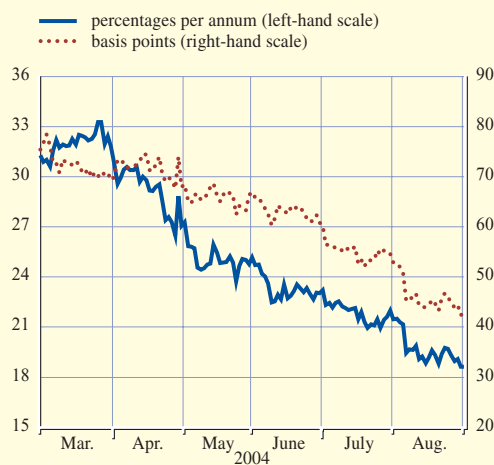


Source: Reuters.

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

**Chart 15 Implied volatilities derived from options on three-month EURIBOR futures maturing in March 2005**

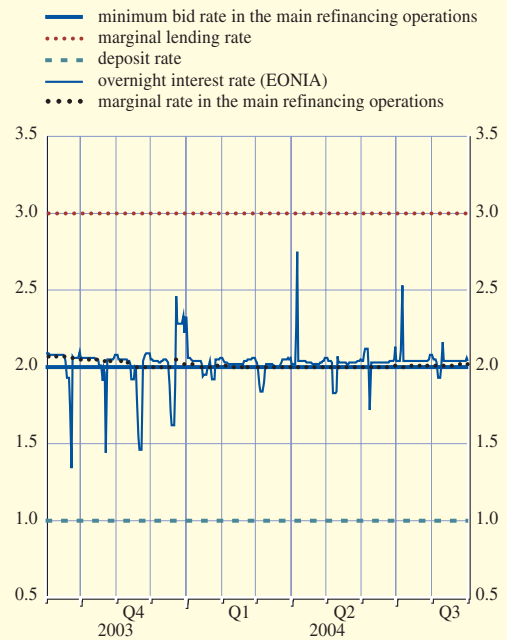
(percentages per annum; basis points; daily data)



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

**Chart 16 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

2004 (see Chart 15). This suggests that uncertainty among market participants with regard to developments in short-term interest rates in the coming months is relatively low at the current juncture.

For most of the period between the end of June and 1 September 2004, liquidity and interest rate conditions at the overnight maturity were very stable (see Chart 16). Over the past three months, the marginal and weighted average rates in the Eurosystem's main refinancing operations have generally been one to two basis points above the minimum bid rate. The EONIA (euro overnight index average) has stood at around 2.04% for most of the time, with the exception of the last few days of the reserve maintenance periods ending on 6 July and 10 August 2004 (see Box 2). In the three longer-term refinancing operations of the Eurosystem settled on 1 July, 29 July and 26 August, the rates were between 3 and 5 basis points below the three-month EURIBOR rates prevailing on those days.

In a monetary union such as the euro area, monetary policy steers the money market interest rates in a uniform manner across participating countries. At the same time, these countries can experience quite different inflation developments. Against this background, Box 3 analyses the issue of the measurement of real interest rates in the euro area.

Box 2

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS FROM 12 MAY TO 10 AUGUST 2004**

This box reviews the ECB's liquidity management during the three reserve maintenance periods ending on 8 June, 6 July and 10 August 2004.

**Liquidity needs of the banking system**

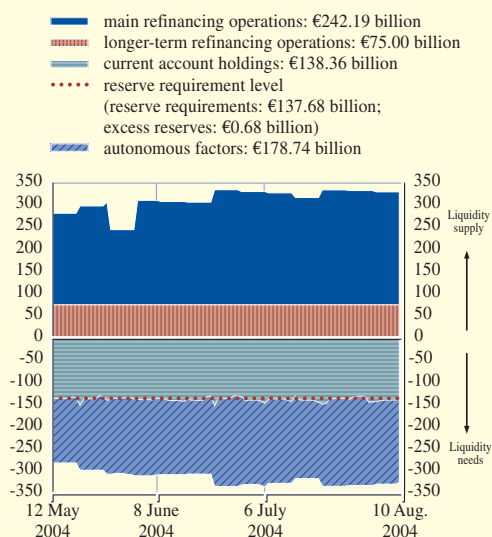
Banks' liquidity needs increased significantly in the period under review (see Chart A). The main contributing factor was the growth in net autonomous factors (i.e. liquidity factors which do not normally stem from the use of monetary policy instruments), which on average absorbed €178.7 billion, the highest level registered since January 1999. This increase was due to the sustained growth in banknotes in circulation, which reached a new historic high of €467.9 billion at the beginning of August. Government deposits were also unusually high during the period under review, reaching €87.5 billion at the end of June, the highest level seen since the beginning of Stage Three of EMU. During the period under review, reserve requirements increased by €4 billion, while excess reserves (i.e. banks' current account holdings in excess of reserve requirements) fluctuated to a limited extent around an average value of €0.68 billion.

**Liquidity supply and interest rates**

In line with growing liquidity demand, the volume of open market operations increased in the period under review (see Chart A). The allotment amount in the main refinancing operation (MRO) settled on 23 June was, at €260 billion, historically high. Counterparties' bid volumes

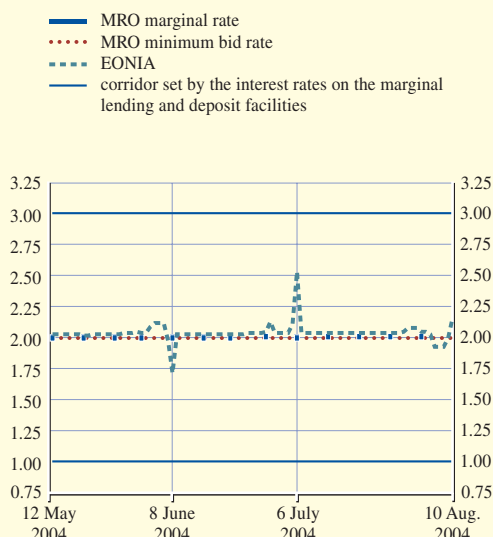
**Chart A Liquidity needs of the banking system and liquidity supply**

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



**Chart B The EONIA and the ECB interest rates**

(daily interest rates in percentages)





adapted smoothly to the increased allotment amounts and the ratio of submitted bids to satisfied bids (the bid-cover ratio) continued to hover around the level of 1.25, which had prevailed since March 2004, when the first MROs with a one-week maturity were carried out. For all the MROs settled during the review period, the difference between the minimum bid rate and the marginal rate and between the marginal rate and the weighted average rate was either zero or one basis point.

The EONIA (euro overnight index average) remained within a narrow range of between 2.03% and 2.05% (see Chart B), with the exception of those days falling at month-end or after the last MRO allotment of a maintenance period. After the last MRO allotments the EONIA was, as usual, more volatile, mainly fluctuating according to market participants' perceptions regarding the evolution of liquidity conditions. After the last MRO of the maintenance period ending on 8 June the EONIA temporarily increased to 2.12%, as market participants perceived the liquidity conditions to be somewhat tight. However, on the last day of that maintenance period the rate declined to 1.72%, as liquidity conditions turned out to be slightly loose, with a net recourse to the deposit facility of €2.1 billion. At the end of the subsequent maintenance period, the EONIA was relatively stable, starting to fluctuate only on the last two days of the period. During these two days the EONIA rose to 2.53% on account of tight liquidity conditions, the period ending with a net recourse to the marginal lending facility of €5.4 billion. Finally, after the last MRO allotment of the maintenance period ending on 10 August the EONIA declined to 1.93% on 6 August 2004, with market participants apparently expecting loose liquidity conditions at the end of the maintenance period. However, somewhat surprisingly, the EONIA rose to 2.16% on the last day of the maintenance period, despite the liquidity conditions actually being loose, with the period ending with a net recourse to the deposit facility of €4.0 billion.

### Box 3

#### MEASURING REAL INTEREST RATES IN THE EURO AREA COUNTRIES

In the euro area, as in other monetary unions, the official interest rate set by the central bank is uniform across countries participating in the union. In addition, in an integrated market such as the euro area, cross-country spreads between homogeneous financial market instruments are typically small. At the same time, inflation differentials across countries or regions may arise, as they are an integral part of the adjustment mechanism resulting from demand and supply shocks in the regions' economies. The combination of the above two factors implies that, at any point in time, the difference between the nominal interest rate and the actual inflation rate may vary across countries. In this respect, it is sometimes argued a) that this divergence implies a difference in "real" interest rates and b) that the resulting difference may be destabilising for the national economies. For example, it is argued that countries experiencing higher than average inflation would also have lower real interest rates, which would in turn fuel domestic demand and reinforce inflationary pressures.

However, these views do not take into account all the underlying factors and may even be misleading for several reasons.

With regard to the differences in real interest rates across countries, there are several measurement issues connected to their calculation that need to be taken into account. The above

argument is made with reference to a measure of real interest rates which is calculated by subtracting the current observed level of inflation from the nominal interest rate. Such an ex post measure is not, however, an accurate measure of the relevant real interest rate that is taken into account by economic agents in their consumption and investment decisions.

Real interest rates are measures of the expected real return on an investment at a given horizon. What matters for consumption and investment are thus ex ante measures of real interest rates, i.e. the difference between market interest rates and expectations for inflation developments over the horizon of the investment. It is clear that, at any point in time in a given country, expectations of future inflation for horizons longer than a few months may differ substantially from current inflation developments. It is also to be expected that in a currency union, where the exchange rate across countries is fixed, inflation expectations, particularly at medium to longer-term horizons, are less dispersed across countries than current inflation developments. This is because significant inflation differentials in a currency union are unlikely to be sustainable as they would imply a permanent loss in competitiveness for some countries. Indeed, only small differences in inflation trends across countries may be sustainable over longer periods of time, notably those related to price level and income convergence and/or Balassa-Samuelson effects.<sup>1</sup> For these reasons, it is rational for consumers and investors not to extrapolate observed “national” inflation (which can be due to various factors) in a mechanical manner into the future.

In fact, there is substantial evidence that Monetary Union has reduced the dispersion of inflation expectations over the medium-term horizon across euro area countries. A problem in calculating ex ante measures of real interest rates is that inflation expectations (at the relevant horizons) cannot easily be measured. Nevertheless, some measures of inflation expectations are available, such as those based on surveys or those derived from bond yields.

For illustration, the table below compares measures of ex post and ex ante real interest rates, the latter being computed using the average of the inflation forecasts (for the consumer price index) over the relevant horizon compiled by Consensus Economics. While Consensus inflation forecasts are available for all euro area countries except Luxembourg over short horizons, they are only available for the five largest euro area countries over longer horizons. Ex ante long-term real interest rates thus cannot be computed on the basis of Consensus Economics forecasts for all euro area countries. For this reason, the long-term real interest rates in the table refer only to these five countries (which represent about 85% of euro area GDP).

As expected, the dispersion across countries of ex ante measures of real interest rates is significantly lower than that of ex post measures. For short-term real interest rates there is a reduction of 27 basis points in the (unweighted) standard deviation (from 0.80 to 0.53) in the period 1999-2004. The reduction is even more accentuated for measures of long-term real interest rates, which are typically more relevant for economic decisions than shorter-term rates. When longer-term expected inflation trends are used in the calculation, there is a reduction of 36 basis points in the standard deviation (from 0.62 to 0.26) over the period 1999-2004. It is also notable that this picture contrasts significantly with the situation in the period 1990-98, when the expected inflation differentials tended to be larger than the observed inflation differentials.

<sup>1</sup> See the ECB report entitled “Inflation differentials in the euro area: Potential causes and policy implications”, published in September 2003.

## Selected statistics on the measures of real interest rates in the euro area

(percentages per annum)

	Short-term real interest rates <sup>1)</sup>		Long-term real interest rates <sup>2)</sup>	
	Ex ante	Ex post	Ex ante	Ex post
	National nominal interest rates deflated by:			
	National inflation forecasts for the following year <sup>3)</sup>	Current national HICP annual inflation rate	Long-term (6 to 10 years ahead) national inflation forecasts <sup>3)</sup>	Current national HICP annual inflation rate
<b>Average level <sup>4)</sup></b>				
1999-July 2004	1.51	1.24	2.92	2.75
July 2004	0.33	-0.21	2.46	1.96
<b>Standard deviation</b>				
1999-July 2004 <i>unweighted</i> <sup>5)</sup>	0.53	0.80	0.26	0.62
<i>weighted</i> <sup>4)</sup>	0.45	0.70	0.23	0.57
July 2004 <i>unweighted</i> <sup>5)</sup>	0.50	0.86	0.32	0.70
<i>weighted</i> <sup>4)</sup>	0.46	0.59	0.30	0.54
<b>Memo item:</b>				
Average level <sup>4)</sup> 1990-1998	4.60	4.68	5.15	5.12
Standard deviation 1990-1998 <i>unweighted</i> <sup>5)</sup>	1.69	0.82	1.29	0.68
<i>weighted</i> <sup>4)</sup>	1.26	0.75	1.23	0.64

Sources: BIS, Consensus Economics, ECB, ECB calculations, Eurostat and Reuters.

1) Three-month money market rates (EURIBOR for the period 1999-2004). All euro area countries excluding Luxembourg.

2) Ten-year government bond yields where available; otherwise yields on instruments with the closest maturity. Figures include France, Germany and Italy, and from 1995 also the Netherlands and Spain.

3) Individual countries' forecasts are taken from Consensus Economics.

4) Based on 2002 GDP weights at PPP exchange rates.

5) The same weight is attributed to each of the euro area countries considered.

An even more subtle measurement problem stems from the fact that in any country or region economic agents are heterogeneous, with the result that no single measure of real interest rates is likely to be relevant for all of them. For example, local price developments may be of less relevance for the investment choices of a company operating on the international markets than for those of a consumer. This highlights the fact that any choice of a specific price index in the computation of real interest rates is somewhat arbitrary and potentially not representative of the conditions faced by the whole population.

While it is therefore problematic to use the ex post measure of real interest rates, a critical view should also be taken of the claim that the existence of inflation differentials could by itself create destabilising dynamics for the individual countries. In this respect, there are several factors to consider.

From a general viewpoint, it should be kept in mind that the economic consequences of expected inflation differentials – and thus of real interest rate differentials – depend on the underlying determinant factors of the differentials. For example, if a lower than average inflation rate in a given country is due to higher than average productivity growth, this would be an indication that the country has strong investment prospects, even if its observed “real interest rate” is higher than in other countries. In the same vein, if a high level of inflation is caused by very strong wage growth, this does not necessarily strengthen investment prospects in that country, even if the observed “real interest rate” is relatively low in that country. Indeed, as pointed out by a number of recent studies, several demand, supply and structural factors have played a role in explaining the differences observed in inflation developments across countries in the euro area

in recent years.<sup>2</sup> These various factors may imply very different consequences for the economies concerned.

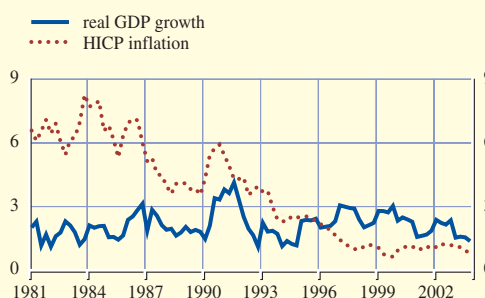
Moreover, as already indicated above, in a monetary union, where exchange rates among countries are fixed by definition, there are strong market-based forces that work in a stabilising manner. In particular, if a country has lower than average inflation rates due to weak demand, it will gain in competitiveness with respect to other countries. This tends to boost demand in that country (and reduce demand in others) over time. As shown in a number of recent studies, the “real exchange rate” channel, although slow to build up, eventually becomes the dominating factor of adjustment.<sup>3</sup>

To sum up, the view that inflation differentials in a monetary union may lead to large differences in real interest rates across countries and thereby to destabilising forces at the national level is often based on simplistic arguments. First, it is important to consider that the real interest rates which are relevant for economic decisions should be measured in an *ex ante* manner, i.e. considering inflation expectations over the relevant horizon. In this respect, there are good economic reasons for private agents not to expect large inflation differentials to persist in a monetary union, since they would imply persistent losses in competitiveness. Second, the underlying sources of divergent inflation developments have to be taken into account in order to assess their possible economic consequences. In this regard, the stabilising role of the competitiveness channel typically dominates.

While the period since the start of Stage Three of EMU is clearly still too short for any robust conclusion to be drawn, it is worth noting that there has not so far been any evidence of an increased divergence of economic performances across euro area countries. As shown in the chart, the dispersion of real GDP growth rates has remained close to its historical average over recent years.

Finally, it should be not overlooked that the average level of real interest rates (however computed) since 1999 has been very low – from a historical perspective – in all countries in the euro area. This also reflects the benefits of Monetary Union and the process of convergence towards it, whereby lower inflation and inflation expectations, exchange rate stability and improved fiscal positions have substantially reduced risk premia in interest rates.<sup>4</sup> These benefits can be fully reaped through the implementation of structural reforms in the euro area countries, notably with a view to making product and labour markets more flexible, thereby reinforcing the capability of regions to respond to economic shocks.

#### Dispersion<sup>1)</sup> in real GDP growth and HICP inflation in euro area countries



Sources: Eurostat and ECB calculations based on Eurostat data.  
1) Unweighted standard deviation of the annual percentage changes.

<sup>2</sup> See the report mentioned in footnote 1 and the references therein.

<sup>3</sup> See, for instance, S. Deroose, S. Langedijk and W. Roeger (2004), *Reviewing adjustment dynamics in EMU: from overheating to overcooling*, Economic Papers No 198, European Economy, European Commission, and I. Angeloni and M. Ehrmann (2004), *Euro area inflation differentials*, ECB Working Paper No 388.

<sup>4</sup> For an analysis of the developments in real interest rates over the past four decades in the euro area and in Germany, see also the box entitled “Current euro area interest rates from a historical perspective” in the September 2003 issue of the ECB’s Monthly Bulletin.

## 2.6 BOND MARKETS

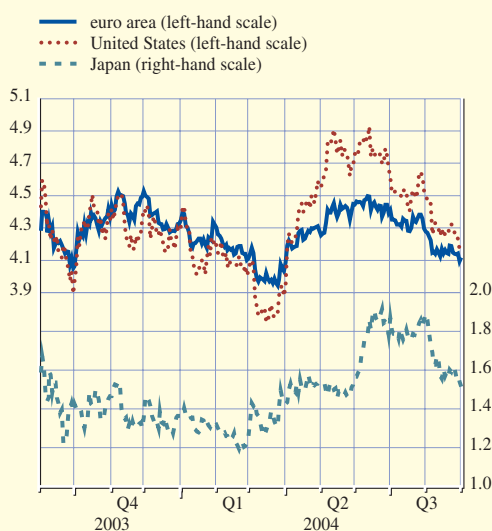
Long-term government bond yields in the United States and the euro area have decreased since early June. The main factors behind this decrease seem to be a decline in long-term inflation expectations together with some market participants' concerns about global economic growth prospects. Implied bond market volatility, an indicator of market participants' uncertainty about future bond yield developments, also declined over the last few months.

### UNITED STATES

In the United States, long-term bond yields significantly decreased over the past three months, reversing the upward trend seen between the end of the first quarter of 2004 and early June 2004 (see Chart 17). This fall was associated with a significant decline in both the ten-year inflation-indexed bond yield and the ten-year break-even inflation rate (the latter measured by the yield differential between comparable nominal and inflation-indexed government bonds). The decline in nominal bond yields followed weaker than expected data releases on economic activity and inflation in the United States, most notably employment data. In addition, year-highs in oil prices may have prompted some revisions among market participants of the outlook for the US economy.

**Chart 17 Long-term government bond yields**

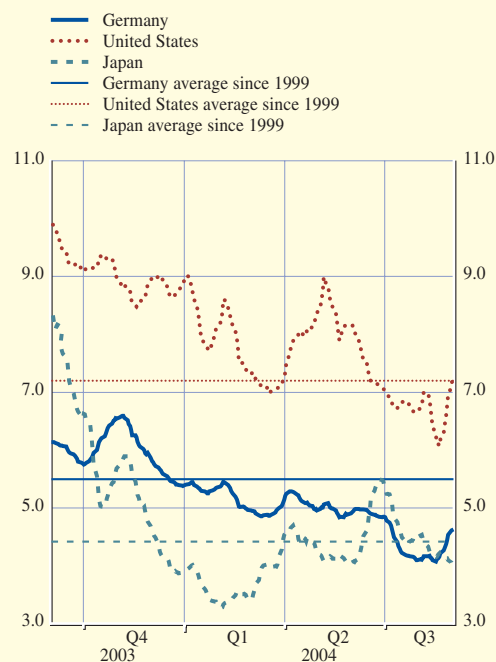
(percentages per annum; daily data)



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

**Chart 18 Implied bond market volatility**

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



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

These developments, in turn, triggered a downward adjustment of market expectations about the future path of US short-term interest rates.

More recently, between the end of July and 1 September 2004 ten-year nominal bond yields continued to decline, falling by about 35 basis points to stand at around 4.2% on the latter date. Over the same period, ten-year real bond yields fell by 25 basis points to 1.4%. This led to a 10 basis point decline in the ten-year break-even inflation rate to 2.4% on 1 September.

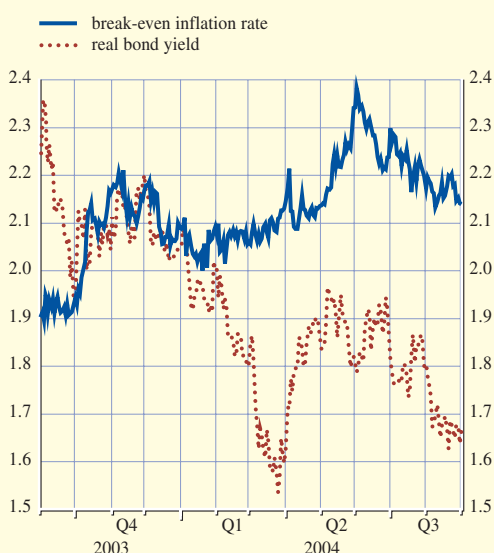
Market participants' uncertainty about future developments in long-term bond yields in the United States, as measured by the ten-day moving average of the implied volatility on ten-year US Treasury future contracts, declined over the last three months and by 1 September stood at a level around the average since 1999 (see Chart 18). This signals that bond market participants became less uncertain than in the second quarter of 2004 about future movements in bond yields.

## JAPAN

In Japan, long-term government bond yields fluctuated significantly over the past three months, mainly following news on economic activity. In June bond yields were supported by macroeconomic data releases that were interpreted by market participants as a confirmation of solid economic growth in Japan. More recently, in August Japanese bond yields declined again

**Chart 19 Euro area real bond yield and break-even inflation rate**

(percentages per annum; daily data)

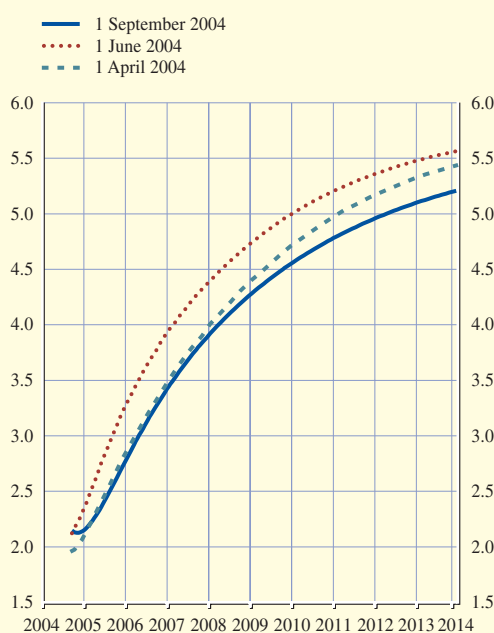


Source: Reuters.

Note: Real bond yields are derived from the market prices of French government bonds which are indexed to the euro area HICP (excluding tobacco prices) and which mature in 2012. The method used to calculate the break-even inflation rate was outlined on page 16 of the February 2002 issue of the Monthly Bulletin.

**Chart 20 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)



Source: ECB estimate.

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

following the release of weaker than expected GDP figures for the second quarter of 2004 and returned on 1 September to a level of 1.5%, as observed in early June.

Market participants' uncertainty about future bond yield developments, as measured by implied bond market volatility, fluctuated significantly over the past three months. After a sharp rise in June, implied bond market volatility decreased in July and stood in August at a level slightly below the average implied volatility since January 1999.

### EURO AREA

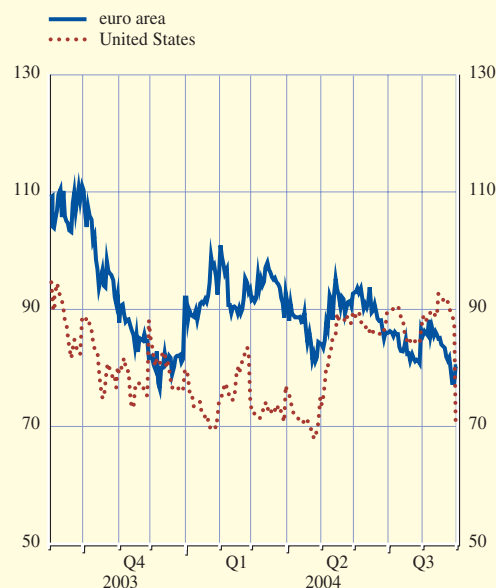
Long-term bond yields in the euro area fell in tandem with US bond yields over the past three months, although the fall in the euro area was smaller. As a consequence, the differential between US and euro area long-term bond yields narrowed and stood at around 5 basis points on 1 September. As in the United States, the decrease in nominal bond yields since early June has been associated with a decline in the euro area ten-year break-even inflation rate, to 2.1% on 1 September (see Chart 19). More recently, since end-July real bond yields, as measured by yields on ten-year index-linked government bonds (indexed to the euro area HICP excluding tobacco prices), fell by about 15 basis points and stood at 1.7% on 1 September. This reflected market participants' concerns about the global economic outlook, particularly in the light of high oil prices.

The decrease in nominal bond yields over the last three months was mirrored by a downward shift in the entire implied forward curve, which was more pronounced at the long end (see Chart 20). At the same time, the degree of uncertainty prevailing in the euro area bond markets, as measured by implied bond market volatility, decreased during the last three months and on 1 September stood at a low level, significantly below the average since January 1999.

In the euro area corporate bond market, the level of corporate bond spreads has declined somewhat since early June and remained at a low level (see Chart 21). The differential between the yields on bonds issued by BBB-rated corporations and on comparable government bonds in the euro area decreased in August and stood on 1 September at around 80 basis points. These recent developments in corporate bond spreads suggest that corporate credit risk in the euro area is perceived to be relatively low by bond market participants.

**Chart 21 Corporate bond spreads in the euro area and the United States**

(basis points; daily data; BBB rating)



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

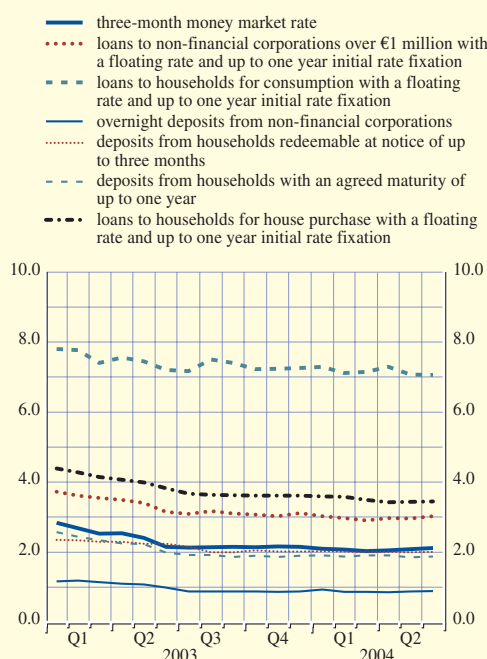
## 2.7 INTEREST RATES ON LOANS AND DEPOSITS

*In the second quarter of 2004, developments in MFI interest rates on new business were mixed but most rates declined slightly, continuing the downward trend observed in previous quarters.*

Most short-term MFI interest rates on new business remained broadly unchanged in June 2004 (see Chart 22 and Table 6) and mostly tended to decline slightly during the second quarter, thereby being broadly in line with the movements in money market rates. Looking at longer periods, short-term MFI interest rates declined somewhat between May 2003 (the last reporting period before the reduction in the key ECB interest rates in June 2003) and June 2004, broadly mirroring developments in money market rates (e.g. the three-month money market rate fell by around 30 basis points over the same period). Overall during this period the rates on short-term deposits from households declined by some 25-35 basis points, while the rate on short-term time deposits from non-financial corporations (i.e. with an agreed maturity of up to one year) fell by 45 basis points. At the same time, the rate on overnight deposits from non-financial corporations declined by less than 20 basis points, which is however consistent with the traditionally more sluggish pass-through for this type of deposit.

**Chart 22 Short-term MFI interest rates and a short-term market rate**

(percentages per annum; rates on new business; weight-adjusted<sup>1)</sup>)

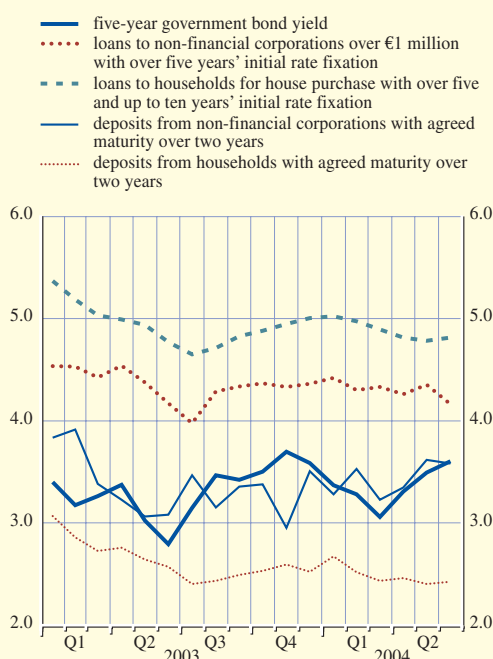


Source: ECB.

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

**Chart 23 Long-term MFI interest rates and a long-term market rate**

(percentages per annum; rates on new business; weight-adjusted<sup>1)</sup>)



Source: ECB.

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



**Table 6 MFI interest rates on new business <sup>1)</sup>**

(percentages per annum; basis points)

							Change in basis points up to June 2004		
	2004 Jan.	2004 Feb.	2004 Mar.	2004 Apr.	2004 May	2004 June	2003 Jan.	2003 May	2004 May
<b>MFI interest rates on deposits</b>									
Deposits from households									
with agreed maturity up to one year	1.91	1.88	1.91	1.91	1.86	1.88	-70	-35	2
with agreed maturity over two years	2.68	2.52	2.44	2.46	2.40	2.43	-64	-21	2
redeemable at notice up to three months	2.03	2.02	2.00	2.01	2.00	2.00	-34	-23	1
redeemable at notice over three months	2.65	2.63	2.59	2.57	2.55	2.54	-73	-56	-1
Overnight deposits from non-financial corporations									
with agreed maturity up to one year	1.99	1.98	1.96	1.97	1.96	1.99	-73	-45	2
with agreed maturity over two years	3.28	3.53	3.23	3.35	3.62	3.58	-25	52	-4
<b>MFI interest rates on loans</b>									
Loans to households for consumption									
with a floating rate and initial rate fixation up to one year	7.29	7.12	7.15	7.29	7.07	7.06	-74	-38	0
Loans to households for house purchase									
with a floating rate and initial rate fixation up to one year	3.59	3.58	3.49	3.42	3.43	3.45	-93	-53	2
with initial rate fixation over five and up to ten years	5.02	4.97	4.89	4.82	4.78	4.81	-56	-12	3
Bank overdrafts to non-financial corporations									
with a floating rate and initial rate fixation up to one year	5.65	5.63	5.56	5.52	5.46	5.44	-76	-37	-2
Loans up to €1 million to non-financial corporations									
with a floating rate and initial rate fixation up to one year	4.07	4.04	3.98	3.94	3.96	3.96	-93	-52	-1
with initial rate fixation over five years	4.80	4.79	4.80	4.70	4.63	4.72	-45	-23	9
Loans over €1 million to non-financial corporations									
with a floating rate and initial rate fixation up to one year	3.02	2.97	2.90	2.97	2.96	3.03	-69	-37	7
with initial rate fixation over five years	4.42	4.30	4.33	4.26	4.36	4.16	-37	-21	-19
<b>Memo items</b>									
Three-month money market interest rate	2.09	2.07	2.03	2.05	2.09	2.11	-72	-30	2
Two-year government bond yield	2.41	2.38	2.16	2.39	2.55	2.74	10	43	19
Five-year government bond yield	3.37	3.28	3.06	3.31	3.50	3.60	20	58	10

Source: ECB.

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

Short-term lending rates declined by some 40-50 basis points overall between May 2003 and June 2004, which implies that the spreads between short-term MFI interest rates on loans and comparable market rates narrowed slightly over the period. Notably, both the rates on loans to households for house purchase (with a floating rate and up to one year initial rate fixation) and on small-sized loans to non-financial corporations (up to €1 million with a floating rate and up to one year initial rate fixation) decreased by more than 50 basis points over the period.

Most long-term MFI interest rates increased slightly in June 2004, while decreasing overall in the second quarter of 2004 (see Chart 23). In particular, the long-term rates on loans to non-financial corporations and on loans to households for house purchase declined by some 10-20 basis points during the second quarter, in a phase of increasing market rates. In line with the traditionally sluggish pass-through of long-term MFI interest rates, these developments resulted in a narrowing of the spread vis-à-vis market rates of a comparable maturity. The narrower spread could also to

some extent be related to an improvement in the credit quality of borrowers in recent months. Over the same period the rate on deposits from non-financial corporations with an agreed maturity over two years increased by 35 basis points, which was more in line with developments in market rates.

Taking a longer-term perspective, between January 2003 and June 2004 long-term MFI interest rates declined substantially overall. This contrasted with developments in market rates of a comparable maturity, as reflected in the euro area five-year government bond yield, which increased by some 20 basis points over the period. The long-term rates on deposits from households decreased by some 65-75 basis points in the period, while the long-term rate on deposits taken from non-financial corporations declined by around 25 basis points. These developments probably reflect the typical lag of adjustment of long-term MFI deposit rates to movements in market rates, which declined prior to January 2003. Turning to long-term lending rates, the rate on loans to households for house purchase (with an initial rate fixation over five and up to ten years) declined by almost 60 basis points between January 2003 and June 2004, while the long-term rates on loans to non-financial corporations (with initial rate fixation over five years) fell by 45 basis points. While these developments may to some extent reflect a sluggish pass-through from market rates to MFI interest rates, they could also partly reflect an improvement of banks' credit risk assessment of borrowers, as indicated by the narrowing of the spread between long-term MFI lending rates and the five-year government bond yield (see also the boxes entitled "The results of the July 2004 bank lending survey for the euro area" and "Analysing MFI interest rates at the euro area level" in the August 2004 issue of the Monthly Bulletin).

## 2.8 EQUITY MARKETS

*Stock prices in the major economies have declined since the end of June, following a rise in the two previous months. Against the background of high oil prices, investors' concerns about the outlook for earnings and economic activity put downward pressure on stock prices. At the same time, the decline in long-term interest rates worked in the opposite direction. Implied stock market volatility, an indicator of market participants' uncertainty about future stock price developments, increased in the United States and the euro area in July and August following a fall in June, but remained at a relatively low level.*

### UNITED STATES

Stock prices in the United States declined between the end of June 2004 and 1 September (see Chart 24). On the one hand, weaker macroeconomic data releases than expected by the market, in particular on the labour market, and a number of corporate profit warnings for the forthcoming quarters exerted downward pressure on US stock prices. The perceived impact of high oil prices on future economic growth also put downward pressure on stock prices. On the other hand, the decrease in US long-term interest rates, which play a key role in determining the discount factor for future earnings, and higher actual earnings growth than expected by market participants in the second quarter exerted countervailing upward pressure on stock prices. According to Thomson Financial, market participants expect US corporate earnings to grow by around 15% over the remainder of the year and to slow down to 7½% in the first quarter of 2005. More recently, both the broad-based S&P 500 index and the technology-dominated Nasdaq Composite index decreased in the first weeks of August but rebounded in the last week, ending the month at levels last observed at the end of July. This rebound followed some easing in oil prices.

Stock market uncertainty, as measured by the implied volatility derived from options on the Standard & Poor's 500 index, rose between the end of June and 1 September. The level of stock market volatility remained well below its average since 1999 (see Chart 25).

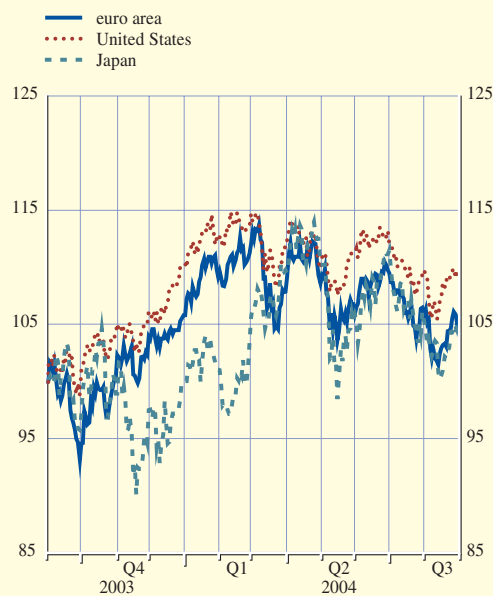
## JAPAN

In Japan, stock prices declined between the end of June and 1 September. In June stock prices increased significantly against the backdrop of macroeconomic data releases which were perceived favourably by market participants. The subsequent price decline seemed to be related to a change in perceptions among market participants of the economic outlook. In fact, the downward pressure on stock prices resulted from weaker than expected second-quarter GDP figures and more generally from greater concerns by market participants about business prospects, in particular related to the performance of the Japanese export sector, which may have been perceived to be negatively affected by the overall increase in oil prices. More recently, between end-July and 1 September the Nikkei 225 index fell by 2%.

The decline in stock prices was accompanied by a rise in implied volatility extracted from options on the Nikkei 225 index, a measure of uncertainty in the Japanese stock market, between mid-July

Chart 24 Stock price indices

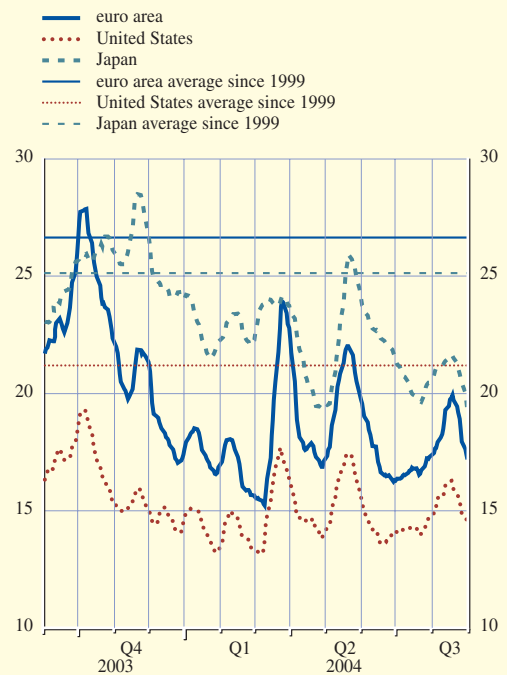
(index: 1 September 2003 = 100; daily data)



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

Chart 25 Implied stock market volatility

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



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

and mid-August. Subsequently, implied volatility declined and remained well below its average since 1999.

## EURO AREA

In the euro area, stock prices declined between the end of June and 1 September. Stock market investors' concerns were especially related to the negative impact that high oil prices may have on economic growth (see Box 4). In addition, a number of companies have revised downwards their earnings expectations for the forthcoming quarters. Downgrades to the outlook for corporate earnings, especially for the technology sector, were in part driven by a deterioration of the market profit expectations for US technology firms. At the same time, however, the decline in long-term interest rates had a positive impact on stock prices. More recently, stock prices, as measured by the Dow Jones EURO STOXX index, fell by 1% between end-July and 1 September. Part of the decline can be explained by the slight increase in stock market uncertainty, as indicated by the ten-day moving average of implied stock market volatility extracted from options on the Dow Jones EURO STOXX 50 index, between end-June and 1 September. Stock market volatility, however, remained well below its historical average since 1999 (see Chart 25).

Regarding recent sectoral developments within the euro area, stock prices fell in most of the ten economic sectors of the Dow Jones EURO STOXX index over the period from end-June to 1 September (see Table 7). Energy stocks markedly outperformed the total market index during

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

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

	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Health-care	Industrial	Technology	Tele-communications	Utility	EURO STOXX
<b>Share of sector in market capitalisation</b> (end-of-period data)	5.2	11.9	7.3	12.1	29.7	2.6	9.3	5.7	8.8	7.3	100.0
<b>Price changes</b> (end-of-period data)											
2003 Q2	18.0	21.1	7.6	10.3	25.4	15.3	15.6	19.0	17.7	16.8	18.2
2003 Q3	4.4	4.4	5.1	-2.9	0.5	-2.1	6.2	5.9	-3.1	-3.6	1.1
2003 Q4	15.5	13.7	2.1	12.0	16.8	13.2	13.6	12.6	13.1	15.1	13.5
2004 Q1	-4.7	0.6	2.7	0.4	-0.9	11.6	1.3	10.1	4.0	7.2	1.9
2004 Q2	6.7	4.6	3.4	5.2	1.5	4.2	2.5	-13.6	-0.6	5.1	1.7
July	-0.4	-3.7	-4.8	1.5	-3.5	-0.2	-1.6	-13.4	-2.4	-0.9	-3.0
August	-1.7	-3.6	-3.6	-0.8	0.2	2.5	-0.9	-6.2	-1.2	-0.6	-1.4
End-June to 1 September 2004	-1.4	-6.6	-7.0	1.5	-2.6	2.5	-1.7	-18.0	-3.7	-0.8	-3.6
<b>Volatilities</b> (period averages)											
2003 Q2	24.8	28.0	19.8	22.8	26.8	25.4	18.0	35.3	21.5	20.8	23.0
2003 Q3	23.3	19.9	12.1	18.3	18.6	17.8	15.1	33.4	14.7	13.5	16.6
2003 Q4	17.5	17.5	11.6	13.9	14.5	17.2	12.8	23.9	13.2	11.2	14.0
2004 Q1	15.2	18.4	12.5	16.6	15.6	16.4	15.3	26.9	18.3	14.3	14.3
2004 Q2	16.1	16.8	11.0	14.5	15.6	15.8	15.8	30.3	15.0	13.4	14.1
July	13.5	13.4	10.6	12.7	12.3	14.1	12.2	28.7	11.7	9.0	11.4
August	15.0	17.2	12.6	14.6	12.2	13.6	13.6	25.8	14.0	9.0	12.9
End-June to 1 September 2004	14.1	15.1	11.3	13.4	12.0	13.7	12.6	27.0	12.7	8.8	11.9

Sources: STOXX and ECB calculations.

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

this period, whereas the technology sector underperformed the most. These relative performances are in line with past experiences during periods of high oil prices, as described in detail in Box 4. The historical volatilities of all economic sectors, except the consumer and energy sectors, were in July and August below their average level in the second quarter of 2004.

#### Box 4

### HOW DO STOCK MARKETS REACT TO CHANGES IN OIL PRICES?

This box analyses the impact of oil prices on euro area stock markets. An increase in oil prices usually lowers the expected rate of economic growth and increases inflation expectations over shorter horizons. Decreasing economic growth prospects, in turn, lower companies' earnings expectations, resulting in a dampening effect on stock prices. Moreover, the increase in input prices for companies associated with an increase in oil prices in general tends to compress profit margins. In addition, during periods of high oil prices, investors usually become more uncertain about the outlook for corporate earnings which, in turn, may lead to higher equity risk premia, putting additional downward pressure on stock prices. Normally, a combination of these factors tends to outweigh the positive effect on stock prices stemming from the decline in real long-term yields which often accompanies an increase in oil prices.

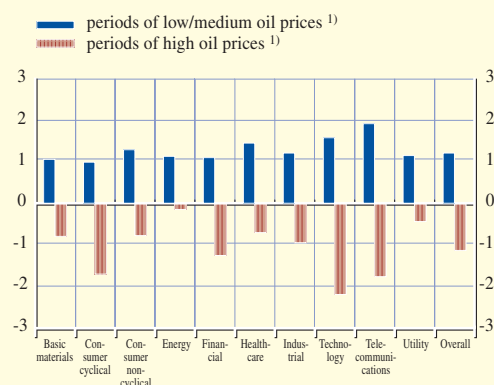
In the following, the influence of oil prices is examined by comparing the average stock returns for the broad-based Dow Jones EURO STOXX index and its sectors during periods in which oil prices were in a low/middle range or in a high range. The high range is defined as an upward deviation from the average real oil price in the period from 1987 to 2004 of more than 10%. The chart displays the average monthly stock returns for the ten economic sectors of the index and for the total index under the different oil price regimes.

Several features emerge from the chart. First, aggregate stock prices in the euro area tend to be negatively related to the level of oil prices over the sample period, which starts in 1987. Overall, the Dow Jones EURO STOXX index increased on average by around 1% per month during periods of low/medium levels of oil prices, but performed negatively during times of high oil prices. Second, the performance differed significantly across sectors. In general, energy and utilities seemed to be less affected by high oil price levels (compared with the overall index), whereas the cyclical goods, technology and telecom sectors tended to underperform most in such circumstances.

Overall, the total market and sectoral stock price performances during periods of high and low real oil prices are consistent with the expectation that oil price increases influence

**Chart Average monthly return for the Dow Jones EURO STOXX index and its constituent economic sectors**

(in percentages; January 1987-July 2004)



Sources: Thomson Financial Datastream and STOXX.

1) High oil prices refer to upward deviations from the average real oil price (Brent deflated by the euro area consumer price index) in the period from 1987 to July 2004 of more than 10%. Low/medium oil prices refer to oil prices below this threshold.

stock prices negatively via their impact on the outlook for corporate earnings. In this respect, the relative underperformance of the cyclical goods sector may be linked to investors' concerns that high oil prices may have a particularly strong dampening effect on the earnings within this sector as it is the most closely related to the business cycle.

However, some sectors may be less affected by or may even benefit from higher oil prices. Reflecting this latter possibility, the less negative return of the energy sector (i.e. compared with the overall index) may be explained by the fact that its revenues are positively linked to developments in oil prices. The utilities sector also performs relatively well when oil prices are relatively high, which may be linked to demand shifts towards alternative energy sources such as natural gas during those periods.<sup>1</sup>

<sup>1</sup> It should be noted that other factors may also have had an impact on stock prices. For example, the negative performance of the technology sector during the periods of high oil prices may have been more related to the bursting of the stock market bubble between early 2000 and 2003.

## 3 PRICES AND COSTS

*Euro area HICP inflation declined slightly in July, to 2.3%, largely as a result of developments in unprocessed food and non-energy industrial goods prices. According to Eurostat's flash estimate, inflation in August is estimated to remain unchanged. At an earlier stage in the production chain, some upward pressure on producer prices is expected to continue on account of higher commodity prices. Regarding labour cost developments, the latest data support the view that annual wage growth in the euro area remained moderate in the first half of 2004. Looking ahead, the recent increase in oil prices could put further upward pressure on HICP inflation in the short term; consequently it is unlikely that annual inflation rates will return to levels below 2% in the remainder of the year. Looking beyond the short term, wage growth is expected to remain moderate and overall prospects for price stability are therefore favourable. Upside risks to this outlook exist, however, stemming from further upward pressure on oil prices and possibly renewed increases in indirect taxes and administered prices.*

### 3.1 CONSUMER PRICES

#### FLASH ESTIMATE FOR AUGUST 2004

According to Eurostat's flash estimate, euro area inflation remained unchanged at 2.3% in August (see Table 8). Although no detailed breakdown is available as yet, a rise in the annual rate of change in energy prices is expected to have been counterbalanced by a decline in the annual rate of change in unprocessed food prices. Given that the information is only preliminary, however, this estimate is, as usual, surrounded by uncertainty.

#### HICP INFLATION IN JULY 2004

Inflation in the euro area declined to 2.3% in July from 2.4% in June, largely as a result of developments in unprocessed food and non-energy industrial goods prices. The outcome was 0.1 percentage point lower than Eurostat's flash estimate published on 30 July.

Regarding the more volatile components in the HICP, the annual rate of change in energy prices remained stable at 5.9% as a favourable base effect offset the upward impact on energy prices of the increase in euro-denominated oil prices in July. At the same time, the annual rate of change in

**Table 8 Price developments**

(annual percentage changes, unless otherwise indicated)

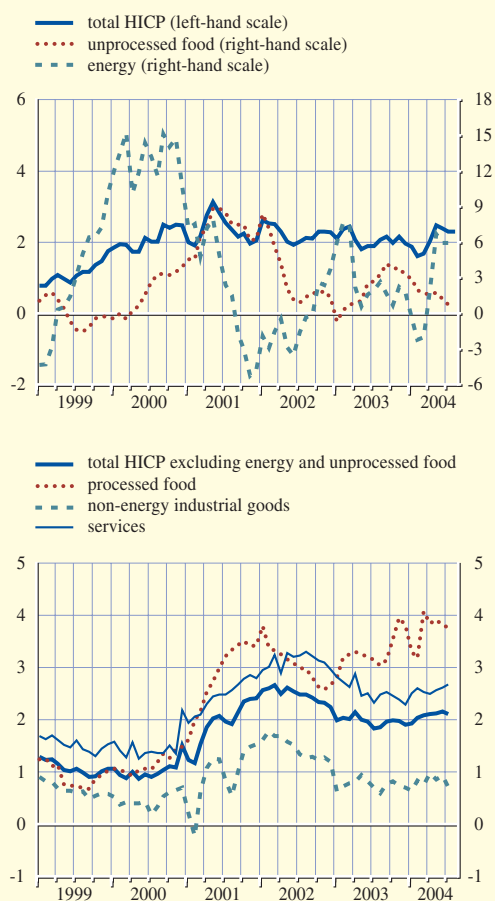
	2002	2003	2004 Mar.	2004 Apr.	2004 May	2004 June	2004 July	2004 Aug.
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.3	2.1	1.7	2.0	2.5	2.4	2.3	2.3
Energy	-0.6	3.0	-2.0	2.0	6.7	5.9	5.9	.
Unprocessed food	3.1	2.1	1.7	1.6	1.7	1.2	0.7	.
Processed food	3.1	3.3	4.1	3.9	3.9	3.8	3.8	.
Non-energy industrial goods	1.5	0.8	0.7	1.0	0.9	0.9	0.7	.
Services	3.1	2.5	2.5	2.5	2.6	2.6	2.7	.
<b>Other price indicators</b>								
Industrial producer prices	-0.1	1.4	0.4	1.4	2.4	2.4	.	.
Oil prices (EUR per barrel)	26.5	25.1	26.7	27.6	30.9	29.3	30.7	34.1
Non-energy commodity prices	-0.9	-4.5	17.2	19.7	21.1	21.9	18.0	10.9

Sources: Eurostat, Thomson Financial Datastream and HWWA.

1) HICP inflation in August 2004 refers to Eurostat's flash estimate.

**Chart 26 Breakdown of HICP inflation: main sub-components**

(annual percentage changes; monthly data)



Source: Eurostat.

rate of change of rents was relatively small, house prices, which are not included in the HICP, continued to increase strongly (see Box 5). Overall, the non-energy sub-components in the HICP do not yet show any convincing evidence of indirect effects from the past increase in oil prices.

### 3.2 INDUSTRIAL PRODUCER PRICES

As reported in the previous issue of the Monthly Bulletin, the annual rate of change in the index of industrial producer prices excluding construction remained unchanged at 2.4% in June (see Chart 27). The fall in the annual rate of change in the energy component – which was due to base effects and the decline in oil prices in euro terms between May and June – was offset by a further increase in the annual rate of change in producer prices of intermediate goods, which was related to delayed effects of the past increase in oil and non-oil commodity prices.

unprocessed food prices declined to 0.7%, from 1.2% in June, largely reflecting a decline in the annual rate of change in fruit and vegetable prices.

The annual rate of change in the HICP excluding energy and unprocessed food decreased slightly to 2.1% in July, from 2.2% in June. This was the result of a decline in the annual rate of change in non-energy industrial goods prices by 0.2 percentage point to 0.7% in July, which was mainly due to greater sales-related price reductions for garments and footwear this year as compared with last year. Moreover, the annual rate of change in prices for cars continued to decline, partly as a result of a base effect from last year, but probably also due to the appreciation of the euro over the last year combined with subdued demand in the euro area. Indeed, since mid-2002, the contribution of this component to overall HICP inflation has been declining. The annual rate of change in processed food prices remained unchanged at 3.8% in July. Services price inflation increased slightly to 2.7% in July, from 2.6% in June, mainly as a result of higher annual rates in rents, medical services and package holiday prices. While the increase in the annual rate of change in prices of package holidays is the result of a base effect due to lower than usual price changes last year, the increase in the annual rate of change in medical services prices is related to the health care reform in Germany. Although the increase in the annual



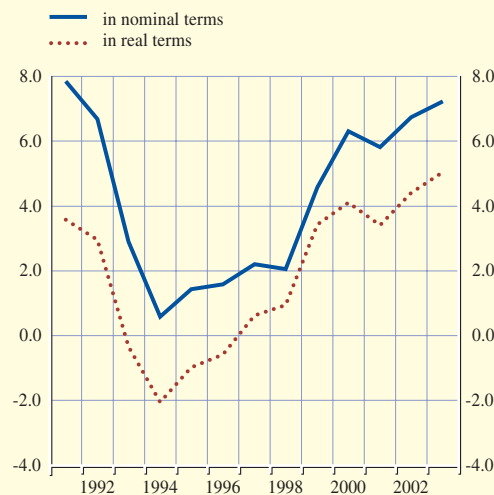
## RECENT TRENDS IN RESIDENTIAL PROPERTY PRICES IN THE EURO AREA AND ACROSS EURO AREA COUNTRIES

Developments in residential property prices are an important factor to be taken into account in the assessment underlying monetary policy decisions aimed at maintaining price stability over the medium term. Although residential property prices are not included in the HICP, they can have an indirect impact on some of its constituents, notably the rent sub-component.<sup>1</sup> In addition, residential property prices may have some effect on households' consumption behaviour, notably through wealth effects, and on residential investment. Furthermore, residential property price developments can be related to credit developments. This Box reviews recent residential property price developments in the euro area and across euro area countries.

Growth rates in euro area residential property prices are currently close to their highest point since the early 1990s. In 2003, residential property prices are estimated to have increased by 7.2% in the euro area (see Chart A). This is the fourth consecutive year with residential

**Chart A Euro area residential property prices in nominal and real terms**

(annual percentage changes; annual data)



Source: ECB calculations based on non-harmonised national data.

Note: Residential property prices in real terms are obtained by using the HICP as a deflator.

Ireland. However, in Spain, residential property prices accelerated further in 2003. In Austria, Germany and Portugal residential property price changes were subdued and below the euro area average between 1999 and 2003. Data for 2003 indicate that residential property prices fell in

property price increases of around 6-7%. Residential property prices grew at a rate 4 to 5 percentage points higher than the HICP between 1999 and 2003. This period of sustained robust residential property price increases follows a period of relatively modest increases in prices (of less than 3%) between 1993 and 1998. It should be noted that, due to the heterogeneity of underlying national data, euro area aggregate figures are of low quality and only provide a broad indicator of price developments.<sup>2</sup>

Aggregate euro area residential property price developments mask substantial disparities between euro area countries, as shown in Chart B.<sup>3</sup> Spain, Ireland, Luxembourg, the Netherlands and Greece experienced substantial and above euro area average residential property price increases between 1999 and 2003. Regarding more recent developments in these countries, data for 2003 show that residential property price increases slowed down in the Netherlands, Greece and

1 Until now, there has been no component for owner-occupied housing costs in the HICP.

2 For more details on data limitations, see the Box entitled "Residential property price developments in the euro area" in the December 2003 issue of the Monthly Bulletin.

3 For Luxembourg and Austria the latest available information relates to 2002.

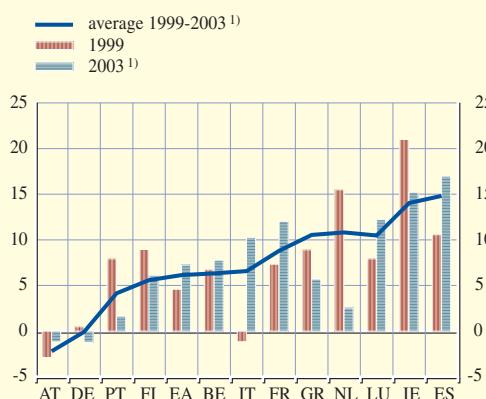
Germany, while they decelerated strongly in Portugal. A recent noteworthy feature is a steep pick-up in residential property prices in France in 2003.

The latest available quarterly data for 2004 confirm the strong increases in residential property prices in Spain and suggest a further acceleration in France and in Finland. The quarterly data also show a further deceleration in Greek residential prices and suggest that the picture for the Netherlands and Portugal remains broadly unchanged, namely subdued house price increases compared with the euro area average.

The rapid pace of residential price increases in some euro area countries warrants a close monitoring of housing market developments in these countries, given the potential implications for these economies and for the euro area as a whole.

**Chart B Residential property price changes in the euro area and across euro area countries**

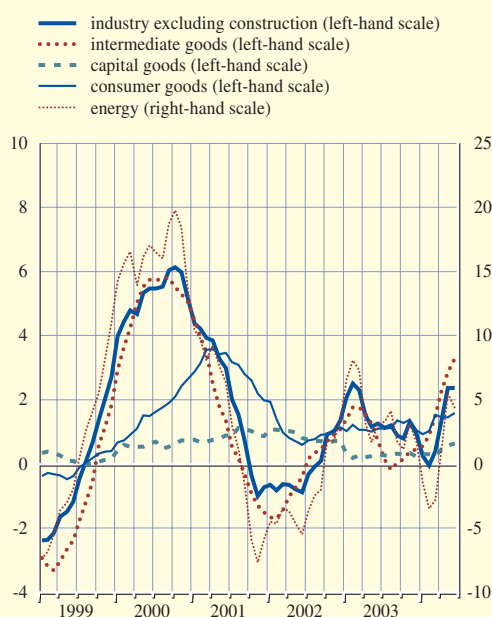
(annual percentage changes)



Sources: National sources and ECB calculations.  
Note: EA denotes euro area.  
1) For Austria and Luxembourg data available up to 2002.

**Chart 27 Breakdown of industrial producer prices**

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

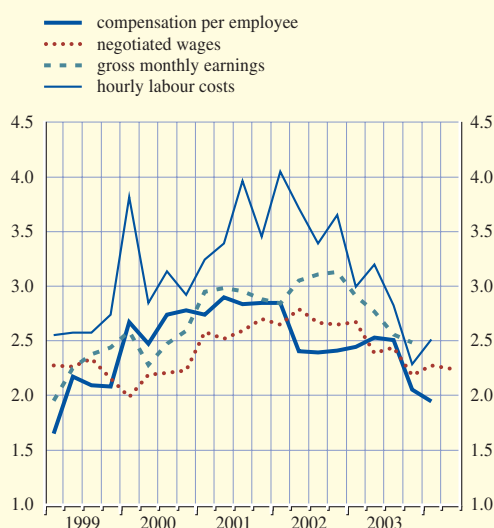
For July, available country data suggest an increase in the annual rate of change of producer prices, mainly as a result of higher energy and intermediate goods prices. The Eurozone Input Price Index for August also points to further upward pressure on producer prices due to higher commodity prices. Although the index declined to 66.6, from 70.2 in July, it remained well above 50, thereby indicating that survey respondents still perceive considerable pressure on their input costs in the manufacturing sector.

### 3.3 LABOUR COST INDICATORS

First indications of euro area labour cost developments in the second quarter of 2004 have become available with the indicator of negotiated wages. Broadly in line with expectations, the annual growth rate of negotiated wages declined slightly to 2.2% in the second quarter, from 2.3% in the first quarter (see Chart 28). This small decline reflects some counterbalancing effects in different euro area countries. Negotiated wage

**Chart 28 Selected labour cost indicators**

(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

growth has remained broadly unchanged in a range of 2.2%-2.4% since the second quarter of 2003, following growth rates of 2.7% on average in 2002. The latest data support the view that annual wage growth in the euro area remained moderate in the first half of 2004.

Other labour cost indicators available only up to the first quarter of 2004 are, to varying degrees, in line with a moderation in wage growth since 2002. Annual growth in hourly labour costs stood at 2.5% in the first quarter of 2004, down from the annual averages recorded in 2002 and 2003 of 3.7% and 2.8% respectively. Annual growth in compensation per employee stood at 1.9% in the first quarter of 2004, and while some slight upward revision to this figure cannot be ruled out on the basis of country data, this has confirmed a downward movement over the last couple of years. Combined with the increase in productivity growth to 1.1% year on year in the first quarter of 2004, this led to a

decline in unit labour cost growth to 0.9%, which should exert downward pressure on inflation (see also Box 6 on the impact of unit labour cost growth on inflation).

### 3.4 THE OUTLOOK FOR INFLATION

Looking ahead, the recent increase in oil prices could put further upward pressure on HICP inflation in the short term. On the basis of current market expectations for oil prices, it appears unlikely that annual inflation rates will return to levels below 2% in the remainder of this year. Looking beyond the short term, however, there are no indications as yet of stronger underlying pressure building up domestically. Recent wage developments have been moderate and this trend is expected to continue for some time to come in view of the continued high level of unemployment in the euro area. ECB staff expects inflation to be in the range of 1.3% and 2.3% in 2005 (see Box 8). However, this assessment is based on the assumption that oil prices fall in line with futures prices

**Table 9 Labour cost indicators**

(annual percentage changes, unless otherwise indicated)

	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
Negotiated wages	2.7	2.4	2.4	2.4	2.2	2.3	2.2
Total hourly labour costs	3.7	2.8	3.2	2.8	2.3	2.5	.
Gross monthly earnings	3.0	2.7	2.8	2.6	2.5	.	.
Compensation per employee	2.5	2.4	2.5	2.5	2.1	1.9	.
<i>Memo items:</i>							
Labour productivity	0.3	0.3	0.0	0.2	0.5	1.1	.
Unit labour costs	2.2	2.0	2.5	2.3	1.6	0.9	.

Sources: Eurostat, national data and ECB calculations.

in the coming quarters. Moreover, indirect taxes and administered prices could be higher than assumed in the projections, as only little information is currently available on such measures and their possible impact in 2005. Although there is no strong evidence of indirect and second-round effects from higher commodity prices at the current juncture, the possible emergence of such effects needs to be closely monitored, in particular when the economy strengthens.

**Box 6****RECENT DEVELOPMENTS IN UNIT LABOUR COSTS AND THEIR IMPLICATIONS FOR EURO AREA INFLATION**

A common approach to explaining and predicting inflation assumes that prices are determined as a mark-up on firms' costs. Since the cost of labour input accounts for a significant share of a firm's total costs, its developments are clearly important for inflation. An informative measure of the cost of labour for firms is unit labour costs, which measure total labour costs per unit of output. This Box discusses the link between unit labour costs and inflation in the euro area, focusing in particular on developments over recent years.

In assessing the cost pressures from the labour market, it is often useful to analyse changes in unit labour costs in addition to developments in nominal wages. A change in nominal wage growth does not necessarily put pressure on firms to change prices. For example, a high rate of wage growth linked to, or resulting from, stronger growth in labour productivity will not lead to any reduction in profits and should not, therefore, put pressure on firms to raise their prices. The rate of growth in unit labour costs is calculated as the difference between the rate of change in nominal wage costs and the rate of change in labour productivity. As such, unit labour costs provide a useful indicator of the pressure on firms to change prices as a result of developments in the labour market.

For a number of reasons, however, movements in unit labour costs do not always lead immediately or automatically to changes in the inflation rate. First, unit labour costs do not give a full picture of firms' costs. According to available estimates, labour costs on average comprise approximately 30-40% of total input costs of euro area firms. Importantly, capital costs and other input costs, such as oil prices or the cost of other material inputs, can also affect price developments. Second, firms may not always choose to change their prices in response to a change in labour costs, even after allowing for changes in labour productivity. Instead they may choose to adjust their profit margins because, for example, they fear losing their market share or do not wish to bear the cost of revising their prices. Such considerations are particularly relevant to short-term changes in unit labour costs or changes that are perceived to be only temporary. If, however, the change in unit labour costs is more long-term or is perceived to be permanent, the incentive for firms to pass it on in their prices tends to increase.

Chart A below shows the paths of unit labour cost growth and HICP inflation in the euro area over the period from 1992 until the first quarter of 2004. The chart suggests that movements in the two series are closely related but that the relationship is not perfect. In particular, inflation and unit labour cost growth often move in the same direction, but inflation seems to vary considerably less than unit labour cost growth. For example, in 1997 and 1998 unit labour cost growth fell significantly, but then rose again in 1999; this pattern was not reflected to the same extent in the inflation rate. One interpretation of this could be that firms judged the decreasing growth rate of unit labour costs in 1997 and 1998 to be temporary and therefore adjusted their

profit margins instead of their prices. However, persistent movements in unit labour cost growth, as captured by the eight-quarter moving average also plotted in Chart A, tend to be associated with corresponding shifts in inflation. In recent years, the growth rate of unit labour costs has risen considerably, mainly owing to the slowdown in labour productivity growth associated with the economic downturn. On average, unit labour costs grew by 2.3% from 2001 to 2003, and there was also a significant rise in inflation during this period. However, much of the increase in inflation can be explained by other shocks, including increases in the volatile food and energy components of the HICP. In addition, higher administered prices and indirect taxes and some increases in individual prices that occurred around the time of the euro cash changeover may have contributed to the rise in overall HICP inflation. In other words, during this period firms may have absorbed much of the increase in unit labour costs in the form of lower profits.

The profit margins of firms are difficult to measure using existing macroeconomic statistics (see also the article entitled “Measuring and analysing profit developments in the euro area” in the January 2004 issue of the Monthly Bulletin). However, Chart B shows one indicator of the profit mark-up rate, which is calculated as the difference between the rate of change in the deflator of gross value added and the rate of change in unit labour costs. In line with the above analysis, the chart shows that the growth rate of the profit mark-up indicator was negative from 1999 to 2003, with the exception of 2002. More recently, unit labour cost growth declined substantially in the first quarter of 2004, and available evidence suggests that it remained at a subdued level in the second quarter. The slowdown in unit labour cost growth is largely due to the stronger productivity growth in recent quarters. Assuming the growth in nominal wages remains stable, a pick-up in the profit mark-up indicator can be expected for the first half of 2004 and beyond in line with the further recovery in economic activity.

**Chart A Unit labour cost growth and inflation**

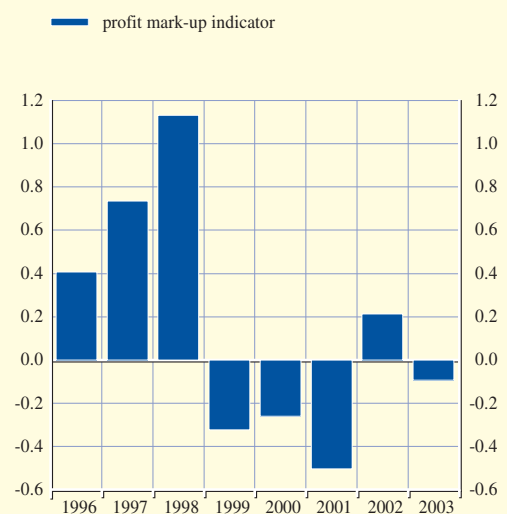
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.  
Note: Unit labour cost growth is calculated by subtracting the annual productivity growth from the annual growth rate in compensation per employee.

**Chart B Profit mark-up indicator**

(annual percentage changes)



Sources: Eurostat and ECB calculations.  
Note: The profit mark-up indicator is calculated by subtracting the annual growth rate of unit labour costs from the annual growth rate of the deflator of gross value added at basic prices.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

According to Eurostat's flash estimate, quarter-on-quarter real GDP growth in the euro area was 0.5% in the second quarter of 2004. While there is no data available as yet on the composition of GDP growth in the euro area in that quarter, available country information points to strong export growth and also to a positive contribution from domestic demand. Survey data remain supportive of ongoing growth in the manufacturing and services sectors. Household spending indicators suggest slower growth in private consumption in the second quarter compared with the robust growth experienced in the first quarter. Labour market conditions did not change significantly in the first half of 2004. Looking ahead, the conditions for a continuation of the recovery remain in place.

### 4.1 OUTPUT AND DEMAND DEVELOPMENTS

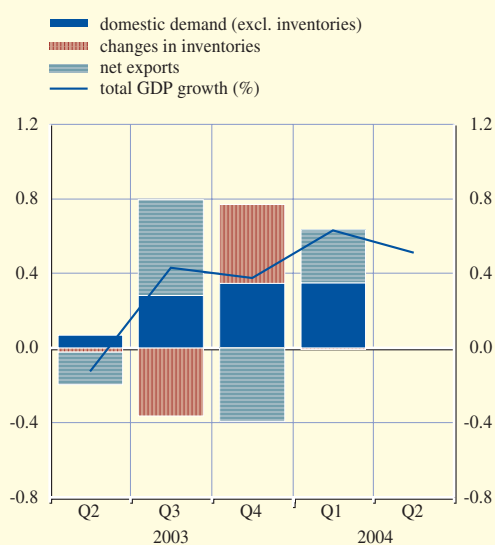
#### REAL GDP AND EXPENDITURE COMPONENTS

The information available confirms that the recovery in euro area economic activity maintained its momentum in the second quarter of 2004. According to Eurostat's flash estimate, euro area real GDP grew by 0.5% quarter on quarter in the second quarter of 2004, slightly below the growth rate in the first quarter (see Chart 29).

There is no information as yet on the components of growth for the euro area in the second quarter. On the basis of the country information available, it is likely that exports, driven by strong external demand, have continued to play a leading role in the recovery. However, the total contribution of net exports to real GDP growth may have been dampened by robust growth in imports in the second quarter. At the same time, domestic demand is expected to have supported growth in the second quarter following steady improvements in its contribution to growth in previous quarters.

Chart 29 Contributions to real GDP growth

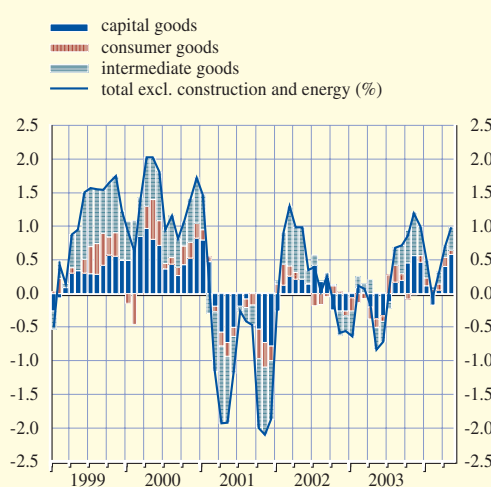
(quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.  
Note: The latest observation for total GDP growth refers to Eurostat's flash estimate.

Chart 30 Contributions to growth in industrial production

(percentage point contributions; seasonally adjusted)



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

## SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

Activity in the manufacturing sector continued to grow in the second quarter. Despite a fall in June, industrial production (excluding construction) recorded an increase of 0.8% in the second quarter as compared with the previous quarter (see Chart 30). This increase is in line with the continued positive indications from survey data. New orders data have shown significant volatility in recent months, due in part to a single large order placed in May which had an impact on data for the whole of the euro area. Looking beyond this short-term volatility, industrial new orders appear to have strengthened somewhat, providing a positive outlook as regards industrial production.

The decline in industrial production in June was broadly based across sectors. In the second quarter as a whole, production increased most notably in the capital goods producing sectors, whereas production in the consumption goods producing sectors remained broadly unchanged. The strong growth in the production of capital goods might indicate an increased contribution from gross fixed capital formation to GDP growth.

## SURVEY DATA FOR MANUFACTURING AND SERVICES SECTORS

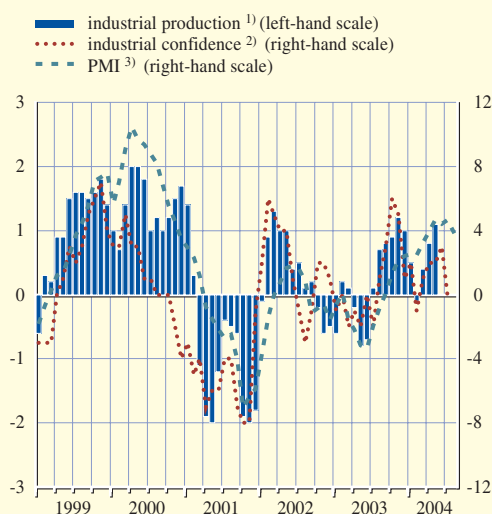
Recent survey data remain supportive of continued growth in both manufacturing and services sectors. However, as in previous years, euro area results from the European Commission Business and Consumer Surveys are not available for August. Consequently, the assessment of survey data relies on euro area results available until July, on the euro area manufacturing Purchasing Managers' Index (PMI) results for August and on available country information for August.

Looking at developments in the industrial confidence indicator from the European Commission

survey until July, there has been a significant improvement in confidence in this sector over the past year (see Chart 31). Furthermore, during this period the pace of improvement in confidence has been relatively rapid, despite having moderated somewhat in recent months, and is close to that witnessed in previous periods of expansion. The development of the PMI for the manufacturing sector over the past year was similar to that of the European Commission confidence indicator. However, in August the PMI declined, reflecting a broadly based movement among its components. Seen in the context of the strong improvements recorded since mid-2003, the recent decline nevertheless appears to be limited. Moreover, as the current level of the PMI is well above 50, recent developments point to ongoing growth in industrial activity in the third quarter. This view is also in line with available country information in August.

**Chart 31 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Reuters and ECB calculations.

1) Manufacturing; three-month on three-month percentage changes.

2) Percentage balances; changes compared with three months earlier.

3) Purchasing Managers' Index; deviations from an index value of 50.

As regards the services sector, following significant improvements in the course of 2003, confidence has remained broadly unchanged since the end of 2003. However, the services

survey results for July remain consistent with continued growth in the sector at the beginning of the third quarter. In particular, the PMI for the services sector clearly currently exceeds the threshold of 50 indicating growth.

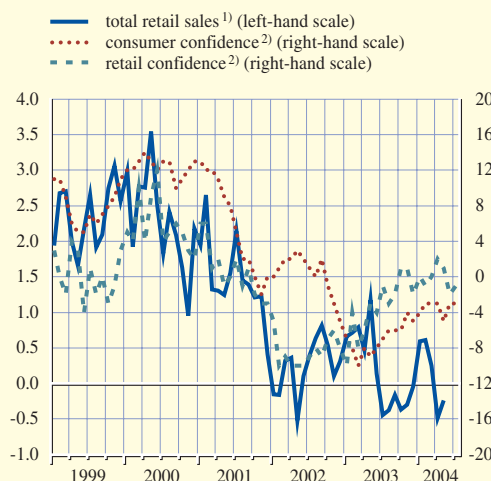
### INDICATORS OF HOUSEHOLD SPENDING

Indicators of household spending point to slower growth in private consumption in the second quarter compared with the robust growth experienced in the first quarter. Retail sale volumes declined in the second quarter compared with the first quarter (see Chart 32) as a result of developments in May. As retail sales account for approximately 40% of final private consumption in the euro area, timely data on retail sales volumes are an important component of the assessment of euro area consumption and growth. The progress made with regard to the timeliness of these data is one of the recent improvements in data availability summarised in the Box entitled “Principal European Economic Indicators: progress up to September 2004”.<sup>1</sup> Offsetting the decline in retail sales in the second quarter, new passenger car registrations, a smaller component of final private consumption, increased. Taken together, the contribution of these two components to total private consumption was approximately zero in the second quarter, following a positive contribution in the first quarter.

<sup>1</sup> For a description of the methodology underlying these data, see the box entitled: “First estimates of retail trade turnover in the euro area” in the April 2004 issue of the Monthly Bulletin.

**Chart 32 Retail sales and confidence in the retail trade and household sectors**

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

1) Annual percentage changes; three-month centred moving averages; working day adjusted.

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

### Box 7

#### PRINCIPAL EUROPEAN ECONOMIC INDICATORS: PROGRESS UP TO SEPTEMBER 2004

The Principal European Economic Indicators (PEEIs), approved by the ECOFIN Council in February 2003, consist of a list of major euro area and EU statistics and set targets for their frequency and timeliness that should be met by 2005. The PEEIs were developed from the Action Plan on EMU Statistical Requirements endorsed by the ECOFIN Council in autumn 2000, which established priorities for improving euro area statistics. The ECOFIN Council also invited the Economic and Financial Committee (EFC), with the assistance of Eurostat and the ECB, to closely monitor progress.<sup>1</sup> This box discusses recent progress made towards meeting the targets set for the PEEIs.<sup>2</sup>

<sup>1</sup> ECOFIN Council conclusions, 2 June 2004.

<sup>2</sup> See the box entitled “The Principal European Economic Indicators” in the article entitled “Developments in general economic statistics for the euro area” in the April 2003 issue of the ECB’s Monthly Bulletin.



Since the launch of the PEEIs in February 2003, a number of additional euro area PEEIs have become available. These have been made possible by new or more timely releases by national statistical institutes (NSIs) and the compilation by Eurostat of European aggregates from these releases (see the table). Eurostat started to publish *flash estimates of euro area GDP* in May 2003; these estimates are currently published 43 days after the end of the reference quarter. The country coverage of the flash estimate now extends to 83% of the euro area. So far, all quarter-on-quarter volume growth rates of the euro area GDP flash estimate have been confirmed by the estimate contained in the first subsequent release, which is based on more complete data. Quarterly information on *general government revenue and expenditure* was recently published for the first time.<sup>3</sup> Monthly data on *new orders in manufacturing industries* have been available for the euro area since November 2003. For new orders, a country coverage of 97% and a timeliness of four days above the target delay of 50 days have been achieved. First data on the *job vacancy rate* were made available in July 2004. The timeliness of the first release (92 days) is significantly above the target of 45 days, but this is expected to improve with subsequent releases. Further improvements are also needed with regard to the country coverage and harmonisation of the vacancy data.

<sup>3</sup> See the article entitled "Properties and use of general government quarterly accounts" in the August 2004 issue of the ECB's Monthly Bulletin.

## Principal European Economic Indicators

(situation as at summer 2004)

	Periodicity (M = monthly; Q = quarterly)	Release target for euro area indicators <sup>1)</sup>	Current release of euro area indicators <sup>1)</sup>	Current release of US indicators
<b>Consumer price indicators</b>				
HICP: flash estimate	M	0	0	NA
HICP: actual indices	M	17	17	14 <sup>2)</sup>
<b>Quarterly national accounts</b>				
First GDP (flash) estimate	Q	45	43	30
GDP release with more breakdowns	Q	60	69	30
Accounts for households and corporations	Q	90	NA	60
Government finance statistics	Q	90	100	60
<b>Business indicators</b>				
Industrial production index	M	40	47	14
Industrial output price index (domestic)	M	35	33	14
Industrial new orders index	M	50/40 <sup>3)</sup>	54	28
Industrial import price index	M	45	NA	7
Production in construction	M/Q	45	77	16
Turnover index for retail trade and repair	M	30	35	15
Turnover index for services	Q	60	NA	NA
Producer price index for market services	Q	60	NA	NA
<b>Labour market indicators</b>				
Unemployment rate	M	30	32	5
Job vacancy rate	Q	45	92	5
Employment	Q	45	100	5
Labour cost index	Q	70	76	30
<b>External trade indicators</b>				
Trade balance	M	45	50	44

Note: NA = not available.

1) Publication in calendar days after the end of the reporting period.

2) Refers to Consumer Price Index (CPI).

3) Long-term release target of 40 days.

By comparison with end-2002, timeliness has been improved for a number of euro area PEEIs. The most significant gain in timeliness, around 25 days, has been observed for the *turnover index for retail trade*. This was made possible by the introduction of a European sampling scheme. This promising new approach is based on early estimates by NSIs which are often drawn from the sub-sample of existing national samples. Furthermore, the release of the *labour cost index* has been advanced considerably (76 instead of 90 days).

Several PEEIs are still lacking. *Turnover indicators for services* are expected to become available by 2005. Data on the *quarterly accounts for the household and enterprise sectors* are currently expected to become available in 2006.<sup>4</sup> The situation is more unclear for *industrial import prices* and *producer prices for market services*, as progress with regard to these indicators is dependent on the adoption of the amendment of the Council Regulation concerning short-term statistics. European results are likely to become available only by 2007. Furthermore, the country coverage for several short-term business and labour market PEEIs is not yet sufficient (e.g. *labour cost index*). Commitments from NSIs suggest that in the course of 2005 the coverage of the *flash estimates for the HICP and GDP* will increase.

In general, the timeliness of similar indicators for the United States is still better than that achieved for the majority of the PEEIs; this is particularly true for labour market indicators. Improvements in the timeliness of the PEEIs are to be expected from the application of the “first-for-Europe” principle. This principle means that the release calendar for the PEEIs will follow European policy needs, e.g. by ensuring the simultaneous publication of area-wide and national results. As a first step, preparations are under way for a common release calendar for *GDP* and *HICP flash estimates* in 2005. Unfortunately, this practice was not applied in the release of the *GDP flash estimate* for the second quarter of 2004, where the euro area estimate was published one day after the national *GDP* releases. Finally, the “first-for-Europe” principle calls for the establishment of a European revision policy in order to overcome the problem of frequent and uncoordinated revisions of European aggregates. In its recent report on EMU statistics,<sup>5</sup> the EFC strongly supported efforts to further coordinate the publication of PEEIs by means of common release and revision policies that follow European needs.

Overall, the PEEIs have already generated significant improvements in the statistical information for the euro area; however, without a stronger commitment by the national authorities, the full achievement of the PEEI targets in 2005 is at risk.

4 At the end of 2003 the European Commission submitted a proposal for a European Parliament and Council Regulation on quarterly non-financial accounts by institutional sector.

5 Economic and Financial Committee: “Status Report on Information Requirements in EMU”, Brussels, 25 May 2004.

## 4.2 LABOUR MARKET

### UNEMPLOYMENT

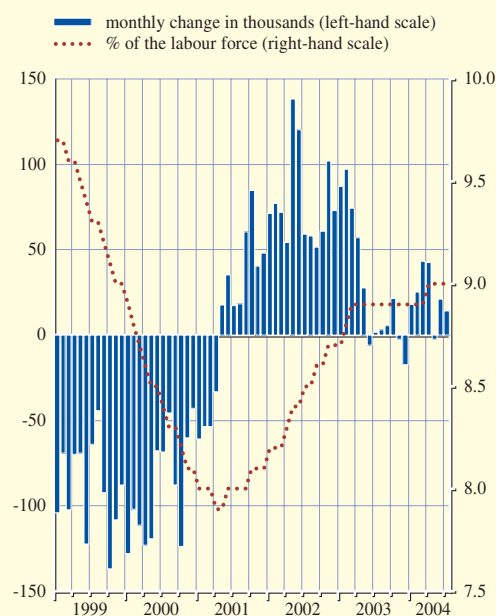
The unemployment rate for the euro area was 9.0% in July, unchanged since April this year. In terms of age breakdown, the unemployment rate for those under 25 and for those older than 25 also remained unchanged in July, at 17.4% and 7.9% respectively. Despite a constant unemployment rate, the number of unemployed increased somewhat further in July. However, the pace of increase was slower than that observed on average since April this year.

### EMPLOYMENT

Total employment is likely to have remained broadly unchanged in the first half of the year. Employment growth was zero in the first quarter of this year as compared with the last quarter of 2003 (see Table 10). Euro area data on employment is not yet available for the second quarter. Indeed, despite significant improvements in the provision of other Principal European Economic Indicators, as summarised in Box 7, less progress has been made in reducing the long lags in the availability of key labour market data. Available country information for the second quarter does not suggest a significant change in employment developments. Employment in the industrial sector continued to decline in the first quarter, while the services sector added new jobs at a rate also witnessed in previous quarters. Notwithstanding the ongoing structural change resulting in a trend decline in industrial sector employment, the cyclical increase in industrial production is expected to gradually translate into more positive employment developments in this sector. Meanwhile, increases in both real GDP and industrial production resulted in substantial gains in labour productivity at the start of the recovery (see Chart 34).

Chart 33 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 10 Employment growth

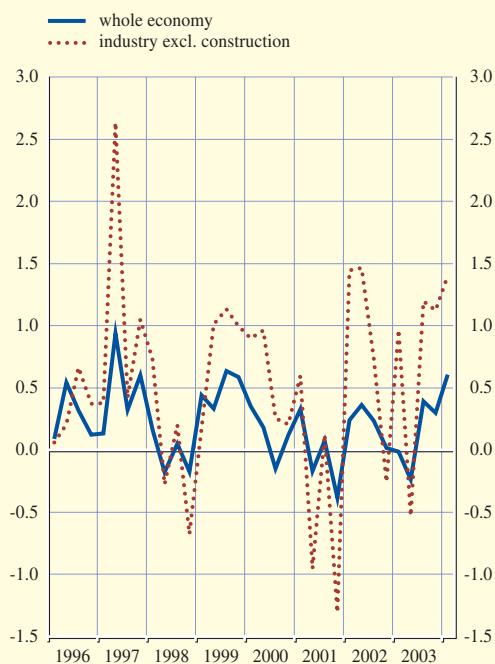
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2002	2003	2003 Q1	2003 Q2	2003 Q3	2003 Q4	2004 Q1
Whole economy	0.5	0.2	0.0	0.1	0.0	0.1	0.0
<i>of which:</i>							
Agriculture and fishing	-2.1	-1.9	-0.8	-0.2	0.1	0.0	-0.9
Industry	-1.2	-1.5	-0.3	-0.3	-0.4	-0.5	-0.3
Excluding construction	-1.4	-1.9	-0.4	-0.5	-0.4	-0.6	-0.5
Construction	-0.6	-0.2	0.0	0.4	-0.4	-0.1	0.1
Services	1.4	0.9	0.2	0.3	0.2	0.3	0.2
Trade and transport	0.4	0.5	0.1	0.3	0.4	0.3	0.2
Finance and business	2.4	1.2	0.1	0.1	0.4	0.7	0.4
Public administration	1.8	1.1	0.3	0.3	0.0	0.1	0.1

Sources: Eurostat and ECB calculations.

Chart 34 Labour productivity

(quarterly percentage changes; seasonally adjusted)



Source: Eurostat.

Towards the middle of the year euro area firms became somewhat more positive about employment prospects (see Chart 35), although available data for July were somewhat mixed. In addition, the employment index in the manufacturing PMI declined slightly in August. The recent survey data contrasts to some extent with other signs of a somewhat more positive outlook for the euro area labour market in the second half of this year. For instance, the information available on vacancies points to a stabilisation of the vacancy rate in the second quarter.

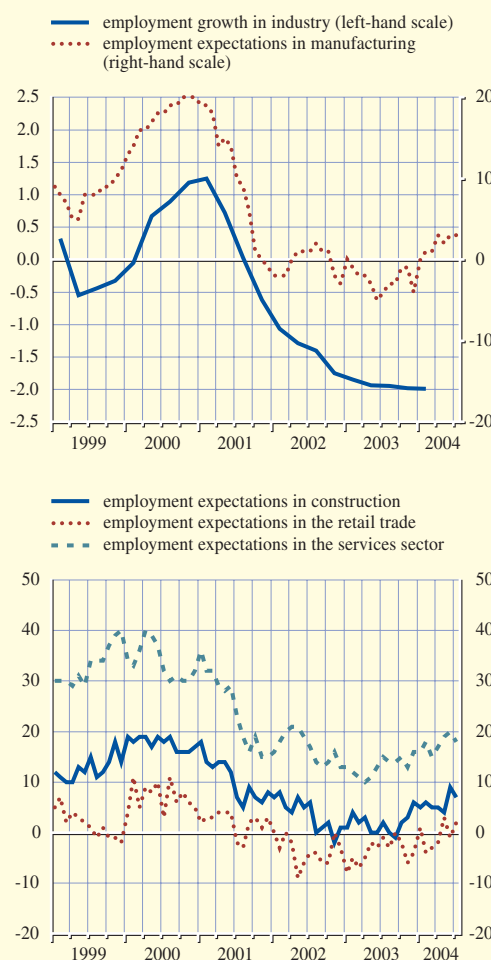
#### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The latest information on developments in economic activity in the euro area supports the assessment that the euro area recovery has maintained its momentum, supported by strong export growth and domestic demand that is gradually strengthening.

By comparison with the information available in June this year, the euro area growth outlook for 2004 and beyond has become somewhat more positive, as described in the Box entitled “ECB staff macroeconomic projections for the euro area”. Driven by robust global growth, exports are

Chart 35 Employment growth and employment expectations

(annual percentage changes; percentage balances)



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

expected to continue to support euro area growth. At the same time, conditions are favourable for a further strengthening of euro area domestic demand through increased business investment and, in line with an expected gradual improvement in labour market conditions, private consumption. As regards higher oil prices, while their dampening impact on euro area activity is expected to be limited, oil price movements need to be carefully monitored.

#### Box 8

### ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 20 August 2004, ECB staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup>

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

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

#### Assumptions with regard to the international environment

The recovery in world economic activity outside the euro area is projected to remain robust over the horizon. The United States and non-Japan Asia are expected to remain important contributors to global growth. Economic activity in other regions, which benefited from improved global conditions in 2003, is also expected to remain dynamic and to become more broadly based. The growth in world real GDP outside the euro area is however expected to remain somewhat below the high rates observed in late 2003 and in the first quarter of 2004, as the recovery reaches a more advanced stage and economic policies gradually return to a more neutral stance.

1 The ECB staff projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001.

2 Short-term interest rates as measured by the three-month Euribor are assumed to remain constant over the projection horizon at slightly above 2.1%. The technical assumption of constant exchange rates implies that the €/USD exchange rate stays at 1.21 over the horizon and that the effective exchange rate of the euro is 2.0% higher than the average for 2003. Market expectations for euro area ten-year nominal government bond yields imply a slightly rising profile, up from an average of 4.3% in 2004 to an average of 4.6% in 2005. Average annual non-energy commodity prices are assumed to increase by 17% in USD terms in 2004 and to remain broadly unchanged in 2005. Based on the path implied by futures markets, average annual oil prices are assumed to be at USD 36.6 per barrel in 2004 and to remain at USD 36.8 per barrel in 2005. Oil prices in recent years have, however, often been higher than indicated by futures markets. Higher oil prices than assumed would have a negative impact on GDP growth and a stronger upward impact on inflation.

The average annual growth in world real GDP outside the euro area is projected to be about 5.5% in 2004 and 4.5% in 2005. Growth in world trade is assumed to follow a pattern consistent with that of world real GDP. Growth in the euro area's external export markets is expected to be about 8% in both 2004 and 2005.

### **Main results**

Economic activity in the euro area is projected to be slightly stronger than according to the Eurosystem staff macroeconomic projections published in the June 2004 issue of the Monthly Bulletin. The projections for the rate of increase in the overall HICP have been shifted upwards somewhat, reflecting higher oil prices.

### **Real GDP growth projections**

The quarter-on-quarter growth rate of euro area real GDP is estimated by Eurostat to have been 0.5% in the second quarter of this year, following a rate of 0.6% in the first quarter. Quarter-on-quarter growth rates are expected to remain at around these levels over the projection horizon. Average annual real GDP growth is projected to increase to between 1.6% and 2.2% in 2004 and be between 1.8% and 2.8% in 2005. Robust export growth, as implied by the assumption of continued strength in foreign demand, is expected to spill over gradually to domestic demand in the course of this year. Total employment is projected to pick up slowly in 2004 before gaining strength in 2005, while the unemployment rate should decline in 2005.

Among the domestic expenditure components, private consumption is projected to pick up in line with disposable income for the euro area as a whole, with the household savings ratio remaining largely constant over the horizon. The growth in households' real disposable income is projected to increase in 2005 from a subdued level in 2004, supported by stronger employment growth and by higher real wage incomes. While consumer confidence should increase as labour market conditions improve, the level of saving is expected to remain high due to the concerns about the course of public finances and, in particular, the longer-term prospects for public health care and pension systems. The projected recovery in total investment stems mainly from business investment, which is supported by the improvement in the global economic environment and by the low level of real interest rates. Residential private investment is also projected to recover over the horizon, following three years of decline.

### **Price and cost projections**

The average rate of increase in the overall HICP is projected to be between 2.1% and 2.3% in 2004 and between 1.3% and 2.3% in 2005. Based on the aforementioned assumptions for oil prices, the energy component is projected to contribute significantly to HICP inflation in 2004 but only moderately in 2005. The rate of increase in the non-energy component of the HICP is projected to decline slightly in 2005, reflecting a continuation of contained domestic cost pressures and limited increases in import prices. In addition, the fiscal assumptions for 2005 contain a smaller contribution from increases in indirect taxes and administered prices compared with the significant measures implemented in 2004.

Notwithstanding the recent increase in oil prices, import prices are projected to remain relatively subdued in 2004, owing to the delayed impact of the euro's appreciation. With commodity

prices being assumed to stay at about constant levels in 2005, import prices are projected to increase modestly over the same period.

The growth in nominal compensation per employee is assumed to remain moderate over the horizon. This projection takes into account current wage settlements and the projected modest improvement in labour market conditions, but it is also conditional on the assumption that second-round effects from higher oil prices on nominal compensation do not materialise. The projections for real GDP growth and employment imply that labour productivity growth will remain relatively strong over the horizon. As a result, unit labour cost growth is projected to remain contained in both 2004 and 2005.

**Table A Macroeconomic projections for the euro area**

(average annual percentage changes)<sup>1)</sup>

	2003	2004	2005
HICP	2.1	2.1-2.3	1.3-2.3
Real GDP	0.5	1.6-2.2	1.8-2.8
Private consumption	1.0	1.2-1.6	1.5-2.7
Government consumption	1.9	0.7-1.7	0.5-1.5
Gross fixed capital formation	-0.4	0.8-2.4	2.0-5.2
Exports (goods and services)	0.3	4.8-7.6	5.6-8.8
Imports (goods and services)	2.1	3.7-6.7	5.3-8.7

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

### Comparison with June 2004 projections

The ranges projected for euro area real GDP growth have been shifted slightly upwards for both 2004 and 2005 compared with the Eurosystem staff macroeconomic projections published in the June issue of the 2004 Monthly Bulletin. The upward shifts reflect a stronger contribution from net exports in 2004.

The lower bounds of the ranges projected for the annual rate of increase in the overall HICP have also been shifted slightly upwards compared with the June 2004 macroeconomic projections. This reflects the upward shift in the assumptions for oil prices for both 2004 and 2005, which are higher by about 6% and 16% respectively. These assumptions imply a larger contribution of the energy component to the overall HICP, whereas the projections for the non-energy component are largely unchanged compared with the June projections.

**Table B Comparison of macroeconomic projections for the euro area**

(average annual percentage changes)

	2003	2004	2005
HICP – September 2004	2.1	2.1-2.3	1.3-2.3
HICP – June 2004	2.1	1.9-2.3	1.1-2.3
Real GDP – September 2004	0.5	1.6-2.2	1.8-2.8
Real GDP – June 2004	0.5	1.4-2.0	1.7-2.7

## 5 FISCAL DEVELOPMENTS

*The latest information confirms earlier expectations concerning the fiscal outlook for this year. Most euro area countries are likely to miss their initial budgetary targets and the aggregate balance for the euro area is expected to increase slightly from 2003. Expenditure overruns appear to be the greatest risk to budget balances, while some countries' fiscal accounts may benefit from favourable growth developments. For 2005, progress with consolidation as part of a comprehensive and growth-friendly reform agenda needs to be prioritised. Furthermore, improvements in statistical reporting are also warranted. The limited information available suggests that countries are indeed moving towards a combined strategy of fiscal consolidation and structural reforms, albeit at a slow pace.*

### FISCAL OUTLOOK IN 2004

The most recent information provided by governments on budgetary developments and policy measures is not harmonised between countries, as there are differences in the coverage and definition of data across countries. Therefore, an assessment of the short-term outlook for public finances in the euro area countries can, at this stage, only be tentative. The latest harmonised fiscal data on the euro area are those forecasts published by the European Commission in the spring of 2004 (presented in the June 2004 issue of the Monthly Bulletin) and the quarterly statistical indicators for the first quarter of 2004 (presented in the article "Properties and use of general government quarterly accounts" in the August 2004 issue of the Monthly Bulletin).

The intra-annual information available broadly confirms the Commission's fiscal forecasts for the euro area for 2004. There is growing evidence that most countries will miss the budgetary targets set in their updated stability programmes at the end of 2003 and beginning of 2004, in some cases by a large margin. Furthermore, many of the countries are expected to record large deficits, with approximately half of them exceeding or coming very close to the deficit threshold of 3% of GDP. The average deficit ratio of the euro area is likely to be slightly above the 2.7% of GDP recorded in 2003, instead of declining as planned in member countries' updated stability programmes.

The euro area average debt ratio is likely to continue to increase in 2004 – albeit slightly – for the second year in a row, instead of stabilising as indicated by member countries' initial plans. The number of countries with a debt ratio above 60% of GDP will increase to seven in 2004 (Belgium, Germany, Greece, France, Italy, Austria and Portugal). Of these countries, only Belgium is expected to record a noticeable reduction in its debt ratio.

Expected deviations from initial budget plans are only partly explained by worse than expected budget outcomes in 2003 and less favourable economic conditions than anticipated in some countries. Structural expenditure overruns as well as shortfalls in adjustment policies have also played a part, with some countries implementing fewer consolidation efforts than initially planned.

Adverse budgetary developments are of particular concern in the case of countries in excessive deficit (Germany, Greece, France and the Netherlands) or with sizeable fiscal imbalances (Italy and Portugal). All of these countries are experiencing budgetary pressures driving their deficits well above initial targets and compelling their governments to adopt corrective measures. The factors underlying budget overruns vary across countries. In Germany, export-led growth is proving to be less fiscally friendly than expansion based on domestic demand. In Italy, some revenue shortfalls and expenditure overruns have added to the unfavourable fiscal effects of weak growth. In Greece, France and Portugal, expenditure overruns (stemming respectively from the Olympic Games, the health sector and pensions) risk pushing up budget deficits despite the fiscal dividends of positive growth developments. Furthermore, in Greece, statistical reporting of



government finances has proved to be of poor quality and additional official data revisions may result in substantially increased deficit figures for the current and previous years. In the Netherlands, fiscal developments are burdened by carry-over effects from poor economic performance in previous years.

Some of these countries (Germany, France, Italy and the Netherlands) have already implemented additional budgetary measures. Although, in some cases, the adjustments envisaged are based on one-off measures with only temporary effects, they should contribute towards containing the budget deficit in the current year. In all of these countries, further slippages from budget targets in 2004 would also put at risk fiscal developments in 2005. Hence, a cautious budget implementation and, for some countries, additional budget tightening are needed in the remainder of 2004 to correct or prevent excessive deficits and to meet fiscal commitments.

#### **BUDGETARY PLANS FOR 2005**

Euro area countries are currently preparing their budget plans for 2005. Although current information on fiscal plans is still limited, it indicates that countries are moving towards a combined strategy of fiscal consolidation and structural reforms, albeit at a slow pace. However, one-off budget measures still seem to play a relevant role in the budget plans of some countries.

In June the German Government adopted a draft budget law that includes provisions to contain the growth rate of federal government expenditure below 1% and that aims to generate privatisation receipts totalling about 0.7% of GDP. Furthermore, a major reform of the social benefit system has been passed (Agenda 2010 and Hartz IV), which is expected to lead to long-term savings in transfer payments, particularly in terms of unemployment benefits. However, it is likely to have only a small immediate impact on public expenditure. In July the French Parliament adopted a health care reform that aims to eliminate the social security deficit by 2007. Also in July, in its multi-annual economic plan, the Italian Government announced corrective measures amounting to 1.7% of GDP (one-third of which are temporary) in order to reduce the country's deficit to 2.7% of GDP in 2005. In addition, it has passed legislation to contain pension expenditure, including a gradual increase in the age of eligibility for a seniority pension. Although savings are expected to be significant, they will only be made in future years. Finally, large-scale privatisation plans would help to bring the debt ratio below 100% by 2007.

All member countries, especially those with imbalances, face the challenging task of drafting budgets which are fully consistent with their commitments under the Stability and Growth Pact and which can contribute to maintaining confidence in their consolidation and reform efforts and in the EU fiscal framework.

The first main challenge for the euro area is to correct and prevent significant imbalances in a large number of countries. In particular, those countries currently involved in the excessive deficit procedure have committed themselves to implement sufficient consolidation measures in order to correct their excessive deficits in 2005, at the latest, in line with the respective Council recommendations. Furthermore, the countries that have not yet reached sound budgetary positions have agreed to an annual reduction in their cyclically adjusted balance in the common economic policy strategy for the medium term set out in the 2003-05 Broad Economic Policy Guidelines (BEPG). In all of these countries, crucial progress in consolidation is still needed to correct or prevent sizeable imbalances. Moreover, if economic growth turns out to be more favourable than expected, letting automatic stabilisers operate fully would contribute towards deficit reduction. A relaxation of consolidation objectives through ad hoc spending increases or tax cuts is not

## Box 9

## TRACK RECORD OF BUDGETARY FORECASTS IN STABILITY AND CONVERGENCE PROGRAMMES

Under the European surveillance procedure, all EU Member States are requested to submit stability and convergence programmes annually to the Council and the Commission. These programmes should provide information on the medium-term objective for the budgetary position, the main assumptions about expected economic developments, and policy measures. The forecast of the future paths for the government balance and debt ratios should cover at least the subsequent three years.

A systematic evaluation of forecasts relating to budgetary balances and real GDP growth, as published by 15 EU Member States<sup>1</sup> in their programmes since the start of Stage Three of EMU, shows differences between those countries with a sound budgetary position and those with significant fiscal imbalances.

Uncertainty about future economic developments in the course of the economic downturn has led to increasingly inaccurate forecasts and widening errors over the forecast horizon. In addition, countries have often failed to predict correctly the direction of budgetary developments. Forecasts of fiscal consolidation or expansion have therefore not been fully reliable.

Accurate forecasts of future developments should be unbiased. However, it appears that only around half of the EU Member States have had no significant bias in their budgetary forecasts (as generally reflected by a value closer to zero in the second column of the table). By contrast, countries with deficits close to or above the 3% GDP reference value generally displayed considerably more optimistic budgetary forecasts than other countries (as indicated by the increasingly negative figures in the second column of the table). Countries not in a close-to-balance position at the start of the programme also tended to make errors more often when projecting a consolidation of the budgetary balance.

Forecasts need to be revised to incorporate new information and correct past errors. Indeed, countries not in a close-to-balance position revised their budgetary forecasts more substantially than others. But these revisions were only tenuously linked to changes in growth forecasts and did not eliminate the larger bias compared with countries in a close-to-balance position. Moreover, downward revisions were often not compensated by a subsequent strengthening of consolidation plans in order to achieve original targets.

The existence of systematic biases for budgetary and economic forecasts in stability and convergence programmes suggests that there is substantial room for improvement. The elimination of forecast biases would increase the transparency of the surveillance process and the credibility of the fiscal framework.

## Forecasting biases by country, 1999-2003

(as a percentage of GDP; in percentage points)

Country	Balance	Growth
Luxembourg	0.85	-1.60
Belgium	0.22	-0.63
Finland	0.21	-0.42
Austria	0.12	-0.71
Spain	-0.08	-0.41
Denmark	-0.13	-0.63
Sweden	-0.51	-0.31
United Kingdom	-0.58	-0.08
Ireland	-0.81	-0.26
Netherlands	-0.91	-1.11
Italy	-1.25	-1.21
Germany	-1.36	-1.21
France	-1.43	-1.03
Portugal	-1.62	-1.79
Greece	-1.97	-0.17

Source: ECB calculations based on data from stability and convergence programmes and the European Commission's AMECO database (spring 2004).

Note: Figures present mean errors of forecasts for all programmes issued by a particular country since 1999. Errors are computed as the difference between actual and projected values. Countries are ordered according to the mean error for budgetary balances.

<sup>1</sup> New Member States submitted their first convergence programmes in 2004. Therefore they cannot be included in the sample.

warranted from an economic perspective and could also undermine the credibility of the Stability and Growth Pact.

A second, related challenge encompasses the issue of the quality of statistical information and fiscal forecasts in multi-annual budget plans. Stability programmes are a key component of EU surveillance procedures for fiscal policies. Realistic assumptions about the macroeconomic environment and well-specified adjustment measures are crucial to the successful implementation of the European fiscal framework. Nonetheless, the quality of forecasts in relation to budgetary developments and economic growth in these programmes has been called into question on numerous occasions and concerns have been raised about errors and biases. Inaccurate forecasts, which do not contain all relevant information, undermine the usefulness of the programmes as a monitoring instrument (see the box entitled “Track record of budgetary forecasts in stability and convergence programmes”).

A third challenge is that a credible correction of fiscal imbalances needs to be part of a comprehensive structural reform agenda rather than being based on measures with only temporary or even adverse long-term effects. More progress is needed in this respect and, by making use of the favourable cyclical upswing, governments could speed up their reform agenda. In this context, it is worth stressing that there can be important positive synergies between structural reforms and fiscal consolidation if reforms are well-designed and geared towards enhancing growth. The gain in confidence in respect of future economic prospects should then counterbalance the potential adverse effect of consolidation on demand in the short run. Furthermore, the combination of fiscal consolidation and structural reforms should contribute to confidence in the long-term sustainability of public finances by helping to prepare for the future fiscal costs of population ageing.

## 6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 6.1 EXCHANGE RATES

In August 2004, the euro continued to move in a relatively narrow range against most of the currencies included in the index of its nominal effective exchange rate. Some lingering uncertainty about the medium-term growth and inflation prospects in all major economic areas –further accentuated by high oil prices –and some volatility in short-term interest rate expectations, particularly in the United States, seemed to be the key factors accounting for the fluctuations in almost all major currency pairs throughout the month. Regarding the currencies of the new EU Member States, the most notable development was the euro's appreciation against the Polish zloty.

#### US DOLLAR/EURO

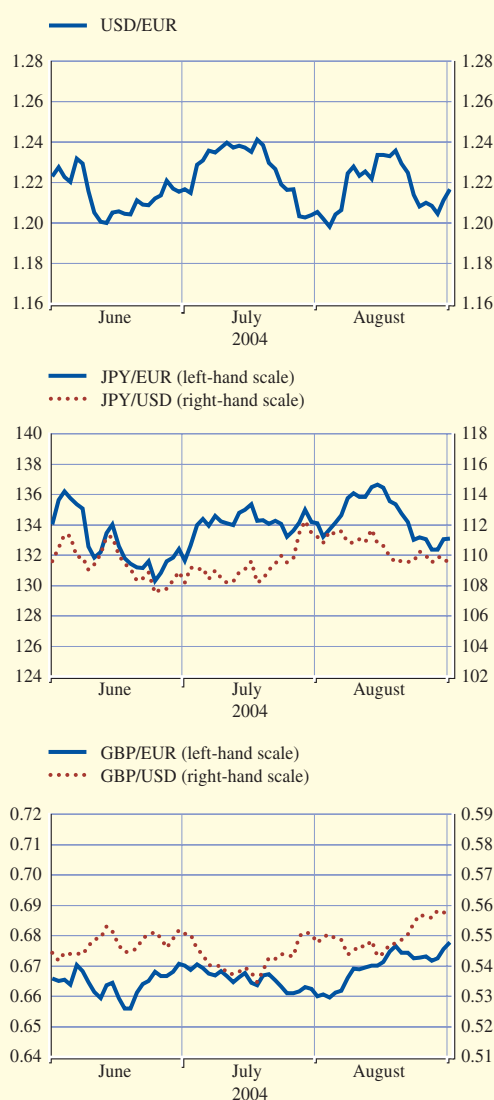
After trading within a narrow range against the US dollar in the first week of August, the euro appreciated moderately against the US currency amid some fluctuation in the course of the month (see Chart 36). The initial relative stability of the dollar-euro currency pair seemed to reflect the market's anticipation of the decision by the Federal Open Market Committee to raise its target for the federal funds rate by 25 basis points on 10 August to 1.5%. Subsequently the euro strengthened mainly in reaction to US data releases showing weaker than expected employment creation, a widening of the trade deficit as well as a further rise in the federal budget deficit. Towards the end of the month, the announcement of increased portfolio investment inflows into the United States in June combined with a moderate increase in US bond yields seemed to have provided some support to the US currency. On 1 September the euro stood at USD 1.22, 1.1% higher than its end-July level and 7.6% higher than its 2003 average.

#### JAPANESE YEN/EURO

In August, the euro initially appreciated and then depreciated against the Japanese yen, which itself gradually appreciated against the US dollar (see Chart 36). Data releases suggesting a slowdown in Japan's GDP growth in the second quarter of 2004 – from the very high levels recorded in the first quarter – as well as concerns about the impact of higher oil prices on Japan's economic outlook could have contributed to the initial strengthening of the euro vis-à-vis the yen. Towards the end of the

Chart 36 Patterns in exchange rates

(daily data)



Source: ECB.

month, these pressures seemed to be countered by the rebound in Japanese stock prices that, together with declining oil prices, supported the broad-based appreciation of the Japanese currency. On 1 September the euro was quoted at JPY 133.1, 0.8% lower than its end-July level and 1.6% higher than its 2003 average.

### EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar fluctuated in narrow ranges close to their respective central parities (see Chart 37).

The Estonian kroon and the Lithuanian litas remained unchanged relative to their central parities in line with the unilateral commitments by Estonia and Lithuania to currency board arrangements within the standard ERM II fluctuation bands.

The euro appreciated against the pound sterling in August after depreciating in July (see Chart 36). The weakening of the pound in August – a trend which also applied to its bilateral rate against the US dollar – was likely to have been associated with markets reassessing the future path of short-term interest rates in the United Kingdom, amid signs that the increase in house prices might have moderated over the past few months. On 1 September the euro traded against the pound sterling at GBP 0.68, 2.3% higher than its end-July level and 2.1% lower than its 2003 average. In August the euro depreciated moderately against the Swedish krona, while it strengthened somewhat against the Polish zloty after two consecutive months of relative weakness. In the period under review the euro remained broadly stable against the Latvian lats, the Hungarian forint, the Czech koruna, the Slovak koruna, the Cyprus pound and the Maltese lira.

### OTHER CURRENCIES

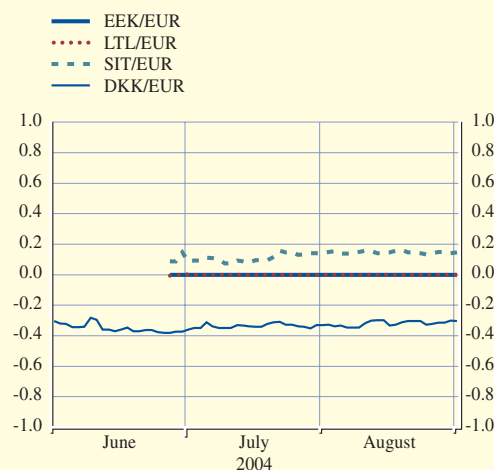
The euro remained broadly unchanged vis-à-vis the Swiss franc and the Norwegian krone in August.

### EFFECTIVE EXCHANGE RATE OF THE EURO

Starting with this issue of the Monthly Bulletin, the ECB is introducing a new set of indices for the euro nominal effective exchange rate, which are the outcome of the regular five-year updating of the underlying trade weights. Box 10 provides a detailed description of the calculation of the new indices and the ensuing changes in the partner country groupings. Regular reporting will henceforth rely on the new nominal reference index, called the EER-23, which will take account of the recent enlargement of the EU and China's increasing share in world trade. On 1 September the euro nominal effective exchange rate – as measured against the currencies of 23 of the euro area's important trading partners – was moderately higher than its end-July level and about 2.8% higher than its average level in 2003. This mainly reflected the appreciation of the euro against the US dollar and the pound sterling which was partly offset by its depreciation against the Japanese yen and the Swedish krona in the review period (see Chart 38).

**Chart 37 Patterns in exchange rates within ERM II**

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

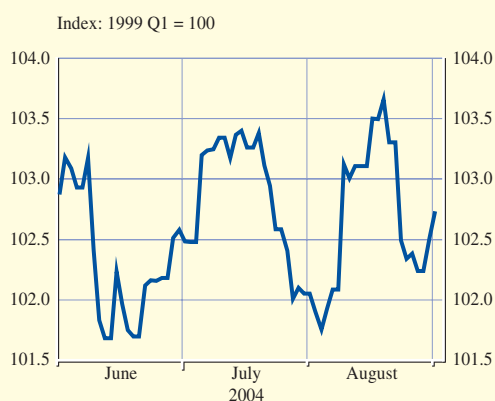


Source: ECB.

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

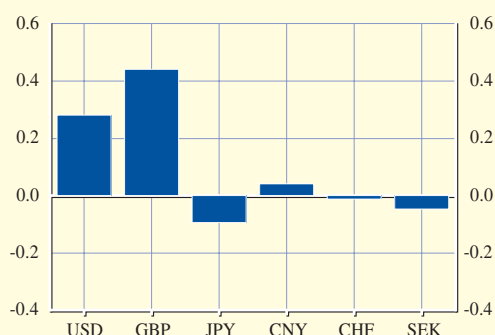
**Chart 38 Euro effective exchange rate and its decomposition <sup>1)</sup>**

(daily data)



**Contributions to EER changes <sup>2)</sup>**

From 30 July 2004 to 1 September 2004  
(in percentage points)



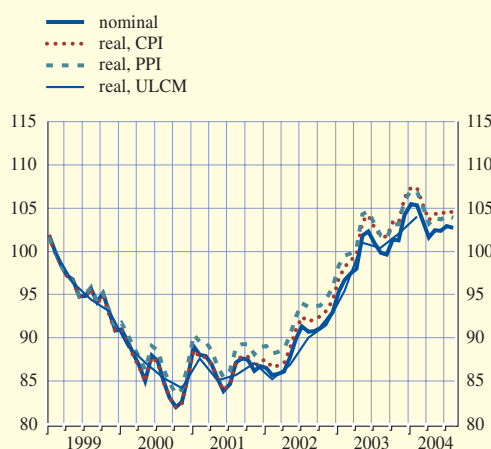
Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 23 major trading partners.  
2) Contributions to EER-23 changes are shown against the currencies of the six main trading partners of the euro area. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

The real effective exchange rates of the euro – based on trends in the CPI, the PPI and ULCM – have followed developments in the nominal index quite closely over the past five years (see Chart 39). Having strongly appreciated in the past two years, the euro declined in real effective terms throughout the first four months of 2004, thereby improving the price competitiveness of euro area companies somewhat. From May to August 2004, however, the relative stability of the nominal effective exchange rate of the euro is likely to have stopped this process.

**Chart 39 Euro nominal and real effective exchange rates <sup>1)</sup>**

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



Source: ECB.

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

**Box 10**

**UPDATE OF THE OVERALL TRADE WEIGHTS FOR THE EFFECTIVE EXCHANGE RATES OF THE EURO AND COMPUTATION OF A NEW SET OF EURO INDICATORS**

Up to now, the ECB has computed and published nominal and real effective exchange rates (EERs) of the euro against both a narrow group of trading partners encompassing 12 partner countries and a broad group of trading partners comprising 38 partner countries. These computations followed a methodology agreed in 1999 with the national central banks of the then

15 EU Member States.<sup>1</sup> According to this methodology, the EER indicators are constructed by applying overall trade weights to the bilateral exchange rates of the euro against the currencies of the euro area's trading partners. The weights are designed to also capture the effect of competition in third markets and were based on the average exports and imports recorded in the period 1995-97. Since overall trade patterns tend to change only gradually, it was envisaged to update the weights at five-year intervals. This box introduces the new set of euro EER indicators following the first update of the underlying weights. The new indicators, which are based on manufacturing trade data for the period 1999-2001, are linked to the (revised) set of indicators based on the 1995-97 weighting scheme at the beginning of 1999 (see the "General notes" in the "Euro area statistics" section and the "Methodological notes" available on the ECB's website for technical details).

The list of trading partners has been extended to encompass all EU Member States and accession countries. Accordingly, Latvia, Lithuania, Malta and Bulgaria have been added to the corresponding trading partner groups (all other Member States and Romania were already included). As a consequence, the broad group now consists of 42 trading partners and has been renamed the "EER-42", while the narrow group of trading partners will be referred to as the "EER-12". In addition, a new group of trading partners has been created to take account of the recent EU enlargement, as well as the increasing involvement of China in world trade. Hence, this new group comprises the countries included in the EER-12, the ten new EU Member States and China and is named the "EER-23". The EER-42 group of partner countries covers about 90% of euro area external trade in manufacturing goods, whereas the EER-23 and EER-12 groupings cover about 75% and 60% of such trade respectively.

Compared with the 1995-97 weighting scheme, the weight of the United States has increased, while that of the United Kingdom – the second most important trading partner of the euro area – has declined (see the table below). Another notable development is the increase in the weights of the new EU Member States and of China, which has now emerged as the fourth largest trading partner of the euro area, after Japan and before Switzerland and Sweden.

Real EER indices are derived by adjusting the nominal indices for relative price and cost developments between the euro area and its trading partners. For the EER-12 and EER-23 groups, real EER indices are computed employing consumer prices (CPI), producer or wholesale prices (PPI), unit labour costs in manufacturing (ULCM), GDP deflators (GDPD) and unit labour costs in the total economy (ULCT). For both the euro area and European partner countries, the cost and price measures are based on harmonised concepts (HICP, PPI, ESA 95-based ULC and GDP deflators). For the EER-42, the CPI (HICP when available) remains the only price index considered, owing to a lack of timely and comparable data on other price and cost measures for some of the countries included in this group.

The EER-12 indicators are available from January 1990, while the EER-42 and EER-23 indices are available from January 1993. As euro exchange rates have only been available since the formation of the euro area, earlier EER data are based on a basket of euro legacy currencies.<sup>2</sup>

1 For an in-depth description of this methodology, the reader is referred to L. Buldorini, S. Makrydakis and C. Thimann (2002), "The effective exchange rates of the euro", ECB Occasional Paper No 2.

2 In order to avoid the repeated linking of the indices due to past and future euro area enlargements, the composition of the euro area is assumed to be fixed for the whole period over which the EER indicators are computed. This implies, for instance, that Greece is treated as a member of the euro area since the formation of the euro area in 1999, although it only joined on 1 January 2001.

Table Weights in the ECB's EER-12, EER-23 and EER-42 indices

Partner countries	Overall weights					
	EER-12 index		EER-23 index		EER-42 index	
	1995- 1997 (revised)	1999- 2001	1995- 1997 (revised)	1999- 2001	1995- 1997 (revised)	1999- 2001
<b>EER-42 group</b>					<b>100</b>	<b>100</b>
<b>EER-23 group</b>			<b>100</b>	<b>100</b>	<b>80.9</b>	<b>82.0</b>
<b>EER-12 group</b>	<b>100</b>	<b>100</b>	<b>86.2</b>	<b>82.7</b>	<b>68.8</b>	<b>66.6</b>
Australia	1.27	1.13	1.11	0.94	0.76	0.70
Canada	1.96	2.22	1.76	1.93	1.48	1.64
Denmark	3.02	2.72	2.76	2.39	2.51	2.17
Hong Kong	5.74	5.24	2.82	2.37	2.08	1.82
Japan	16.36	14.52	13.68	11.45	9.66	8.52
Norway	1.55	1.35	1.43	1.20	1.31	1.10
Singapore	3.82	3.45	3.20	2.69	1.75	1.55
South Korea	4.77	4.84	3.79	3.55	2.82	2.72
Sweden	5.66	5.07	5.14	4.47	4.60	3.99
Switzerland	7.94	7.08	7.30	6.31	6.47	5.60
United Kingdom	22.12	21.48	20.36	19.18	18.15	17.14
United States	25.78	30.91	22.84	26.19	17.24	19.68
<b>Additional countries in the EER-23 group</b>			<b>13.8</b>	<b>17.3</b>	<b>12.1</b>	<b>15.3</b>
China			5.02	6.93	4.22	5.92
Cyprus			0.15	0.13	0.13	0.11
Czech Republic			2.08	2.52	1.90	2.30
Estonia			0.18	0.21	0.15	0.18
Hungary			1.68	2.44	1.51	2.19
Latvia			0.10	0.12	0.08	0.10
Lithuania			0.18	0.19	0.14	0.16
Malta			0.16	0.12	0.15	0.11
Poland			2.55	2.98	2.29	2.72
Slovakia			0.75	0.86	0.68	0.78
Slovenia			0.94	0.85	0.84	0.76
<b>Additional countries in the EER-42 group</b>					<b>19.1</b>	<b>18.0</b>
Algeria					0.30	0.28
Argentina					0.55	0.42
Brazil					1.55	1.36
Bulgaria					0.27	0.31
Croatia					0.45	0.36
India					1.40	1.28
Indonesia					0.94	0.71
Israel					1.14	1.09
Malaysia					1.18	1.10
Mexico					0.87	1.23
Morocco					0.62	0.57
New Zealand					0.13	0.11
Philippines					0.38	0.52
Romania					0.68	0.84
Russia					2.16	1.70
South Africa					1.02	0.84
Taiwan					2.21	2.29
Thailand					1.17	0.99
Turkey					2.06	2.04

Source: ECB.

The nominal EER indicators are available daily for the EER-12 and EER-23, as they constitute a summary measure of short-term foreign exchange market developments. All other indicators are available monthly, with the exception of the real EER indices based on ULCT, ULCM and GDPD, which are published at a quarterly frequency.

From this issue of the Monthly Bulletin onwards, the EER-23 index, which includes the most important trading partners of the euro area and all non-euro area EU Member States, will be the standard reference series in the Monthly Bulletin. The EER-23 and EER-42 indices are



**Chart A Euro nominal effective exchange rate against the currencies of the EER-12 and EER-23 groups of trading partners <sup>1)</sup>**

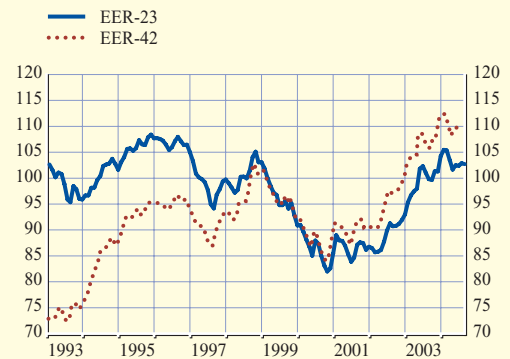
(monthly data; index: 1999 Q1 = 100)



Source: ECB.  
1) An upward movement of the index represents an appreciation of the euro. The latest observations are for August 2004.

**Chart B Euro nominal effective exchange rate against the currencies of the EER-23 and EER-42 groups of trading partners <sup>1)</sup>**

(monthly data; index: 1999 Q1 = 100)



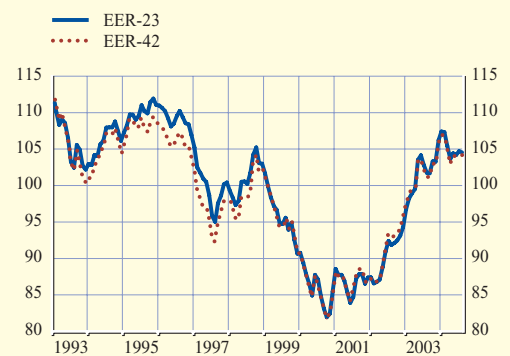
Source: ECB.  
1) An upward movement of the index represents an appreciation of the euro. The latest observations are for August 2004.

published in Section 8.1 of the “Euro area statistics” section and on the ECB’s website, whereas all EER-12 indicators and the daily nominal EER indices are only available on the ECB’s website.

Chart A shows that the evolution of the previous reference series – the nominal EER of the euro against 12 currencies – and the new reference series are highly correlated, as the new EU Member States and China account for only about 17% of the overall weighting of the EER-23. The devaluation of the Chinese renminbi in 1994 and the rise of major euro legacy currencies against the Hungarian forint and the Polish zloty in the first half of the 1990s somewhat affect the series. Chart B compares developments in the nominal EER of the euro against the currencies of 23 and 42 trading partners. It shows that the nominal EER-23 fluctuated without a clear trend over the period, while the nominal EER-42 increased by about 50% over the same period. This mainly reflects lower inflation rates in the countries included in the EER-23 index than in the countries in the EER-42 index, and their impact on developments in nominal exchange rates. This is confirmed in Chart C, which shows the CPI-deflated real EER-23 and the corresponding real EER-42. The two indices move closely together, indicating that assessments based on real EER indicators do not depend on the use of different groups of partner countries.

**Chart C Euro real effective exchange rate (CPI-deflated) against the currencies of the EER-23 and EER-42 groups of trading partners <sup>1)</sup>**

(monthly data; index: 1999 Q1 = 100)



Source: ECB.  
1) An upward movement of the index represents an appreciation of the euro. The latest observations are for August 2004.

## 6.2 BALANCE OF PAYMENTS

*In the second quarter of 2004, strong foreign demand continued to support export growth. However, as the value of goods imports grew faster amid higher oil prices, the goods surplus contracted over the same period, thereby reducing the current account surplus. On a 12-month cumulated basis, the current account surplus of the euro area amounted to about 0.7% of GDP up to June 2004, which was close to levels seen a year earlier but twice the end-2003 level. In the financial account, based on 12-month cumulated figures up to June 2004, there were net outflows in combined direct and portfolio investment as a result of lower foreign direct investment in the euro area, reduced net purchases of euro area debt instruments by non-residents and increased net acquisition of foreign equity securities by residents.*

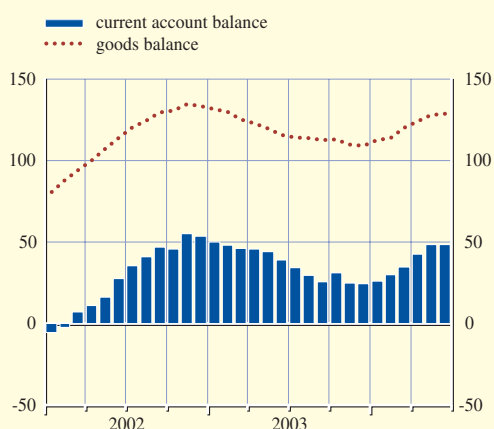
### CURRENT ACCOUNT AND TRADE

The seasonally adjusted current account of the euro area was almost balanced in June 2004, which corresponded to a €4.5 billion surplus in non-seasonally adjusted terms. This reflected surpluses in both goods and, to a lesser extent, services that were offset by deficits in income and current transfers (see Section 7.1 in the “Euro area statistics” section). Compared with the revised data for May 2004, the seasonally adjusted current account surplus decreased by €6.5 billion in June 2004. This resulted from a decrease in the goods and services surpluses and an increase in the income deficit. The deficit on current transfers decreased marginally over this period.

In terms of seasonally adjusted quarterly figures, the expansion in extra-euro area goods exports observed since the third quarter of 2003 strengthened in the second quarter of 2004. Following a 3.7% increase in the first quarter of 2004, the value of goods exports rose by 4.8% in the second quarter. Robust foreign demand for euro area products, particularly from non-Japan Asia, the United States and the United Kingdom, seems to have been the key factor behind this development.

**Chart 40 The euro area current account and goods balances**

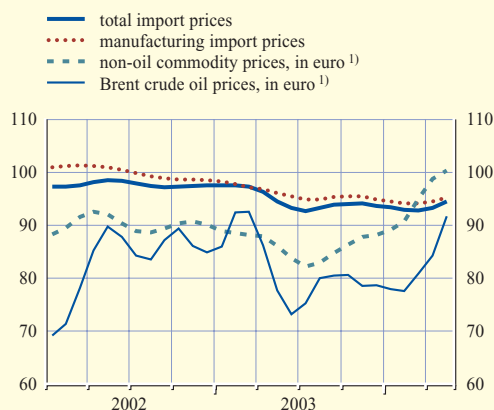
(EUR billions; monthly data; seasonally adjusted; 12-month cumulated data)



Source: ECB.

**Chart 41 Extra-euro area import prices**

(indices: 2000 = 100; seasonally adjusted, unless otherwise indicated; three-month moving averages)



Sources: Eurostat, Hamburg Institute of International Economics and ECB calculations.

Note: The total import price index does not correspond to the weighted average of its components due to the use of different data sources.

1) Not seasonally adjusted.

At the same time, the value of goods imports, after remaining broadly unchanged in the first quarter of 2004, rose substantially (by 7.6% quarter on quarter) in the second quarter, primarily due to the marked increase in commodity prices (see Chart 41). Against this background, the goods surplus contracted by €4.7 billion in the second quarter of 2004. This contraction of the goods surplus was behind the decrease in the current account surplus seen in the same period.

Taking a longer-term perspective, the cumulated current account surplus of the euro area amounted to more than €48 billion (about 0.7% of GDP) in the 12-month period ending in June 2004, which was close to levels seen a year earlier but almost twice as high as at the end of 2003 (see Chart 40). The rise in the current account surplus in the first half of the year reflects primarily the improvement in the goods surplus amid robust export growth as of the third quarter of 2003.

#### FINANCIAL ACCOUNT

Net inflows of €20.6 billion in combined direct and portfolio investment into the euro area were recorded in June, primarily reflecting net inflows in portfolio investment (€29.5 billion), which were partially counterbalanced by net outflows in direct investment (€8.9 billion).

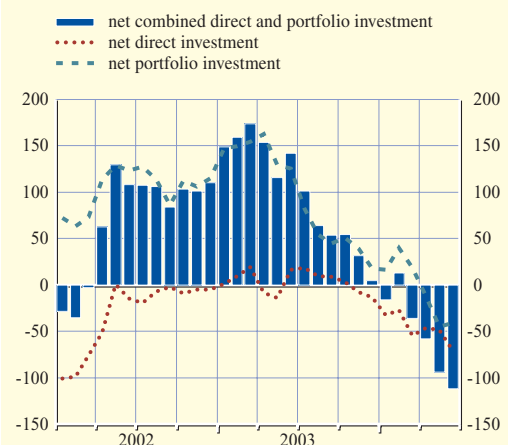
The developments in direct investment mainly stemmed from net outflows of €9.7 billion in equity capital and reinvested earnings, which largely resulted from the increase in euro area residents' investment activities abroad. Net inflows in portfolio investment were related mainly to the net acquisition of euro area debt instruments by non-residents and, to a lesser extent, to net sales of foreign money market instruments by euro area residents. Although net investment in equity securities was approximately zero in June, transaction activity on both the asset and liability sides was higher than in previous months.

In the 12-month period up to June 2004, cumulated net outflows of €111.9 billion were recorded for euro area combined direct and portfolio investment, compared with cumulated net inflows of €141.9 billion in the same period a year earlier. This reversal in the direction of net capital flows corresponds to the switch in both portfolio and direct investment from net inflows to net outflows (see Chart 42). The shift in net direct investment stems mainly from a gradual decline in foreign direct investment inflows into the euro area over the reference period (from €144.4 billion to €34.8 billion), while euro area direct investment abroad remained relatively stable. The shift in portfolio investment was largely due to a €141.5 billion decrease in the net purchases of euro area debt instruments (both bonds and notes and money market instruments) by non-residents and, to a lesser extent, a €81 billion increase in the net acquisition of foreign equity securities by euro area residents.

It is likely that two interrelated factors continued to account for the evolution of euro area combined direct and portfolio investment since the second half of 2003. First, decisions

**Chart 42 Net direct and portfolio investment flows**

(EUR billions; 12-month cumulated data)



Source: ECB.

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

by international investors were influenced by the more pronounced improvement of the economic outlook and corporate profitability in other regions of the world over this period, which stimulated higher direct and equity portfolio investment in these regions. Second, the decline in geopolitical uncertainty over the past 15 months has favoured a rebalancing of portfolio investment activities away from short-term and low-yielding assets. While the euro area registered large net inflows in fixed-income securities in the period prior to and during the war in Iraq, decreasing net inflows and the subsequent switch to net outflows in portfolio investment coincided with the gradual normalisation after the war.



# EURO AREA STATISTICS





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



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#### WHAT'S NEW

This issue introduces in Section 8.1 a new set of euro effective exchange rate indicators following an extension of the list of the euro area's trading partners and the update of associated trade weights. For a description, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" and the General notes.

#### Conventions used in the tables

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



# EURO AREA OVERVIEW

## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates

	M1 <sup>1)</sup>	M2 <sup>1)</sup>	M3 <sup>1),2)</sup>	M3 <sup>1),2)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>1)</sup>	Securities other than shares issued in euro by non- financial and non- monetary financial corporations <sup>1)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2002	7.7	6.6	7.3	-	5.4	21.1	3.32	4.92
2003	11.0	8.0	8.1	-	5.0	20.4	2.33	4.16
2003 Q3	11.4	8.6	8.4	-	4.9	22.2	2.14	4.16
Q4	11.0	7.9	7.6	-	5.3	21.7	2.15	4.36
2004 Q1	11.1	7.2	6.5	-	5.4	16.4	2.06	4.15
Q2	10.2	6.0	5.4	-	5.6	11.7	2.08	4.36
2004 Mar.	11.4	6.8	6.2	5.9	5.4	13.4	2.03	4.02
Apr.	10.9	6.2	5.5	5.5	5.5	11.7	2.05	4.24
May	9.3	5.4	4.8	5.2	5.7	11.0	2.09	4.39
June	9.6	5.7	5.4	5.2	6.0	11.2	2.11	4.44
July	10.1	5.9	5.5	.	6.2	.	2.12	4.34
Aug.	.	.	.	.	.	.	2.11	4.17

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

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2002	2.3	-0.1	3.7	0.9	-0.5	81.5	0.5	8.4
2003	2.1	1.4	2.8	0.5	0.3	81.0	0.2	8.9
2003 Q3	2.0	1.1	2.8	0.4	-0.3	81.1	0.2	8.9
Q4	2.0	1.0	2.3	0.7	1.4	81.0	0.2	8.9
2004 Q1	1.7	0.2	2.5	1.3	1.1	80.6	0.2	8.9
Q2	2.3	2.0	.	2.0	2.7	81.0	.	9.0
2004 Mar.	1.7	0.4	-	-	1.7	-	-	8.9
Apr.	2.0	1.4	-	-	1.6	80.7	-	9.0
May	2.5	2.4	-	-	3.7	-	-	9.0
June	2.4	2.4	-	-	2.8	-	-	9.0
July	2.3	.	-	-	.	81.3	-	9.0
Aug.	2.3	.	-	-	.	-	-	.

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

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 <sup>3)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
2002	65.4	133.6	-4.7	114.6	366.1	89.2	90.3	0.9456
2003	38.3	108.5	-13.1	17.6	306.5	99.9	101.7	1.1312
2003 Q3	14.3	36.8	-19.1	-59.1	332.9	100.2	102.1	1.1248
Q4	24.7	30.7	-9.6	10.5	306.5	102.3	104.3	1.1890
2004 Q1	16.2	28.1	-28.9	5.2	308.4	104.7	106.7	1.2497
Q2	12.0	33.8	-13.4	2.5	301.4	102.2	104.1	1.2046
2004 Mar.	11.7	13.4	-26.1	-4.9	308.4	103.5	105.4	1.2262
Apr.	1.0	10.7	-2.9	-3.0	303.9	101.7	103.7	1.1985
May	5.7	11.2	-1.6	-24.0	298.9	102.5	104.4	1.2007
June	5.3	11.9	-8.9	29.5	301.4	102.4	104.2	1.2138
July	.	.	.	.	301.3	102.9	104.7	1.2266
Aug.	.	.	.	.	.	102.7	104.5	1.2176

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

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

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



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

### 1. Assets

	2004 6 Aug.	2004 13 Aug.	2004 20 Aug.	2004 27 Aug.
<b>Gold and gold receivables</b>	127,382	127,382	127,382	127,382
<b>Claims on non-euro area residents in foreign currency</b>	170,740	170,108	173,010	170,009
<b>Claims on euro area residents in foreign currency</b>	17,821	18,212	17,104	16,843
<b>Claims on non-euro area residents in euro</b>	7,670	7,674	7,261	7,846
<b>Lending to euro area credit institutions in euro</b>	330,016	322,503	320,998	334,047
Main refinancing operations	255,002	247,501	246,000	259,000
Longer-term refinancing operations	75,000	74,997	74,997	74,999
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	3	0	46
Credits related to margin calls	14	2	1	2
<b>Other claims on euro area credit institutions in euro</b>	829	994	1,415	1,127
<b>Securities of euro area residents in euro</b>	67,952	67,999	67,862	67,942
<b>General government debt in euro</b>	42,085	42,085	42,086	42,086
<b>Other assets</b>	115,682	114,679	114,858	114,594
<b>Total assets</b>	880,177	871,636	871,976	881,876

### 2. Liabilities

	2004 6 Aug.	2004 13 Aug.	2004 20 Aug.	2004 27 Aug.
<b>Banknotes in circulation</b>	467,932	466,746	462,185	459,951
<b>Liabilities to euro area credit institutions in euro</b>	140,105	138,674	140,356	137,912
Current accounts (covering the minimum reserve system)	140,060	138,626	140,330	137,882
Deposit facility	44	46	25	30
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	2	1	0
<b>Other liabilities to euro area credit institutions in euro</b>	125	125	125	125
<b>Debt certificates issued</b>	1,054	1,054	1,054	1,054
<b>Liabilities to other euro area residents in euro</b>	59,720	55,857	56,132	73,995
<b>Liabilities to non-euro area residents in euro</b>	8,534	8,738	9,016	8,952
<b>Liabilities to euro area residents in foreign currency</b>	225	226	244	226
<b>Liabilities to non-euro area residents in foreign currency</b>	9,787	9,864	11,869	8,770
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,896	5,896	5,896	5,896
<b>Other liabilities</b>	56,825	54,481	55,123	55,018
<b>Revaluation accounts</b>	70,205	70,205	70,205	70,205
<b>Capital and reserves</b>	59,769	59,770	59,771	59,772
<b>Total liabilities</b>	880,177	871,636	871,976	881,876

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

- 1) From 1 January 1999 to 9 March 2004, the date refers to the deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated. The change on 18 September 2001 was effective on that same day. From 10 March 2004 onwards, the date refers to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.
- 2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate <sup>4)</sup>	Weighted average rate	
1	2	3	4	5	6	7	
<b>Main refinancing operations</b>							
2004 5 May	267,916	349	211,000	2.00	2.00	2.01	7
12	273,449	344	207,000	2.00	2.00	2.01	7
19	275,403	371	223,500	2.00	2.00	2.01	7
26	280,155	371	232,500	2.00	2.00	2.01	7
2 June	269,747	337	236,000	2.00	2.00	2.01	7
9	278,440	344	233,500	2.00	2.00	2.01	7
16	305,245	376	232,000	2.00	2.00	2.01	7
23	331,013	406	260,000	2.00	2.00	2.01	7
30	315,078	385	256,000	2.00	2.01	2.02	7
7 July	315,956	383	253,000	2.00	2.00	2.01	7
14	328,840	390	242,500	2.00	2.01	2.01	7
21	322,945	416	259,500	2.00	2.01	2.01	7
28	321,937	403	258,000	2.00	2.01	2.02	7
4 Aug.	342,842	359	255,000	2.00	2.01	2.02	7
11	336,449	348	247,500	2.00	2.01	2.02	7
18	332,633	368	246,000	2.00	2.01	2.02	7
25	339,539	366	259,000	2.00	2.02	2.02	7
1 Sep.	343,768	333	254,000	2.00	2.02	2.02	7
<b>Longer-term refinancing operations</b>							
2003 28 Aug.	35,940	143	15,000	-	2.12	2.13	91
25 Sep.	28,436	106	15,000	-	2.10	2.12	84
30 Oct.	32,384	150	15,000	-	2.13	2.14	91
27 Nov.	25,402	128	15,000	-	2.12	2.13	91
18 Dec.	24,988	114	15,000	-	2.12	2.14	105
2004 29 Jan.	47,117	145	25,000	-	2.03	2.04	91
26 Feb.	34,597	139	25,000	-	2.01	2.03	91
1 Apr.	44,153	141	25,000	-	1.85	1.90	91
29	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91

#### 2. Other tender operations

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

Source: ECB.

- 1) The amounts shown may differ slightly from those in Table 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 1.3.2.
- 3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
- 4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- 5) This operation was conducted with a maximum rate of 3.00%.

### 1.4 Minimum reserve and liquidity statistics

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

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

Reserve base as at <sup>1)</sup> :	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Jan.	11,691.2	6,328.2	428.0	1,461.4	825.3	2,648.3
Feb.	11,775.2	6,315.9	431.3	1,470.0	882.0	2,676.0
Mar.	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Apr.	12,088.2	6,474.0	451.3	1,492.1	911.8	2,759.0
May	12,141.3	6,506.8	442.3	1,499.1	898.2	2,794.9
June	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2

#### 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
2004 6 Apr.	134.6	135.3	0.7	0.0	2.00
11 May	134.4	135.0	0.6	0.0	2.00
8 June	136.4	137.1	0.7	0.0	2.00
6 July	138.0	138.8	0.8	0.0	2.00
10 Aug.	138.5	139.1	0.6	0.0	2.01
7 Sep.	138.7	.	.	.	.

#### 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions current accounts	Base money
	Monetary policy operations of the Eurosystem						Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility				Other liquidity-absorbing operations	8	9
	1	2	3	4	5	6	7					
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
2004 6 Apr.	301.4	217.9	67.1	0.4	0.0	0.4	0.0	425.3	51.5	-25.7	135.3	561.0
11 May	310.7	213.2	75.0	0.1	0.0	0.1	0.4	436.4	46.0	-18.9	135.0	571.5
8 June	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
6 July	308.2	245.4	75.0	0.3	0.0	0.1	0.0	449.1	65.0	-24.1	138.8	588.1
10 Aug.	300.8	253.6	75.0	0.0	0.0	0.2	0.0	460.9	61.1	-31.8	139.1	600.1

Source: ECB.

1) End of period.



## MONEY, BANKING AND INVESTMENT FUNDS

### 2.1 Aggregated balance sheet of euro area MFIs

(EUR billions; outstanding amounts at end of period)

#### 1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>1)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Eurosysteem														
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.0	11.9	132.9
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Q1	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
2004 Apr.	1,130.8	493.6	22.6	0.6	470.3	146.0	131.4	1.8	12.7	-	13.3	314.6	13.9	149.4
May	1,128.1	493.4	22.6	0.6	470.1	147.0	132.9	1.8	12.3	-	13.0	310.0	14.0	150.8
June	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
July <sup>(p)</sup>	1,192.2	548.7	22.2	0.6	525.8	148.3	134.0	1.8	12.6	-	13.2	312.7	14.2	154.9
MFIs excluding the Eurosysteem														
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,799.2	12,114.2	819.0	7,101.6	4,193.6	2,947.5	1,246.0	425.6	1,275.9	67.3	894.9	2,567.0	162.1	1,046.2
2004 Q1	20,408.6	12,233.1	823.3	7,171.8	4,238.0	3,081.2	1,305.6	431.6	1,344.0	78.0	926.3	2,830.4	160.0	1,099.5
2004 Apr.	20,703.7	12,400.7	817.6	7,229.7	4,353.4	3,104.4	1,313.8	435.8	1,354.8	79.8	954.0	2,914.7	160.7	1,089.5
May	20,673.9	12,360.4	811.7	7,268.5	4,280.2	3,146.2	1,340.5	440.1	1,365.6	77.4	955.6	2,886.6	159.1	1,088.5
June	20,786.3	12,465.4	818.4	7,321.6	4,325.3	3,162.4	1,355.4	443.9	1,363.1	76.9	944.4	2,871.1	159.3	1,106.8
July <sup>(p)</sup>	20,903.5	12,559.7	825.9	7,354.9	4,378.9	3,171.9	1,347.1	446.5	1,378.3	78.4	936.1	2,871.3	160.2	1,125.9

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Q1	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
2004 Apr.	1,130.8	450.2	358.3	43.6	16.7	297.9	-	1.6	149.4	25.1	146.2
May	1,128.1	459.3	350.2	46.0	18.3	285.8	-	1.6	146.5	22.2	148.3
June	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
July <sup>(p)</sup>	1,192.2	478.5	388.2	58.5	16.5	313.2	-	1.6	146.8	24.2	152.8
MFIs excluding the Eurosysteem											
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	532.8	2,992.5	1,108.7	2,594.2	1,431.7
2003	19,799.2	0.0	10,772.7	132.3	6,277.7	4,362.6	649.1	3,158.8	1,151.1	2,609.7	1,457.9
2004 Q1	20,408.6	0.0	10,863.5	140.7	6,308.9	4,413.8	680.1	3,303.4	1,160.3	2,833.7	1,567.5
2004 Apr.	20,703.7	0.0	11,015.4	136.0	6,351.4	4,528.0	691.3	3,338.5	1,167.6	2,912.2	1,578.8
May	20,673.9	0.0	10,993.3	149.1	6,375.2	4,469.0	686.9	3,359.2	1,171.6	2,910.0	1,553.0
June	20,786.3	0.0	11,095.7	157.1	6,410.5	4,528.2	685.5	3,370.2	1,181.6	2,873.0	1,580.2
July <sup>(p)</sup>	20,903.5	0.0	11,163.5	143.2	6,423.6	4,596.8	691.7	3,401.6	1,185.8	2,877.0	1,583.9

Source: ECB.

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

**2.2 Consolidated balance sheet of euro area MFIs**

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

**1. Assets**

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets <sup>1)</sup>	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											
2002	13,931.2	7,618.5	837.2	6,781.2	1,588.1	1,221.0	367.1	572.7	2,839.5	179.5	1,132.9
2003	14,553.7	7,943.9	841.7	7,102.2	1,794.4	1,367.4	427.0	623.6	2,884.9	174.5	1,132.4
2004 Q1	15,063.7	8,018.4	845.9	7,172.5	1,867.6	1,434.5	433.1	649.4	3,151.1	174.0	1,203.1
2004 Apr.	15,227.5	8,070.6	840.2	7,230.3	1,882.8	1,445.3	437.6	672.1	3,229.3	174.6	1,198.1
May	15,251.8	8,103.5	834.3	7,269.1	1,915.3	1,473.5	441.9	666.6	3,196.6	173.1	1,196.6
June	15,328.3	8,162.9	840.7	7,322.2	1,934.7	1,488.9	445.8	657.4	3,182.4	173.4	1,217.4
July <sup>(p)</sup>	15,378.8	8,203.6	848.1	7,355.5	1,929.4	1,481.1	448.3	648.9	3,184.0	174.4	1,238.5
Transactions											
2002	605.2	301.9	-9.3	311.2	73.6	43.8	29.8	7.7	243.3	-1.3	-19.9
2003	793.9	388.3	13.7	374.6	172.2	118.0	54.2	19.3	224.5	-3.5	-7.0
2004 Q1	426.6	84.2	5.3	78.8	56.5	53.4	3.1	24.7	209.5	-0.7	52.3
2004 Apr.	151.1	51.4	-6.9	58.2	16.7	11.7	5.0	21.6	70.6	0.6	-9.8
May	55.6	36.8	-5.9	42.7	35.0	30.7	4.3	-2.9	-10.4	0.3	-3.2
June	68.9	61.6	5.9	55.7	16.7	12.2	4.5	-10.4	-19.8	0.3	20.7
July <sup>(p)</sup>	37.9	41.3	7.4	33.9	-9.0	-8.7	-0.3	-7.8	-8.2	1.0	20.6

**2. Liabilities**

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities <sup>1)</sup>	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2002	13,931.2	341.2	136.4	5,969.9	470.5	1,818.1	1,006.4	2,627.1	1,550.9	10.8
2003	14,553.7	397.9	153.6	6,294.6	581.8	1,873.7	1,010.8	2,637.2	1,597.3	6.9
2004 Q1	15,063.7	399.6	183.8	6,324.7	602.1	1,948.1	1,025.9	2,857.3	1,712.9	9.3
2004 Apr.	15,227.5	409.4	179.6	6,368.1	611.4	1,972.6	1,021.8	2,937.3	1,725.0	2.2
May	15,251.8	416.6	195.1	6,393.5	609.5	1,982.9	1,016.1	2,932.2	1,701.2	4.5
June	15,328.3	423.0	224.3	6,428.9	608.6	1,996.4	1,027.0	2,896.5	1,731.4	-7.6
July <sup>(p)</sup>	15,378.8	436.2	201.7	6,440.2	613.3	2,012.3	1,032.1	2,901.2	1,736.6	5.2
Transactions										
2002	605.2	101.4	-5.8	225.3	70.0	113.9	39.7	76.6	-107.4	91.3
2003	793.9	79.0	12.9	319.3	57.8	141.1	37.5	133.0	-50.4	63.9
2004 Q1	426.6	1.7	30.2	22.5	21.6	59.8	7.2	172.5	117.7	-6.6
2004 Apr.	151.1	9.8	-4.7	41.6	8.9	21.2	2.2	62.3	20.1	-10.3
May	55.6	7.3	15.5	29.1	-2.0	15.5	-0.7	9.7	-25.0	6.2
June	68.9	6.3	29.2	35.0	-5.0	12.7	8.1	-38.5	27.4	-6.3
July <sup>(p)</sup>	37.9	13.3	-22.6	10.0	4.0	11.4	3.8	-6.0	14.0	10.0

Source: ECB.

- 1) Since the end of November 2000, balances arising from the TARGET system are netted by novation on a daily basis. This implies that the bilateral positions of each NCB vis-à-vis the ECB and other NCBs have been replaced by a single net bilateral position vis-à-vis the ECB. For the TARGET gross end-of-month positions in 1999 and in 2000 (January to October), see the corresponding footnote in the February 2000 and December 2000 issues of the Monthly Bulletin.
- 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

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

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

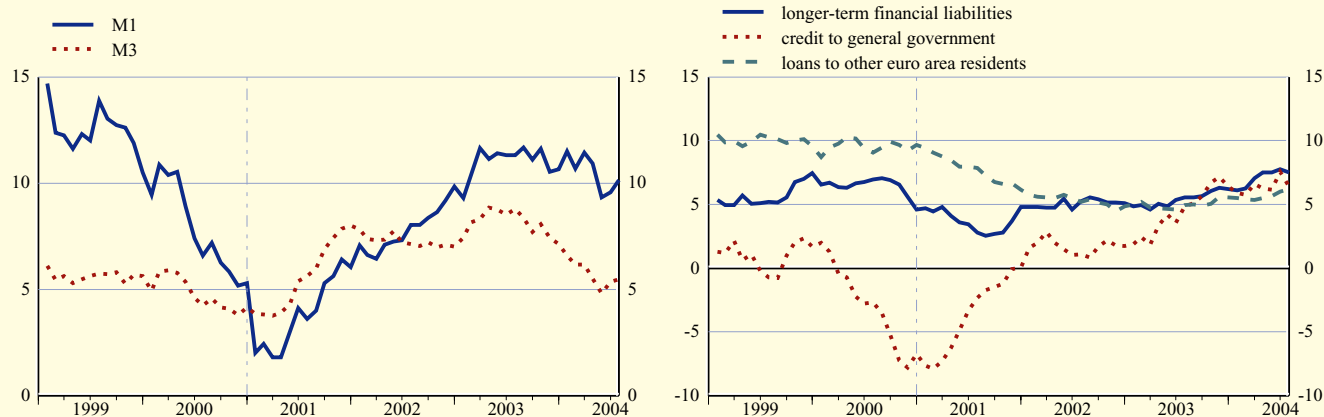
	M1		M2		M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>2)</sup>					
	1	2	3	4	5				6	7		8	9	Loans	10	11
														M2-M1		
Outstanding amounts																
2002	2,441.7	2,475.9	4,917.6	852.7	5,770.3	-	3,989.2	2,071.8	7,723.3	6,778.9	184.3					
2003	2,676.2	2,559.6	5,235.8	907.5	6,143.3	-	4,143.0	2,225.3	8,155.6	7,100.7	220.6					
2004 Q1	2,769.2	2,552.2	5,321.3	900.0	6,221.3	-	4,242.3	2,265.2	8,240.7	7,166.6	319.2					
2004 Apr.	2,781.9	2,556.2	5,338.1	911.7	6,249.8	-	4,280.3	2,278.9	8,299.2	7,210.7	332.7					
May	2,766.9	2,578.1	5,345.0	904.3	6,249.3	-	4,291.0	2,290.2	8,336.7	7,254.7	288.9					
June	2,791.4	2,582.6	5,374.1	925.0	6,299.1	-	4,312.2	2,313.3	8,396.3	7,295.1	272.7					
July <sup>(p)</sup>	2,832.6	2,592.4	5,425.0	932.1	6,357.2	-	4,345.6	2,333.4	8,450.9	7,347.9	282.1					
Transactions																
2002	218.5	90.8	309.3	70.0	379.3	-	196.2	35.7	350.8	314.4	168.4					
2003	259.4	116.2	375.6	34.6	410.2	-	244.9	134.0	448.5	375.4	92.6					
2004 Q1	91.9	-14.0	77.9	-3.5	74.4	-	73.9	27.2	89.7	74.5	89.6					
2004 Apr.	11.9	3.8	15.7	11.4	27.0	-	40.3	13.4	58.4	44.5	23.7					
May	-14.0	24.0	9.9	-7.3	2.6	-	21.4	13.7	43.9	48.0	-36.4					
June	23.9	4.8	28.7	17.1	45.9	-	17.2	19.5	61.5	42.9	-19.1					
July <sup>(p)</sup>	41.0	8.9	49.9	7.1	57.0	-	26.7	19.1	53.2	53.4	10.4					
Growth rates																
2002 Dec.	9.8	3.8	6.7	8.9	7.0	7.2	5.1	1.7	4.7	4.8	168.4					
2003 Dec.	10.7	4.7	7.7	4.0	7.1	7.1	6.2	6.4	5.8	5.6	92.6					
2004 Mar.	11.4	2.1	6.8	2.8	6.2	5.9	7.1	6.6	5.8	5.4	92.1					
2004 Apr.	10.9	1.5	6.2	1.4	5.5	5.5	7.5	6.2	5.9	5.5	108.3					
May	9.3	1.5	5.4	1.2	4.8	5.2	7.5	6.1	5.8	5.7	45.0					
June	9.6	1.7	5.7	3.6	5.4	5.2	7.7	7.6	6.2	6.0	8.3					
July <sup>(p)</sup>	10.1	1.7	5.9	2.9	5.5	.	7.5	6.4	6.3	6.2	45.0					

### C1 Monetary aggregates

(annual growth rates; seasonally adjusted)

### C2 Counterparts

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2.3 Monetary statistics

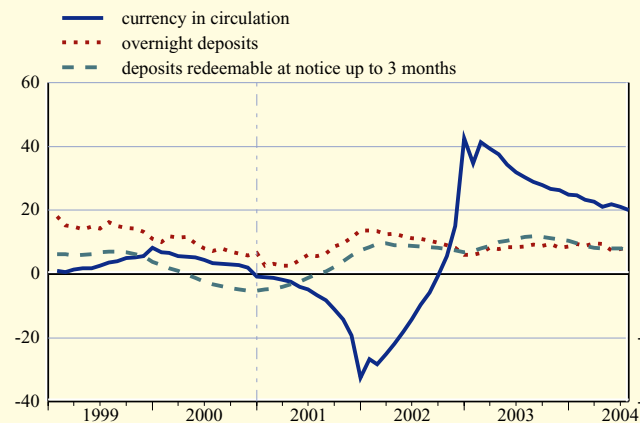
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2002	332.3	2,109.4	1,077.0	1,399.0	240.6	484.5	127.6	1,694.0	103.8	1,186.6	1,004.8
2003	387.6	2,288.6	1,037.0	1,522.6	222.4	597.4	87.7	1,790.4	90.6	1,253.2	1,008.8
2004 Q1	406.2	2,363.0	1,003.9	1,548.3	213.6	596.6	89.8	1,857.2	90.1	1,268.4	1,026.6
2004 Apr.	409.6	2,372.3	995.9	1,560.3	215.2	601.7	94.7	1,879.6	90.0	1,284.2	1,026.5
May	416.4	2,350.6	1,005.9	1,572.1	214.0	601.0	89.3	1,890.8	89.4	1,287.7	1,023.0
June	420.5	2,370.9	995.9	1,586.7	220.1	610.9	94.0	1,901.1	89.1	1,298.5	1,023.5
July <sup>(p)</sup>	425.2	2,407.4	998.6	1,593.8	230.8	611.3	90.1	1,917.9	89.4	1,307.4	1,030.9
Transactions											
2002	99.3	119.2	0.4	90.4	10.7	70.6	-11.3	125.3	-10.0	41.6	39.4
2003	77.8	181.6	-27.3	143.5	-9.0	59.3	-15.7	157.7	-13.2	63.2	37.1
2004 Q1	18.6	73.3	-39.5	25.5	-7.8	0.4	4.0	50.2	-0.5	14.3	9.9
2004 Apr.	3.4	8.5	-8.3	12.0	1.2	4.8	5.4	18.7	-0.1	15.6	6.2
May	6.8	-20.8	12.1	11.9	-1.2	-0.8	-5.4	16.3	-0.6	4.2	1.5
June	4.1	19.8	-9.7	14.5	6.1	5.8	5.2	8.9	-0.3	10.8	-2.1
July <sup>(p)</sup>	4.7	36.3	1.8	7.1	10.6	-0.2	-3.3	11.7	0.3	8.7	6.0
Growth rates											
2002 Dec.	42.6	6.0	0.0	6.9	4.6	17.1	-8.2	7.8	-8.8	3.6	4.0
2003 Dec.	24.9	8.6	-2.6	10.4	-3.9	11.3	-15.8	9.5	-12.7	5.3	3.7
2004 Mar.	22.7	9.7	-6.1	8.2	-1.8	7.0	-9.8	10.8	-9.9	5.5	4.4
2004 Apr.	21.2	9.3	-7.3	8.1	-2.0	7.3	-19.2	10.9	-8.6	6.6	4.4
May	21.8	7.4	-7.2	8.1	-3.5	5.4	-11.4	10.7	-8.3	6.5	4.9
June	21.1	7.7	-6.8	8.0	2.0	4.5	1.5	10.6	-7.1	7.0	5.0
July <sup>(p)</sup>	20.0	8.6	-6.3	7.4	2.0	3.3	3.0	10.3	-4.9	7.2	4.4

C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

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

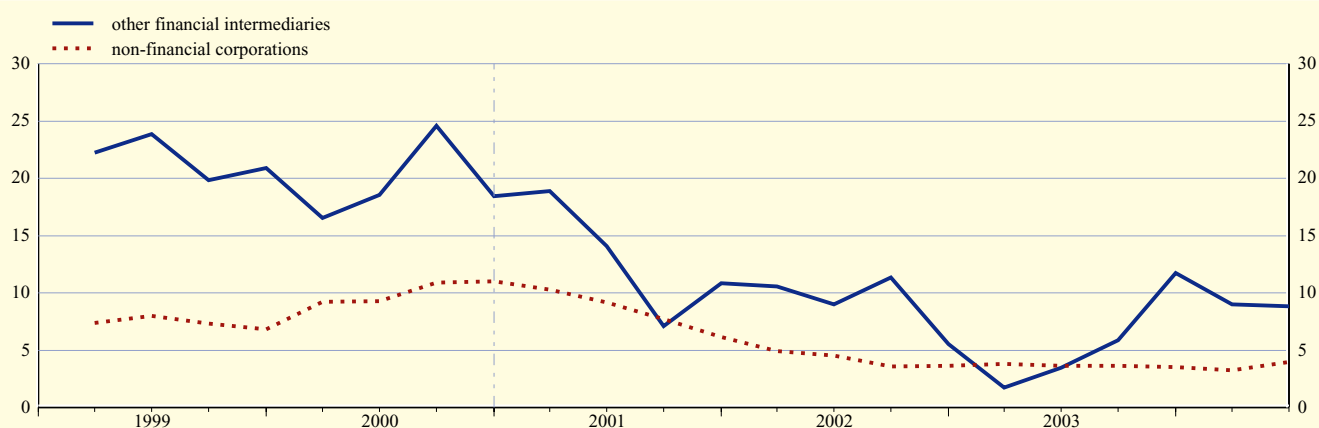
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Insurance corporations and pension funds		Other financial intermediaries <sup>2)</sup>		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.6	22.1	514.6	324.6	3,030.7	956.8	526.5	1,547.4
2004 Q1	46.3	32.2	508.0	306.6	3,052.8	952.6	527.0	1,573.2
2004 Apr.	51.4	37.7	512.1	314.6	3,076.6	958.3	531.6	1,586.7
May	56.5	42.6	515.6	317.4	3,086.0	952.5	537.1	1,596.3
June	53.7	40.1	512.5	308.4	3,093.2	966.2	535.3	1,591.7
July <sup>(p)</sup>	57.1	42.6	508.0	304.7	3,098.1	961.0	538.4	1,598.7
Transactions								
2002	-4.1	-7.3	24.0	16.2	106.1	-23.6	32.4	97.3
2003	4.7	2.5	54.2	26.4	103.8	-7.6	15.7	95.7
2004 Q1	10.6	10.0	-2.2	-10.6	22.3	-4.6	5.2	21.8
2004 Apr.	4.7	5.1	8.2	11.3	21.6	4.9	4.6	12.1
May	5.1	4.9	4.5	3.5	11.6	-4.3	5.3	10.5
June	-2.8	-2.5	-3.1	-9.0	26.1	17.7	0.2	8.2
July <sup>(p)</sup>	3.4	2.5	-5.2	-3.9	5.9	-4.9	3.4	7.4
Growth rates								
2002 Dec.	-10.3	-26.4	5.5	5.9	3.7	-2.3	6.6	7.0
2003 Dec.	13.1	12.8	11.7	8.8	3.5	-0.8	3.1	6.6
2004 Mar.	9.4	7.4	9.0	3.3	3.3	-2.5	3.8	6.9
2004 Apr.	10.2	11.2	8.2	4.7	3.5	-2.3	4.3	7.1
May	21.2	26.0	7.7	4.5	3.8	-2.2	5.8	7.0
June	18.8	26.3	8.9	3.7	4.0	-2.0	6.4	7.1
July <sup>(p)</sup>	16.2	28.1	9.2	5.9	4.3	-1.1	5.9	7.2

### C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

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

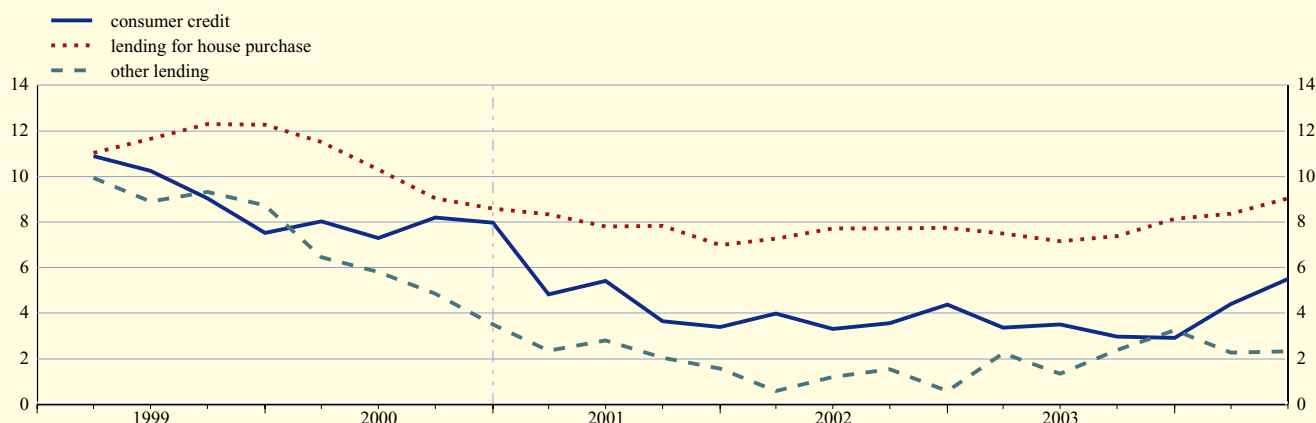
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**2. Loans to households <sup>2)</sup>**

	Total	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0
2003	3,520.7	484.4	112.0	181.0	191.5	2,360.4	14.3	63.3	2,282.7	675.9	144.8	95.9	435.2
2004 Q1	3,564.7	484.5	109.9	182.3	192.3	2,400.2	14.2	61.6	2,324.4	680.1	141.5	95.5	443.1
2004 Apr.	3,589.5	489.3	110.7	184.0	194.6	2,419.1	14.1	62.0	2,343.0	681.1	141.1	96.1	443.9
May	3,610.5	489.7	110.2	183.9	195.6	2,439.3	14.2	62.4	2,362.8	681.5	139.8	96.1	445.5
June	3,662.3	501.3	114.3	184.9	202.1	2,463.8	14.9	63.5	2,385.4	697.2	147.6	97.9	451.6
July <sup>(p)</sup>	3,691.7	503.6	113.1	186.6	203.8	2,492.1	14.5	64.0	2,413.7	696.1	144.1	98.2	453.7
Transactions													
2002	181.8	21.9	7.1	5.4	9.4	156.3	-0.3	2.5	154.1	3.6	-3.0	2.2	4.4
2003	211.9	13.7	8.7	6.4	-1.4	177.6	-5.9	1.7	181.8	20.7	-6.7	-4.9	32.3
2004 Q1	48.0	2.0	-1.7	1.8	1.9	44.8	0.0	-0.8	45.6	1.2	-2.3	0.3	3.2
2004 Apr.	23.8	3.9	0.8	1.5	1.6	18.9	0.0	0.4	18.5	1.0	-0.4	0.5	0.9
May	21.6	0.8	-0.5	0.1	1.2	20.3	0.1	0.3	19.9	0.5	-1.2	0.0	1.7
June	35.4	7.9	4.2	1.0	2.7	20.8	0.7	1.2	18.9	6.8	5.0	0.0	1.8
July <sup>(p)</sup>	29.8	2.3	-1.2	1.8	1.8	28.4	-0.4	0.5	28.3	-0.9	-3.3	-0.1	2.5
Growth rates													
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.7	-1.4	4.2	8.0	0.6	-1.9	2.1	1.2
2003 Dec.	6.4	2.9	8.3	3.6	-0.2	8.1	-26.3	2.6	8.7	3.2	-4.5	-5.0	8.5
2004 Mar.	6.6	4.4	0.1	6.3	5.2	8.4	4.7	-3.3	8.8	2.3	-1.3	-1.8	4.4
2004 Apr.	6.8	4.9	0.4	6.4	6.2	8.7	6.1	-3.4	9.1	2.0	-1.0	-1.6	3.9
May	6.9	4.8	0.8	5.4	6.5	8.8	5.6	-3.4	9.2	1.9	-0.6	-1.5	3.5
June	7.2	5.5	3.0	5.3	7.2	9.0	7.7	0.0	9.3	2.3	-1.1	1.3	3.8
July <sup>(p)</sup>	7.3	5.4	3.4	5.4	6.5	9.2	6.3	-0.5	9.5	2.4	-0.5	1.1	3.7

**C6 Loans to households**

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

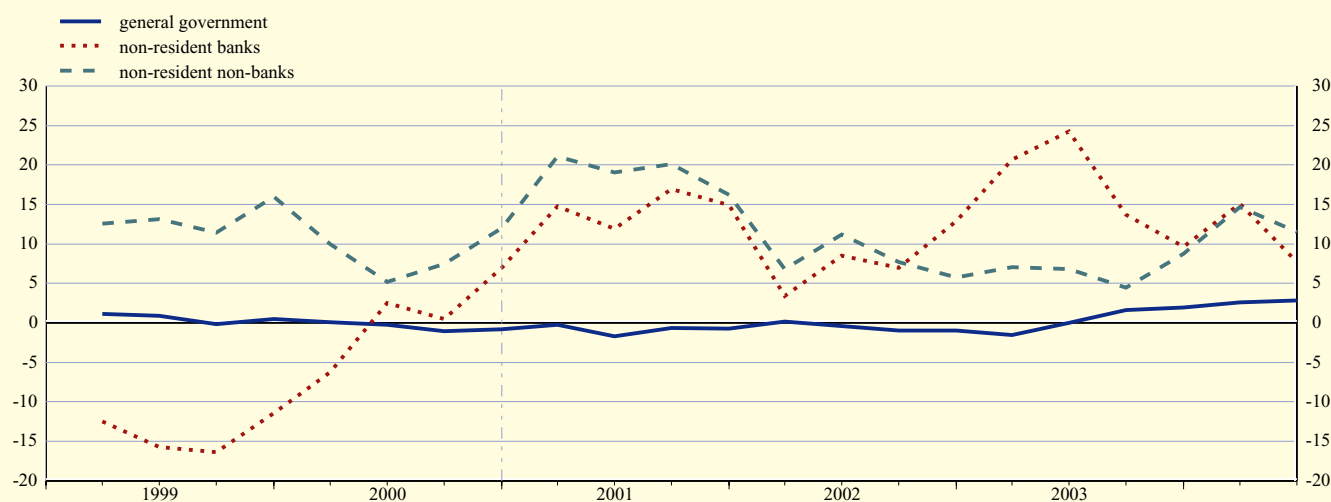
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.0	130.0	265.1	388.3	35.0	1,762.9	1,182.3	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	387.8	38.9	1,953.9	1,307.0	646.9	61.1	585.8
Q2 <sup>(p)</sup>	818.4	129.3	253.4	394.4	40.7	1,966.1	1,323.4	642.7	61.0	581.7
Transactions										
2002	-7.8	-11.2	-21.1	19.9	4.6	169.1	135.2	34.5	-1.2	35.7
2003	15.3	-4.3	-12.3	15.9	15.3	159.9	109.6	50.0	-4.9	54.8
2004 Q1	5.3	5.7	-3.9	-0.4	3.9	161.5	106.3	55.0	1.7	53.3
Q2 <sup>(p)</sup>	-6.5	-6.3	-8.5	6.5	1.8	7.9	13.4	-5.6	-0.3	-5.3
Growth rates										
2002 Dec.	-1.0	-7.7	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.2	-4.4	4.2	77.5	9.3	9.6	8.7	-7.5	10.8
2004 Mar.	2.6	0.9	-2.2	2.8	63.1	14.9	15.0	14.6	4.1	15.9
June <sup>(p)</sup>	2.9	1.6	-4.0	5.0	43.7	9.0	7.7	11.6	3.2	12.5

### C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

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

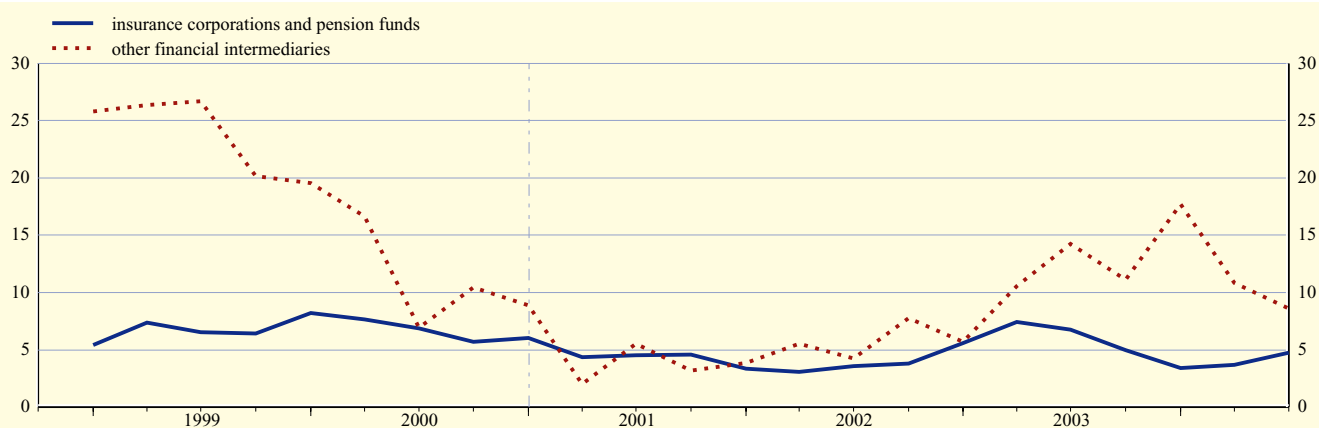
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	541.9	58.9	41.7	420.5	1.3	0.3	19.1	569.0	183.1	130.6	144.6	6.1	0.1	104.4
2004 Q1	556.6	64.7	42.2	426.1	1.3	0.3	22.0	586.4	197.0	119.7	147.1	7.8	0.1	114.7
2004 Apr.	562.3	62.3	41.7	431.3	1.4	0.4	25.2	601.3	195.2	129.0	150.0	8.3	0.1	118.6
May	563.1	57.2	45.7	435.7	1.5	0.4	22.7	596.0	192.1	127.4	149.1	7.9	0.1	119.3
June	565.5	59.9	42.2	439.9	1.3	1.0	21.2	597.2	194.1	122.3	155.0	8.3	0.1	117.3
July <sup>(p)</sup>	567.6	56.3	46.2	440.9	1.3	1.0	21.9	595.3	187.1	123.3	158.0	8.4	0.1	118.5
Transactions														
2002	27.6	7.8	-	-	-	-	1.4	26.7	-4.7	-	-	-	-	12.8
2003	17.9	1.7	-3.8	18.8	0.3	-0.1	1.1	86.1	28.0	-0.4	39.2	3.2	0.0	16.0
2004 Q1	14.4	5.7	0.3	5.6	0.0	0.0	2.8	13.4	13.8	-14.7	1.4	1.6	0.0	11.3
2004 Apr.	5.5	-2.4	-0.5	5.2	0.1	0.0	3.1	14.0	-2.1	9.2	2.7	0.5	0.0	3.6
May	0.7	-5.2	4.0	4.4	0.0	0.0	-2.5	-3.0	-2.8	-0.2	-0.4	-0.4	0.0	0.8
June	1.7	2.7	-3.5	4.2	-0.1	0.0	-1.5	2.5	3.4	-5.1	5.9	0.4	0.0	-2.0
July <sup>(p)</sup>	2.0	-3.6	4.0	1.0	0.0	0.0	0.7	-2.2	-7.2	0.9	2.9	0.0	0.0	1.1
Growth rates														
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.4	2.9	-8.1	4.7	40.9	-12.5	6.0	17.7	18.1	-0.4	37.2	71.4	-	17.1
2004 Mar.	3.7	5.1	8.1	2.4	40.8	1.8	18.6	10.8	17.2	-13.1	22.6	47.9	-	16.4
2004 Apr.	4.4	8.4	-3.8	3.9	49.2	6.2	17.0	10.3	15.5	-13.3	25.0	64.7	-	15.1
May	4.0	-0.8	0.1	5.2	10.0	6.6	1.8	5.4	7.2	-14.9	15.9	39.0	-	16.6
June	4.7	-6.4	10.9	6.4	40.3	3.8	-6.3	8.6	7.7	-10.1	18.6	44.6	-	20.6
July <sup>(p)</sup>	5.5	1.2	17.0	5.1	31.9	4.0	3.7	9.2	9.4	-9.2	22.4	51.7	-	14.0

### C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

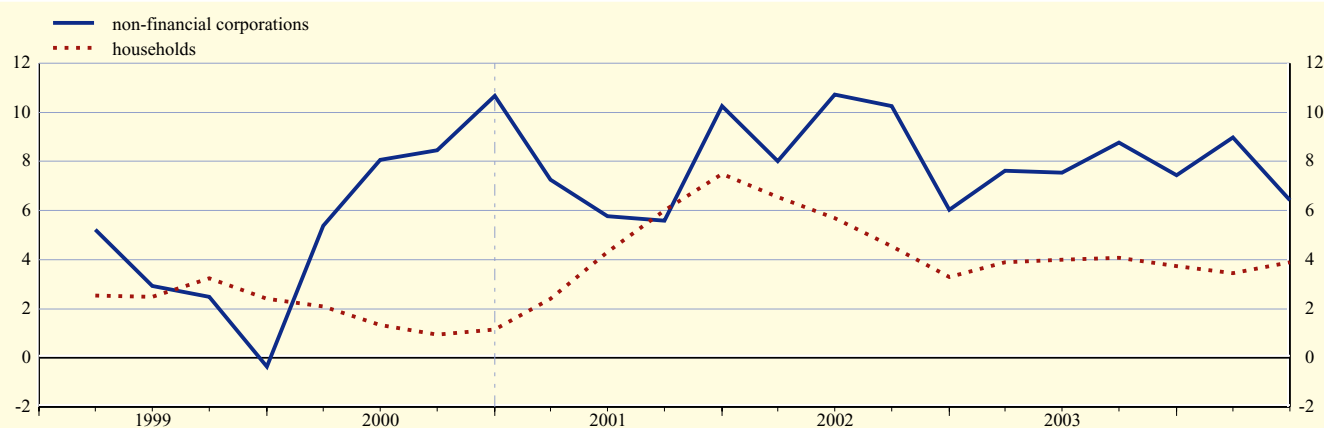
## 2.5 Deposits held with MFIs, breakdown <sup>1)</sup>

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

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

	Non-financial corporations							Households <sup>2)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,049.5	633.4	280.2	66.4	38.1	1.5	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,036.0	624.2	275.9	68.6	39.9	1.7	25.8	3,997.9	1,320.7	527.4	608.6	1,401.2	88.2	51.9
2004 Apr.	1,038.0	627.9	271.7	69.8	40.5	1.7	26.4	4,014.9	1,335.8	523.1	610.1	1,406.5	87.1	52.3
May	1,051.4	633.0	279.4	70.4	40.9	1.7	26.0	4,027.4	1,349.5	518.9	610.9	1,411.4	86.2	50.5
June	1,054.4	651.7	266.1	69.1	41.0	1.0	25.5	4,055.7	1,367.7	517.2	612.2	1,422.3	85.8	50.4
July <sup>(p)</sup>	1,053.8	642.1	270.9	71.6	41.5	1.0	26.5	4,069.5	1,372.4	517.3	613.1	1,428.2	85.9	52.6
Transactions														
2002	57.5	30.1	-	-	-	-	-1.2	120.6	65.3	-	-	-	-	-1.9
2003	73.0	41.5	54.9	-29.8	10.2	0.4	-4.2	142.6	95.4	-70.8	36.0	117.4	-13.7	-21.8
2004 Q1	-15.0	-9.7	-5.6	2.5	1.9	0.2	-4.2	17.7	8.5	-17.7	7.7	21.9	-1.7	-1.0
2004 Apr.	1.6	3.4	-4.1	1.1	0.6	0.0	0.7	16.8	15.0	-4.4	1.5	5.3	-1.1	0.4
May	14.4	5.7	7.9	0.7	0.4	0.0	-0.4	12.8	13.6	-3.9	0.8	4.9	-0.9	-1.8
June	6.2	19.8	-12.2	-0.8	0.0	0.0	-0.5	24.1	15.4	-2.5	0.8	10.9	-0.4	-0.1
July <sup>(p)</sup>	-1.2	-9.8	4.6	2.5	0.6	0.0	1.0	13.6	5.0	-0.3	0.9	5.9	0.1	2.1
Growth rates														
2002 Dec.	6.0	5.3	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.4	6.9	23.7	-30.6	41.5	49.6	-12.4	3.7	7.9	-11.4	6.4	9.3	-13.2	-29.2
2004 Mar.	9.0	11.9	3.4	13.3	23.1	20.6	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
2004 Apr.	8.0	10.9	1.1	15.9	22.2	20.3	-15.9	3.5	7.7	-8.9	4.1	7.2	-9.3	-25.5
May	7.0	10.4	-0.3	19.0	20.4	22.2	-23.4	3.6	8.0	-9.2	4.3	7.1	-8.8	-26.5
June	6.4	10.3	-3.1	15.0	17.1	20.6	-13.4	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
July <sup>(p)</sup>	6.9	10.6	-3.0	16.8	17.8	21.5	-6.0	4.0	7.8	-7.7	4.7	6.6	-5.5	-15.9

### C9 Deposits by non-financial corporations and households (annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

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

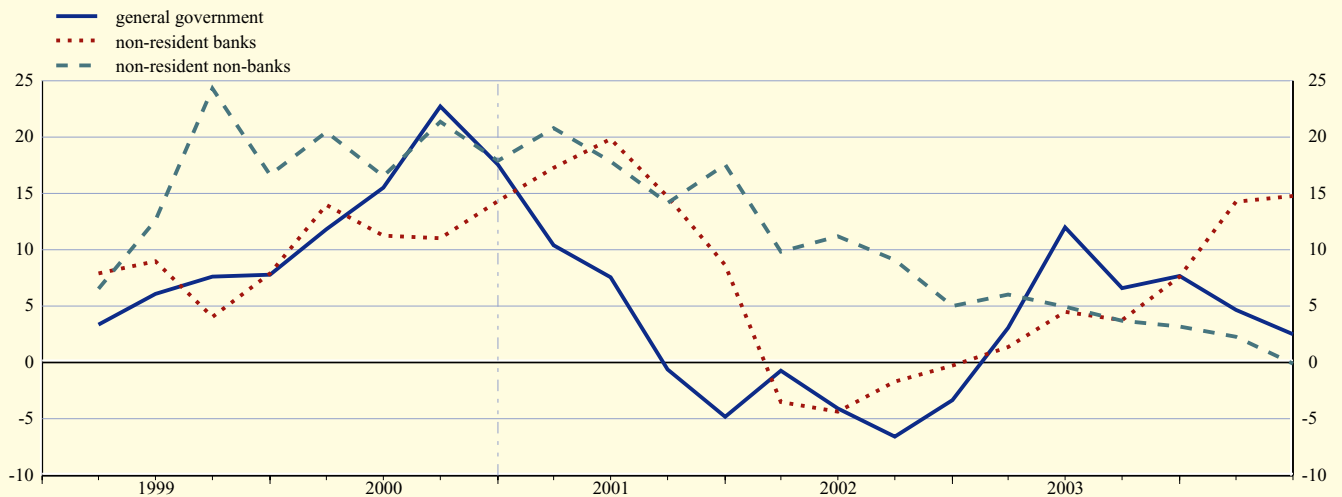
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>2)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,246.3	1,580.9	665.4	96.1	569.3
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2 <sup>(p)</sup>	294.9	157.1	31.6	64.4	41.8	2,473.3	1,785.1	688.2	102.5	585.7
Transactions										
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	139.7	117.5	22.3	-1.3	23.5
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	154.2	129.6	24.6	4.8	19.8
Q2 <sup>(p)</sup>	21.7	16.0	1.6	2.0	2.2	23.8	37.5	-13.7	1.7	-15.4
Growth rates										
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.3	7.6	3.2	-1.3	3.9
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June <sup>(p)</sup>	2.5	8.3	-7.7	-0.2	-4.2	10.2	14.8	-0.1	8.4	-1.5

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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



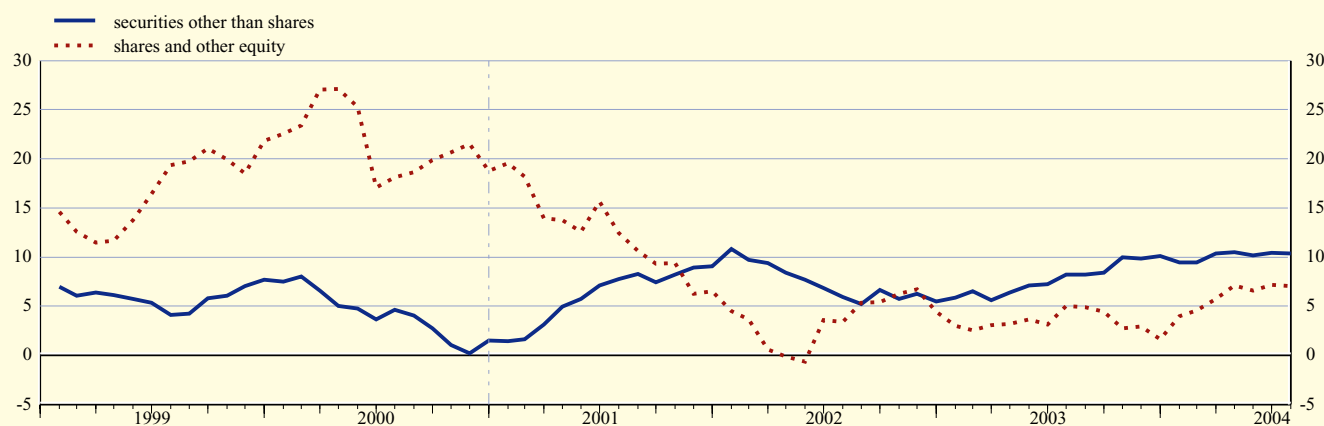
## 2.6 MFI holdings of securities, breakdown <sup>1)</sup>

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Outstanding amounts</b>												
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.8	1,218.5	57.4	1,230.4	15.6	407.1	18.6	629.3	1,068.6	279.7	615.2	173.7
2004 Q1	3,767.1	1,283.1	60.9	1,287.9	17.8	413.6	18.0	685.9	1,115.7	285.6	640.7	189.5
2004 Apr.	3,811.8	1,292.7	62.0	1,296.5	17.3	417.2	18.6	707.4	1,145.4	290.8	663.2	191.4
May	3,849.7	1,304.2	61.5	1,323.4	17.2	422.4	17.6	703.5	1,148.9	297.6	658.0	193.3
June	3,860.3	1,299.5	63.6	1,337.8	17.6	425.7	18.2	697.9	1,150.0	295.8	648.6	205.6
July <sup>(p)</sup>	3,901.4	1,314.9	63.4	1,329.7	17.4	429.1	17.4	729.6	1,150.3	296.1	640.0	214.1
<b>Transactions</b>												
2002	168.1	47.9	0.2	38.9	-0.6	26.6	3.5	51.6	42.7	14.0	7.0	21.8
2003	331.3	91.6	6.2	80.3	1.1	51.8	2.3	98.0	15.8	7.2	19.3	-10.7
2004 Q1	153.2	61.3	0.1	45.8	1.3	4.2	-1.3	41.7	44.8	6.0	24.7	14.0
2004 Apr.	41.8	9.7	0.9	8.7	-0.4	4.3	0.4	18.2	29.0	5.6	21.6	1.8
May	46.3	11.3	-0.4	28.6	0.1	5.0	-0.7	2.4	6.3	6.7	-2.8	2.4
June	8.0	-5.3	2.3	11.2	0.3	3.9	0.5	-4.8	-2.4	-3.2	-10.6	11.4
July <sup>(p)</sup>	37.2	18.0	-0.9	-8.5	-0.2	0.8	-0.9	29.0	2.2	0.8	-7.8	9.3
<b>Growth rates</b>												
2002 Dec.	5.5	4.5	-0.6	3.7	-3.3	8.3	23.6	9.7	4.4	5.5	1.3	13.6
2003 Dec.	10.1	8.1	12.5	7.0	7.0	14.7	11.5	17.6	1.6	2.7	3.4	-5.8
2004 Mar.	10.4	9.6	6.1	7.3	6.1	10.7	5.2	19.1	5.8	6.2	7.5	-0.3
2004 Apr.	10.5	10.6	11.6	6.6	3.6	8.0	8.2	20.4	7.1	8.7	8.3	0.9
May	10.2	10.3	8.5	6.6	6.6	9.0	-7.4	19.0	6.6	9.4	5.9	4.6
June	10.4	9.5	8.1	8.9	10.3	10.1	2.9	15.9	7.2	7.4	5.2	13.4
July <sup>(p)</sup>	10.4	9.6	5.8	7.1	6.1	11.2	-6.4	19.2	7.0	6.4	4.5	16.6

## C11 MFI holdings of securities

(annual growth rates)



Source: ECB.

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

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

**1. Write-offs/write-downs of loans to households <sup>2)</sup>**

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.3	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.0	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Q1	-1.2	-0.5	-0.2	-0.5	-1.3	-0.1	0.0	-1.1	-2.5	-1.0	-0.1	-1.4
2004 Apr.	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.2	-0.1	0.0	-0.1
May	-0.1	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.3	-0.1	0.0	-0.2
June	-0.2	-0.1	0.0	-0.1	-0.4	0.0	0.0	-0.3	-0.5	-0.1	0.0	-0.3
July <sup>(p)</sup>	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.2	0.0	0.0	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2002	-9.7	-2.1	-2.7	-4.9	-7.2	-	-
2003	-17.6	-8.8	-1.3	-7.6	-1.0	-0.4	-0.6
2004 Q1	-5.7	-3.0	-0.6	-2.2	-0.9	-0.3	-0.5
2004 Apr.	-0.3	-0.2	0.0	-0.1	0.3	0.1	0.2
May	-0.7	-0.7	0.3	-0.3	0.2	0.0	0.2
June	-1.6	-0.9	-0.1	-0.6	0.2	0.1	0.2
July <sup>(p)</sup>	-0.5	-0.3	-0.1	-0.1	0.2	0.1	0.2

**3. Revaluation of securities held by MFIs**

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.7	-0.4	3.1	-0.1	-1.2	-0.1	-2.0	19.2	7.9	5.0	6.4
2004 Q1	16.6	2.5	0.3	11.1	0.1	1.5	0.0	1.0	2.3	-0.3	0.9	1.7
2004 Apr.	-5.1	-0.3	0.0	-4.1	0.0	-0.4	0.0	-0.3	0.6	-0.5	0.9	0.2
May	-3.7	0.1	-0.1	-1.8	0.0	0.2	0.0	-2.1	-2.3	0.3	-2.0	-0.5
June	0.2	-0.5	0.0	1.0	0.0	-0.6	0.0	0.3	1.6	-0.3	1.0	1.0
July <sup>(p)</sup>	-0.5	-0.9	0.0	0.4	0.0	0.3	0.0	-0.3	-2.0	-0.5	-0.7	-0.8

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

### 1. Deposits

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2002	4,136.6	90.2	9.8	6.1	0.8	1.5	0.7	6,061.2	97.1	2.9	1.8	0.3	0.2	0.3
2003	4,362.6	91.2	8.8	5.4	0.5	1.5	0.9	6,410.0	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,413.8	90.4	9.6	5.7	0.5	1.5	1.2	6,449.6	97.1	2.9	1.7	0.3	0.1	0.4
Q2 <sup>(p)</sup>	4,528.2	90.3	9.7	5.8	0.5	1.5	1.4	6,567.6	97.1	2.9	1.7	0.3	0.1	0.4
	By non-euro area residents													
2002	1,585.3	43.7	56.3	39.2	2.1	4.3	7.8	685.7	48.3	51.7	35.0	2.3	1.9	9.8
2003	1,580.9	46.9	53.1	35.6	1.8	3.6	9.4	665.4	51.1	48.9	32.0	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2 <sup>(p)</sup>	1,785.1	45.2	54.8	36.6	1.8	3.2	10.2	688.2	52.1	47.9	31.0	1.9	1.9	9.8

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

	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				
			Total				
			USD	JPY	CHF	GBP	
1	2	3	4	5	6	7	
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,303.2	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2 <sup>(p)</sup>	3,534.6	84.0	16.0	8.2	1.7	2.0	2.7

Source: ECB.

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

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

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

**3. Loans**

	MFIs <sup>2)</sup>							Non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2002	4,017.8	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3	
2003	4,193.6	-	-	-	-	-	7,920.6	96.5	3.5	1.6	0.3	1.2	0.3	
2004 Q1	4,238.0	-	-	-	-	-	7,995.1	96.4	3.6	1.6	0.3	1.2	0.4	
2004 Q2 <sup>(p)</sup>	4,325.3	-	-	-	-	-	8,140.0	96.4	3.6	1.6	0.2	1.3	0.4	
To non-euro area residents														
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6
2003	1,182.3	50.2	49.8	29.5	4.7	2.3	9.3	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,307.0	49.0	51.0	30.7	4.7	2.5	9.4	646.9	40.0	60.0	41.9	2.5	4.4	8.0
2004 Q2 <sup>(p)</sup>	1,323.4	49.3	50.7	30.2	5.0	2.6	9.1	642.7	38.3	61.7	42.8	2.4	4.5	8.8

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

	Issued by MFIs <sup>2)</sup>							Issued by non-MFIs						
	All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies				All currencies outstanding amount	Euro <sup>3)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2002	1,170.4	95.9	4.1	1.7	0.4	0.2	0.9	1,501.2	97.9	2.1	1.0	0.7	0.1	0.4
2003	1,275.9	95.5	4.5	2.1	0.3	0.5	1.4	1,671.6	98.0	2.0	1.1	0.5	0.1	0.2
2004 Q1	1,344.0	95.5	4.5	2.1	0.3	0.4	1.5	1,737.2	97.9	2.1	1.1	0.5	0.1	0.2
2004 Q2 <sup>(p)</sup>	1,363.1	95.3	4.7	2.2	0.4	0.4	1.4	1,799.3	98.0	2.0	1.1	0.5	0.1	0.2
Issued by non-euro area residents														
2002	239.6	36.9	63.1	45.5	1.7	0.6	13.2	317.1	41.5	58.5	42.0	5.8	0.9	5.6
2003	275.5	44.9	55.1	35.2	1.2	0.6	16.2	353.8	45.8	54.2	36.0	5.9	1.1	6.4
2004 Q1	307.1	44.4	55.6	34.2	1.2	0.6	17.3	378.8	44.3	55.7	35.9	6.2	0.8	7.2
2004 Q2 <sup>(p)</sup>	313.3	46.4	53.6	32.7	1.2	0.6	16.8	384.6	44.7	55.3	34.4	6.7	0.9	7.2

Source: ECB.

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

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

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2002 Q4	2,860.6	242.2	1,335.0	72.0	1,263.1	853.4	203.1	120.5	106.4
2003 Q1	2,746.9	217.2	1,331.8	70.6	1,261.2	767.3	205.8	116.7	108.1
Q2	2,959.5	232.6	1,382.7	67.1	1,315.6	880.9	224.5	120.7	118.1
Q3	3,085.6	248.3	1,405.3	65.3	1,340.0	932.3	234.6	126.3	138.8
Q4	3,175.0	235.2	1,389.4	67.4	1,322.0	1,033.7	243.9	133.7	139.1
2004 Q1 <sup>(p)</sup>	3,353.4	266.5	1,433.9	70.3	1,363.7	1,102.5	262.6	136.6	151.2

### 2. Liabilities

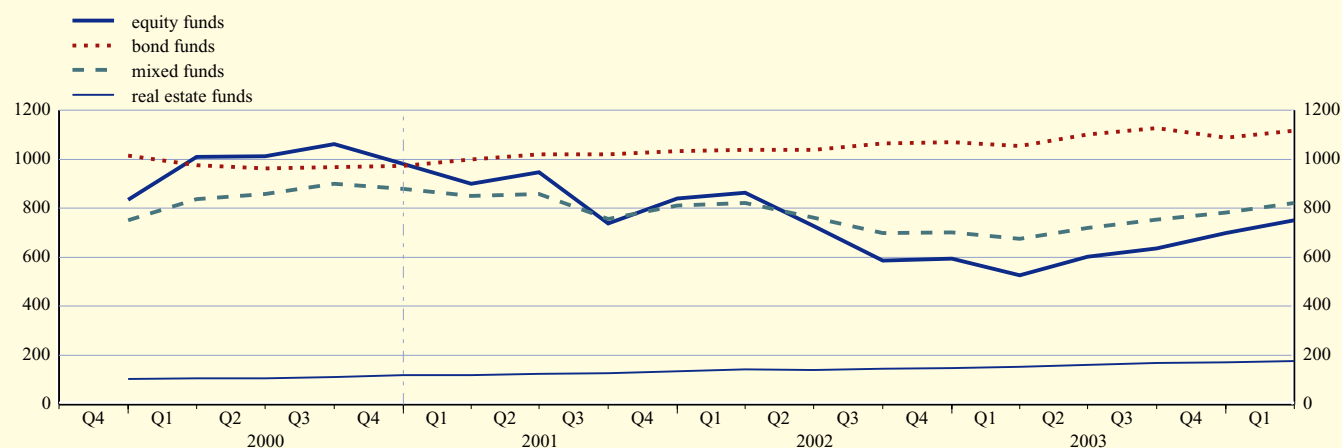
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2002 Q4	2,860.6	39.3	2,744.3	76.9
2003 Q1	2,746.9	40.2	2,628.3	78.4
Q2	2,959.5	41.8	2,825.8	91.9
Q3	3,085.6	43.2	2,917.7	124.8
Q4	3,175.0	44.2	3,011.7	119.1
2004 Q1 <sup>(p)</sup>	3,353.4	49.6	3,171.0	132.8

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

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2002 Q4	2,860.6	594.1	1,068.2	701.6	147.5	349.2	2,087.7	772.9
2003 Q1	2,746.9	525.9	1,054.1	675.3	153.9	337.7	1,975.5	771.4
Q2	2,959.5	603.3	1,099.5	720.8	161.4	374.4	2,140.4	819.1
Q3	3,085.6	635.4	1,127.0	754.2	167.7	401.4	2,249.0	836.6
Q4	3,175.0	697.8	1,086.6	783.4	171.7	435.6	2,318.2	856.8
2004 Q1 <sup>(p)</sup>	3,353.4	750.1	1,116.6	821.2	176.0	489.6	2,470.3	883.1

### C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

## 1. Funds by investment policy

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
Equity funds									
2002 Q4	594.1	26.6	28.0	3.1	24.9	506.1	18.4	-	14.9
2003 Q1	525.9	24.5	30.2	2.8	27.5	438.5	16.5	-	16.1
Q2	603.3	27.9	31.6	2.9	28.7	506.5	18.5	-	18.8
Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1 <sup>(p)</sup>	750.1	32.7	32.2	3.0	29.2	635.3	23.4	-	26.5
Bond funds									
2002 Q4	1,068.2	83.9	902.8	36.6	866.2	31.9	12.3	-	37.2
2003 Q1	1,054.1	77.5	899.8	35.8	864.0	26.6	18.6	-	31.5
Q2	1,099.5	82.4	927.8	33.0	894.8	31.1	20.9	-	37.3
Q3	1,127.0	93.6	934.7	30.7	904.1	29.1	21.7	-	47.9
Q4	1,086.6	82.5	905.9	31.6	874.3	31.0	21.6	-	45.5
2004 Q1 <sup>(p)</sup>	1,116.6	97.3	918.4	35.3	883.1	32.9	21.4	-	46.6
Mixed funds									
2002 Q4	701.6	53.9	294.9	21.3	273.6	233.0	87.7	3.4	28.6
2003 Q1	675.3	50.4	300.8	21.8	278.9	209.9	83.7	0.7	29.9
Q2	720.8	49.4	311.9	20.9	291.0	237.0	91.9	0.3	30.3
Q3	754.2	50.5	324.0	22.2	301.8	248.4	95.4	0.3	35.6
Q4	783.4	49.5	324.0	22.1	301.9	272.5	100.5	0.3	36.7
2004 Q1 <sup>(p)</sup>	821.2	52.9	333.9	21.2	312.6	287.0	107.2	0.3	39.9
Real estate funds									
2002 Q4	147.5	10.9	9.5	0.5	8.9	0.7	7.0	112.6	6.8
2003 Q1	153.9	14.7	8.3	0.5	7.7	0.7	8.6	115.1	6.5
Q2	161.4	16.5	9.0	0.6	8.5	0.7	9.1	119.8	6.3
Q3	167.7	16.1	9.0	0.6	8.4	0.8	9.5	125.3	6.9
Q4	171.7	13.2	9.3	0.6	8.7	0.8	8.5	132.7	7.4
2004 Q1 <sup>(p)</sup>	176.0	14.7	9.1	0.6	8.5	0.8	7.7	135.8	8.0

## 2. Funds by type of investor

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2002 Q4	2,087.7	191.0	904.8	663.5	153.2	105.8	69.6
2003 Q1	1,975.5	165.6	882.6	599.9	155.1	101.3	71.0
Q2	2,140.4	181.6	912.3	691.7	168.3	104.2	82.2
Q3	2,249.0	199.0	927.6	736.5	176.6	108.9	100.4
Q4	2,318.2	191.7	913.6	815.8	183.8	115.4	98.0
2004 Q1 <sup>(p)</sup>	2,470.3	219.3	948.9	877.9	198.8	117.5	107.9
Special investors' funds							
2002 Q4	772.9	51.2	430.3	190.0	49.9	14.7	36.8
2003 Q1	771.4	51.6	449.2	167.4	50.7	15.4	37.1
Q2	819.1	51.0	470.4	189.2	56.1	16.5	36.0
Q3	836.6	49.3	477.7	195.8	58.0	17.4	38.4
Q4	856.8	43.4	475.9	217.9	60.1	18.3	41.2
2004 Q1 <sup>(p)</sup>	883.1	47.2	485.0	224.6	63.8	19.1	43.3

Source: ECB.



## FINANCIAL AND NON-FINANCIAL ACCOUNTS

### 3.1 Main financial assets of non-financial sectors

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

	Currency and deposits											Memo: deposits of non-banks with banks outside the euro area
	Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs <sup>1)</sup>			
			Total	Overnight	With agreed maturity	Redeemable at notice	Repos					
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2002 Q4	14,587.1	5,610.9	309.2	4,952.2	1,846.7	1,581.9	1,411.7	111.9	136.4	213.1	293.2	
2003 Q1	14,542.9	5,635.8	288.9	4,948.2	1,836.2	1,571.9	1,434.1	106.1	176.2	222.5	323.9	
Q2	15,003.5	5,749.7	310.1	5,029.7	1,918.4	1,560.2	1,456.4	94.7	200.3	209.6	329.8	
Q3	15,110.6	5,754.4	320.9	5,071.2	1,956.6	1,555.8	1,469.5	89.3	183.9	178.4	345.4	
Q4	15,401.0	5,872.1	350.7	5,182.5	2,027.5	1,558.0	1,511.9	85.2	153.6	185.2	348.1	
2004 Q1	15,598.0	5,907.8	350.8	5,180.4	2,021.0	1,543.7	1,534.5	81.2	183.8	192.8	.	
Transactions												
2002 Q4	172.0	171.1	30.8	135.7	83.0	13.2	46.4	-6.9	-9.9	14.5	10.1	
2003 Q1	155.0	40.2	1.3	-3.3	-29.3	-11.3	43.0	-5.7	32.8	9.4	32.2	
Q2	213.2	132.1	21.2	86.4	84.0	-8.4	22.2	-11.4	24.1	0.3	11.4	
Q3	132.2	12.6	11.4	12.4	6.9	-3.7	13.0	-3.9	-13.7	2.5	17.2	
Q4	155.0	126.0	29.8	119.6	79.3	9.1	36.4	-5.2	-30.3	6.8	11.1	
2004 Q1	148.8	32.5	0.0	-5.4	-7.5	-16.5	22.5	-3.9	30.2	7.6	.	
Growth rates												
2002 Q4	3.9	5.0	33.8	3.6	5.8	0.2	5.3	-3.9	-4.2	12.2	4.0	
2003 Q1	4.3	5.9	31.2	4.4	7.4	-0.2	7.3	-10.6	5.1	14.5	13.7	
Q2	4.6	6.4	27.0	4.5	7.6	-0.9	8.9	-19.0	22.3	13.7	22.6	
Q3	4.7	6.5	23.3	4.8	8.2	-0.6	9.1	-23.5	22.8	13.4	24.5	
Q4	4.5	5.5	20.6	4.3	7.6	-0.9	8.1	-23.4	9.5	8.9	24.5	
2004 Q1	4.5	5.4	21.6	4.3	8.9	-1.2	6.6	-23.0	5.9	7.7	.	
Securities other than shares												
			Shares <sup>2)</sup>					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares	Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims		
	12	13	14	15	16	17	18	19	20	21		
Outstanding amounts												
2002 Q4	1,955.3	208.7	1,746.6	3,490.9	1,778.1	1,712.8	310.0	3,530.0	3,185.7	344.3		
2003 Q1	1,946.5	190.0	1,756.5	3,350.9	1,610.0	1,740.9	396.6	3,609.8	3,259.9	349.8		
Q2	1,915.4	172.6	1,742.7	3,652.9	1,815.6	1,837.3	402.7	3,685.5	3,332.4	353.1		
Q3	1,918.0	172.4	1,745.6	3,687.3	1,825.8	1,861.5	406.7	3,750.9	3,395.8	355.1		
Q4	1,921.5	178.0	1,743.4	3,828.3	1,952.7	1,875.6	404.5	3,779.1	3,422.3	356.8		
2004 Q1	1,944.6	185.0	1,759.6	3,912.7	1,985.4	1,927.3	414.1	3,832.9	3,468.9	364.0		
Transactions												
2002 Q4	-13.6	-10.3	-3.3	-23.9	-23.7	-0.2	-7.4	38.5	40.1	-1.6		
2003 Q1	-21.8	-21.8	-0.1	65.3	3.0	62.2	29.9	71.3	64.6	6.8		
Q2	-41.5	-17.1	-24.4	63.1	25.1	38.0	3.7	59.6	55.1	4.5		
Q3	11.0	0.1	10.9	50.3	33.0	17.3	2.6	58.2	54.9	3.3		
Q4	7.1	4.4	2.7	-24.6	-24.7	0.2	-10.3	46.5	43.6	2.9		
2004 Q1	19.9	3.4	16.5	27.0	1.5	25.5	10.4	69.5	61.3	8.2		
Growth rates												
2002 Q4	0.9	-14.0	3.0	2.0	0.1	4.7	12.1	6.4	6.6	4.9		
2003 Q1	-0.6	-16.1	1.3	2.8	0.8	5.6	11.9	6.4	6.6	4.1		
Q2	-2.4	-14.6	-1.1	3.8	1.3	7.1	13.5	6.5	6.7	4.1		
Q3	-3.4	-23.7	-1.0	4.6	2.2	6.9	9.2	6.6	6.9	3.8		
Q4	-2.3	-16.4	-0.6	4.4	2.0	6.9	8.3	6.7	6.8	5.1		
2004 Q1	-0.2	-4.8	0.3	3.5	2.2	4.6	1.6	6.5	6.6	5.4		

Source: ECB.

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

2) Excluding unquoted shares.

### 3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from banks outside the euro area by non-banks
	Total			General government			Non-financial corporations			Households <sup>1)</sup>			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2002 Q4	15,613.9	8,080.9	7,130.0	886.3	60.9	825.5	3,581.0	1,175.4	2,405.6	3,613.6	296.8	3,316.7	241.6
2003 Q1	15,580.2	8,138.3	7,168.6	884.3	68.5	815.8	3,603.9	1,188.4	2,415.5	3,650.1	287.1	3,363.0	256.4
Q2	16,138.6	8,243.6	7,235.7	876.4	69.6	806.7	3,652.1	1,213.2	2,438.9	3,715.2	291.4	3,423.8	253.8
Q3	16,231.8	8,325.3	7,292.1	883.6	70.8	812.8	3,656.6	1,185.1	2,471.5	3,785.1	285.9	3,499.1	275.6
Q4	16,557.3	8,458.9	7,393.1	952.0	80.6	871.3	3,656.4	1,162.4	2,494.0	3,850.5	287.0	3,563.5	266.5
2004 Q1	16,896.5	8,510.0	7,463.5	955.7	84.7	871.1	3,652.4	1,158.6	2,493.8	3,901.9	281.6	3,620.3	.
Transactions													
2002 Q4	165.4	141.1	96.4	14.9	6.0	9.0	58.4	-5.0	63.4	67.8	2.8	65.0	6.4
2003 Q1	265.2	94.2	66.4	5.6	7.9	-2.3	45.4	18.6	26.8	43.2	-7.6	50.8	7.1
Q2	233.8	115.8	84.6	-5.5	3.2	-8.7	52.0	24.3	27.7	69.3	5.0	64.3	2.6
Q3	136.1	79.7	58.7	7.3	1.1	6.1	1.5	-25.5	27.0	71.0	-4.7	75.7	22.9
Q4	111.1	110.6	119.3	20.3	9.8	10.4	17.2	-16.8	34.0	73.2	4.5	68.7	-1.3
2004 Q1	193.5	46.5	75.6	4.8	4.0	0.8	-13.6	-7.2	-6.5	55.3	-4.0	59.3	.
Growth rates													
2002 Q4	3.9	4.4	4.0	-1.9	21.8	-3.3	3.9	-2.9	7.6	6.5	0.8	7.1	-3.3
2003 Q1	4.4	4.8	4.1	-1.5	28.4	-3.4	4.6	-0.8	7.5	6.7	-0.3	7.3	-4.1
Q2	4.8	4.9	4.0	0.8	34.3	-1.4	4.3	1.5	5.8	6.5	-1.6	7.2	3.6
Q3	5.2	5.4	4.3	2.6	33.1	0.5	4.4	1.1	6.1	7.1	-1.5	7.9	16.1
Q4	4.8	5.0	4.6	3.1	36.2	0.7	3.2	0.1	4.8	7.1	-0.9	7.8	12.9
2004 Q1	4.3	4.3	4.7	3.0	26.6	1.1	1.6	-2.1	3.4	7.4	0.3	8.0	.
Securities other than shares issued by													
	General government						Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non- financial corporations	
	Total		Short-term	Long-term		Total	Short-term	Long-term					
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2002 Q4	4,670.0	4,137.0	480.1	3,656.9	533.0	144.7	388.3	2,383.9	209.9	269.1			
2003 Q1	4,835.7	4,272.5	529.9	3,742.7	563.1	167.1	396.1	2,114.2	219.4	272.6			
Q2	4,962.0	4,377.7	563.6	3,814.1	584.3	165.6	418.7	2,451.3	205.7	276.1			
Q3	4,977.5	4,395.4	557.7	3,837.8	582.1	164.4	417.6	2,474.6	174.3	280.1			
Q4	4,904.9	4,316.2	538.9	3,777.2	588.8	163.5	425.2	2,729.2	181.7	282.7			
2004 Q1	5,071.2	4,477.8	576.1	3,901.7	593.5	179.9	413.5	2,839.5	189.0	286.7			
Transactions													
2002 Q4	4.2	-0.2	-8.3	8.0	4.4	6.9	-2.5	2.5	14.4	3.2			
2003 Q1	157.5	128.8	49.9	78.9	28.7	22.3	6.4	-0.2	9.5	4.2			
Q2	98.9	84.3	33.9	50.4	14.6	-1.4	16.0	15.5	-0.6	4.2			
Q3	45.8	43.7	-5.6	49.3	2.1	-1.1	3.2	4.0	2.4	4.2			
Q4	-11.5	-19.4	-18.4	-1.0	7.9	-0.9	8.8	0.4	7.4	4.1			
2004 Q1	134.0	134.6	35.8	98.9	-0.7	16.2	-16.9	1.6	7.3	4.0			
Growth rates													
2002 Q4	5.1	5.2	10.6	4.5	4.1	3.7	4.3	0.7	12.3	5.3			
2003 Q1	6.3	6.1	16.7	4.7	8.0	15.2	5.3	0.4	14.7	5.6			
Q2	7.0	6.5	15.5	5.2	11.3	27.0	5.9	0.8	13.4	5.9			
Q3	6.6	6.2	14.6	5.1	9.4	19.4	5.9	0.9	13.2	6.0			
Q4	6.2	5.7	12.5	4.9	10.0	13.0	8.9	0.8	8.9	6.2			
2004 Q1	5.5	5.7	8.6	5.3	4.2	7.6	2.8	1.0	7.5	6.1			

Source: ECB.

1) Including non-profit institutions serving households.



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

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

Main financial assets												
Total	Deposits with euro area MFIs					Loans			Securities other than shares			
	Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	
Outstanding amounts												
2002 Q4	3,328.7	523.1	55.9	445.9	3.5	17.8	341.6	69.9	271.7	1,334.1	50.0	1,284.1
2003 Q1	3,343.2	535.8	61.7	454.2	1.6	18.3	332.9	63.6	269.3	1,382.6	55.9	1,326.7
Q2	3,472.8	537.8	63.8	450.5	1.3	22.3	337.1	64.8	272.3	1,411.8	53.7	1,358.0
Q3	3,522.5	532.9	57.5	455.3	1.4	18.7	338.8	65.2	273.6	1,433.3	56.6	1,376.7
Q4	3,629.6	541.9	58.9	462.3	1.6	19.1	327.3	65.8	261.5	1,461.2	58.3	1,403.0
2004 Q1	3,778.1	556.6	64.7	468.3	1.7	22.0	338.0	68.8	269.3	1,532.9	56.1	1,476.8
Transactions												
2002 Q4	68.7	16.8	5.8	8.0	-0.4	3.5	5.0	-4.6	9.6	36.5	2.4	34.1
2003 Q1	67.1	12.4	4.3	7.8	-0.2	0.5	-8.7	-6.4	-2.4	53.8	6.7	47.1
Q2	42.3	2.3	2.3	-3.9	0.0	3.9	4.2	1.2	3.0	18.7	-2.3	21.1
Q3	33.7	-6.3	-6.4	3.8	0.1	-3.8	1.7	0.4	1.3	22.6	2.9	19.7
Q4	59.3	9.5	1.6	7.2	0.2	0.5	-11.5	0.7	-12.2	37.6	1.7	35.9
2004 Q1	95.4	14.4	5.7	5.8	0.0	2.8	10.5	2.9	7.6	44.5	-2.4	47.0
Growth rates												
2002 Q4	6.3	5.6	16.3	4.3	1.9	8.5	-0.2	-3.2	0.7	9.4	8.3	9.5
2003 Q1	5.8	7.4	37.1	4.8	-17.5	3.3	-1.4	-11.6	1.4	10.0	17.5	9.7
Q2	6.8	6.7	28.9	3.9	-9.5	17.4	-0.6	-12.3	2.6	12.0	41.1	11.1
Q3	6.5	5.0	11.8	3.6	-12.4	28.2	0.6	-12.6	4.4	10.1	20.7	9.7
Q4	6.1	3.4	3.0	3.4	4.7	6.1	-4.2	-5.9	-3.8	10.0	18.0	9.6
2004 Q1	6.9	3.7	5.0	2.9	24.7	18.7	1.5	8.1	-0.1	8.9	-0.4	9.3

Main financial assets						Main liabilities							
Shares <sup>1)</sup>				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves			
Total	Quoted shares	Mutual fund shares	Money market fund shares			Total	Taken from euro area MFIs			Total	Net equity of households in life insurance reserves and pension fund reserves	Prepayments of insurance premiums and reserves for outstanding claims	
													13
Outstanding amounts													
2002 Q4	1,020.6	455.5	565.0	56.4	109.4	3,521.2	47.3	32.9	10.7	111.4	3,351.8	2,847.0	504.8
2003 Q1	979.9	422.9	557.1	60.1	111.9	3,586.2	60.7	42.4	10.9	101.5	3,413.2	2,898.8	514.4
Q2	1,072.2	482.2	590.0	64.4	113.9	3,692.8	60.6	44.8	11.2	134.3	3,486.8	2,965.9	521.0
Q3	1,102.2	497.5	604.7	60.7	115.3	3,757.7	62.6	44.3	11.7	133.5	3,549.8	3,024.2	525.6
Q4	1,182.6	546.2	636.4	64.4	116.6	3,812.0	52.0	35.6	12.1	153.8	3,594.0	3,064.2	529.8
2004 Q1	1,230.8	563.5	667.3	68.6	119.7	3,878.0	61.7	46.3	12.3	153.7	3,650.5	3,110.1	540.4
Transactions													
2002 Q4	11.3	-3.9	15.2	6.7	-0.8	20.8	-12.9	-9.1	0.1	0.4	33.1	35.6	-2.4
2003 Q1	7.0	-3.6	10.6	2.0	2.6	83.3	15.2	11.3	0.0	-0.9	69.0	59.4	9.6
Q2	15.0	4.2	10.7	4.6	2.0	61.6	0.0	2.6	0.2	4.5	57.0	50.4	6.6
Q3	14.3	5.2	9.1	-4.2	1.5	57.4	2.0	-0.5	0.5	0.0	54.8	50.1	4.7
Q4	22.3	7.1	15.2	4.3	1.4	34.9	-10.6	-8.8	0.5	3.9	41.1	36.9	4.2
2004 Q1	22.8	2.7	20.0	4.2	3.2	77.5	9.6	10.6	0.0	0.8	67.2	55.7	11.4
Growth rates													
2002 Q4	5.0	3.2	6.7	18.2	9.0	5.8	-13.1	-11.6	0.4	0.3	6.5	6.7	5.3
2003 Q1	3.0	0.0	5.8	19.5	6.3	5.9	7.5	8.5	0.2	-0.2	6.3	6.8	4.0
Q2	3.4	-0.1	6.5	23.0	6.0	6.0	1.3	5.3	0.9	1.8	6.4	6.8	4.0
Q3	4.8	0.4	8.2	18.2	4.8	6.4	7.2	10.2	7.7	3.2	6.5	7.0	3.6
Q4	5.7	2.8	8.1	11.8	6.9	6.7	13.9	14.1	11.1	6.7	6.6	6.9	5.0
2004 Q1	7.6	4.6	9.9	14.7	7.3	6.5	1.5	9.3	11.4	9.0	6.4	6.7	5.2

Source: ECB.

1) Excluding unquoted shares.

### 3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

#### 1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories <sup>1)</sup>	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) <sup>3)</sup>
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	341.7	1,122.3	-783.9	2.9	0.4	1,734.1	-3.0	396.0	396.8	383.6	316.3	193.9	50.5
1997	354.1	1,139.3	-797.1	11.8	0.0	1,912.7	-0.2	391.0	331.6	450.6	486.6	222.2	31.0
1998	415.1	1,203.6	-823.6	35.0	0.2	2,395.3	11.0	419.7	355.4	523.3	844.8	215.4	25.7
1999	451.7	1,292.4	-863.7	22.8	0.2	3,056.9	1.3	557.6	429.1	881.7	903.3	261.5	22.5
2000	490.7	1,391.2	-913.1	29.3	-16.7	2,796.3	1.3	349.6	260.8	808.6	1,126.5	252.6	-3.0
2001	467.6	1,443.7	-973.6	-4.5	1.9	2,581.5	-0.5	577.4	432.2	726.9	634.2	249.2	-38.1
2002	406.5	1,430.5	-1,021.0	-4.3	1.4	2,268.0	0.9	624.5	250.8	615.7	504.1	222.8	49.2

	Changes in net worth <sup>4)</sup>				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1996	410.7	1,190.0	-783.9	4.6	1,665.1	473.5	384.2	334.8	276.0	196.6
1997	455.7	1,241.8	-797.1	11.0	1,811.1	509.7	318.1	379.1	374.2	230.0
1998	486.5	1,299.1	-823.6	11.1	2,323.9	648.5	323.1	482.2	649.4	220.7
1999	498.0	1,352.0	-863.7	9.7	3,010.6	933.2	503.8	755.9	555.7	262.1
2000	514.9	1,419.4	-913.1	8.6	2,772.1	538.6	414.6	843.1	722.3	253.4
2001	485.4	1,449.4	-973.6	9.6	2,563.7	673.8	490.3	598.3	549.6	251.8
2002	464.5	1,474.0	-1,021.0	11.5	2,210.0	566.5	440.1	568.9	397.7	236.8

#### 2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares <sup>2)</sup>	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	131.4	567.3	-438.0	258.3	54.5	-14.7	54.8	88.1	119.5	514.5	270.2	7.8	143.3	111.2
1997	150.4	592.0	-453.3	241.9	25.3	-12.3	46.4	96.2	105.2	521.5	287.2	12.1	153.6	111.8
1998	193.8	635.2	-470.6	425.2	42.7	-12.0	96.3	205.1	147.8	569.2	471.2	22.8	252.9	184.5
1999	212.0	684.5	-490.9	604.8	27.4	91.3	169.1	298.3	107.7	548.7	709.2	47.3	423.2	222.1
2000	309.7	750.3	-522.9	825.7	71.9	83.8	193.0	453.4	84.4	560.4	1,051.0	58.8	558.2	425.5
2001	219.2	774.3	-554.8	624.9	101.7	34.8	141.3	254.6	88.2	583.5	756.0	99.7	325.6	319.2
2002	172.9	758.3	-579.3	506.3	22.5	-32.9	165.3	281.5	115.3	634.3	563.9	20.7	321.1	206.9

#### 3. Households<sup>5)</sup>

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth <sup>4)</sup>		Net incurrence of liabilities			Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares <sup>2)</sup>	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio <sup>6)</sup>	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1996	170.0	384.6	-216.8	436.5	144.5	24.5	91.7	189.3	445.2	646.9	161.3	160.0	3,788.1	17.1	
1997	168.3	377.5	-211.7	424.4	70.0	-20.0	192.2	216.0	424.2	617.3	168.4	167.0	3,816.2	16.2	
1998	180.2	389.7	-216.4	440.6	96.3	-120.4	286.5	210.6	408.1	594.6	212.6	211.2	3,923.5	15.2	
1999	191.4	418.5	-231.5	470.4	118.6	-24.0	193.4	247.4	392.9	582.0	268.9	267.4	4,086.5	14.2	
2000	198.6	440.9	-241.7	420.4	65.5	35.2	120.7	246.5	396.1	598.3	222.9	221.2	4,276.1	14.0	
2001	188.3	453.9	-264.1	405.1	174.7	90.7	59.1	229.3	425.3	653.0	168.2	166.3	4,571.6	14.3	
2002	182.1	462.2	-282.0	459.1	221.1	48.2	-5.0	210.7	434.7	681.2	206.5	204.3	4,712.5	14.5	

Source: ECB.

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



## FINANCIAL MARKETS

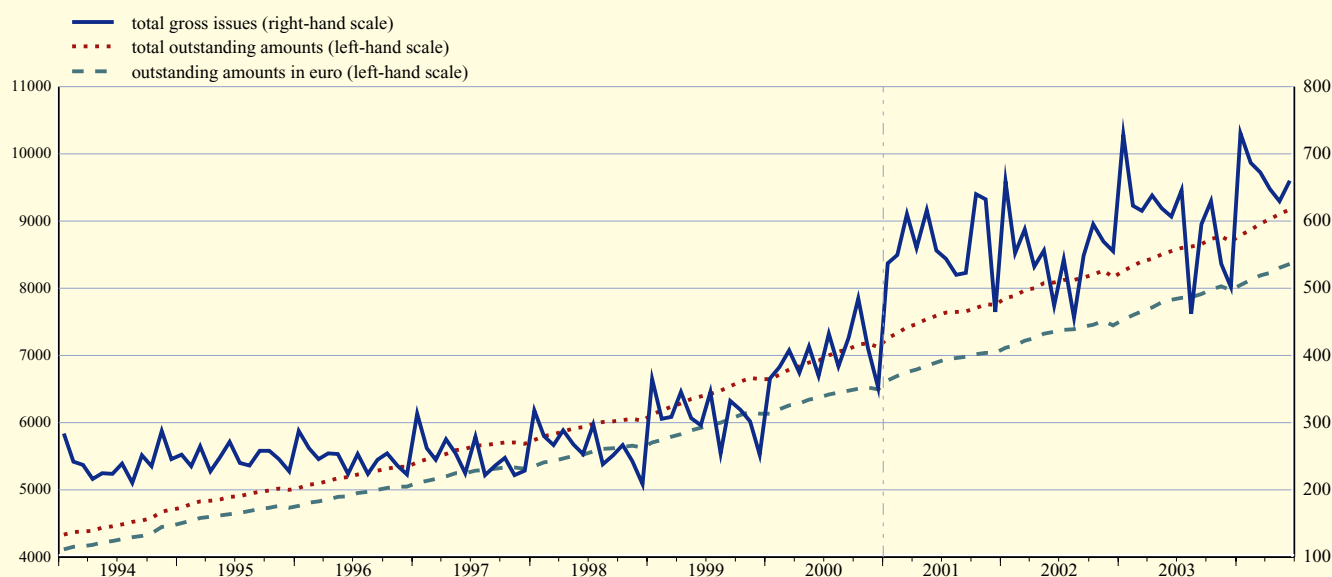
### 4.1 Securities issues other than shares by original maturity, residency of the issuer and currency

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

	Total in euro <sup>1)</sup>				By euro area residents							
	Outstanding amounts	Gross issues	Redemptions	Net issues	Total				Of which in euro			
					Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Total</b>												
2003 June	8,986.5	636.6	556.3	80.3	8,553.0	606.2	566.1	40.1	91.5	93.7	93.9	36.3
July	9,020.0	649.0	615.9	33.1	8,601.6	645.3	601.4	44.0	91.4	93.1	94.3	33.6
Aug.	9,025.3	470.3	465.5	4.8	8,614.7	461.6	463.8	-2.2	91.3	93.9	92.6	3.8
Sep.	9,115.4	615.6	524.5	91.1	8,659.4	594.9	530.9	64.0	91.4	93.4	94.3	55.1
Oct.	9,173.0	635.5	578.8	56.7	8,733.3	629.7	561.6	68.1	91.3	93.7	94.7	58.1
Nov.	9,240.5	556.0	491.2	64.8	8,771.5	536.4	490.1	46.3	91.5	93.2	92.4	46.8
Dec.	9,204.5	519.4	551.8	-32.4	8,696.3	501.4	555.4	-54.0	91.6	93.7	94.6	-55.3
2004 Jan.	9,277.2	738.7	663.8	74.9	8,789.3	730.8	643.2	87.6	91.5	94.3	94.7	79.4
Feb.	9,354.2	699.3	622.6	76.7	8,866.4	686.4	605.5	80.8	91.6	94.6	94.2	78.6
Mar.	9,471.3	717.1	599.7	117.3	8,960.6	672.1	587.7	84.3	91.3	92.7	95.3	63.5
Apr.	9,496.1	647.8	624.8	22.9	9,027.2	647.8	587.4	60.3	91.2	93.2	95.0	45.7
May	9,595.1	647.4	548.6	98.8	9,109.1	629.2	542.5	86.7	91.2	93.9	94.9	75.9
June	9,699.3	705.7	600.5	105.2	9,172.5	659.7	596.4	63.3	91.2	94.2	94.7	56.4
<b>Long-term</b>												
2003 June	8,103.5	185.3	115.4	70.0	7,672.5	170.8	110.7	60.1	91.6	91.0	91.7	53.9
July	8,156.2	198.0	145.9	52.1	7,721.6	185.2	140.3	44.9	91.4	88.1	94.9	30.0
Aug.	8,168.5	86.4	75.8	10.7	7,748.0	79.0	69.9	9.1	91.2	88.0	90.4	6.4
Sep.	8,245.0	179.8	102.5	77.3	7,799.9	173.4	102.6	70.8	91.4	91.6	90.3	66.2
Oct.	8,299.9	179.2	125.5	53.7	7,852.6	168.3	120.4	47.8	91.4	91.7	94.0	41.1
Nov.	8,351.3	143.4	93.3	50.1	7,888.9	136.5	90.3	46.2	91.5	89.6	88.0	42.7
Dec.	8,345.2	118.2	119.4	-1.2	7,864.6	111.0	113.5	-2.5	91.6	90.3	93.0	-5.3
2004 Jan.	8,404.6	196.0	136.0	60.0	7,913.9	178.4	137.5	40.8	91.6	93.0	90.8	40.9
Feb.	8,491.0	194.3	109.0	85.3	7,997.5	183.5	98.7	84.9	91.7	92.2	88.0	82.5
Mar.	8,561.6	213.4	142.1	71.3	8,071.8	189.4	123.8	65.6	91.4	86.8	93.7	48.3
Apr.	8,601.7	162.7	124.3	38.4	8,121.5	154.7	110.7	44.1	91.3	88.4	94.7	32.0
May	8,703.1	174.1	72.1	102.0	8,205.2	156.2	67.8	88.5	91.3	89.2	90.8	77.9
June	8,783.7	200.3	120.1	80.2	8,269.3	177.9	112.5	65.4	91.3	92.5	92.3	60.8

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).

1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.

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

(EUR billions unless otherwise indicated; nominal values)

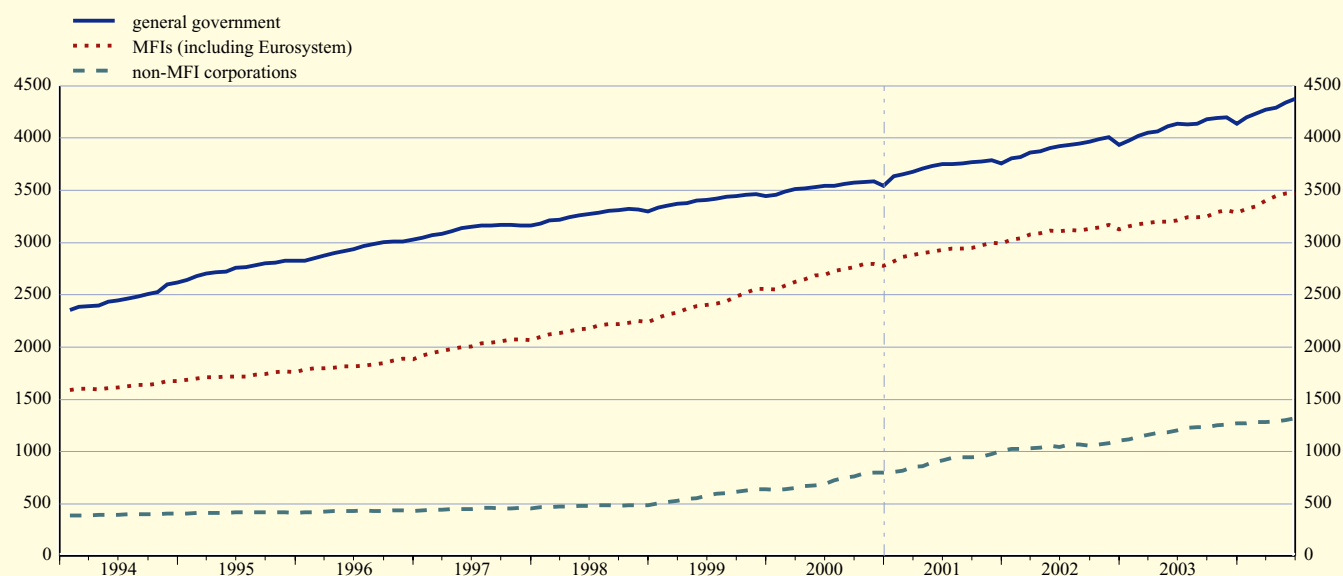
### 1. Outstanding amounts

(end of period)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003 June	8,553.0	3,213.4	618.3	586.6	3,931.7	203.0	91.5	85.8	85.6	88.2	97.3	95.7
July	8,601.6	3,241.6	637.5	589.2	3,928.9	204.5	91.4	85.7	85.4	88.1	97.3	95.5
Aug.	8,614.7	3,241.9	641.7	592.5	3,934.4	204.3	91.3	85.6	85.2	87.9	97.2	95.4
Sep.	8,659.4	3,247.9	649.9	583.9	3,968.7	209.0	91.4	85.5	86.2	88.1	97.4	95.5
Oct.	8,733.3	3,289.5	661.2	589.5	3,980.5	212.6	91.3	85.3	86.5	87.9	97.4	95.5
Nov.	8,771.5	3,311.6	669.0	590.7	3,983.1	217.1	91.5	85.5	86.9	88.2	97.5	95.6
Dec.	8,696.3	3,287.5	683.4	589.4	3,917.9	218.1	91.6	85.5	87.8	88.3	97.7	95.4
2004 Jan.	8,789.3	3,320.0	684.6	588.7	3,974.2	221.8	91.5	85.4	87.7	87.9	97.6	95.5
Feb.	8,866.4	3,347.7	693.2	592.0	4,005.6	227.9	91.6	85.6	88.0	87.9	97.6	95.6
Mar.	8,960.6	3,404.1	695.4	589.6	4,040.8	230.8	91.3	85.2	87.8	87.7	97.4	95.5
Apr.	9,027.2	3,444.4	700.2	591.6	4,059.0	232.0	91.2	84.9	87.9	87.5	97.4	95.4
May	9,109.1	3,470.6	699.9	599.4	4,105.7	233.6	91.2	84.8	88.2	87.6	97.5	95.6
June	9,172.5	3,477.3	719.4	602.7	4,135.1	238.1	91.2	84.7	88.5	87.4	97.4	95.6
	Long-term											
2003 June	7,672.5	2,833.7	609.6	485.5	3,544.7	199.0	91.6	86.4	85.4	86.8	97.2	95.9
July	7,721.6	2,864.2	628.7	487.8	3,540.7	200.0	91.4	86.2	85.2	86.6	97.2	95.7
Aug.	7,748.0	2,879.8	633.0	490.8	3,543.9	200.4	91.2	85.9	85.0	86.4	97.1	95.5
Sep.	7,799.9	2,891.2	641.8	486.2	3,575.2	205.5	91.4	85.9	86.1	86.8	97.2	95.7
Oct.	7,852.6	2,923.7	653.1	489.5	3,577.0	209.2	91.4	85.7	86.4	86.6	97.3	95.6
Nov.	7,888.9	2,938.1	660.7	493.4	3,583.0	213.7	91.5	85.8	86.8	87.0	97.4	95.8
Dec.	7,864.6	2,927.4	674.5	497.1	3,551.0	214.6	91.6	86.0	87.6	87.2	97.5	95.5
2004 Jan.	7,913.9	2,942.3	676.0	492.4	3,585.5	217.7	91.6	85.9	87.5	86.7	97.5	95.6
Feb.	7,997.5	2,977.8	685.1	495.3	3,615.9	223.5	91.7	86.1	87.9	86.7	97.5	95.7
Mar.	8,071.8	3,029.9	687.6	489.2	3,638.2	226.8	91.4	85.7	87.7	86.2	97.3	95.7
Apr.	8,121.5	3,060.8	692.0	484.7	3,656.5	227.5	91.3	85.4	87.8	85.9	97.3	95.6
May	8,205.2	3,092.7	691.7	491.7	3,700.4	228.8	91.3	85.2	88.0	86.0	97.4	95.7
June	8,269.3	3,094.1	711.3	497.1	3,733.6	233.2	91.3	85.3	88.4	85.8	97.3	95.8

### C14 Outstanding amounts of securities other than shares by sector

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



Source: ECB.

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

(EUR billions unless otherwise indicated; nominal values)

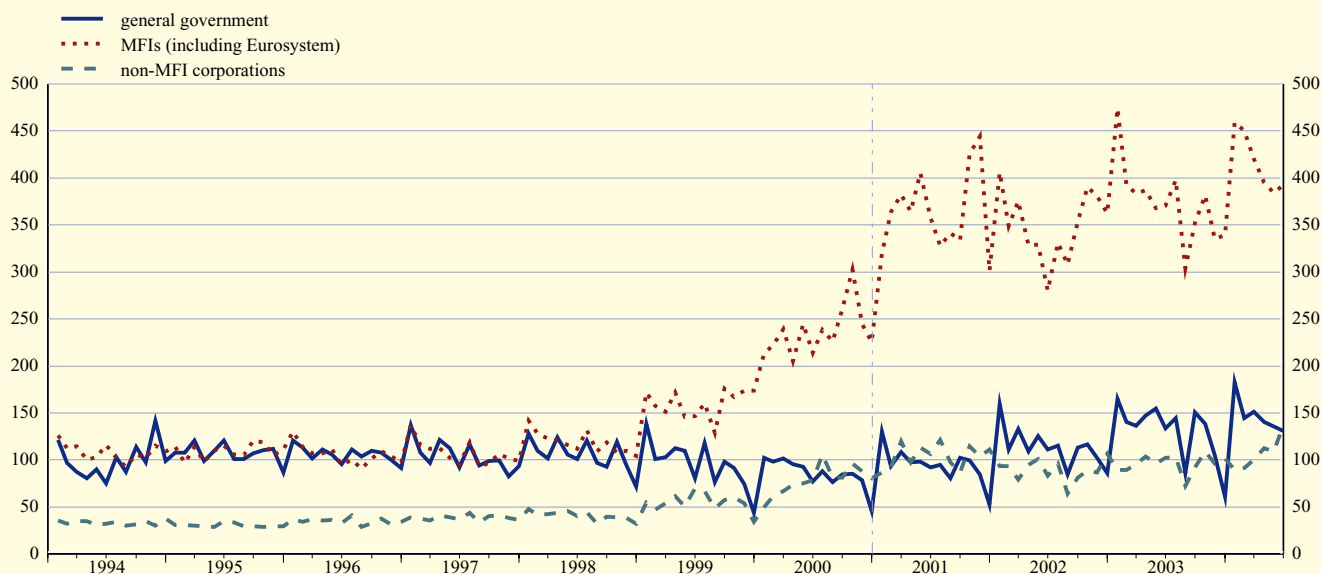
2. Gross issues

(transactions during the month)

	Total						Of which in euro (%)					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2003 June	606.2	370.2	23.5	79.2	125.2	8.2	93.7	91.8	96.1	97.0	96.8	94.9
July	645.3	397.7	26.5	76.7	138.6	5.8	93.1	92.1	83.2	94.5	96.9	91.2
Aug.	461.6	303.6	8.7	63.6	82.3	3.4	93.9	92.3	91.8	96.6	97.7	93.1
Sep.	594.9	352.0	22.0	70.3	140.7	9.9	93.4	90.3	98.7	96.5	98.5	96.5
Oct.	629.7	381.6	21.4	87.9	130.7	8.0	93.7	91.5	95.8	96.3	98.1	94.0
Nov.	536.4	335.2	20.2	75.7	97.4	7.8	93.2	92.0	86.7	95.9	96.2	98.2
Dec.	501.4	339.0	28.2	73.2	55.5	5.6	93.7	92.6	97.1	94.6	99.3	79.8
2004 Jan.	730.8	458.7	8.5	80.8	173.6	9.2	94.3	92.9	90.8	95.8	97.1	97.4
Feb.	686.4	450.3	18.3	73.2	136.1	8.5	94.6	93.3	95.8	96.1	97.5	97.8
Mar.	672.1	420.4	10.9	89.5	143.2	8.0	92.7	90.9	89.5	97.1	95.5	94.1
Apr.	647.8	394.7	19.0	93.8	134.9	5.3	93.2	90.9	92.5	96.8	97.6	97.2
May	629.2	384.3	9.0	100.3	130.5	5.2	93.9	91.8	88.1	97.1	98.0	97.9
June	659.7	392.5	32.6	103.8	122.4	8.4	94.2	92.6	95.9	95.7	97.6	95.0
	Long-term											
2003 June	170.8	68.9	20.1	12.8	63.0	5.9	91.0	81.8	95.4	98.8	97.5	95.2
July	185.2	74.6	24.1	9.9	73.5	3.2	88.1	82.6	81.5	80.1	97.0	87.5
Aug.	79.0	44.8	6.1	3.4	23.0	1.6	88.0	82.4	88.4	98.7	97.2	91.3
Sep.	173.4	65.0	18.9	3.6	78.8	7.1	91.6	79.6	98.6	96.6	99.0	98.8
Oct.	168.3	75.7	17.5	10.7	58.9	5.5	91.7	84.4	96.1	89.4	100.0	94.5
Nov.	136.5	62.4	16.6	10.7	40.9	5.8	89.6	86.9	85.2	91.2	93.5	99.6
Dec.	111.0	61.9	24.9	9.6	11.4	3.2	90.3	88.3	97.6	81.5	98.6	68.1
2004 Jan.	178.4	72.6	5.0	7.4	86.9	6.3	93.0	87.8	88.7	80.7	98.2	99.4
Feb.	183.5	86.1	15.0	6.2	70.2	6.0	92.2	86.5	96.0	88.5	98.2	99.0
Mar.	189.4	98.8	8.1	5.0	72.0	5.6	86.8	79.6	88.2	92.3	95.4	95.7
Apr.	154.7	69.7	15.0	4.6	63.0	2.5	88.4	79.4	93.4	77.4	97.5	100.0
May	156.2	67.9	6.6	9.4	69.7	2.7	89.2	79.8	86.1	85.3	98.8	99.6
June	177.9	65.0	29.9	13.8	63.7	5.5	92.5	88.1	95.8	81.3	97.4	99.1

C15 Gross issues of securities other than shares by sector

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



Source: ECB.

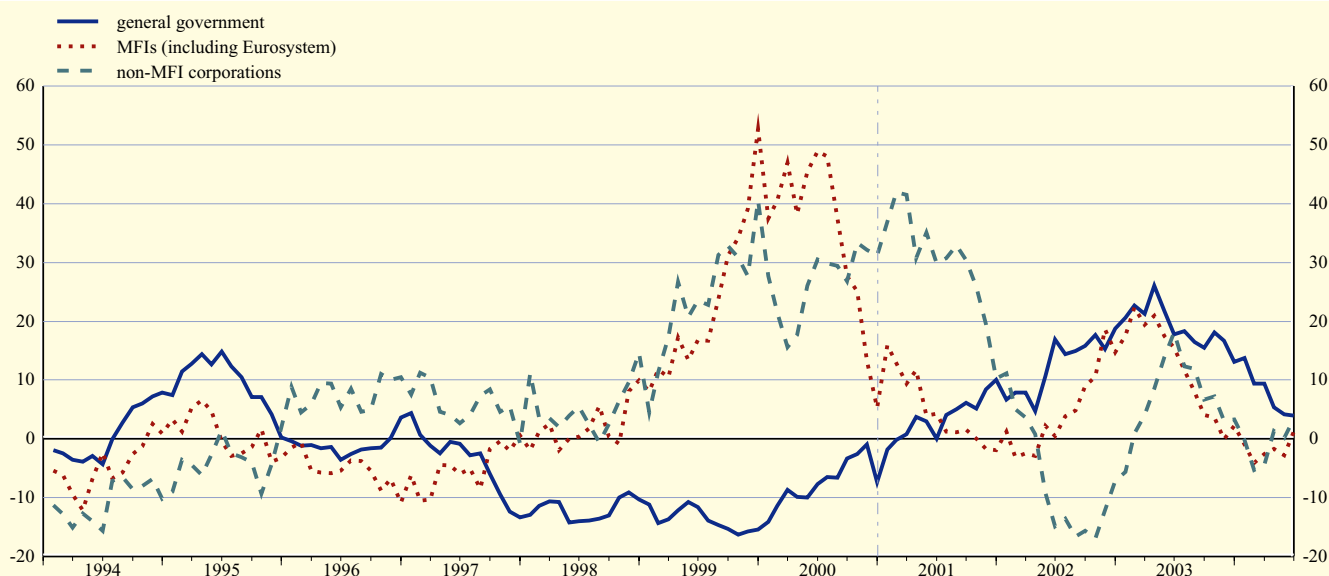
#### 4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>

(percentage changes)

	Total													
	Total		MFIs (including Eurosystem)	Non-MFI corporations			General government			Total		MFIs (including Euro- system)	Non-MFI	
	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations	Non- financial corporations	Total	Central gov.	Other general gov.	Total	Index Dec. 01 = 100		Total	Non- monetary financial corporations
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	In all currencies combined													
2003 June	6.9	111.9	4.4	18.9	27.3	11.1	5.7	4.7	28.3	16.8	128.1	15.5	18.1	29.0
July	7.0	112.5	4.9	18.9	28.4	10.1	5.5	4.7	21.9	14.6	127.9	11.7	12.3	22.9
Aug.	6.8	112.5	4.7	19.2	28.1	10.8	5.1	4.4	21.0	12.2	126.3	8.0	11.9	18.6
Sep.	6.9	113.3	4.6	18.4	28.6	8.8	5.7	4.9	23.2	9.4	125.3	4.1	6.7	17.0
Oct.	7.2	114.2	5.5	19.2	29.0	9.8	5.4	4.6	21.4	10.3	128.3	3.6	7.2	13.9
Nov.	7.0	114.8	5.3	18.7	27.8	9.7	5.2	4.4	23.0	7.3	128.3	-0.1	3.1	9.8
Dec.	7.3	114.1	6.2	17.0	23.5	10.2	5.5	4.7	22.2	6.9	120.8	2.2	3.3	20.8
2004 Jan.	7.1	115.2	5.9	15.2	23.1	7.1	5.7	4.9	21.8	5.2	127.6	-0.9	-0.2	16.8
Feb.	7.0	116.3	6.2	14.0	21.7	6.1	5.6	4.9	21.0	1.4	127.0	-4.1	-5.4	-8.1
Mar.	7.1	117.4	7.4	11.8	19.7	3.7	5.6	4.9	20.6	2.3	129.7	-2.6	-4.4	-15.1
Apr.	7.1	118.2	7.9	10.4	17.5	2.9	5.6	5.0	18.7	1.7	132.1	-1.8	1.3	-5.9
May	7.1	119.3	8.3	9.6	16.4	2.6	5.5	4.9	17.6	0.7	131.9	-2.8	0.1	-3.6
June	7.4	120.2	8.3	10.1	16.7	3.1	5.8	5.2	17.3	2.7	131.6	1.3	3.4	-7.2
	In euro													
2003 June	6.6	111.4	3.1	22.3	33.7	12.5	5.4	4.5	27.0	18.1	130.4	18.5	17.6	29.2
July	6.7	111.9	3.8	22.1	34.5	11.3	5.2	4.5	20.4	16.7	131.0	15.9	12.2	22.9
Aug.	6.5	111.9	3.7	22.5	34.4	12.0	4.9	4.2	19.5	14.8	130.5	13.5	11.2	18.6
Sep.	6.6	112.7	3.3	21.7	35.3	9.7	5.5	4.8	21.7	11.5	128.7	8.5	5.9	16.9
Oct.	6.9	113.6	4.2	22.7	36.3	10.6	5.3	4.6	20.8	12.5	131.5	7.7	6.8	14.3
Nov.	6.8	114.2	4.2	21.8	34.1	10.5	5.1	4.3	22.3	9.3	132.2	3.1	2.3	9.6
Dec.	7.0	113.4	5.0	19.3	27.7	10.9	5.5	4.7	21.2	8.9	124.0	5.6	2.9	19.1
2004 Jan.	6.9	114.6	4.9	17.1	27.1	7.2	5.7	5.0	21.1	6.0	130.3	-0.5	-0.9	16.5
Feb.	6.9	115.7	5.4	16.0	26.1	6.1	5.8	5.1	20.3	2.0	129.6	-3.7	-5.7	-8.6
Mar.	6.9	116.6	6.4	13.4	23.9	3.1	5.6	4.9	19.7	2.7	132.1	-2.2	-4.7	-16.2
Apr.	6.8	117.2	6.6	11.7	21.1	2.3	5.6	5.0	18.2	1.4	134.3	-2.9	1.2	-8.3
May	6.7	118.3	6.8	11.0	20.1	1.9	5.5	4.9	17.5	0.6	134.0	-3.5	-0.2	-4.4
June	6.9	119.1	6.8	11.2	20.4	1.9	5.8	5.3	17.1	2.2	133.3	-0.1	3.6	-7.3

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

(percentage changes)



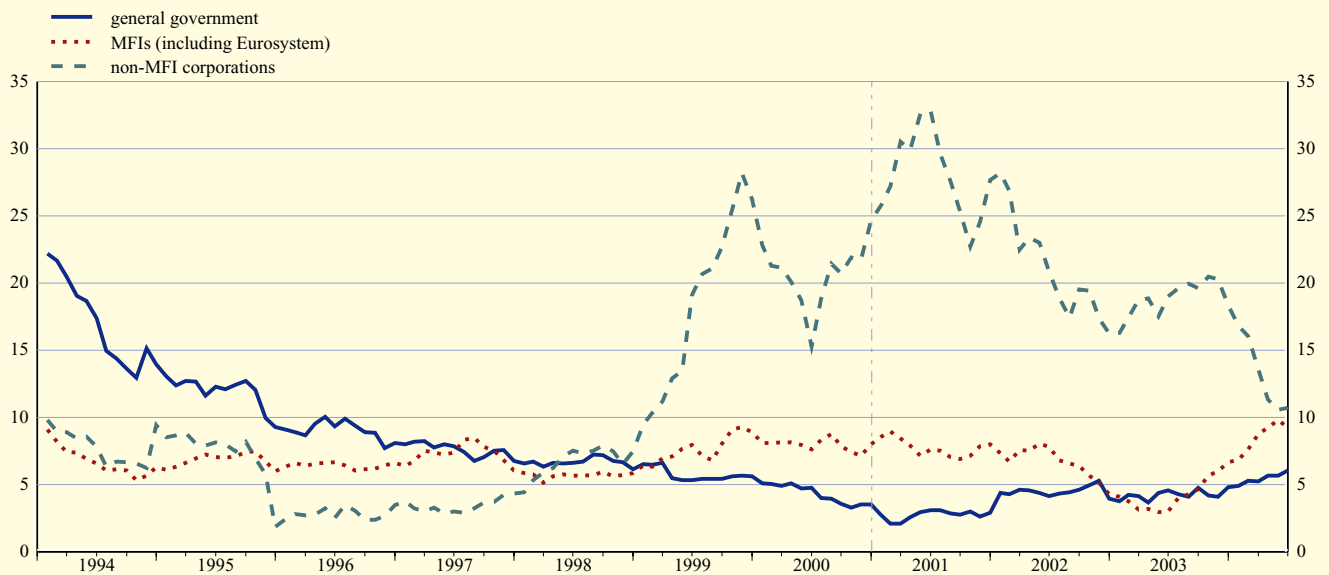
Source: ECB.

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

4.3 Annual growth rates of securities other than shares issued by euro area residents <sup>1)</sup>  
(percentage changes)

Short-term				Long-term									
corporations	General government			Total		MFIs (including Eurosysteem)	Non-MFI corporations			General government			
	Non-financial corporations	Total	Central gov.	Other general gov.	Total		Index Dec. 01 = 100	Total	Non-monetary financial corporations	Non-financial corporations	Total	Central gov.	
15	16	17	18	19	20	21	22	23	24	25	26	27	
In all currencies combined													
17.2	17.8	17.7	18.7	5.8	110.3	3.0	19.0	27.2	9.9	4.6	3.5	28.5	2003 June
11.5	18.3	18.3	18.9	6.2	110.9	4.0	19.6	28.5	9.8	4.3	3.4	22.0	July
11.3	16.5	16.7	2.5	6.2	111.1	4.3	20.0	28.2	10.8	4.1	3.2	21.4	Aug.
5.9	15.5	15.5	14.5	6.7	112.1	4.7	19.6	28.8	9.4	4.7	3.8	23.4	Sep.
6.7	18.1	18.3	-2.9	6.9	112.8	5.7	20.5	29.2	10.5	4.2	3.3	21.9	Oct.
2.5	16.7	17.0	-3.7	7.0	113.4	6.0	20.3	28.1	11.3	4.1	3.2	23.5	Nov.
1.8	13.1	13.3	-5.6	7.4	113.4	6.7	18.3	23.6	11.9	4.8	3.9	22.8	Dec.
-1.4	13.8	13.6	31.3	7.3	114.0	6.9	16.8	23.2	9.0	4.9	4.0	21.6	2004 Jan.
-5.1	9.4	9.2	21.1	7.6	115.2	7.6	16.1	22.1	8.6	5.3	4.4	21.0	Feb.
-3.5	9.4	9.4	9.6	7.7	116.2	8.8	13.6	20.3	5.4	5.2	4.4	20.8	Mar.
2.0	5.4	5.2	21.7	7.8	116.8	9.2	11.3	17.9	3.1	5.7	5.0	18.6	Apr.
0.4	4.2	4.1	17.4	7.9	118.1	9.8	10.6	16.7	3.0	5.6	5.0	17.6	May
4.3	3.9	3.8	22.2	7.9	119.0	9.3	10.7	17.0	2.8	6.0	5.4	17.2	June
In euro													
16.6	17.9	18.0	14.4	5.4	109.6	1.4	22.9	33.7	11.6	4.3	3.3	27.3	2003 June
11.3	18.7	18.7	14.4	5.6	110.1	2.4	23.3	34.8	11.3	4.0	3.2	20.5	July
10.5	16.8	17.0	1.1	5.6	110.2	2.5	23.8	34.7	12.3	3.7	3.0	19.9	Aug.
5.0	15.4	15.4	14.5	6.1	111.2	2.7	23.6	35.6	10.8	4.5	3.7	21.9	Sep.
6.2	18.1	18.3	-5.1	6.4	111.8	3.7	24.6	36.6	11.6	4.0	3.2	21.2	Oct.
1.7	16.9	17.1	-7.0	6.5	112.5	4.3	24.2	34.6	12.6	4.0	3.1	22.9	Nov.
1.5	13.3	13.5	-4.7	6.8	112.4	4.9	21.1	27.8	13.0	4.7	3.9	21.7	Dec.
-2.3	13.9	13.7	40.2	7.0	113.1	5.6	19.2	27.3	9.5	4.9	4.1	20.8	2004 Jan.
-5.5	9.3	9.2	23.3	7.5	114.3	6.5	18.7	26.8	8.9	5.4	4.6	20.3	Feb.
-3.7	9.0	9.1	4.1	7.4	115.1	7.5	15.6	24.6	4.8	5.3	4.5	20.0	Mar.
2.0	5.1	5.0	17.5	7.4	115.6	7.9	13.0	21.6	2.3	5.6	5.0	18.2	Apr.
0.2	4.1	4.0	19.9	7.4	116.8	8.1	12.3	20.6	2.3	5.7	5.0	17.4	May
4.5	3.7	3.6	18.8	7.5	117.8	7.7	12.1	20.8	1.3	6.1	5.5	17.1	June

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



Source: ECB.



#### 4.4 Quoted shares issued by euro area residents <sup>1)</sup>

(EUR billions unless otherwise indicated; market values)

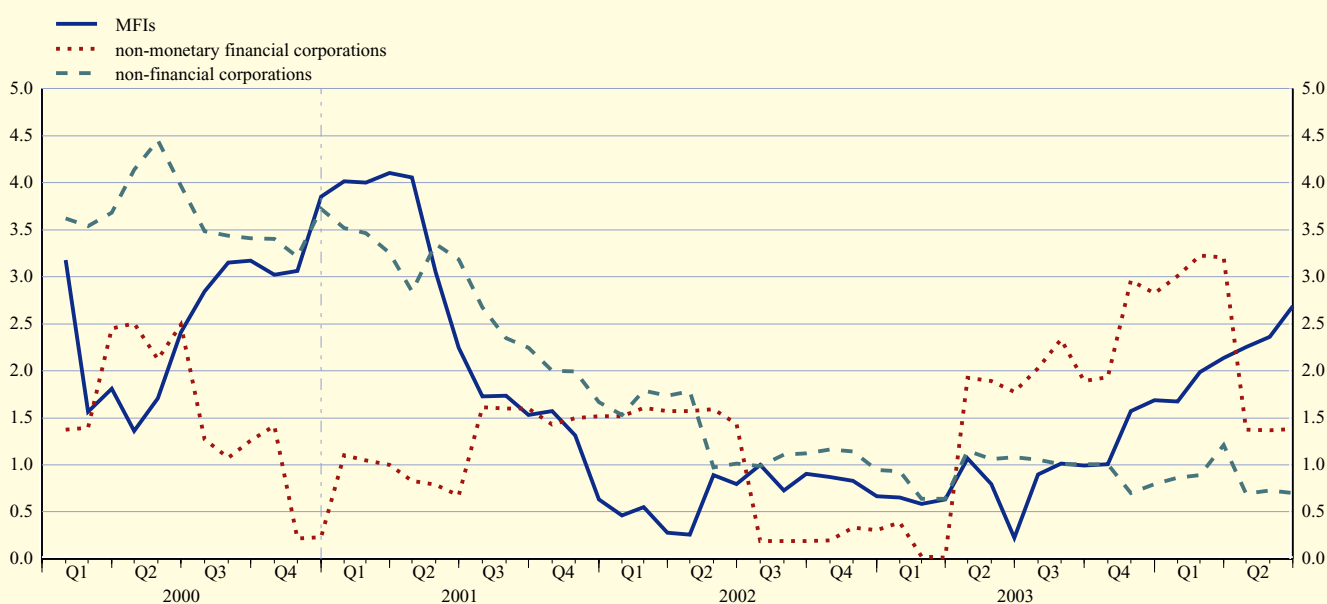
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Non-monetary financial corporations		Non-financial corporations	
	Total	Index Dec. 01 = 100 (%)	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2002 June	4,119.4	100.5	1.0	614.9	0.8	463.4	1.4	3,041.2	1.0
July	3,710.9	100.6	0.9	515.7	1.0	394.6	0.2	2,800.7	1.0
Aug.	3,521.3	100.6	1.0	521.7	0.7	371.1	0.2	2,628.6	1.1
Sep.	2,982.8	100.6	1.0	412.6	0.9	276.3	0.2	2,293.9	1.1
Oct.	3,252.7	100.7	1.0	446.9	0.9	321.2	0.2	2,484.5	1.2
Nov.	3,436.6	100.8	1.0	487.4	0.8	345.9	0.3	2,603.3	1.1
Dec.	3,118.2	100.8	0.8	450.7	0.7	283.6	0.3	2,383.9	0.9
2003 Jan.	2,978.3	100.8	0.8	425.8	0.6	261.1	0.4	2,291.4	0.9
Feb.	2,884.9	100.8	0.6	425.3	0.6	270.8	0.0	2,188.8	0.6
Mar.	2,763.4	100.8	0.6	413.0	0.6	236.2	0.0	2,114.2	0.6
Apr.	3,112.9	101.5	1.2	471.4	1.1	291.8	1.9	2,349.7	1.1
May	3,145.6	101.5	1.1	476.7	0.8	291.3	1.9	2,377.5	1.1
June	3,256.1	101.5	1.0	504.2	0.2	300.6	1.8	2,451.3	1.1
July	3,366.4	101.7	1.1	528.0	0.9	330.9	2.0	2,507.5	1.1
Aug.	3,413.3	101.7	1.1	506.5	1.0	325.5	2.3	2,581.3	1.0
Sep.	3,276.6	101.7	1.1	494.8	1.0	307.1	1.9	2,474.6	1.0
Oct.	3,483.9	101.8	1.1	535.2	1.0	333.2	1.9	2,615.5	1.0
Nov.	3,546.8	101.8	1.0	549.5	1.6	337.9	3.0	2,659.5	0.7
Dec.	3,647.3	102.0	1.1	569.5	1.7	348.6	2.8	2,729.2	0.8
2004 Jan.	3,788.5	102.0	1.2	584.1	1.7	372.3	3.0	2,832.0	0.9
Feb.	3,851.9	102.1	1.3	587.9	2.0	374.3	3.2	2,889.7	0.9
Mar.	3,766.4	102.4	1.5	571.9	2.1	355.0	3.2	2,839.5	1.2
Apr.	3,748.3	102.5	1.0	579.4	2.3	361.1	1.4	2,807.9	0.7
May	3,687.7	102.5	1.0	568.1	2.4	350.6	1.4	2,769.1	0.7
June	3,770.8	102.6	1.1	583.5	2.7	358.0	1.4	2,829.3	0.7

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

(annual percentage changes)



Source: ECB.

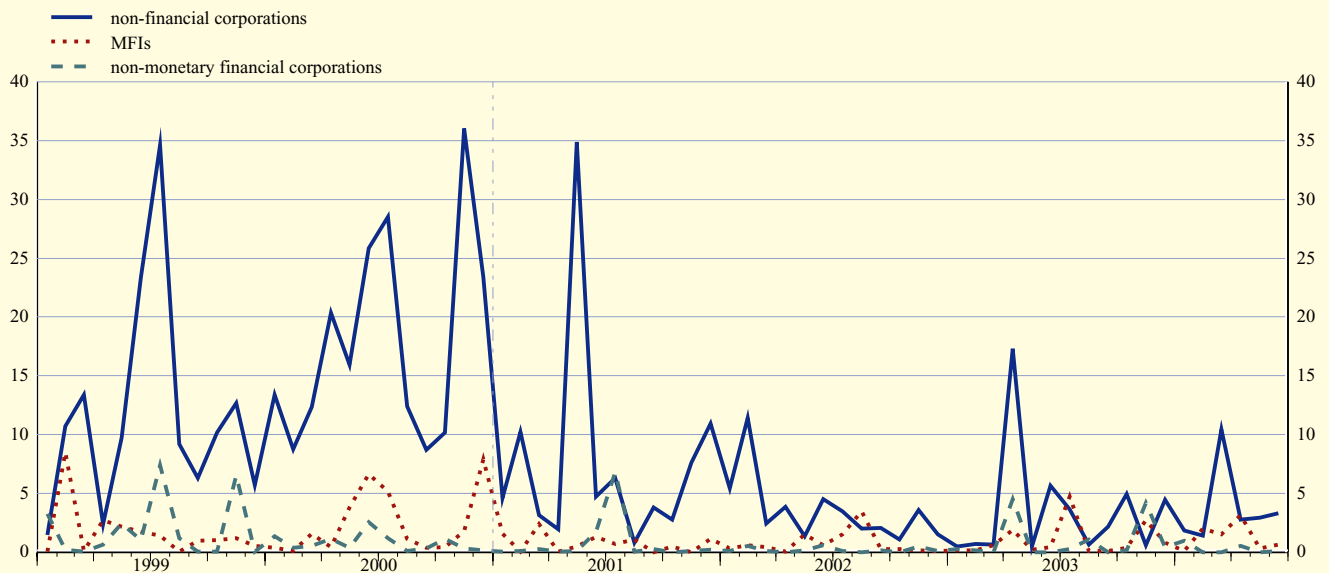
1) For the calculation of the index and the growth rates, see the technical notes.

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

2. Transactions during the month

	Total			MFIs			Non-monetary financial corporations			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2002 June	5.7	0.7	5.0	0.6	0.0	0.6	0.6	0.0	0.6	4.5	0.6	3.9
July	5.1	1.2	3.9	1.5	0.1	1.4	0.1	0.9	-0.8	3.5	0.2	3.3
Aug.	5.5	5.2	0.3	3.5	4.0	-0.5	0.0	0.0	0.0	2.0	1.2	0.8
Sep.	2.5	0.4	2.0	0.3	0.1	0.1	0.2	0.0	0.2	2.0	0.3	1.8
Oct.	1.3	0.1	1.2	0.3	0.0	0.2	0.0	0.0	0.0	1.1	0.1	1.0
Nov.	4.3	0.7	3.6	0.2	0.4	-0.2	0.5	0.0	0.5	3.6	0.3	3.3
Dec.	1.7	0.5	1.3	0.1	0.0	0.1	0.1	0.1	0.0	1.5	0.4	1.1
2003 Jan.	0.9	1.4	-0.5	0.1	0.0	0.1	0.3	0.0	0.3	0.5	1.4	-0.9
Feb.	1.0	1.3	-0.3	0.1	0.0	0.1	0.1	0.8	-0.7	0.7	0.5	0.2
Mar.	1.2	0.7	0.5	0.6	0.1	0.5	0.0	0.0	0.0	0.6	0.5	0.1
Apr.	23.7	4.8	18.9	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.6	12.7
May	0.7	2.2	-1.6	0.2	0.4	-0.2	0.0	0.0	0.0	0.5	1.8	-1.3
June	6.1	5.2	0.9	0.4	2.8	-2.3	0.0	0.0	0.0	5.7	2.4	3.2
July	8.6	1.9	6.7	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.7	1.9
Aug.	1.8	1.2	0.6	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.1	-0.4
Sep.	2.3	1.8	0.5	0.1	0.1	0.0	0.0	1.3	-1.3	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.1	0.0	0.1	4.9	3.8	1.1
Nov.	7.5	5.5	2.1	2.7	0.0	2.7	4.2	0.3	3.9	0.6	5.1	-4.5
Dec.	5.7	1.5	4.2	0.8	0.1	0.8	0.4	0.8	-0.4	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	4.1	1.9	2.2	0.7	1.6	-0.9	0.1	0.1	0.1	3.3	0.2	3.1

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



Source: ECB.

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

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

### 1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight <sup>1)</sup>	With agreed maturity			Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2003 July	0.68	1.91	2.10	2.32	2.14	2.93	0.88	2.02	2.14	2.80	2.03
Aug.	0.68	1.91	2.12	2.51	1.99	2.88	0.88	2.03	2.27	3.56	1.98
Sep.	0.69	1.87	2.12	2.43	2.00	2.85	0.87	2.00	2.29	3.63	2.00
Oct.	0.69	1.89	2.16	2.51	2.05	2.73	0.88	1.98	2.23	3.89	1.99
Nov.	0.70	1.87	2.24	2.61	2.01	2.70	0.87	1.97	2.36	2.70	1.97
Dec.	0.69	1.89	2.40	2.41	2.02	2.68	0.86	2.00	2.42	3.35	1.99
2004 Jan.	0.69	1.91	2.37	2.74	2.03	2.65	0.93	1.99	2.07	3.12	1.95
Feb.	0.69	1.88	2.16	2.45	2.02	2.63	0.86	1.98	2.21	3.59	1.98
Mar.	0.70	1.92	2.15	2.34	2.00	2.59	0.86	1.96	2.11	3.35	1.98
Apr.	0.70	1.92	2.14	2.44	2.02	2.57	0.85	1.97	2.00	3.50	1.95
May	0.70	1.85	2.16	2.41	2.00	2.55	0.86	1.96	2.06	3.75	1.95
June	0.70	1.88	2.23	2.39	2.00	2.55	0.87	1.99	2.27	3.79	1.98

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

	Bank overdraft <sup>1)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>3)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>3)</sup>	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 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 July	9.75	7.24	7.04	8.20	7.92	3.68	3.92	4.64	4.68	4.33	4.10	4.95	4.98
Aug.	9.73	7.70	6.84	8.27	8.04	3.64	3.96	4.69	4.69	4.41	4.13	5.00	4.98
Sep.	9.74	7.44	6.89	8.04	8.02	3.63	4.10	4.81	4.75	4.41	3.98	5.00	5.11
Oct.	9.71	7.20	6.74	8.07	7.91	3.62	4.02	4.87	4.78	4.40	4.05	5.09	5.21
Nov.	9.64	7.57	6.59	7.93	7.84	3.59	4.09	4.92	4.84	4.42	4.15	5.25	5.17
Dec.	9.69	7.66	6.43	7.63	7.71	3.63	4.17	5.02	4.95	4.45	3.85	5.00	5.08
2004 Jan.	9.87	7.62	7.04	8.49	8.32	3.63	4.28	5.02	4.92	4.48	4.06	5.12	5.16
Feb.	9.81	7.43	6.91	8.44	8.16	3.55	4.21	4.97	4.84	4.34	4.10	5.07	5.05
Mar.	9.71	7.34	6.80	8.28	8.01	3.47	4.12	4.86	4.78	4.28	3.94	5.06	4.97
Apr.	9.73	7.31	6.60	8.22	7.82	3.42	4.03	4.78	4.68	4.27	3.87	4.89	4.92
May	9.68	7.30	6.69	8.17	7.92	3.40	4.03	4.75	4.61	4.20	4.11	4.81	4.94
June	9.56	7.18	6.70	8.30	7.98	3.42	4.11	4.81	4.69	4.20	3.93	4.94	5.01

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

	Bank overdraft <sup>1)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
		1	2	3	4	5	6	7
2003 July		5.56	4.16	4.58	4.73	3.08	3.15	4.01
Aug.		5.47	4.17	4.65	4.77	3.18	3.35	4.36
Sep.		5.46	4.08	4.79	4.76	3.11	3.32	4.29
Oct.		5.46	4.14	4.76	4.83	3.08	3.26	4.33
Nov.		5.41	4.10	4.94	4.71	3.02	3.30	4.23
Dec.		5.58	4.04	4.84	4.81	3.12	3.41	4.32
2004 Jan.		5.67	4.06	4.86	4.81	3.01	3.37	4.29
Feb.		5.63	4.02	4.94	4.78	2.97	3.19	4.30
Mar.		5.56	3.94	4.79	4.77	2.91	3.25	4.41
Apr.		5.51	3.87	4.71	4.64	2.96	3.28	4.41
May		5.46	3.98	4.58	4.57	2.95	3.30	4.24
June		5.46	3.96	4.76	4.71	3.02	3.25	4.08

Source: ECB.

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

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

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

4. Interest rates on deposits (outstanding amounts)

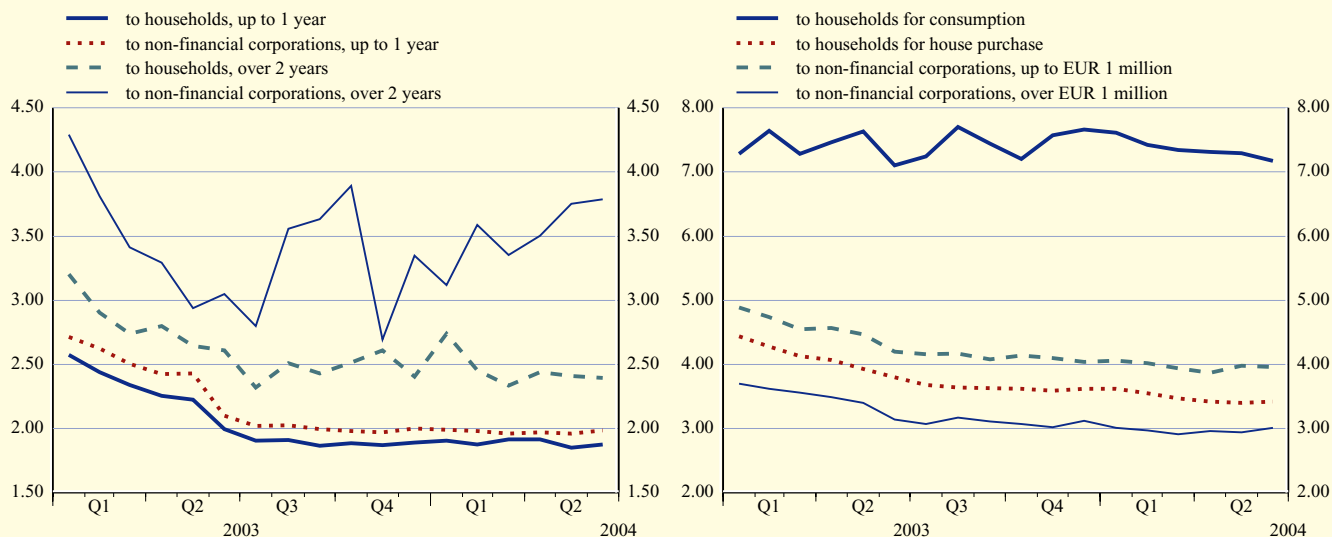
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>1)</sup>	With agreed maturity		Redeemable at notice <sup>1),2)</sup>		Overnight <sup>1)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2003 July	0.68	2.08	3.43	2.14	2.93	0.88	2.24	4.40	2.08
Aug.	0.68	2.04	3.43	1.99	2.88	0.88	2.20	4.26	2.05
Sep.	0.69	2.01	3.44	2.00	2.85	0.87	2.23	4.32	2.04
Oct.	0.69	1.97	3.47	2.05	2.73	0.88	2.12	4.33	2.03
Nov.	0.70	1.98	3.44	2.01	2.70	0.87	2.13	4.43	1.98
Dec.	0.69	1.97	3.54	2.02	2.68	0.86	2.14	4.25	1.98
2004 Jan.	0.69	1.94	3.36	2.03	2.65	0.93	2.09	4.27	1.95
Feb.	0.69	1.93	3.42	2.02	2.63	0.86	2.09	4.22	1.97
Mar.	0.70	1.92	3.32	2.00	2.59	0.86	2.08	4.17	1.93
Apr.	0.70	1.90	3.35	2.02	2.57	0.85	2.09	4.16	1.92
May	0.70	1.89	3.28	2.00	2.55	0.86	2.07	4.15	1.93
June	0.70	1.89	3.27	2.00	2.55	0.87	2.09	4.11	1.94

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2003 July	5.18	5.07	5.31	8.33	7.28	5.96	4.61	4.32	4.81
Aug.	5.07	4.99	5.25	8.28	7.23	6.07	4.54	4.21	4.74
Sep.	5.00	4.95	5.24	8.30	7.27	6.00	4.55	4.20	4.75
Oct.	5.00	4.92	5.20	8.13	7.13	5.84	4.56	4.12	4.71
Nov.	4.97	4.90	5.17	7.98	7.09	5.82	4.52	4.18	4.67
Dec.	5.09	4.88	5.14	8.04	7.05	6.00	4.56	4.23	4.67
2004 Jan.	5.05	4.89	5.11	8.15	7.02	5.92	4.58	4.07	4.56
Feb.	5.01	4.91	5.11	8.13	7.16	5.95	4.62	4.06	4.58
Mar.	4.98	4.82	5.03	8.05	7.17	5.89	4.56	3.96	4.61
Apr.	4.90	4.75	5.01	8.03	7.08	5.85	4.51	3.91	4.59
May	4.89	4.72	4.99	7.99	7.04	5.82	4.50	3.87	4.55
June	4.87	4.69	4.97	7.93	6.99	5.80	4.48	3.90	4.53

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

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



Source: ECB.

## 4.6 Money market interest rates

(percentages per annum; period averages)

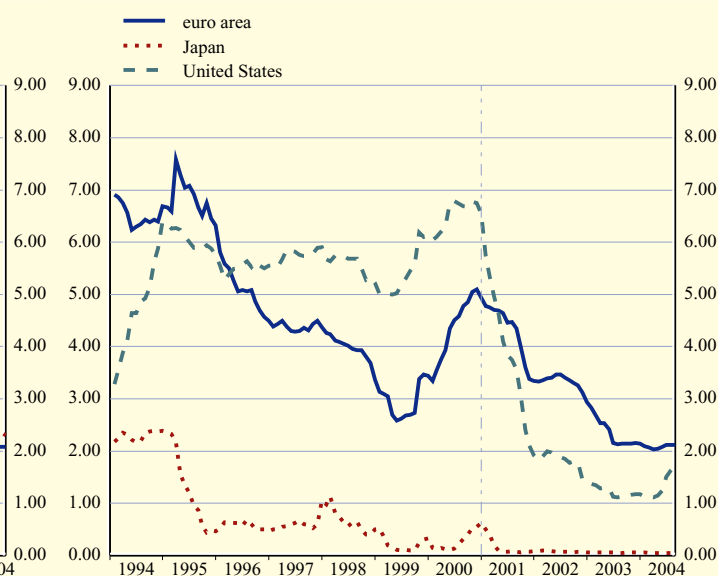
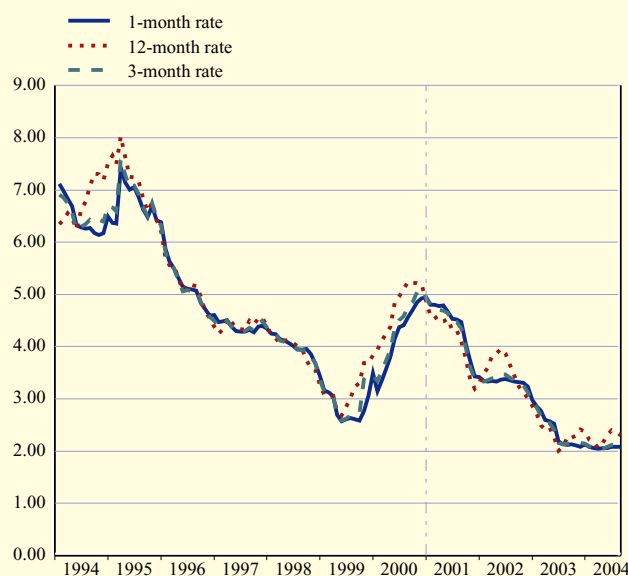
	Euro area <sup>1)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2001	4.39	4.33	4.26	4.15	4.08	3.78	0.15
2002	3.29	3.30	3.32	3.35	3.49	1.80	0.08
2003	2.32	2.35	2.33	2.31	2.34	1.22	0.06
2003 Q2	2.44	2.43	2.37	2.29	2.24	1.24	0.06
Q3	2.07	2.13	2.14	2.15	2.20	1.13	0.05
Q4	2.02	2.11	2.15	2.20	2.36	1.17	0.06
2004 Q1	2.02	2.06	2.06	2.07	2.15	1.12	0.05
Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
2003 Aug.	2.10	2.12	2.14	2.17	2.28	1.14	0.05
Sep.	2.02	2.13	2.15	2.18	2.26	1.14	0.05
Oct.	2.01	2.10	2.14	2.17	2.30	1.16	0.06
Nov.	1.97	2.09	2.16	2.22	2.41	1.17	0.06
Dec.	2.06	2.13	2.15	2.20	2.38	1.17	0.06
2004 Jan.	2.02	2.08	2.09	2.12	2.22	1.13	0.06
Feb.	2.03	2.06	2.07	2.09	2.16	1.12	0.05
Mar.	2.01	2.04	2.03	2.02	2.06	1.11	0.05
Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05

### C22 Euro area money market rates

(monthly; percentages per annum)

### C23 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

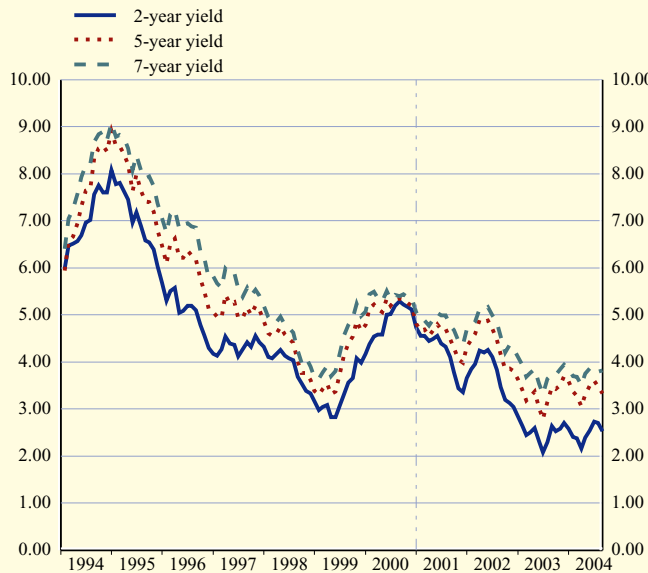
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area <sup>1)</sup>					United States	Japan
	2 years 1	3 years 2	5 years 3	7 years 4	10 years 5	10 years 6	10 years 7
2001	4.11	4.23	4.49	4.79	5.03	5.01	1.34
2002	3.68	3.94	4.35	4.70	4.92	4.60	1.27
2003	2.49	2.74	3.32	3.74	4.16	4.00	0.99
2003 Q2	2.33	2.54	3.07	3.57	3.96	3.61	0.60
Q3	2.48	2.77	3.34	3.70	4.16	4.21	1.19
Q4	2.62	2.91	3.59	3.88	4.36	4.27	1.38
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
2003 Aug.	2.63	2.91	3.47	3.74	4.20	4.44	1.15
Sep.	2.53	2.87	3.42	3.72	4.23	4.29	1.45
Oct.	2.59	2.88	3.50	3.85	4.31	4.27	1.40
Nov.	2.70	2.99	3.70	3.94	4.44	4.29	1.38
Dec.	2.58	2.88	3.59	3.85	4.36	4.26	1.35
2004 Jan.	2.41	2.71	3.37	3.70	4.26	4.13	1.33
Feb.	2.38	2.71	3.28	3.69	4.18	4.06	1.25
Mar.	2.16	2.48	3.06	3.51	4.02	3.81	1.35
Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63

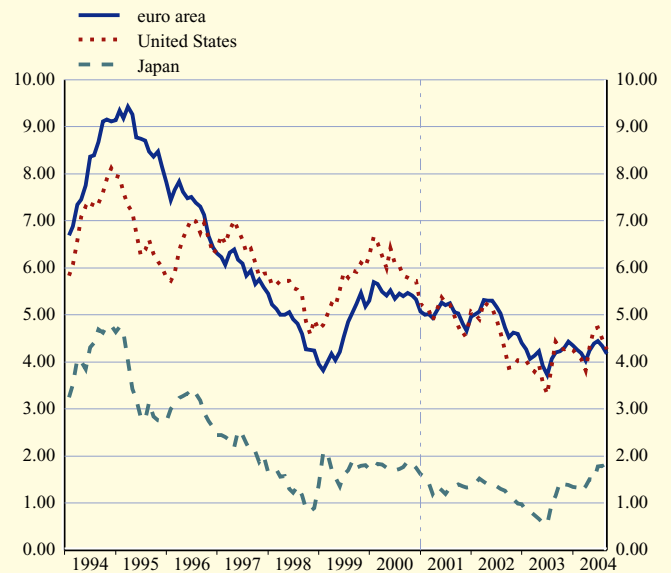
C24 Euro area government bond yields

(monthly; percentages per annum)



C25 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

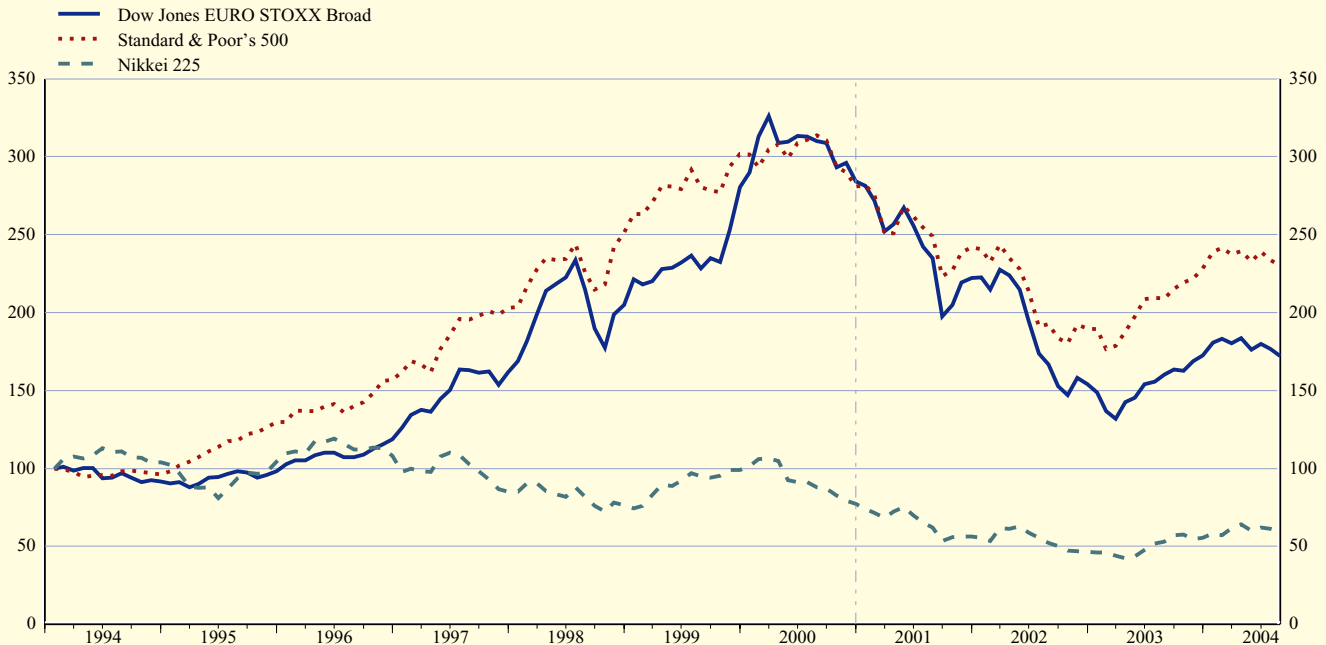
## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main economic sector indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Industrial	Technology	Utilities	Telecom.	Healthcare		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	336.3	4,049.2	296.0	228.2	303.3	341.4	321.6	310.0	530.5	309.6	541.2	540.1	1,193.8	12,114.8
2002	259.9	3,051.9	267.5	175.0	266.5	308.9	243.3	252.4	345.1	255.5	349.2	411.8	995.4	10,119.3
2003	213.3	2,422.5	212.5	137.5	209.7	259.5	199.3	213.5	275.1	210.7	337.5	304.4	964.8	9,312.9
2003 Q2	204.3	2,339.9	198.2	126.7	204.2	255.1	189.7	199.2	260.3	208.5	329.9	303.7	937.0	8,295.4
Q3	221.7	2,511.5	225.1	144.5	212.8	265.8	209.9	224.9	285.9	216.0	347.4	304.6	1,000.4	10,063.2
Q4	232.9	2,613.7	233.5	155.2	219.0	266.7	221.9	240.2	317.4	219.6	360.5	320.0	1,057.0	10,423.3
2004 Q1	251.5	2,845.3	244.9	163.8	226.7	279.9	240.3	257.0	352.9	248.6	405.1	366.5	1,132.6	10,995.7
Q2	249.8	2,794.5	244.7	164.7	229.4	300.8	234.6	256.1	299.3	262.1	388.2	394.9	1,123.6	11,550.0
2003 Aug.	222.3	2,524.1	227.2	144.6	211.9	268.6	211.6	227.0	281.7	217.0	352.4	293.2	989.5	9,884.6
Sep.	226.8	2,553.3	229.5	151.2	221.4	269.0	212.1	232.0	302.1	216.6	349.6	313.2	1,018.9	10,644.8
Oct.	225.5	2,523.3	222.0	150.1	218.9	263.0	212.9	231.5	308.0	210.8	348.4	309.7	1,038.7	10,720.1
Nov.	233.9	2,618.1	237.5	156.8	222.1	262.0	223.0	241.5	325.4	217.0	358.7	319.3	1,050.1	10,205.4
Dec.	239.4	2,700.3	241.5	158.8	216.3	274.6	229.9	247.8	319.8	230.7	374.1	331.1	1,081.2	10,315.9
2004 Jan.	250.6	2,839.1	250.3	164.8	222.0	277.2	242.0	257.5	349.2	239.6	405.1	350.3	1,131.6	10,876.4
Feb.	253.9	2,874.8	244.7	165.1	229.5	275.6	243.7	260.1	359.0	252.1	412.3	370.0	1,143.8	10,618.6
Mar.	250.2	2,825.6	240.0	161.6	228.9	286.2	235.8	253.8	351.0	254.2	398.8	379.0	1,124.0	11,437.8
Apr.	254.9	2,860.2	247.6	167.2	231.0	300.0	241.0	262.5	321.0	264.5	401.8	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	161.4	225.8	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.7	11,141.0
June	249.8	2,792.2	246.1	165.2	231.2	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	161.7	224.4	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.9	11,390.8
Aug.	238.9	2,646.9	243.7	155.4	215.0	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3

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

(January 1994 = 100; monthly averages)



Source: ECB.

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 1. Harmonised Index of Consumer Prices<sup>1)</sup>

	Total				Total (s.a., percentage change on previous period)					
	Index 1996 = 100	Total	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
% of total <sup>2)</sup>	100.0	100.0	58.7	41.3	100.0	11.8	7.7	31.0	8.1	41.3
	1	2	3	4	5	6	7	8	9	10
2000	106.0	2.1	2.5	1.5	-	-	-	-	-	-
2001	108.5	2.3	2.3	2.5	-	-	-	-	-	-
2002	110.9	2.3	1.7	3.1	-	-	-	-	-	-
2003	113.2	2.1	1.8	2.5	-	-	-	-	-	-
2003 Q2	113.2	1.9	1.5	2.6	0.2	0.8	0.5	0.2	-2.9	0.6
Q3	113.4	2.0	1.7	2.5	0.5	0.6	1.5	0.1	0.5	0.6
Q4	114.0	2.0	1.8	2.4	0.5	1.1	0.6	0.2	-0.2	0.6
2004 Q1	114.4	1.7	1.1	2.6	0.5	0.9	-0.5	0.2	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.8	1.1	-0.1	0.4	3.3	0.6
2004 Mar.	115.0	1.7	1.1	2.5	0.3	1.2	0.0	0.0	1.3	0.2
Apr.	115.5	2.0	1.8	2.5	0.3	0.1	-0.2	0.3	1.1	0.2
May	115.9	2.5	2.4	2.6	0.3	0.3	0.2	0.0	2.5	0.2
June	115.9	2.4	2.2	2.6	0.1	0.1	0.3	0.1	-0.7	0.3
July	115.7	2.3	2.1	2.7	0.1	0.2	-0.4	-0.2	0.6	0.2
Aug. <sup>3)</sup>	.	2.3	.	.	.	.	.	.	.	.

	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 <sup>2)</sup>	19.5	11.8	7.7	39.1	31.0	8.1	10.4	6.4	6.4	2.9	15.0	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
2000	1.4	1.2	1.8	3.0	0.5	13.0	1.5	1.3	2.5	-7.1	2.4	2.5
2001	4.5	2.9	7.0	1.2	0.9	2.2	1.8	1.4	3.6	-4.1	3.6	2.7
2002	3.1	3.1	3.1	1.0	1.5	-0.6	2.4	2.0	3.2	-0.3	4.2	3.4
2003	2.8	3.3	2.1	1.2	0.8	3.0	2.3	2.0	2.9	-0.6	2.7	3.4
2003 Q2	2.5	3.3	1.5	1.0	0.9	1.5	2.4	2.1	3.0	-0.5	2.9	3.5
Q3	3.2	3.1	3.4	1.0	0.7	2.1	2.4	1.9	2.8	-0.4	2.6	3.2
Q4	3.7	3.8	3.6	0.9	0.8	1.6	2.3	1.9	2.8	-0.7	2.5	3.3
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
2004 Mar.	3.1	4.1	1.7	0.1	0.7	-2.0	2.3	1.9	2.7	-1.3	2.4	4.8
Apr.	2.9	3.9	1.6	1.2	1.0	2.0	2.3	1.8	3.0	-1.7	2.2	4.8
May	3.1	3.9	1.7	2.1	0.9	6.7	2.3	1.8	2.9	-1.9	2.5	4.8
June	2.8	3.8	1.2	2.0	0.9	5.9	2.3	1.8	3.0	-2.0	2.5	5.0
July	2.6	3.8	0.7	1.8	0.7	5.9	2.5	1.9	2.9	-2.4	2.6	5.3

Sources: Eurostat and ECB calculations.

1) Data prior to 2001 refer to the Euro 11.

2) Referring to the index period 2004. Due to rounding, component weights might not add up to the total.

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



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 2. Industry and commodity prices

	Industrial producer prices										World market prices of raw materials <sup>1)</sup>	Oil prices <sup>2)</sup> (EUR per barrel)		
	Industry excluding construction									Construction <sup>3)</sup>			Manufacturing	
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy		Total			
			Total	Intermediate goods	Capital goods	Consumer goods								
						Total	Durable	Non-durable						
% of total <sup>4)</sup>	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5		89.5	100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	100.0	5.3	2.5	5.0	0.6	1.6	1.4	1.6	16.4	2.5	4.8	51.9	20.4	31.0
2001	102.0	2.0	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.2	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	0.3	-4.1	-0.9	26.5
2003	103.4	1.4	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.0	0.9	-4.0	-4.5	25.1
2003 Q2	103.2	1.3	0.9	1.2	0.3	1.0	0.5	1.1	2.7	2.5	0.7	-13.7	-7.9	22.7
Q3	103.2	1.1	0.5	0.0	0.3	1.2	0.6	1.3	3.0	1.9	0.4	-6.5	-5.8	25.1
Q4	103.4	1.0	0.6	0.3	0.3	1.2	0.5	1.3	2.0	1.5	0.5	-4.2	-1.2	24.5
2004 Q1	103.9	0.2	0.8	1.0	0.3	1.1	0.4	1.3	-2.6	1.6	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.6	3.7	.	2.5	28.8	20.9	29.3
2004 Mar.	104.4	0.4	1.2	1.5	0.3	1.5	0.5	1.7	-2.8	-	0.5	6.8	17.2	26.7
Apr.	104.9	1.4	1.5	2.3	0.5	1.4	0.6	1.6	1.2	-	1.7	23.1	19.7	27.6
May	105.5	2.4	1.6	2.9	0.6	1.4	0.6	1.6	5.5	-	2.8	35.9	21.1	30.9
June	105.5	2.4	1.9	3.3	0.6	1.6	0.6	1.7	4.4	-	2.8	27.8	21.9	29.3
July	.	.	.	.	.	.	.	.	.	-	.	24.9	18.0	30.7
Aug.	.	.	.	.	.	.	.	.	.	-	.	25.7	10.9	34.1

### 3. Hourly labour costs<sup>5)</sup>

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2000	100.0	3.2	3.6	2.0	3.0	3.6	3.7	2.2
2001	103.5	3.5	3.7	2.9	3.4	3.9	3.2	2.6
2002	107.3	3.7	3.6	4.1	3.7	3.9	3.5	2.7
2003	110.4	2.8	2.7	3.3	3.0	3.3	2.7	2.4
2003 Q2	110.1	3.2	3.0	3.8	3.7	3.6	3.0	2.4
Q3	110.7	2.8	2.6	3.3	3.0	3.1	2.8	2.4
Q4	111.3	2.3	2.1	2.7	2.2	2.8	2.5	2.2
2004 Q1	112.1	2.5	2.6	2.3	2.8	2.9	2.5	2.3
Q2	.	.	.	.	.	.	.	2.2

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in table 5.1.2 and column 7 in table 5.1.3) and ECB calculations (column 8 in table 5.1.3).

- 1) Refers to the prices expressed in euro.
- 2) Brent Blend (for one-month forward delivery).
- 3) Residential buildings, based on non-harmonised data.
- 4) In 2000.
- 5) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, components are not consistent with the total.

**5.1 HICP, other prices and costs**

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

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

	Total (index 2000 = 100)	Total	By economic activity						
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services		
	1	2	3	4	5	6	7	8	
Unit labour costs <sup>1)</sup>									
2000	100.0	1.4	0.9	0.0	1.8	-0.2	3.9	1.8	
2001	102.6	2.6	2.5	2.6	4.2	0.8	3.4	2.8	
2002	104.8	2.2	-0.3	0.9	3.1	2.0	3.3	2.4	
2003	107.0	2.0	4.5	1.4	3.2	1.7	2.1	2.1	
2003 Q1	106.3	1.8	2.3	0.6	3.3	1.4	2.6	2.1	
Q2	107.1	2.5	7.2	2.7	3.5	2.2	2.7	2.0	
Q3	107.4	2.3	6.8	2.1	3.4	1.3	1.2	2.9	
Q4	107.2	1.6	1.7	0.5	2.7	2.0	1.9	1.4	
2004 Q1	107.2	0.9	-6.3	0.1	2.6	0.8	1.4	1.6	
Compensation per employee									
2000	100.0	2.7	2.2	3.4	2.5	1.8	2.2	2.7	
2001	102.8	2.8	1.8	2.7	3.1	2.7	2.4	3.1	
2002	105.4	2.5	2.7	2.6	2.9	2.6	2.1	2.7	
2003	107.9	2.4	2.5	3.4	3.1	1.8	2.0	2.2	
2003 Q1	107.1	2.4	2.4	3.5	2.5	2.0	2.2	2.1	
Q2	107.7	2.5	4.8	3.6	3.6	2.3	2.5	1.8	
Q3	108.4	2.5	2.4	3.4	3.4	1.3	1.6	3.1	
Q4	108.5	2.1	0.3	3.2	2.9	1.4	1.8	1.9	
2004 Q1	109.2	1.9	-3.9	3.4	3.4	0.9	1.3	2.1	
Labour productivity <sup>2)</sup>									
2000	100.0	1.3	1.2	3.4	0.7	2.1	-1.6	0.9	
2001	100.2	0.2	-0.6	0.2	-1.0	1.9	-0.9	0.3	
2002	100.6	0.3	3.1	1.7	-0.2	0.6	-1.2	0.2	
2003	100.9	0.3	-1.9	2.0	-0.1	0.0	-0.1	0.1	
2003 Q1	100.8	0.6	0.1	2.9	-0.8	0.5	-0.4	0.0	
Q2	100.5	0.0	-2.3	0.8	0.2	0.1	-0.2	-0.2	
Q3	101.0	0.2	-4.1	1.3	-0.1	0.0	0.4	0.2	
Q4	101.3	0.5	-1.3	2.7	0.2	-0.6	-0.1	0.5	
2004 Q1	101.9	1.1	2.5	3.2	0.8	0.2	-0.1	0.5	

**5. Gross Domestic Product deflators**

	Total (index 2000 = 100)	Total	Domestic demand			Exports <sup>3)</sup>	Imports <sup>3)</sup>	
			Total	Private consumption	Government consumption			Gross fixed capital formation
	1	2	3	4	5	6	7	8
2000	100.0	1.4	2.6	2.2	2.7	2.7	4.9	8.5
2001	102.4	2.4	2.3	2.3	2.4	2.0	1.4	0.8
2002	105.1	2.6	2.1	2.3	2.1	2.0	-0.3	-1.6
2003	107.2	2.0	1.8	2.0	2.2	1.2	-0.5	-1.1
2003 Q1	106.3	2.0	2.0	2.3	2.1	1.6	0.0	0.1
Q2	106.9	2.1	1.7	1.9	2.3	1.2	-0.7	-1.8
Q3	107.6	2.1	1.9	1.9	2.7	1.2	-0.8	-1.5
Q4	107.9	2.0	1.7	1.9	1.6	1.0	-0.6	-1.4
2004 Q1	108.5	2.0	1.5	1.7	1.4	1.4	-0.9	-2.6

Sources: ECB calculations based on Eurostat data.

1) Compensation (at current prices) per employee divided by value added (at constant prices) per person employed.

2) Value added (at constant prices) per person employed.

3) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

## 5.2 Output and demand

### 1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>1)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,576.1	6,519.5	3,762.6	1,306.9	1,420.2	29.7	56.6	2,448.9	2,392.2
2001	6,842.6	6,729.1	3,918.6	1,371.3	1,443.7	-4.5	113.4	2,564.6	2,451.2
2002	7,079.0	6,900.1	4,031.3	1,442.6	1,430.5	-4.3	179.0	2,596.4	2,417.4
2003	7,256.9	7,108.5	4,152.1	1,502.7	1,440.1	13.6	148.4	2,584.8	2,436.4
2003 Q2	1,803.6	1,769.7	1,033.3	374.2	358.5	3.7	33.9	636.2	602.3
Q3	1,822.2	1,777.7	1,040.4	379.9	359.9	-2.6	44.5	649.3	604.8
Q4	1,835.3	1,796.0	1,046.9	379.3	363.6	6.2	39.3	654.0	614.7
2004 Q1	1,855.6	1,811.0	1,058.3	380.2	366.9	5.6	44.6	661.0	616.4
Q2	.	.	.	.	.	.	.	.	.
<i>percentage of GDP</i>									
2003	100.0	98.0	57.2	20.7	19.8	0.2	2.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q2	-0.1	0.0	0.0	0.5	-0.1	-	-	-0.8	-0.3
Q3	0.4	-0.1	0.2	0.7	0.1	-	-	2.3	1.0
Q4	0.4	0.8	0.2	0.4	0.8	-	-	0.3	1.4
2004 Q1	0.6	0.4	0.6	-0.2	0.2	-	-	1.5	0.9
Q2	0.5	.	.	.	.	-	-	.	.
<i>annual percentage changes</i>									
2000	3.5	2.9	2.7	2.1	5.0	-	-	12.3	11.0
2001	1.6	1.0	1.8	2.5	-0.3	-	-	3.4	1.7
2002	0.9	0.4	0.5	3.0	-2.8	-	-	1.5	0.3
2003	0.5	1.2	1.0	2.0	-0.6	-	-	0.1	1.9
2003 Q2	0.1	1.1	1.0	1.7	-0.2	-	-	-1.2	1.3
Q3	0.4	0.8	0.8	1.9	-0.3	-	-	-0.2	1.0
Q4	0.7	1.2	0.7	2.2	0.0	-	-	0.3	1.7
2004 Q1	1.3	1.1	0.9	1.5	1.0	-	-	3.4	2.9
Q2	2.0	.	.	.	.	-	-	.	.
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2000	3.5	2.9	1.5	0.4	1.1	-0.1	0.6	-	-
2001	1.6	0.9	1.0	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.4	0.3	0.6	-0.6	0.1	0.5	-	-
2003	0.5	1.1	0.6	0.4	-0.1	0.3	-0.7	-	-
2003 Q2	0.1	1.1	0.5	0.4	0.0	0.2	-0.9	-	-
Q3	0.4	0.8	0.5	0.4	-0.1	0.0	-0.4	-	-
Q4	0.7	1.2	0.4	0.4	0.0	0.4	-0.5	-	-
2004 Q1	1.3	1.1	0.5	0.3	0.2	0.0	0.2	-	-
Q2	2.0	.	.	.	.	.	.	-	-

Source: Eurostat.

1) Including acquisitions less disposals of valuables.

2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 7.3.1

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Intermediate consumption of FISIM <sup>1)</sup>	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	9
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2000	6,087.6	145.8	1,369.1	337.0	1,281.2	1,649.6	1,305.0	212.6	701.1
2001	6,351.7	151.2	1,409.0	351.4	1,350.6	1,724.2	1,365.3	222.1	712.9
2002	6,567.4	149.0	1,432.8	362.5	1,386.5	1,803.6	1,433.0	227.6	739.3
2003	6,733.0	152.4	1,440.7	373.9	1,413.6	1,873.1	1,479.4	234.3	758.2
2003 Q1	1,665.2	37.5	361.3	91.8	348.2	461.0	365.4	58.0	188.6
Q2	1,673.3	37.5	356.0	93.0	352.5	466.4	367.9	58.7	189.0
Q3	1,693.2	38.3	360.4	93.8	356.1	471.1	373.5	58.8	187.9
Q4	1,701.3	39.1	363.0	95.3	356.8	474.6	372.5	58.7	192.7
2004 Q1	1,720.8	38.8	368.0	96.5	359.1	481.3	377.2	58.7	193.5
<i>percentage of value added</i>									
2003	100.0	2.3	21.4	5.6	21.0	27.8	22.0	-	-
<i>Constant prices (ECU billions at 1995 prices, seasonally adjusted)</i>									
<i>quarter-on-quarter percentage changes</i>									
2003 Q1	0.1	-1.1	0.5	-0.4	-0.4	0.2	0.2	-0.2	-0.7
Q2	-0.1	-2.1	-1.0	0.1	0.3	0.3	0.2	0.7	0.0
Q3	0.5	-1.0	0.7	-0.1	0.7	0.6	0.3	1.0	-0.2
Q4	0.3	2.1	0.5	0.2	-0.1	0.1	0.5	-0.5	0.9
2004 Q1	0.5	2.7	0.9	0.1	0.4	0.5	0.1	-0.7	0.8
<i>annual percentage changes</i>									
2000	3.8	-0.3	4.0	2.5	5.2	4.3	2.5	7.1	1.8
2001	1.9	-1.2	0.5	-0.6	3.4	2.9	1.7	4.7	0.2
2002	1.0	1.0	0.3	-1.0	1.0	1.1	2.1	-0.1	-0.6
2003	0.6	-3.6	0.0	-0.5	0.6	1.2	1.1	2.0	0.3
2003 Q1	0.8	-2.4	1.0	-1.7	0.6	1.2	1.3	1.8	0.3
Q2	0.2	-4.4	-1.0	0.0	0.4	0.8	1.0	2.5	0.8
Q3	0.5	-5.4	-0.6	-0.3	0.8	1.4	1.0	2.5	0.0
Q4	0.8	-2.1	0.7	-0.1	0.5	1.2	1.2	1.0	0.1
2004 Q1	1.2	1.8	1.2	0.4	1.3	1.5	1.1	0.5	1.6
<i>contributions to annual percentage changes of value added in percentage points</i>									
2000	3.8	0.0	0.9	0.1	1.1	1.1	0.5	-	-
2001	1.9	0.0	0.1	0.0	0.7	0.8	0.4	-	-
2002	1.0	0.0	0.1	-0.1	0.2	0.3	0.4	-	-
2003	0.6	-0.1	0.0	0.0	0.1	0.3	0.2	-	-
2003 Q1	0.8	-0.1	0.2	-0.1	0.1	0.3	0.3	-	-
Q2	0.2	-0.1	-0.2	0.0	0.1	0.2	0.2	-	-
Q3	0.5	-0.1	-0.1	0.0	0.2	0.4	0.2	-	-
Q4	0.8	-0.1	0.2	0.0	0.1	0.3	0.2	-	-
2004 Q1	1.2	0.0	0.3	0.0	0.3	0.4	0.2	-	-

Source: Eurostat.

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

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production

	Total		Industry excluding construction							Construction	Manufacturing	
	Total (s.a. index 2000 = 100)	Total	Industry excluding construction and energy						Energy			
			Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable	Non-durable				
% of total <sup>1)</sup>	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2000	4.8	100.1	5.2	5.5	6.2	8.2	1.7	6.1	0.9	1.9	2.5	5.6
2001	0.4	100.5	0.4	0.1	-0.6	1.6	0.3	-2.0	0.8	1.3	0.7	0.3
2002	-0.4	100.0	-0.5	-0.7	0.1	-1.6	-0.4	-5.6	0.6	1.1	0.7	-0.7
2003	0.2	100.3	0.3	-0.1	0.3	-0.1	-0.6	-4.3	0.1	2.9	-0.2	0.0
2003 Q2	-0.6	99.6	-0.8	-1.4	-0.8	-1.8	-1.5	-6.2	-0.6	2.0	0.7	-1.3
Q3	-0.4	100.2	-0.3	-0.7	-0.6	-1.3	0.1	-3.6	0.7	2.0	0.1	-0.5
Q4	0.9	101.2	1.4	1.3	1.7	1.8	-0.1	-1.6	0.1	2.7	0.5	1.4
2004 Q1	1.1	101.3	1.1	0.9	1.1	0.5	0.7	1.4	0.5	2.2	1.3	1.0
Q2	.	102.2	2.7	2.9	2.5	4.2	1.2	2.9	0.9	2.2	.	3.1
2004 Jan.	1.0	101.0	0.6	0.4	1.0	-0.2	-0.1	1.3	-0.4	1.5	2.9	0.4
Feb.	1.4	101.4	0.9	1.2	2.2	-0.3	0.4	1.0	0.3	0.4	5.9	1.1
Mar.	0.9	101.6	1.7	1.1	0.2	1.7	1.6	1.8	1.6	4.9	-3.4	1.4
Apr.	0.6	101.9	1.6	1.6	2.0	2.1	0.5	2.4	0.2	2.0	-6.4	1.7
May	2.5	102.5	3.7	3.9	3.0	5.2	2.4	4.7	2.0	3.8	-5.6	4.0
June	.	102.1	2.8	3.1	2.6	5.2	0.6	1.6	0.5	0.8	.	3.4
<i>month-on-month percentage changes (s.a.)</i>												
2004 Jan.	-0.1	-	-0.4	-0.5	-1.4	-0.6	-0.1	1.1	-0.3	1.5	-0.3	-0.7
Feb.	0.3	-	0.4	0.5	0.5	0.1	0.2	-0.4	0.3	2.4	1.0	0.4
Mar.	-0.3	-	0.2	0.0	-1.0	0.9	0.2	-0.1	0.3	0.3	-5.1	0.2
Apr.	0.0	-	0.3	0.5	1.3	0.8	-0.1	0.6	-0.2	-1.8	-2.2	0.5
May	0.5	-	0.6	0.7	-0.1	1.1	0.3	0.1	0.3	0.5	-0.2	0.7
June	.	-	-0.3	-0.4	0.0	-0.4	-0.6	-1.2	-0.5	-0.8	.	-0.3

### 4. Retail sales and passenger car registrations

	Retail sales (s.a.)								New passenger car registrations	
	Current prices		Constant prices						Total (s.a. thousands <sup>2)</sup> )	Total
	Total (index 2000 = 100)	Total	Total (index 2000 = 100)	Total	Food, beverages, tobacco	Non-food				
						Textiles, clothing, footwear	Household equipment			
% of total <sup>1)</sup>	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8	9	10
	1	2	3	4	5	6	7	8	9	10
2000	99.9	4.1	100.0	2.2	1.8	2.1	1.0	4.2	977	-1.8
2001	104.0	4.1	101.6	1.6	1.7	1.6	0.7	-0.2	968	-0.8
2002	106.0	1.9	101.7	0.1	1.0	-0.5	-1.9	-1.9	925	-4.4
2003	107.7	1.6	102.0	0.3	1.3	-0.6	-3.1	-0.2	912	-1.4
2003 Q2	107.6	1.9	102.4	1.2	1.7	-0.1	-1.8	0.2	896	-1.8
Q3	107.5	0.9	101.8	-0.4	1.1	-1.8	-5.0	-0.9	928	1.4
Q4	107.9	1.1	101.7	-0.3	0.0	-0.5	-3.5	0.0	924	-2.4
2004 Q1	108.4	0.6	102.5	0.5	0.0	0.0	-1.8	2.1	912	0.9
Q2	108.7	0.9	102.2	-0.2	-0.3	-0.2	-0.6	2.0	929	3.0
2004 Jan.	109.1	1.7	103.7	1.2	0.9	0.9	-0.8	3.1	905	1.1
Feb.	107.9	-0.2	102.3	-0.1	-1.3	-1.0	-0.8	1.5	919	2.5
Mar.	108.1	0.4	101.6	0.5	0.3	-0.1	-3.6	1.6	913	-0.6
Apr.	108.9	1.1	103.2	0.3	0.1	0.1	0.2	2.0	930	4.6
May	108.1	0.7	100.6	-2.0	-1.5	-2.0	-3.6	0.2	925	4.1
June	109.0	1.0	102.7	1.1	0.5	1.4	1.8	3.7	931	0.6

Sources: Eurostat, except columns 9 and 10 in table 5.2.4 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

2) Annual and quarterly figures are averages of monthly figures in the period concerned.

## 5.2 Output and demand

(percentage balances,<sup>1)</sup> unless otherwise indicated; seasonally adjusted)

## 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator <sup>3)</sup>				
		Industrial confidence indicator				Capacity utilisation <sup>3),4)</sup>	Total <sup>5)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>5)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2000	114.2	4	2	4	16	84.5	1	4	1	1	2
2001	100.8	-9	-15	14	1	83.0	-5	2	-10	14	2
2002	94.4	-11	-25	11	3	81.5	-11	-1	-12	26	-3
2003	93.4	-10	-25	10	3	81.0	-18	-5	-21	38	-9
2003 Q2	91.3	-12	-28	9	0	80.8	-19	-4	-22	41	-9
Q3	94.2	-11	-27	11	4	81.1	-17	-4	-20	38	-8
Q4	97.7	-7	-22	9	8	81.0	-16	-5	-17	33	-9
2004 Q1	98.8	-7	-21	10	11	80.6	-14	-4	-13	30	-9
Q2	100.1	-4	-16	8	11	81.0	-15	-3	-15	32	-8
2004 Feb.	98.9	-7	-21	10	11	-	-14	-4	-12	30	-9
Mar.	98.8	-7	-21	10	11	-	-14	-4	-13	30	-9
Apr.	100.2	-4	-16	9	12	80.7	-14	-3	-14	31	-7
May	100.3	-5	-18	7	11	-	-16	-4	-16	33	-9
June	99.7	-4	-15	8	10	-	-14	-3	-14	31	-8
July	100.1	-4	-12	7	8	81.3	-14	-4	-14	30	-9
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>5)</sup>	Order books	Employment expectations	Total <sup>5)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>5)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2000	-5	-13	3	-2	-1	17	11	30	36	23	33
2001	-11	-16	-4	-7	-5	17	-1	15	16	8	20
2002	-19	-27	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	11
2003 Q2	-21	-27	-14	-12	-14	18	-5	-2	-12	0	6
Q3	-21	-28	-15	-10	-15	17	1	5	-1	4	13
Q4	-20	-27	-11	-8	-12	15	3	10	6	11	15
2004 Q1	-20	-29	-10	-8	-12	15	1	11	6	6	20
Q2	-17	-24	-9	-8	-10	15	2	11	5	11	17
2004 Feb.	-21	-32	-9	-9	-11	14	-1	11	7	6	21
Mar.	-19	-27	-10	-8	-12	14	1	11	5	5	22
Apr.	-17	-24	-10	-6	-7	15	3	11	6	11	16
May	-17	-22	-11	-7	-10	15	3	13	6	12	20
June	-16	-25	-6	-10	-14	16	0	10	4	11	15
July	-17	-26	-8	-9	-10	15	-2	11	6	12	16

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 has a weight of 30%, the consumer confidence indicator has a weight of 20% and the two other indicators have a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above (below) average economic sentiment.
- 3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 5) The confidence indicators are calculated as simple averages of the components shown; the assessment of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

## 5.3 Labour markets <sup>1)</sup>

(annual percentage changes, unless otherwise indicated)

### 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	84.2	15.8	4.6	18.8	7.1	25.2	14.5	29.8
	1	2	3	4	5	6	7	8	9	10
2000	131.428	2.2	2.5	0.6	-1.5	0.6	1.9	3.1	5.9	1.6
2001	133.276	1.4	1.6	0.2	-0.4	0.3	0.6	1.5	3.9	1.4
2002	133.978	0.5	0.7	-0.2	-2.1	-1.4	-0.6	0.4	2.4	1.8
2003	134.187	0.2	0.1	0.2	-1.9	-1.9	-0.2	0.5	1.2	1.1
2003 Q1	133.946	0.0	0.1	0.0	-2.8	-1.9	-0.6	-0.2	1.6	1.4
Q2	134.096	0.2	0.1	0.3	-2.4	-1.9	0.2	0.4	1.0	1.4
Q3	134.151	0.2	0.2	0.4	-1.6	-1.9	-0.2	0.9	1.1	1.0
Q4	134.255	0.2	0.2	0.3	-0.8	-2.0	-0.2	1.1	1.1	0.6
2004 Q1	134.283	0.2	0.2	-0.1	-1.0	-2.0	0.0	1.1	1.2	0.5
	<i>quarter-on-quarter changes (s.a.)</i>									
2003 Q1	0.031	0.0	0.1	-0.2	-0.8	-0.4	0.0	0.1	0.1	0.3
Q2	0.150	0.1	0.1	0.3	-0.2	-0.5	0.4	0.3	0.1	0.3
Q3	0.055	0.0	0.0	0.4	0.1	-0.4	-0.4	0.4	0.4	0.0
Q4	0.104	0.1	0.1	0.2	0.0	-0.6	-0.1	0.3	0.7	0.1
2004 Q1	0.028	0.0	0.1	-0.5	-0.9	-0.5	0.1	0.2	0.4	0.1

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		78.2		21.8		50.2		49.8	
	1	2	3	4	5	6	7	8	9	10
2000	11.608	8.4	8.881	7.3	2.727	16.7	5.499	7.0	6.109	10.4
2001	11.084	8.0	8.539	7.0	2.546	15.8	5.338	6.7	5.746	9.7
2002	11.806	8.4	9.181	7.4	2.626	16.4	5.841	7.3	5.966	9.9
2003	12.532	8.9	9.798	7.8	2.734	17.2	6.296	7.9	6.236	10.2
2003 Q2	12.562	8.9	9.813	7.8	2.749	17.2	6.310	7.9	6.252	10.2
Q3	12.571	8.9	9.841	7.8	2.730	17.2	6.318	7.9	6.253	10.2
Q4	12.590	8.9	9.873	7.8	2.717	17.2	6.334	7.9	6.256	10.2
2004 Q1	12.627	8.9	9.885	7.9	2.741	17.4	6.352	7.9	6.275	10.2
Q2	12.712	9.0	9.957	7.9	2.755	17.5	6.396	8.0	6.316	10.2
2004 Feb.	12.621	8.9	9.881	7.8	2.740	17.4	6.346	7.9	6.275	10.2
Mar.	12.664	8.9	9.911	7.9	2.753	17.4	6.374	8.0	6.290	10.2
Apr.	12.706	9.0	9.943	7.9	2.763	17.5	6.395	8.0	6.311	10.2
May	12.704	9.0	9.953	7.9	2.751	17.4	6.391	8.0	6.313	10.2
June	12.725	9.0	9.975	7.9	2.750	17.4	6.402	8.0	6.323	10.3
July	12.739	9.0	9.992	7.9	2.748	17.4	6.412	8.0	6.328	10.3

Sources: ECB calculations based on Eurostat data (in table 5.3.1) and Eurostat (table 5.3.2).

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.

2) In 2003.

3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.

4) Rates are expressed as a percentage of the labour force for the relevant gender.

# GOVERNMENT FINANCE

## 6.1 Revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions	Social contributions		Sales	Capital taxes	13			
			Households	Corporations			Employers	Employees						
			3	4	5	6	7	8	9	10	11	12	13	14
1995	47.1	46.5	11.5	9.1	2.0	13.4	0.9	17.3	8.4	5.6	2.4	0.6	0.3	42.5
1996	47.9	47.4	11.9	9.2	2.3	13.4	0.8	17.5	8.7	5.6	2.4	0.5	0.3	43.2
1997	48.1	47.5	12.1	9.2	2.6	13.6	0.7	17.5	8.7	5.5	2.4	0.6	0.4	43.6
1998	47.5	47.1	12.4	9.7	2.3	14.2	0.7	16.4	8.5	4.9	2.4	0.4	0.3	43.3
1999	48.0	47.6	12.8	9.8	2.6	14.4	0.6	16.4	8.4	5.0	2.3	0.4	0.3	43.8
2000	47.8	47.3	13.0	10.0	2.7	14.2	0.6	16.2	8.4	4.9	2.3	0.4	0.3	43.6
2001	47.1	46.7	12.6	9.8	2.5	13.9	0.6	16.0	8.4	4.8	2.2	0.4	0.3	42.8
2002	46.5	46.1	12.2	9.6	2.3	13.8	0.4	16.0	8.4	4.7	2.3	0.4	0.3	42.3
2003	46.6	45.8	11.8	9.3	2.2	13.8	0.4	16.2	8.5	4.8	2.3	0.8	0.5	42.4

### 2. Euro area – expenditure

	Total		Current expenditure							Capital expenditure			Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions
							7	8						
			3	4	5	6	7	8	9	10	11	12	13	14
1995	52.2	47.7	11.2	4.8	5.8	26.0	22.8	2.3	0.6	4.5	2.7	1.8	0.1	46.4
1996	52.2	48.2	11.2	4.8	5.8	26.5	23.2	2.2	0.6	4.0	2.6	1.4	0.0	46.5
1997	50.8	47.1	11.1	4.7	5.2	26.1	23.1	2.1	0.6	3.7	2.4	1.3	0.1	45.6
1998	49.8	45.9	10.7	4.6	4.8	25.8	22.6	2.1	0.5	3.9	2.5	1.5	0.1	45.0
1999	49.3	45.3	10.7	4.7	4.3	25.7	22.5	2.0	0.5	4.0	2.5	1.5	0.1	45.0
2000	48.7	44.7	10.6	4.7	4.1	25.4	22.2	1.9	0.5	4.0	2.5	1.4	0.1	44.6
2001	48.8	44.7	10.5	4.7	4.0	25.4	22.3	2.0	0.5	4.1	2.5	1.6	0.0	44.8
2002	48.8	44.9	10.6	4.9	3.7	25.7	22.8	1.9	0.5	3.9	2.4	1.5	0.0	45.1
2003	49.4	45.3	10.7	4.9	3.5	26.2	23.2	1.9	0.5	4.0	2.6	1.5	0.1	45.9

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
1995	-5.2	-4.4	-0.5	-0.1	-0.2	0.6	20.4	11.2	4.8	5.0	1.9	2.4	8.6	11.8
1996	-4.3	-3.8	-0.4	0.0	-0.1	1.4	20.5	11.2	4.8	5.1	1.9	2.4	8.6	11.9
1997	-2.7	-2.4	-0.4	0.1	0.1	2.5	20.2	11.1	4.7	5.1	1.8	2.4	8.4	11.8
1998	-2.3	-2.2	-0.2	0.1	0.1	2.5	19.9	10.7	4.6	5.0	1.8	2.4	8.2	11.7
1999	-1.3	-1.6	-0.1	0.1	0.4	3.0	19.9	10.7	4.7	5.0	1.8	2.3	8.2	11.7
2000	-0.9	-1.4	-0.1	0.1	0.5	3.2	19.9	10.6	4.7	5.1	1.8	2.3	8.2	11.7
2001	-1.7	-1.5	-0.4	0.0	0.3	2.3	20.0	10.5	4.7	5.2	1.8	2.2	8.2	11.9
2002	-2.3	-1.9	-0.5	-0.2	0.2	1.4	20.4	10.6	4.9	5.3	1.8	2.3	8.3	12.1
2003	-2.7	-2.2	-0.5	-0.1	0.0	0.8	20.7	10.7	4.9	5.4	1.8	2.3	8.4	12.3

### 4. Euro area countries – deficit (-)/surplus (+) <sup>5)</sup>

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	0.2	1.3	-2.0	-0.9	-1.4	4.4	-0.6	6.3	2.2	-1.5	-2.8	7.1
2001	0.5	-2.8	-1.4	-0.4	-1.5	1.1	-2.6	6.3	0.0	0.2	-4.4	5.2
2002	0.1	-3.5	-1.4	0.0	-3.2	-0.2	-2.3	2.7	-1.9	-0.2	-2.7	4.3
2003	0.3	-3.9	-3.2	0.3	-4.1	0.2	-2.4	-0.1	-3.2	-1.3	-2.8	2.3

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

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



## 6.2 Debt <sup>1)</sup>

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				Other creditors <sup>3)</sup>
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1994	70.7	2.9	16.3	10.7	41.0	56.4	30.3	9.6	16.5	14.4
1995	74.9	2.8	18.0	10.1	44.1	58.7	32.9	8.7	17.1	16.2
1996	76.2	2.8	17.4	10.2	45.8	59.1	32.7	10.2	16.2	17.1
1997	75.5	2.7	16.4	9.0	47.4	56.8	31.1	11.8	13.9	18.7
1998	73.8	2.7	15.2	7.9	48.0	53.2	28.8	12.7	11.6	20.7
1999	72.7	2.9	14.3	6.8	48.8	48.4	27.2	9.7	11.6	24.3
2000	70.4	2.7	13.2	6.1	48.4	44.2	23.5	9.2	11.5	26.2
2001	69.4	2.7	12.5	6.3	47.9	42.1	22.1	8.4	11.6	27.3
2002	69.2	2.7	11.8	6.7	47.9	39.0	20.5	7.0	11.4	30.2
2003	70.6	2.1	11.9	7.4	49.2	38.7	20.8	7.5	10.5	31.9

### 2. Euro area – by issuer, maturity and currency denomination

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1994	70.7	58.9	5.3	6.0	0.6	12.3	58.4	7.3	17.9	27.1	25.8	68.4	2.3
1995	74.9	62.6	5.6	5.9	0.8	12.9	62.1	5.6	19.0	26.8	29.2	72.8	2.1
1996	76.2	63.9	6.0	5.8	0.5	12.2	64.0	5.3	20.5	25.9	29.8	74.1	2.1
1997	75.5	63.2	6.2	5.5	0.6	11.1	64.4	4.6	19.8	25.9	29.8	73.3	2.2
1998	73.8	62.0	6.2	5.3	0.4	9.4	64.4	4.8	17.1	26.9	29.8	72.0	1.9
1999	72.7	61.1	6.1	5.2	0.3	9.2	63.5	3.2	15.5	27.6	29.7	70.7	2.0
2000	70.4	59.1	6.0	5.0	0.3	8.3	62.1	2.8	15.3	28.2	26.9	68.5	1.9
2001	69.4	58.0	6.2	4.9	0.3	8.8	60.6	1.5	16.0	26.3	27.1	67.9	1.5
2002	69.2	57.7	6.4	4.8	0.3	9.1	60.1	1.7	16.8	25.2	27.3	67.8	1.4
2003	70.6	58.2	6.7	5.2	0.6	9.2	61.4	1.5	15.5	26.3	28.7	69.6	1.0

### 3. Euro area countries

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2000	109.1	60.2	106.2	61.2	57.2	38.4	111.2	5.5	55.9	67.0	53.3	44.6
2001	108.1	59.4	106.9	57.5	56.8	36.1	110.6	5.5	52.9	67.1	55.6	43.9
2002	105.8	60.8	104.7	54.6	58.6	32.3	108.0	5.7	52.6	66.6	58.1	42.6
2003	100.5	64.2	103.0	50.8	63.7	32.0	106.2	4.9	54.8	65.0	59.4	45.3

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

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

6.3 Change in debt <sup>1)</sup>  
(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>2)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	7.7	5.2	0.4	2.4	-0.3	0.1	2.5	0.0	5.1	5.1	4.1	-0.4	2.6
1996	3.9	4.4	-0.2	0.1	-0.4	0.1	0.1	0.4	3.3	2.4	1.0	1.7	1.4
1997	2.3	2.3	0.5	-0.4	-0.1	0.0	-0.4	-0.8	3.4	0.0	-0.4	2.0	2.3
1998	1.7	1.9	-0.2	0.0	-0.1	0.1	-0.5	-0.7	2.7	-1.1	-0.9	1.4	2.8
1999	1.8	1.5	0.3	0.0	-0.1	0.2	-0.3	-0.8	2.6	-2.7	-0.5	-2.5	4.4
2000	1.1	1.0	0.2	0.0	0.0	0.0	-0.4	-0.4	1.9	-2.0	-2.4	-0.1	3.0
2001	1.8	1.7	0.1	0.0	0.0	0.1	-0.2	0.4	1.4	-0.4	-0.4	-0.5	2.1
2002	2.1	2.4	-0.4	0.1	0.0	0.1	-0.3	0.7	1.6	-1.7	-0.8	-1.0	3.8
2003	3.1	2.9	0.3	0.0	0.0	-0.5	0.4	0.8	2.4	0.7	0.7	0.6	2.4

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) <sup>9)</sup>	Deficit-debt adjustment <sup>9)</sup>											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other <sup>11)</sup>
				Total	Currency and deposits	Securities <sup>10)</sup>	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1995	7.7	-5.1	2.6	0.3	0.2	-0.1	0.4	-0.1	-0.4	0.2	0.4	-0.1	2.4	-0.6
1996	3.9	-4.3	-0.5	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.1	-0.2
1997	2.3	-2.7	-0.4	-0.4	0.1	0.0	0.0	-0.5	-0.7	0.2	0.5	0.2	-0.4	-0.1
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.5	-0.8	0.2	-0.2	0.0	0.0	0.0
1999	1.8	-1.3	0.5	-0.2	0.5	0.1	0.0	-0.7	-0.8	0.1	0.3	0.3	0.0	0.3
2000	1.1	0.1	1.2	0.6	0.7	0.1	0.2	-0.5	-0.4	0.1	0.2	0.1	0.0	0.5
2001	1.8	-1.6	0.1	-0.4	-0.6	0.0	0.2	0.0	-0.3	0.2	0.1	0.0	0.0	0.4
2002	2.1	-2.3	-0.2	-0.3	0.0	0.1	0.1	-0.5	-0.3	0.2	-0.4	0.0	0.1	0.4
2003	3.1	-2.7	0.4	-0.3	-0.1	0.0	0.0	-0.2	-0.4	0.1	0.3	-0.1	0.0	0.4

Source: ECB.

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

## 6.4 Quarterly revenue, expenditure and deficit/surplus <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
1999 Q1	44.2	43.7	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.4
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.8
Q3	45.2	44.8	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.4
Q4	52.0	51.4	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.1	43.5	11.2	13.3	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.5	12.2	12.8	16.0	2.0	0.8	0.4	0.3	41.2
Q4	51.3	50.8	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.6	10.7	13.0	15.5	1.8	0.8	0.4	0.2	39.5
Q2	47.7	47.3	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.1
Q3	44.4	44.0	11.9	12.6	15.9	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.6	0.3	45.3
2002 Q1	42.7	42.3	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.8	12.9	15.7	2.0	1.4	0.6	0.4	41.9
Q3	44.5	44.0	11.5	13.0	15.8	2.0	0.7	0.5	0.3	40.5
Q4	50.6	50.0	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.4
2003 Q1	42.7	42.3	10.0	13.1	15.9	1.7	0.7	0.4	0.2	39.3
Q2	47.1	45.5	12.4	12.9	16.1	2.1	1.2	1.6	1.4	42.7
Q3	43.9	43.4	11.1	12.9	15.9	1.9	0.7	0.5	0.3	40.2
Q4	51.2	50.1	13.6	14.7	16.8	3.2	0.7	1.1	0.3	45.4
2004 Q1	42.3	41.9	9.9	13.1	15.8	1.7	0.7	0.5	0.3	39.0

### 2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
1999 Q1	47.8	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	2.0	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.4	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.8
Q3	47.8	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.6	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.2	10.3	4.4	4.3	24.3	21.3	1.2	3.3	2.0	1.4	-2.5	1.7
Q2	47.1	43.6	10.5	4.5	4.0	24.6	21.4	1.4	3.4	2.4	1.1	1.2	5.3
Q3	43.7	43.4	10.2	4.5	4.1	24.6	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.8	1.6	3.9	3.2	1.5	0.5	4.4
2001 Q1	45.9	42.6	10.2	4.1	4.1	24.2	21.2	1.2	3.3	2.0	1.4	-2.9	1.3
Q2	47.0	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	0.7	4.7
Q3	47.0	43.3	10.2	4.5	4.0	24.6	21.5	1.5	3.7	2.5	1.2	-2.6	1.4
Q4	52.4	47.3	11.3	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	2.0
2002 Q1	46.4	43.0	10.5	4.1	3.9	24.5	21.6	1.1	3.4	2.0	1.4	-3.7	0.2
Q2	47.5	44.0	10.5	4.9	3.7	24.9	21.7	1.3	3.4	2.3	1.1	-1.1	2.6
Q3	47.6	43.9	10.2	4.6	3.7	25.4	22.0	1.4	3.6	2.5	1.1	-3.1	0.6
Q4	52.0	47.6	11.3	5.6	3.5	27.1	23.5	1.5	4.4	2.8	1.6	-1.4	2.1
2003 Q1	47.1	43.7	10.5	4.3	3.7	25.2	22.1	1.1	3.5	2.0	1.5	-4.4	-0.7
Q2	48.1	44.6	10.7	4.7	3.5	25.7	22.3	1.3	3.5	2.4	1.1	-1.0	2.5
Q3	48.0	44.4	10.4	4.8	3.5	25.7	22.3	1.4	3.6	2.6	1.0	-4.1	-0.7
Q4	52.7	47.8	11.3	5.7	3.3	27.5	23.9	1.5	4.9	3.3	1.6	-1.5	1.8
2004 Q1	46.7	43.3	10.4	4.3	3.3	25.2	21.9	1.1	3.4	2.0	1.3	-4.4	-1.0

Source: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

# EXTERNAL TRANSACTIONS AND POSITIONS

## 7.1 Balance of payments

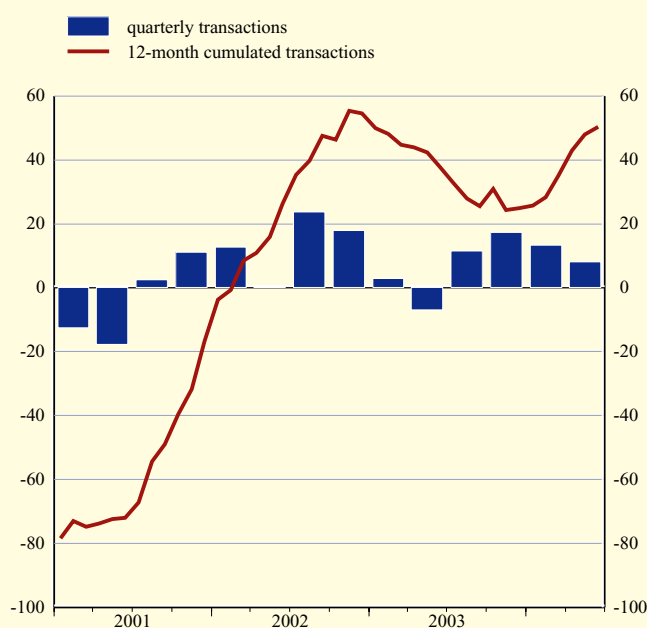
(EUR billions; net transactions)

### 1. Summary balance of payments

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-16.7	73.6	-0.4	-38.6	-51.4	6.6	-10.1	-34.2	-112.4	67.9	-0.9	-6.6	17.8	44.3
2002	54.5	133.6	13.1	-44.1	-48.1	11.0	65.4	-65.8	-4.7	114.6	-10.8	-162.7	-2.3	0.4
2003	24.9	108.5	15.6	-43.4	-55.9	13.4	38.3	-50.5	-13.1	17.6	-13.1	-71.7	29.8	12.2
2003 Q2	-6.9	24.2	5.7	-17.0	-19.7	1.9	-5.0	-32.0	2.7	62.0	-1.4	-97.6	2.3	37.0
Q3	11.5	36.8	3.7	-9.4	-19.6	2.8	14.3	-0.6	-19.1	-59.1	-4.6	80.1	2.0	-13.6
Q4	17.3	30.7	4.3	-5.0	-12.7	7.4	24.7	-3.6	-9.6	10.5	-4.1	-13.9	13.6	-21.2
2004 Q1	13.3	28.1	-2.6	-5.2	-7.0	2.9	16.2	-14.0	-28.9	5.2	6.2	-6.0	9.4	-2.2
Q2	8.2	33.8	6.6	-15.3	-17.0	3.8	12.0	-14.5	-13.4	2.5	-1.5	1.0	-3.1	2.5
2003 June	2.1	10.1	2.5	-3.3	-7.2	1.6	3.7	-26.4	13.6	25.0	-0.2	-65.6	0.8	22.8
July	2.8	15.5	2.6	-8.8	-6.4	0.8	3.6	0.3	-4.0	-33.7	-2.4	38.6	1.8	-4.0
Aug.	3.0	10.5	-0.1	-1.4	-6.0	1.7	4.8	5.9	-5.6	-36.2	-2.6	50.0	0.3	-10.7
Sep.	5.6	10.9	1.2	0.7	-7.2	0.2	5.9	-6.9	-9.5	10.8	0.4	-8.5	-0.1	1.0
Oct.	8.0	13.4	2.0	-3.9	-3.5	1.2	9.2	-0.1	-9.2	34.1	1.6	-27.3	0.7	-9.1
Nov.	3.3	8.7	0.6	0.4	-6.4	1.1	4.4	13.2	3.9	3.4	0.6	-0.2	5.5	-17.6
Dec.	6.1	8.6	1.8	-1.5	-2.8	5.1	11.1	-16.7	-4.3	-27.0	-6.3	13.6	7.3	5.5
2004 Jan.	-3.1	5.2	-2.0	-8.1	1.7	0.3	-2.8	-19.7	-10.6	-6.4	2.9	-2.7	-3.0	22.5
Feb.	5.2	9.4	-0.4	0.9	-4.7	2.1	7.3	16.7	7.8	16.5	0.9	-17.2	8.6	-24.0
Mar.	11.1	13.4	-0.2	1.9	-4.0	0.5	11.7	-11.0	-26.1	-4.9	2.4	13.8	3.7	-0.7
Apr.	0.3	10.7	0.5	-6.7	-4.2	0.7	1.0	-8.5	-2.9	-3.0	0.0	0.2	-2.7	7.5
May	3.4	11.2	3.7	-5.8	-5.7	2.3	5.7	-7.1	-1.6	-24.0	-1.6	19.3	0.7	1.4
June	4.5	11.9	2.4	-2.8	-7.1	0.8	5.3	1.1	-8.9	29.5	0.1	-18.5	-1.1	-6.4
<i>12-month cumulated transactions</i>														
2004 June	50.3	129.4	12.0	-34.9	-56.3	16.9	67.2	-32.7	-71.0	-40.9	-4.0	61.2	21.9	-34.5

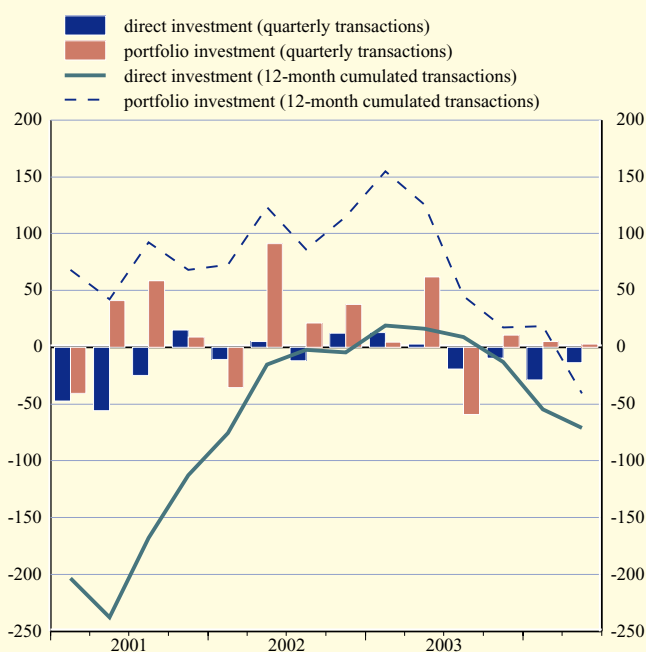
### C27 B.o.p. current account balance

(EUR billions)



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

(EUR billions)



Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

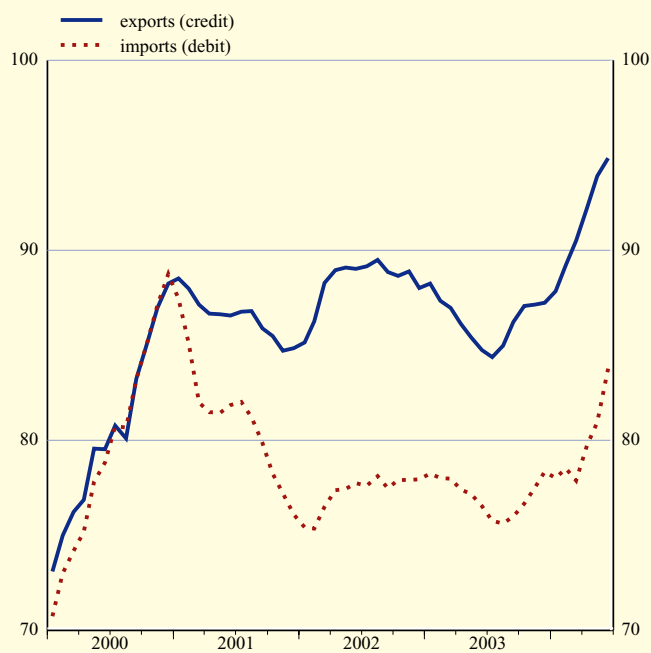
### 2. Current account

(seasonally adjusted)

	Total			Goods		Services		Income		Current transfers	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11
2003 Q2	408.7	408.1	0.5	254.2	229.6	79.4	76.6	55.8	67.3	19.2	34.6
Q3	413.9	408.4	5.5	258.7	228.0	80.2	77.6	56.2	66.1	18.8	36.8
Q4	419.9	407.9	12.0	261.8	235.1	82.4	78.3	54.6	62.7	21.1	31.8
2004 Q1	432.2	415.7	16.5	271.5	233.6	83.3	81.7	57.3	64.1	20.2	36.3
Q2	446.4	432.0	14.4	284.6	251.3	84.4	80.8	57.3	67.4	20.1	32.5
2003 June	134.3	134.7	-0.4	83.2	75.4	26.2	25.4	18.0	22.2	6.9	11.7
July	136.7	135.8	1.0	85.0	75.3	26.6	25.6	18.7	22.6	6.4	12.3
Aug.	139.0	136.7	2.3	86.8	76.2	26.4	26.0	19.5	22.3	6.3	12.3
Sep.	138.2	136.0	2.2	86.9	76.5	27.1	26.0	18.1	21.3	6.1	12.2
Oct.	139.2	132.7	6.5	87.5	77.4	27.7	25.9	17.6	21.3	6.4	8.1
Nov.	139.8	137.4	2.4	87.0	78.5	27.6	26.9	18.5	19.9	6.7	12.2
Dec.	140.9	137.8	3.1	87.3	79.2	27.1	25.5	18.5	21.5	8.1	11.6
2004 Jan.	141.6	136.8	4.8	89.3	76.3	27.0	26.6	18.3	21.7	7.0	12.1
Feb.	145.4	140.6	4.8	91.2	80.1	28.8	28.1	19.3	20.6	6.1	11.9
Mar.	145.2	138.3	6.9	91.1	77.2	27.4	27.0	19.7	21.8	7.1	12.3
Apr.	147.9	139.0	8.8	94.5	81.9	27.0	26.4	20.0	21.8	6.4	9.0
May	149.9	143.9	6.0	96.2	83.7	29.4	27.0	17.8	21.5	6.6	11.8
June	148.6	149.1	-0.5	93.9	85.7	28.0	27.5	19.5	24.1	7.1	11.7

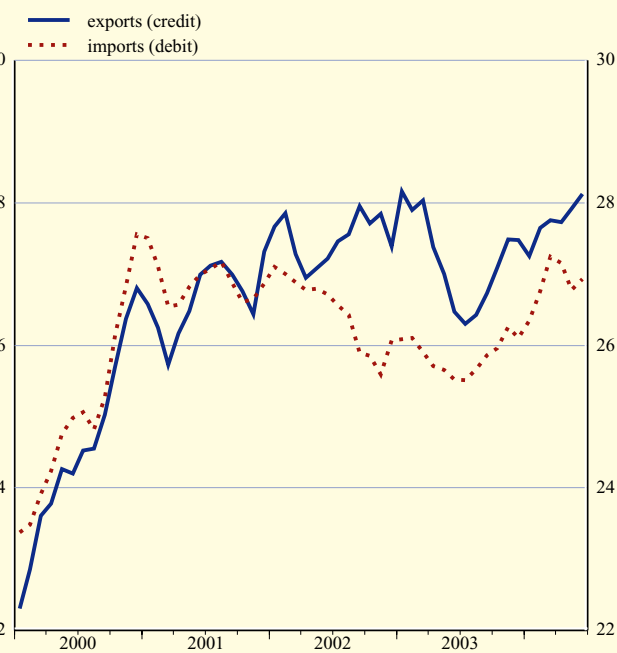
### C29 B.o.p. goods

(EUR billions, seasonally adjusted; three-month moving average)



### C30 B.o.p. services

(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

3. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2001	1,710.2	1,726.9	-16.7	1,033.9	960.2	321.7	322.0	275.9	314.4	78.8	130.2	17.4	10.8
2002	1,714.5	1,660.1	54.5	1,063.2	929.7	329.8	316.7	236.1	280.3	85.3	133.4	19.0	8.1
2003	1,664.1	1,639.3	24.9	1,036.2	927.7	326.0	310.3	221.2	264.6	80.8	136.6	23.2	9.8
2003 Q2	407.6	414.5	-6.9	254.5	230.3	79.4	73.7	59.3	76.3	14.5	34.2	4.5	2.6
Q3	412.6	401.1	11.5	257.1	220.2	86.5	82.8	53.9	63.4	15.1	34.7	4.1	1.4
Q4	431.7	414.3	17.3	271.4	240.7	84.4	80.1	56.6	61.5	19.4	32.1	9.2	1.9
2004 Q1	426.5	413.2	13.3	265.1	237.1	75.0	77.6	54.6	59.9	31.7	38.7	5.1	2.2
Q2	446.8	438.6	8.2	286.2	252.4	84.4	77.8	61.3	76.5	14.9	31.9	5.0	1.2
2003 June	137.4	135.3	2.1	84.9	74.8	27.3	24.9	20.1	23.3	5.1	12.3	2.6	1.0
July	147.3	144.5	2.8	91.5	76.1	31.0	28.5	19.2	28.0	5.5	11.9	1.3	0.5
Aug.	125.4	122.3	3.0	76.4	65.9	27.5	27.6	16.6	18.0	4.8	10.8	2.1	0.4
Sep.	139.9	134.3	5.6	89.1	78.2	28.0	26.8	18.1	17.4	4.7	11.9	0.7	0.5
Oct.	148.1	140.1	8.0	97.3	83.9	29.1	27.1	17.1	21.0	4.5	8.0	1.6	0.4
Nov.	134.5	131.2	3.3	86.8	78.1	25.9	25.3	16.1	15.7	5.7	12.1	1.7	0.6
Dec.	149.1	143.1	6.1	87.3	78.7	29.4	27.6	23.3	24.8	9.1	11.9	5.9	0.9
2004 Jan.	138.5	141.6	-3.1	80.7	75.5	23.5	25.5	16.8	24.9	17.5	15.8	0.8	0.5
Feb.	133.8	128.6	5.2	85.4	75.9	24.5	25.0	17.2	16.2	6.7	11.4	2.6	0.5
Mar.	154.2	143.0	11.1	99.0	85.6	27.0	27.2	20.7	18.8	7.5	11.4	1.8	1.2
Apr.	145.9	145.5	0.3	94.1	83.5	26.0	25.4	21.1	27.8	4.7	8.9	1.1	0.4
May	143.8	140.4	3.4	92.4	81.2	28.7	25.1	17.6	23.4	5.0	10.7	2.7	0.3
June	157.2	152.7	4.5	99.7	87.8	29.7	27.3	22.6	25.3	5.2	12.3	1.3	0.5

4. Income account

	Total		Compensation of employees		Investment income							
	Credit	Debit	Credit	Debit	Total		Direct investment					
					Credit	Debit	Total		Equity		Debt	
							Credit	Debit	Credit	Debit	Credit	Debit
1	2	3	4	5	6	7	8	9	10	11	12	
2001	275.9	314.4	14.7	5.9	261.2	308.5	59.2	60.3	48.8	50.2	10.3	10.1
2002	236.1	280.3	14.7	6.0	221.5	274.3	52.5	57.9	44.4	50.7	8.1	7.2
2003	221.2	264.6	14.7	5.7	206.5	259.0	51.7	54.8	42.1	46.0	9.6	8.8
2003 Q1	51.4	63.5	3.6	1.2	47.8	62.2	8.9	10.9	7.2	8.9	1.8	2.1
Q2	59.3	76.3	3.6	1.4	55.6	74.9	14.3	16.5	11.4	14.2	2.9	2.4
Q3	53.9	63.4	3.7	1.5	50.2	61.9	12.6	13.4	10.5	11.9	2.1	1.5
Q4	56.6	61.5	3.8	1.5	52.8	60.0	15.8	13.9	13.0	11.1	2.8	2.9
2004 Q1	54.6	59.9	3.6	1.2	51.1	58.7	13.4	10.9	10.4	8.8	3.0	2.1

	Investment income									
	Portfolio investment						Other investment			
	Total		Equity		Debt		Credit	Debit	Credit	Debit
	Credit	Debit	Credit	Debit	Credit	Debit				
13	14	15	16	17	18	19	20			
2001	85.0	116.9	18.0	44.8	67.0	72.1	117.0	131.3		
2002	85.7	123.3	19.7	52.4	66.0	70.9	83.2	93.1		
2003	85.2	126.0	20.8	49.7	64.4	76.3	69.6	78.2		
2003 Q1	19.0	31.4	3.6	8.4	15.4	23.0	19.9	19.9		
Q2	23.4	37.7	7.8	21.3	15.6	16.3	17.9	20.7		
Q3	21.6	30.7	4.8	10.3	16.8	20.4	16.1	17.8		
Q4	21.2	26.3	4.7	9.7	16.6	16.6	15.7	19.8		
2004 Q1	21.5	30.1	4.7	9.5	16.8	20.6	16.1	17.6		

Source: ECB.

## 7.1 Balance of payments

(EUR billions; transactions)

### 5. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs		Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2001	-316.5	-237.9	-19.6	-218.3	-78.6	-0.1	-78.4	204.1	146.5	5.5	141.0	57.6	0.9	56.7
2002	-151.3	-136.4	-14.9	-121.4	-15.0	0.0	-14.9	146.6	111.9	3.1	108.8	34.7	0.5	34.3
2003	-118.6	-93.4	3.8	-97.2	-25.2	-0.1	-25.1	105.5	105.2	2.8	102.4	0.3	0.0	0.3
2003 Q2	-29.8	-22.4	5.1	-27.5	-7.4	0.0	-7.4	32.5	30.2	1.9	28.3	2.3	0.0	2.3
Q3	-32.2	-34.4	-1.2	-33.2	2.2	-0.1	2.4	13.1	15.9	-0.4	16.2	-2.8	-0.4	-2.4
Q4	-27.2	-18.6	2.0	-20.6	-8.7	0.2	-8.8	17.6	29.8	0.4	29.4	-12.2	0.5	-12.7
2004 Q1	-25.9	-19.6	-6.6	-13.0	-6.3	-0.1	-6.1	-3.0	7.1	-0.6	7.7	-10.1	-0.3	-9.7
Q2	-20.5	-23.4	-3.0	-20.4	2.9	0.0	2.9	7.1	8.4	0.7	7.7	-1.3	0.0	-1.2
2003 June	2.4	1.6	7.2	-5.6	0.8	0.0	0.9	11.2	6.9	1.5	5.4	4.3	0.1	4.3
July	-9.4	-8.5	-0.9	-7.7	-0.9	-0.1	-0.8	5.4	4.3	-0.8	5.2	1.0	-0.6	1.6
Aug.	-4.9	-10.3	-0.5	-9.7	5.3	-0.1	5.4	-0.6	-0.9	0.2	-1.2	0.3	0.1	0.2
Sep.	-17.9	-15.6	0.2	-15.8	-2.3	0.0	-2.2	8.3	12.4	0.2	12.2	-4.1	0.1	-4.2
Oct.	-11.1	-5.8	2.0	-7.8	-5.3	0.0	-5.3	1.9	6.0	0.1	5.9	-4.1	0.3	-4.4
Nov.	0.6	4.1	-1.2	5.3	-3.5	0.1	-3.6	3.3	5.0	0.4	4.6	-1.8	0.1	-1.8
Dec.	-16.8	-16.9	1.2	-18.1	0.1	0.1	0.1	12.5	18.8	-0.1	18.8	-6.3	0.1	-6.4
2004 Jan.	-10.7	-5.3	-0.9	-4.5	-5.4	0.0	-5.4	0.1	6.7	0.2	6.5	-6.6	-0.1	-6.5
Feb.	-5.5	-3.0	-1.2	-1.9	-2.4	0.0	-2.4	13.3	2.9	0.3	2.6	10.4	-0.1	10.5
Mar.	-9.7	-11.3	-4.6	-6.6	1.6	-0.1	1.7	-16.4	-2.6	-1.2	-1.4	-13.8	-0.1	-13.7
Apr.	-7.9	-3.1	-0.4	-2.7	-4.8	0.1	-4.8	4.9	1.6	0.2	1.4	3.3	0.0	3.2
May	-1.0	-7.4	0.2	-7.6	6.4	0.0	6.5	-0.6	3.6	0.4	3.2	-4.2	0.0	-4.2
June	-11.6	-12.9	-2.8	-10.1	1.3	0.0	1.3	2.8	3.2	0.1	3.0	-0.4	-0.1	-0.3

### 6. Portfolio investment by instrument

	Total		Equity		Debt instruments					
	Assets	Liabilities	Assets	Liabilities	Assets			Liabilities		
					Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
1	2	3	4	5	6	7	8	9	10	
2001	-281.9	349.8	-101.6	232.6	-180.3	-155.9	-24.4	117.3	113.1	4.1
2002	-175.8	290.4	-40.4	88.9	-135.4	-89.6	-45.8	201.5	133.7	67.9
2003	-283.8	301.4	-67.7	103.6	-216.1	-172.8	-43.3	197.8	191.8	6.0
2003 Q2	-107.3	169.3	-33.2	30.5	-74.1	-59.3	-14.8	138.8	124.6	14.2
Q3	-63.3	4.2	-19.4	25.1	-43.9	-37.2	-6.8	-20.9	-7.8	-13.1
Q4	-64.3	74.8	-26.3	45.7	-38.0	-25.4	-12.6	29.1	34.6	-5.6
2004 Q1	-89.9	95.1	-31.3	19.9	-58.6	-46.4	-12.2	75.2	53.4	21.7
Q2	-61.0	63.5	-21.8	1.8	-39.2	-30.6	-8.6	61.7	64.8	-3.1
2003 June	-47.4	72.4	-14.7	22.8	-32.7	-24.1	-8.6	49.6	53.0	-3.5
July	-27.1	-6.7	-8.6	10.9	-18.5	-22.0	3.5	-17.5	-13.3	-4.3
Aug.	-14.5	-21.7	-5.3	3.4	-9.2	-6.3	-2.9	-25.1	-8.8	-16.3
Sep.	-21.8	32.6	-5.6	10.8	-16.2	-8.8	-7.4	21.8	14.3	7.5
Oct.	-33.6	67.7	-15.0	22.2	-18.7	-11.7	-6.9	45.6	27.0	18.6
Nov.	-20.4	23.8	-3.6	11.3	-16.7	-15.0	-1.7	12.4	12.8	-0.4
Dec.	-10.3	-16.7	-7.7	12.2	-2.6	1.3	-3.9	-28.9	-5.1	-23.8
2004 Jan.	-46.1	39.8	-10.4	1.1	-35.8	-18.8	-17.0	38.6	28.1	10.5
Feb.	-18.3	34.8	-10.1	18.1	-8.2	-3.2	-5.0	16.7	16.3	0.4
Mar.	-25.4	20.5	-10.8	0.7	-14.6	-24.4	9.7	19.8	9.0	10.9
Apr.	-29.8	26.8	-2.5	-12.9	-27.3	-8.7	-18.6	39.7	27.2	12.5
May	-18.7	-5.2	-4.5	-0.2	-14.2	-16.7	2.4	-5.0	12.6	-17.6
June	-12.4	41.9	-14.8	14.9	2.4	-5.2	7.6	27.0	25.1	2.0

Source: ECB.

**7.1 Balance of payments**

(EUR billions; transactions)

**7. Portfolio investment assets by instrument and sector of holder**

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs			Eurosysteem	MFIs excluding Eurosysteem	Non-MFIs		
			Total	General gov.	Other sectors			Total	General gov.	Other sectors			Total	General gov.	Other sectors
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2001	-0.4	4.0	-105.2	-2.1	-103.2	0.2	-67.1	-89.0	-1.2	-87.8	-2.4	-40.7	18.6	-0.1	18.7
2002	-0.4	-7.6	-32.4	-4.4	-28.0	-0.6	-15.0	-74.1	-0.9	-73.2	2.0	-32.8	-15.0	-1.1	-14.0
2003	-0.3	-12.7	-54.7	-2.6	-52.1	-2.2	-45.4	-125.1	-0.2	-124.9	0.2	-42.6	-0.9	0.6	-1.5
2003 Q2	-0.2	0.7	-33.8	-0.8	-33.0	-0.2	-25.6	-33.5	0.0	-33.5	1.0	-1.6	-14.3	1.0	-15.3
Q3	-0.1	-6.2	-13.1	-0.8	-12.3	-1.4	-8.5	-27.3	-0.3	-27.0	0.1	-1.0	-5.9	-0.1	-5.8
Q4	0.0	-3.6	-22.7	-0.4	-22.3	-0.4	-6.9	-18.1	-0.1	-18.0	-0.2	-13.1	0.7	1.3	-0.6
2004 Q1	0.0	-6.0	-25.3	-0.9	-24.4	-0.5	-25.8	-20.1	-0.6	-19.5	-0.2	-7.3	-4.7	-1.1	-3.6
Q2	0.0	-14.9	-6.9	.	.	0.4	-8.1	-23.0	.	.	0.0	-11.3	2.8	.	.
2003 June	0.0	-0.1	-14.5	-	-	0.1	-14.9	-9.3	-	-	-0.4	1.6	-9.8	-	-
July	0.0	-2.0	-6.5	-	-	-0.1	-1.7	-20.2	-	-	0.2	-3.3	6.6	-	-
Aug.	0.0	-1.0	-4.2	-	-	-0.6	-2.3	-3.5	-	-	0.1	4.0	-7.0	-	-
Sep.	0.0	-3.2	-2.4	-	-	-0.7	-4.5	-3.6	-	-	-0.1	-1.7	-5.6	-	-
Oct.	0.0	-4.7	-10.3	-	-	-0.4	-1.7	-9.7	-	-	-0.1	-4.1	-2.8	-	-
Nov.	0.0	1.4	-5.1	-	-	0.0	-8.1	-6.8	-	-	-0.1	-2.7	1.1	-	-
Dec.	0.0	-0.3	-7.4	-	-	0.0	2.9	-1.7	-	-	0.0	-6.4	2.5	-	-
2004 Jan.	0.0	-3.4	-7.0	-	-	0.0	-13.0	-5.8	-	-	0.1	-15.0	-2.1	-	-
Feb.	0.1	-3.1	-7.0	-	-	0.0	-1.2	-2.0	-	-	-0.2	-3.6	-1.2	-	-
Mar.	0.0	0.5	-11.3	-	-	-0.4	-11.6	-12.3	-	-	0.0	11.2	-1.4	-	-
Apr.	0.0	-1.1	-1.4	-	-	0.2	-3.0	-5.9	-	-	0.0	-15.6	-3.0	-	-
May	0.0	-4.2	-0.3	-	-	0.2	-4.8	-12.0	-	-	-0.2	0.5	2.2	-	-
June	0.0	-9.6	-5.1	-	-	0.1	-0.3	-5.0	-	-	0.2	3.8	3.6	-	-

**8. Other investment by sector**

	Total		Eurosysteem		General government		MFIs (excluding Eurosysteem)						Other sectors			
							Total		Long-term		Short-term					
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2001	-268.2	261.6	0.6	4.4	3.0	-	-0.4	-229.1	232.4	-46.9	22.7	-182.3	209.7	-42.6	-	25.2
2002	-230.4	67.8	-1.2	19.3	0.1	-	-8.2	-166.0	27.8	-32.2	51.7	-133.8	-23.9	-63.4	-	28.8
2003	-236.5	164.9	-0.8	12.0	-1.3	-	-3.6	-152.8	133.8	-55.6	56.9	-97.2	76.9	-81.6	-	22.6
2003 Q2	-132.2	34.6	0.2	4.9	-2.0	-	3.9	-103.2	26.9	-11.5	11.8	-91.7	15.1	-27.2	-	-1.1
Q3	92.0	-11.9	0.3	5.8	-0.3	-	5.3	87.6	-7.1	-12.5	16.4	100.2	-23.4	4.4	-	-16.0
Q4	-73.2	59.3	-0.7	-0.6	2.7	-	-4.6	-71.5	53.8	-16.6	18.2	-54.8	35.6	-3.7	-	10.7
2004 Q1	-180.8	174.8	-0.6	-1.2	-0.3	-0.2	-6.4	-158.9	158.9	-20.3	3.0	-138.6	155.9	-20.9	-18.5	23.4
Q2	-21.5	22.5	0.4	1.9	-4.2	-3.9	1.8	-9.0	25.8	-8.2	2.9	-0.8	22.9	-8.8	8.5	-6.9
2003 June	-29.5	-36.0	-0.5	2.1	0.9	-	-0.2	-35.3	-28.9	-6.2	7.4	-29.1	-36.3	5.4	-	-9.1
July	41.3	-2.7	0.1	2.6	-2.5	-	2.1	42.4	2.6	-4.6	8.3	47.0	-5.7	1.3	-	-9.9
Aug.	79.8	-29.8	0.3	1.5	0.5	-	0.5	73.4	-30.2	-2.0	2.7	75.4	-33.0	5.6	-	-1.6
Sep.	-29.1	20.6	-0.1	1.8	1.7	-	2.7	-28.1	20.6	-5.9	5.4	-22.2	15.2	-2.5	-	-4.4
Oct.	-51.4	24.1	-0.2	0.9	1.1	-	-2.0	-40.7	25.7	-5.8	-2.0	-34.9	27.8	-11.6	-	-0.5
Nov.	-35.7	35.5	0.4	-2.8	1.1	-	1.5	-34.7	27.9	-6.0	10.0	-28.7	17.9	-2.4	-	8.9
Dec.	13.9	-0.3	-0.9	1.3	0.5	-	-4.0	3.9	0.2	-4.8	10.2	8.8	-10.0	10.3	-	2.3
2004 Jan.	-71.2	68.5	-0.4	2.6	-1.5	-1.5	-4.5	-63.0	76.9	-4.8	5.3	-58.2	71.6	-6.2	-4.8	-6.4
Feb.	-29.3	12.1	-0.3	-4.3	1.8	1.6	-0.3	-25.1	17.0	-8.7	0.0	-16.4	17.0	-5.7	-5.3	-0.3
Mar.	-80.3	94.2	0.0	0.5	-0.5	-0.3	-1.5	-70.8	65.1	-6.8	-2.3	-64.0	67.4	-9.0	-8.5	30.2
Apr.	-55.5	55.6	0.6	0.6	-1.0	-0.8	-0.2	-53.1	55.3	-8.3	-2.1	-44.9	57.4	-1.8	5.4	-0.1
May	13.3	6.0	-0.1	0.0	0.2	0.3	0.5	16.4	10.8	1.9	2.8	14.5	7.9	-3.1	3.9	-5.2
June	20.6	-39.1	0.0	1.4	-3.4	-3.3	1.5	27.8	-40.3	-1.8	2.2	29.6	-42.5	-3.8	-0.8	-1.7

Source: ECB.



## 7.1 Balance of payments

(EUR billions; transactions)

### 9. Other investment by instrument

	Eurosystem				General government							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
1	2	3	4	5	6	7	8	9	10	11	12	
2001	0.6	0.0	4.5	0.0	-0.1	4.4	-	-	-1.3	0.0	-0.5	0.1
2002	-1.2	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.2
2003	-0.8	0.0	12.1	0.0	-0.1	-0.4	-	-	-0.9	0.0	-3.9	0.3
2003 Q1	-0.6	0.0	2.0	0.0	0.0	-1.2	-	-	-0.5	0.0	-8.2	-0.1
Q2	0.2	0.0	4.9	0.0	0.0	-1.7	-	-	-0.3	0.0	3.6	0.3
Q3	0.3	0.0	5.8	0.0	0.0	-0.1	-	-	-0.2	0.0	4.8	0.5
Q4	-0.7	0.0	-0.6	0.0	0.0	2.7	-	-	0.1	0.0	-4.1	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.5	0.7	-0.2	-0.8	0.0	-6.1	-0.3

	MFIs (excluding Eurosystem)				Other sectors							
	Assets		Liabilities		Assets				Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities
						Total	Loans	Currency and deposits				
13	14	15	16	17	18	19	20	21	22	23	24	
2001	-215.1	-14.0	222.2	10.2	-3.5	-30.2	-	-	-8.9	1.3	18.7	5.2
2002	-162.2	-3.8	30.6	-2.8	-3.5	-58.4	-	-	-1.5	-3.0	25.9	5.9
2003	-150.7	-2.1	136.5	-2.7	-4.8	-63.8	-	-	-13.0	7.9	13.7	1.0
2003 Q1	-63.8	-1.9	59.7	0.5	-1.3	-47.9	-	-	-5.8	5.1	22.7	1.2
Q2	-103.9	0.7	28.5	-1.6	-1.1	-18.5	-	-	-7.5	-0.2	-7.2	6.4
Q3	87.9	-0.2	-5.7	-1.3	-1.3	4.7	-	-	0.9	0.9	-11.5	-5.4
Q4	-70.9	-0.6	54.0	-0.2	-1.1	-2.1	-	-	-0.5	2.1	9.7	-1.1
2004 Q1	-156.4	-2.6	157.4	1.6	-2.8	-16.3	2.2	-18.5	-1.7	4.9	18.2	0.4

### 10. Reserve assets

	Total	Monetary gold	Special drawing rights	Reserve position in the IMF	Foreign exchange						Other claims	
					Total	Currency and deposits		Securities				Financial derivatives
						With monetary authorities and the BIS	With banks	Equity	Bonds and notes	Money market instruments		
1	2	3	4	5	6	7	8	9	10	11	12	
2001	17.8	0.6	-1.0	-4.2	22.5	10.0	-5.3	-1.1	20.4	-1.6	0.0	0.0
2002	-2.3	0.7	0.2	-2.0	-1.2	-2.3	-15.3	0.0	8.1	8.5	-0.2	0.0
2003	29.8	1.7	0.0	-1.6	29.7	-1.8	1.6	0.0	22.6	7.3	0.1	0.0
2003 Q1	11.9	0.5	0.0	-0.2	11.5	0.8	-0.6	0.0	9.6	1.7	0.0	0.0
Q2	2.3	0.5	0.0	-2.6	4.4	-0.5	0.0	-0.1	4.8	0.2	0.0	0.0
Q3	2.0	0.1	0.0	-0.7	2.6	-1.1	4.1	0.0	-4.7	4.3	0.0	0.0
Q4	13.6	0.6	0.0	1.8	11.1	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.4	-0.1	-0.1	0.7	8.8	0.8	1.8	0.5	8.1	-2.4	0.0	0.0

Source: ECB.

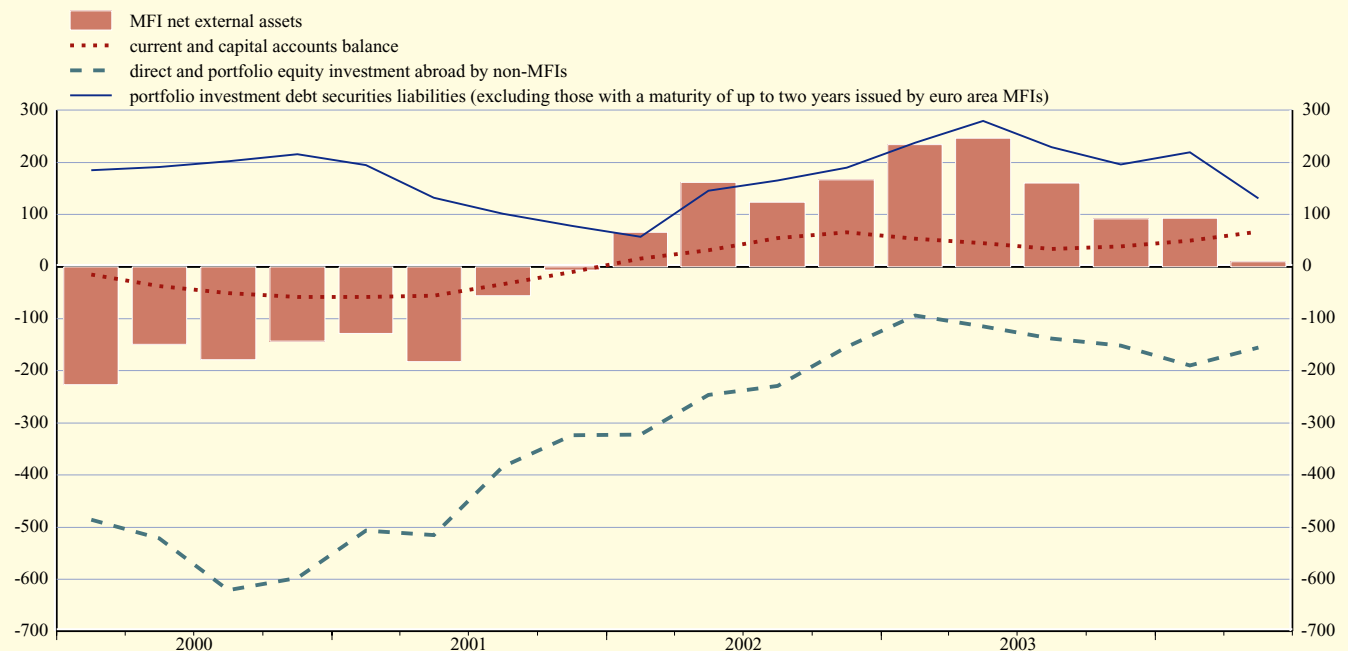
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non- resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
					Non-MFIs	Equity <sup>1)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2001	-10.1	-296.8	203.2	-175.6	172.3	78.5	-39.7	24.7	-0.9	44.3	-0.1	-6.9
2002	65.4	-136.4	146.2	-121.5	52.0	190.3	-63.3	20.6	-10.8	0.4	143.0	166.7
2003	38.3	-122.3	105.5	-180.7	108.5	196.3	-83.0	19.0	-13.1	12.2	80.7	91.6
2003 Q2	-5.0	-34.9	32.5	-81.5	29.3	140.2	-29.2	2.8	-1.4	37.0	89.9	91.0
Q3	14.3	-30.8	13.5	-46.3	27.3	-5.9	4.1	-10.7	-4.6	-13.6	-52.8	-49.7
Q4	24.7	-29.4	17.1	-40.1	41.9	16.2	-1.0	6.1	-4.1	-21.2	10.2	14.8
2004 Q1	16.2	-19.1	-2.7	-50.1	3.9	68.7	-21.2	17.1	6.2	-2.2	16.9	37.1
Q2	12.0	-17.5	7.1	-27.1	1.8	51.8	-13.0	-5.2	-1.5	2.5	11.0	6.9
2003 June	3.7	-4.8	11.1	-33.6	10.3	53.2	6.3	-9.3	-0.2	22.8	59.4	57.7
July	3.6	-8.5	5.9	-20.1	10.0	-14.6	-1.2	-7.8	-2.4	-4.0	-39.0	-38.1
Aug.	4.8	-4.3	-0.8	-14.7	-1.1	-11.3	6.1	-1.1	-2.6	-10.7	-35.6	-31.5
Sep.	5.9	-18.1	8.3	-11.5	18.5	20.0	-0.8	-1.7	0.4	1.0	21.8	19.9
Oct.	9.2	-13.1	1.6	-22.7	17.3	38.0	-10.5	-2.5	1.6	-9.1	9.8	9.2
Nov.	4.4	1.7	3.2	-10.8	10.9	10.5	-1.4	10.4	0.6	-17.6	11.9	18.1
Dec.	11.1	-18.0	12.3	-6.6	13.6	-32.3	10.8	-1.8	-6.3	5.5	-11.6	-12.4
2004 Jan.	-2.8	-9.8	0.2	-14.9	-6.7	36.6	-7.8	-10.9	2.9	22.5	9.3	23.9
Feb.	7.3	-4.3	13.4	-10.2	18.1	12.4	-3.9	-0.6	0.9	-24.0	9.1	6.6
Mar.	11.7	-5.0	-16.3	-25.0	-7.4	19.7	-9.5	28.6	2.4	-0.7	-1.5	6.6
Apr.	1.0	-7.6	4.9	-10.4	-15.1	32.6	-2.9	-0.3	0.0	7.5	9.7	8.3
May	5.7	-1.2	-0.6	-10.1	2.2	-6.8	-2.9	-4.7	-1.6	1.4	-18.5	-20.1
June	5.3	-8.8	2.9	-6.6	14.7	26.0	-7.2	-0.2	0.1	-6.4	19.8	18.7
	<i>12-month cumulated transactions</i>											
2004 June	67.2	-96.8	35.0	-163.7	74.9	130.8	-31.1	7.4	-4.0	-34.5	-14.8	9.0

C31 Main b.o.p. transactions underlying the developments in MFI net external assets

(EUR billions; 12-month cumulated transactions)



Source: ECB.

1) Excluding money market fund shares/units.

2) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

## 7.3 Trade in goods

(seasonally adjusted, unless otherwise indicated)

### 1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
Values (EUR billions; annual percentage changes for columns 1 and 2)													
2000	21.7	29.5	1,002.1	492.4	216.4	262.8	875.3	1,023.8	591.0	182.9	220.8	743.7	122.7
2001	6.1	-0.7	1,062.3	505.8	234.8	289.1	931.9	1,014.3	579.0	178.8	228.3	740.5	107.7
2002	2.0	-3.0	1,083.5	512.4	227.8	309.3	948.7	984.4	559.2	163.3	234.2	717.0	105.2
2003	-2.6	-0.1	1,054.9	496.0	220.1	297.5	917.9	982.3	548.3	160.6	237.9	708.5	108.0
2003 Q1	-1.0	3.6	265.3	125.3	54.7	75.2	230.6	249.1	142.2	40.9	58.4	177.7	29.5
Q2	-5.9	-2.9	257.4	121.9	52.4	72.5	224.7	242.6	134.0	39.4	59.5	176.7	25.0
Q3	-2.6	-1.8	263.8	124.6	55.8	74.3	231.3	242.3	134.9	38.8	59.5	175.1	26.7
Q4	-0.8	0.8	268.3	124.3	57.2	75.4	231.3	248.2	137.3	41.5	60.5	179.0	26.7
2004 Q1	4.7	-0.2	276.6	129.9	58.2	75.2	241.0	249.3	136.3	40.9	61.6	181.1	26.1
Q2	11.4	8.3	286.1	117.0	51.5	68.8	245.4	260.7	122.8	36.4	54.0	184.5	.
2004 Jan.	-2.8	-6.6	90.2	42.2	18.8	24.3	79.1	81.7	44.5	13.2	20.4	60.2	8.5
Feb.	3.1	0.9	92.9	43.4	19.9	25.1	80.7	83.8	46.0	14.2	20.5	60.8	8.0
Mar.	13.1	5.2	93.5	44.3	19.5	25.8	81.1	83.8	45.9	13.5	20.7	60.1	9.6
Apr.	10.1	5.4	95.5	45.0	20.0	26.1	83.4	86.4	47.4	14.9	20.7	61.8	8.9
May	8.5	5.0	94.7	44.1	19.2	25.9	80.3	85.6	46.9	13.9	20.2	60.9	8.9
June	15.4	14.8	95.8	28.0	12.4	16.8	81.7	88.8	28.5	7.5	13.1	61.8	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	12.4	6.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	5.2	-0.8	105.0	102.1	108.3	108.0	105.5	98.9	99.3	96.3	100.6	98.0	99.4
2002	2.9	-0.5	108.0	105.1	105.6	115.3	108.4	98.5	99.0	90.2	104.4	96.7	100.7
2003	0.7	3.3	108.7	104.8	106.3	114.3	108.6	101.6	99.7	94.4	109.4	99.6	103.2
2003 Q1	1.9	3.9	107.8	104.3	103.8	114.4	107.5	100.1	99.1	94.7	106.8	98.3	96.2
Q2	-2.2	2.4	106.2	103.1	101.6	111.7	106.3	101.7	99.4	93.2	109.5	99.5	103.7
Q3	0.6	1.7	109.2	105.9	108.3	114.6	109.9	101.0	99.4	91.5	109.4	98.9	108.6
Q4	2.6	4.8	111.5	105.8	111.4	116.5	110.5	103.6	101.0	98.3	112.0	101.5	104.3
2004 Q1	7.6	4.6	115.6	111.3	114.3	116.6	115.6	105.0	100.3	99.1	115.5	103.5	100.4
Q2	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Jan.	0.1	-1.4	113.0	108.6	109.9	113.3	113.8	103.3	98.8	95.9	114.3	103.3	99.1
Feb.	6.5	6.2	116.9	111.9	117.3	116.7	116.6	106.2	101.7	103.5	115.8	104.3	93.0
Mar.	15.7	9.0	117.0	113.5	115.7	119.7	116.5	105.6	100.3	98.0	116.4	102.9	109.0
Apr.	11.2	6.0	118.7	114.7	117.0	119.9	119.2	107.4	102.2	107.0	115.8	104.8	98.1
May	8.4	0.6	117.1	112.0	112.0	118.7	114.6	104.5	98.0	99.9	112.5	102.6	94.4
June	.	.	.	.	.	.	.	.	.	.	.	.	.
Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2000	8.3	22.0	99.9	99.9	99.9	100.0	99.9	100.0	99.9	99.9	100.0	100.0	99.9
2001	1.0	0.2	100.9	100.7	100.2	101.8	100.9	100.2	98.7	101.5	102.7	101.6	88.6
2002	-0.9	-2.5	100.1	99.1	99.6	102.1	100.0	97.7	95.7	99.0	101.6	99.8	85.2
2003	-3.2	-3.2	96.9	96.2	95.7	99.0	96.6	94.5	93.2	93.0	98.5	95.7	85.7
2003 Q1	-2.8	-0.3	98.2	97.6	97.4	100.0	98.0	97.3	97.3	94.5	99.1	97.2	100.2
Q2	-3.7	-5.2	96.7	96.1	95.3	98.8	96.6	93.3	91.3	92.4	98.4	95.5	78.7
Q3	-3.1	-3.4	96.4	95.6	95.2	98.7	96.2	93.8	91.9	92.7	98.5	95.3	80.4
Q4	-3.3	-3.9	96.1	95.4	95.0	98.6	95.6	93.7	92.1	92.5	97.9	94.9	83.4
2004 Q1	-2.8	-4.5	95.5	94.8	94.0	98.2	95.2	92.8	92.1	90.3	96.6	94.1	84.9
Q2	.	.	.	.	.	.	.	.	.	.	.	.	.
2004 Jan.	-2.8	-5.2	95.6	94.7	94.6	97.9	95.4	92.8	91.5	90.4	96.8	94.0	84.1
Feb.	-3.2	-4.9	95.2	94.5	94.1	98.1	94.9	92.6	91.9	90.2	96.4	94.0	84.3
Mar.	-2.2	-3.5	95.7	95.2	93.4	98.6	95.5	93.1	92.9	90.3	96.7	94.4	86.2
Apr.	-1.0	-0.6	96.4	95.6	94.6	99.3	96.0	94.3	94.3	91.6	97.0	95.2	88.4
May	0.1	4.3	96.9	96.0	94.9	99.7	96.0	96.0	97.3	91.5	97.5	95.9	92.8
June	.	.	.	.	.	.	.	.	.	.	.	.	.

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

## 7.3 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

## 2. Geographical breakdown

	Total	Other EU Member States				Switzerland	United States	Japan	Asia excl. Japan	Africa	Latin America	Other countries
		United Kingdom	Sweden	Denmark	Others							
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Exports (f.o.b.)</b>												
2000	1,002.1	189.1	39.4	23.5	97.2	63.9	172.5	34.5	153.6	56.5	47.0	126.4
2001	1,062.3	202.4	37.0	24.4	105.9	66.3	180.2	34.5	165.4	60.5	49.8	136.2
2002	1,083.5	205.7	37.1	25.3	112.1	64.0	184.1	33.0	170.2	59.6	43.4	148.7
2003	1,054.9	193.0	38.5	24.8	117.3	63.2	166.1	31.2	170.3	59.2	37.8	154.3
2003 Q1	265.3	48.9	9.6	6.3	28.5	16.5	43.1	7.7	42.6	14.6	10.4	37.6
Q2	257.4	47.1	9.5	6.1	29.0	15.6	40.3	7.6	41.3	14.4	9.5	37.6
Q3	263.8	48.1	9.6	6.3	30.2	15.3	41.3	7.8	43.4	15.2	9.1	39.5
Q4	268.3	48.9	9.8	6.1	29.6	15.8	41.3	8.1	43.0	15.0	8.9	39.6
2004 Q1	276.6	48.9	9.9	6.1	31.3	15.5	42.4	8.4	46.4	15.1	9.6	42.8
Q2	286.1	.	.	.	.	.	.	.	.	.	.	.
2004 Jan.	90.2	16.0	3.3	2.1	10.3	5.2	13.6	2.8	15.5	5.0	3.3	14.4
Feb.	92.9	16.9	3.3	2.0	10.4	5.1	14.3	2.8	15.6	5.0	3.1	13.0
Mar.	93.5	16.0	3.3	2.0	10.6	5.2	14.5	2.8	15.3	5.1	3.1	15.4
Apr.	95.5	16.6	3.4	2.2	10.9	5.5	14.7	2.7	15.8	5.3	3.3	.
May	94.7	16.1	3.4	2.2	10.8	5.4	14.4	2.6	15.5	5.2	3.4	.
June	95.8	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total exports</i>												
2003	100.0	18.3	3.6	2.4	11.1	6.0	15.7	3.0	16.1	5.6	3.6	14.6
<b>Imports (c.i.f.)</b>												
2000	1,023.8	159.5	39.1	22.3	78.8	50.4	142.0	67.3	217.0	73.7	40.3	133.2
2001	1,014.3	154.5	35.6	22.0	88.9	52.9	138.7	58.5	208.2	74.0	40.9	140.4
2002	984.4	149.6	35.6	22.9	93.5	52.1	125.7	52.7	204.7	67.8	39.4	140.0
2003	982.3	137.1	36.6	23.0	102.0	50.5	110.2	52.1	215.2	68.5	39.5	148.4
2003 Q1	249.1	35.6	9.1	5.9	24.8	13.1	28.2	13.3	53.2	18.4	9.7	37.7
Q2	242.6	34.1	9.1	5.8	25.1	12.6	28.1	13.1	52.9	16.9	9.6	36.4
Q3	242.3	33.6	9.1	5.6	25.1	12.4	27.3	12.7	53.0	16.7	9.7	36.7
Q4	248.2	33.8	9.3	5.7	27.0	12.4	26.6	13.0	56.1	16.5	10.5	37.5
2004 Q1	249.3	33.4	9.3	5.9	27.3	12.6	25.9	13.3	55.1	16.4	10.5	38.4
Q2	260.7	.	.	.	.	.	.	.	.	.	.	.
2004 Jan.	81.7	11.2	3.0	1.8	9.1	4.2	8.7	4.4	17.6	5.5	3.4	12.0
Feb.	83.8	11.3	3.1	2.0	9.2	4.2	8.7	4.4	18.6	5.2	3.5	12.6
Mar.	83.8	10.9	3.1	2.1	9.1	4.2	8.6	4.5	18.9	5.7	3.6	13.8
Apr.	86.4	11.4	3.1	1.9	9.7	4.3	10.0	4.3	20.3	5.1	3.6	.
May	85.6	11.4	3.1	1.9	9.2	4.3	9.4	4.2	20.5	5.6	3.4	.
June	88.8	.	.	.	.	.	.	.	.	.	.	.
<i>% share of total imports</i>												
2003	100.0	14.0	3.7	2.3	10.4	5.1	11.2	5.3	21.9	7.0	4.0	15.1
<b>Balance</b>												
2000	-21.7	29.5	0.3	1.2	18.4	13.5	30.4	-32.9	-63.4	-17.2	6.7	-6.9
2001	48.0	47.9	1.4	2.4	17.0	13.4	41.5	-24.0	-42.8	-13.5	8.9	-4.3
2002	99.1	56.0	1.5	2.4	18.6	11.9	58.5	-19.6	-34.5	-8.2	4.0	8.7
2003	72.6	55.9	1.9	1.8	15.3	12.7	55.9	-20.9	-44.9	-9.3	-1.7	5.9
2003 Q1	16.2	13.3	0.4	0.4	3.7	3.5	15.0	-5.6	-10.6	-3.8	0.6	-0.1
Q2	14.8	13.0	0.4	0.3	3.9	3.0	12.2	-5.5	-11.6	-2.4	-0.1	1.2
Q3	21.5	14.4	0.5	0.7	5.1	2.8	14.0	-4.9	-9.6	-1.5	-0.6	2.8
Q4	20.1	15.1	0.5	0.4	2.6	3.4	14.8	-4.9	-13.1	-1.5	-1.6	2.0
2004 Q1	27.3	15.4	0.7	0.2	4.0	2.9	16.5	-4.9	-8.8	-1.3	-1.0	4.4
Q2	25.4	.	.	.	.	.	.	.	.	.	.	.
2004 Jan.	8.5	4.8	0.3	0.3	1.2	1.1	4.9	-1.6	-2.2	-0.5	-0.1	2.4
Feb.	9.1	5.5	0.2	0.0	1.3	0.9	5.6	-1.6	-3.0	-0.2	-0.4	0.4
Mar.	9.7	5.1	0.2	0.0	1.5	0.9	5.9	-1.7	-3.6	-0.6	-0.5	1.6
Apr.	9.2	5.2	0.3	0.3	1.1	1.2	4.7	-1.6	-4.6	0.2	-0.4	.
May	9.1	4.8	0.2	0.2	1.6	1.1	5.0	-1.6	-5.1	-0.4	0.0	.
June	7.1	.	.	.	.	.	.	.	.	.	.	.

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

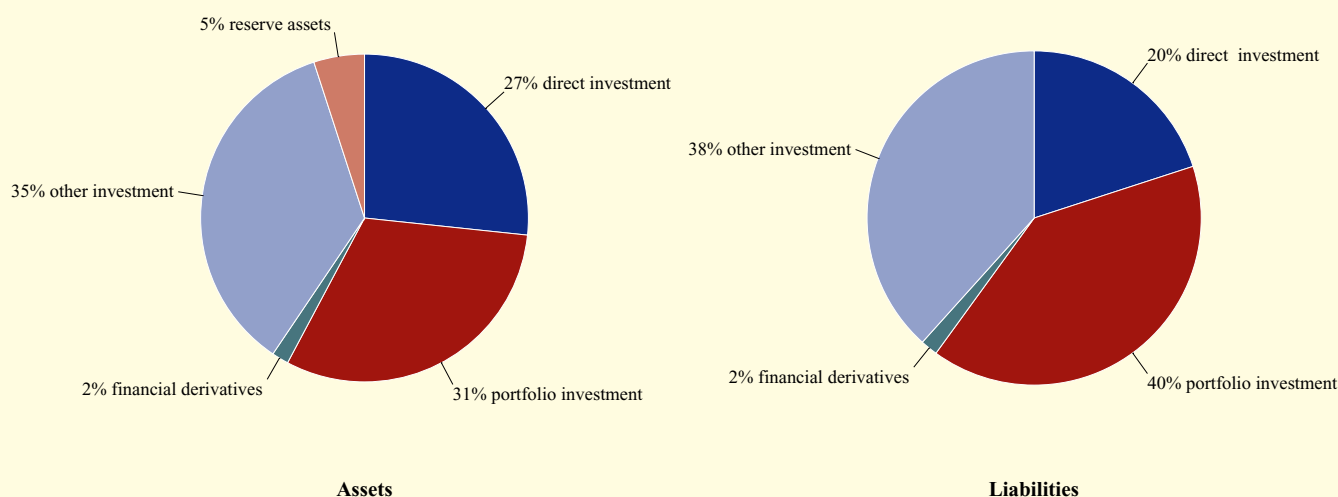
## 7.4 International investment position

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

### 1. Summary international investment position

	Total 1	Total as a % of GDP 2	Direct investment 3	Portfolio investment 4	Financial derivatives 5	Other investment 6	Reserve assets 7
Net international investment position							
1999	-318.5	-5.1	369.6	-892.8	16.0	-193.5	382.2
2000	-386.8	-5.9	452.7	-786.4	2.0	-446.3	391.2
2001	-189.6	-2.8	496.4	-691.4	1.5	-388.8	392.7
2002	-289.6	-4.1	425.1	-756.3	-8.1	-316.4	366.1
Outstanding assets							
1999	5,796.6	92.5	1,174.5	2,058.0	111.1	2,070.8	382.2
2000	6,751.2	102.7	1,626.7	2,351.1	105.8	2,276.4	391.2
2001	7,537.2	110.2	1,897.0	2,521.3	108.4	2,617.9	392.7
2002	7,277.9	102.8	1,937.5	2,270.4	122.6	2,581.3	366.1
Outstanding liabilities							
1999	6,115.1	97.6	804.9	2,950.8	95.1	2,264.3	-
2000	7,138.0	108.5	1,174.0	3,137.5	103.7	2,722.7	-
2001	7,726.8	112.9	1,400.6	3,212.7	106.9	3,006.7	-
2002	7,567.5	106.9	1,512.5	3,026.7	130.7	2,897.6	-

### C32 International investment position by item at end-2002



Source: ECB.

## 7.4 International investment position

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

### 2. Direct investment

	By resident units abroad						By non-resident units in the euro area					
	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
1999	938.7	85.7	853.0	235.8	1.8	234.0	606.3	24.3	582.0	198.6	1.7	196.9
2000	1,273.4	115.2	1,158.2	353.3	1.7	351.6	869.2	32.1	837.1	304.8	1.8	303.0
2001	1,513.2	129.3	1,383.9	383.8	1.4	382.4	1,043.3	42.3	1,001.1	357.3	2.5	354.8
2002	1,554.4	137.5	1,416.9	383.1	1.4	381.7	1,107.7	43.1	1,064.6	404.8	2.7	402.1

### 3. Portfolio investment by instrument

	Equity		Debt instruments					
	Assets	Liabilities	Assets			Liabilities		
			Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
1	2	3	4	5	6	7	8	
1999	1,013.7	1,698.9	1,044.4	937.1	107.2	1,251.9	1,146.5	105.4
2000	1,183.7	1,606.7	1,167.4	1,045.3	122.2	1,530.8	1,365.5	165.4
2001	1,122.4	1,582.0	1,399.0	1,222.0	176.9	1,630.7	1,460.8	169.9
2002	862.2	1,328.3	1,408.3	1,168.7	239.6	1,698.5	1,518.5	179.9

### 4. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
	Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	Bonds and notes			Money market instruments					
			Total	General gov.	Other sectors		Euro-system	MFIs excluding Eurosystem	Non-MFIs			Euro-system	MFIs excluding Eurosystem	Non-MFIs	
									Total	General gov.	Other sectors			Total	General gov.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1999	0.4	25.9	987.3	4.1	983.2	4.5	257.2	675.4	6.2	669.2	2.6	68.5	36.1	0.2	35.9
2000	0.9	42.7	1,140.1	5.7	1,134.4	3.4	328.5	713.4	5.7	707.7	0.5	85.6	36.1	0.1	35.9
2001	1.3	38.1	1,082.9	6.7	1,076.3	2.2	418.7	801.1	8.3	792.8	2.8	131.9	42.2	0.2	42.0
2002	1.4	38.0	822.8	8.4	814.4	5.0	379.0	784.8	8.8	776.0	1.2	190.1	48.2	1.1	47.1

### 5. Other investment

	Eurosystem						General government							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1999	3.1	37.0	3.0	36.6	0.1	0.3	125.5	57.3	2.5	0.1	72.4	45.4	50.6	11.8
2000	3.0	41.8	2.9	41.4	0.1	0.3	133.9	59.5	2.8	0.2	77.5	47.2	53.5	12.1
2001	3.1	40.7	3.0	40.5	0.1	0.2	127.3	61.6	3.1	0.2	68.4	49.1	55.8	12.4
2002	3.4	58.1	3.4	57.9	0.1	0.2	120.6	61.0	1.3	0.1	64.9	45.8	54.3	15.1

	MFIs (excluding Eurosystem)						Other sectors							
	Total		Loans/currency and deposits		Other assets/liabilities		Total		Trade credits		Loans/currency and deposits		Other assets/liabilities	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
15	16	17	18	19	20	21	22	23	24	25	26	27	28	
1999	1,317.7	1,823.5	1,291.8	1,798.1	25.9	25.5	624.5	346.5	158.9	91.8	396.3	224.6	69.3	30.1
2000	1,458.5	2,169.0	1,421.4	2,127.1	37.1	42.0	681.1	452.4	173.9	110.9	422.9	311.8	84.2	29.6
2001	1,715.8	2,413.1	1,668.3	2,364.1	47.5	49.0	771.7	491.3	176.6	109.5	507.4	346.8	87.6	35.1
2002	1,717.0	2,274.6	1,660.1	2,227.2	56.9	47.4	740.3	503.9	176.5	105.2	485.4	354.6	78.4	44.0

Source: ECB.

## 7.5 International reserves

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

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							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	
Eurosysteem																
2000 Dec.	391.2	119.2	404.157	4.3	21.2	246.5	16.8	20.5	208.5	0.0	155.3	53.2	0.7	0.0	16.3	-21.7
2001 Dec.	392.7	126.1	401.876	5.5	25.3	235.8	8.0	25.9	201.5	1.2	144.4	55.9	0.4	0.0	24.7	-28.5
2002 Dec.	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	117.1	41.7	0.4	0.0	22.4	-26.3
2003 July	328.9	124.2	396.277	4.5	25.5	174.7	8.4	33.2	132.3	-	-	-	0.8	0.0	18.1	-27.2
Aug.	346.8	136.0	395.632	4.7	26.6	179.5	10.3	31.5	137.3	-	-	-	0.4	0.0	18.1	-27.6
Sep.	332.9	131.7	395.444	4.6	26.1	170.5	9.5	30.3	130.4	-	-	-	0.3	0.0	17.1	-25.5
Oct.	332.4	131.4	395.284	4.6	26.2	170.2	9.4	31.5	128.6	-	-	-	0.8	0.0	17.8	-24.9
Nov.	321.9	131.0	394.294	4.6	25.4	160.9	11.2	26.9	121.8	-	-	-	1.0	0.0	15.8	-17.5
Dec.	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	-	-	-	0.7	0.0	20.3	-16.3
2004 Jan.	309.7	127.0	393.542	4.5	23.5	154.7	10.2	32.5	111.7	-	-	-	0.3	0.0	19.3	-17.1
Feb.	298.5	125.4	393.540	4.5	23.3	145.2	10.1	32.6	102.4	-	-	-	0.1	0.0	20.8	-10.9
Mar.	308.4	136.4	393.539	4.6	23.2	144.2	9.7	29.3	105.5	-	-	-	-0.2	0.0	20.4	-10.5
Apr.	303.9	128.0	393.536	4.7	23.7	147.5	10.5	26.5	110.8	-	-	-	-0.2	0.0	20.4	-12.7
May	298.9	126.5	392.415	4.7	23.3	144.4	10.6	25.8	108.0	-	-	-	0.1	0.0	18.8	-9.3
June	301.4	127.8	392.324	4.6	22.4	146.7	11.4	27.6	107.1	-	-	-	0.6	0.0	18.3	-10.2
July	301.3	127.5	392.221	4.6	22.1	147.1	9.8	27.1	110.2	-	-	-	0.1	0.0	19.6	-9.5
of which held by the European Central Bank																
2001 Dec.	49.3	7.8	24.656	0.1	0.0	41.4	0.8	7.0	33.6	0.0	23.5	10.1	0.0	0.0	3.6	-5.9
2002 Dec.	45.5	8.1	24.656	0.2	0.0	37.3	1.2	9.9	26.1	0.0	19.5	6.7	0.0	0.0	3.0	-5.2
2003 July	41.3	7.7	24.656	0.2	0.0	33.4	0.8	6.7	25.9	-	-	-	0.0	0.0	2.3	-2.9
Aug.	42.7	8.5	24.656	0.2	0.0	34.0	0.9	5.7	27.4	-	-	-	0.0	0.0	2.7	-2.6
Sep.	40.7	8.2	24.656	0.2	0.0	32.3	0.9	4.5	26.9	-	-	-	0.0	0.0	2.4	-2.3
Oct.	40.4	8.2	24.656	0.2	0.0	32.0	1.0	4.7	26.3	-	-	-	0.0	0.0	2.7	-2.3
Nov.	39.6	8.2	24.656	0.2	0.0	31.2	1.0	5.2	25.0	-	-	-	0.0	0.0	2.6	-2.4
Dec.	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	-	-	-	0.0	0.0	2.8	-1.5
2004 Jan.	38.3	8.0	24.656	0.2	0.0	30.1	1.3	6.9	21.9	-	-	-	0.0	0.0	2.5	-2.0
Feb.	36.1	7.9	24.656	0.2	0.0	28.0	1.1	7.7	19.2	-	-	-	0.0	0.0	2.8	-0.4
Mar.	37.9	8.5	24.656	0.2	0.0	29.1	1.0	5.4	22.8	-	-	-	0.0	0.0	2.5	-0.4
Apr.	37.7	8.0	24.656	0.2	0.0	29.5	1.0	4.7	23.8	-	-	-	0.0	0.0	2.6	-0.5
May	37.4	7.9	24.656	0.2	0.0	29.2	1.4	5.5	22.3	-	-	-	0.0	0.0	2.4	-0.6
June	37.4	8.0	24.656	0.2	0.0	29.2	1.5	3.7	24.0	-	-	-	0.0	0.0	2.4	-0.5
July	38.0	8.0	24.656	0.2	0.0	29.8	1.4	4.6	23.9	-	-	-	0.0	0.0	2.5	-1.0

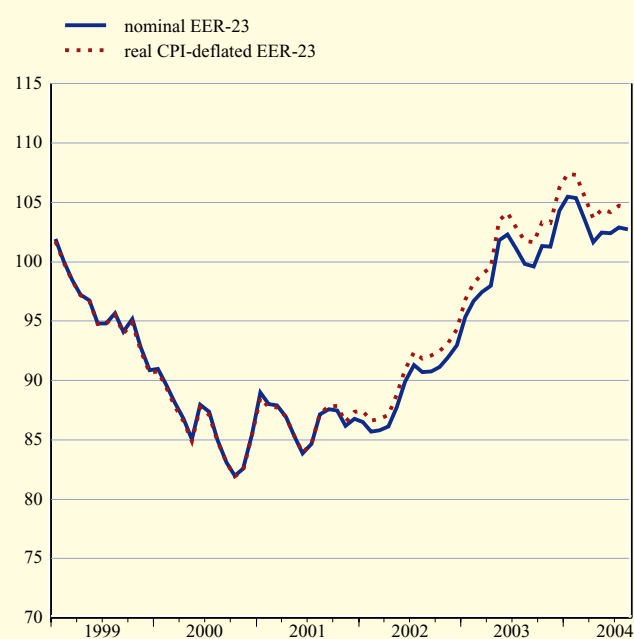
Source: ECB.

## EXCHANGE RATES

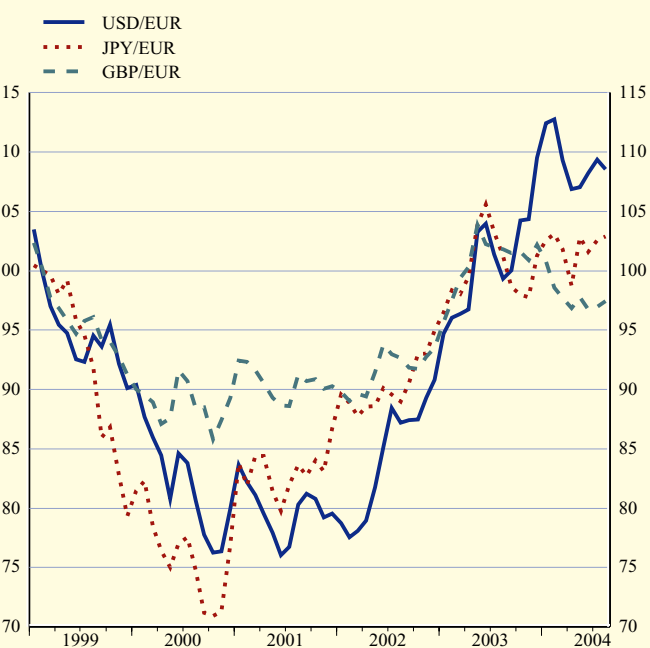
### 8.1 Effective exchange rates <sup>1)</sup> (period averages; index 1999 Q1=100)

	EER-23						EER-42		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2001	86.7	86.8	88.4	86.7	86.3	85.2	90.4	87.0	
2002	89.2	90.3	91.9	90.2	88.4	88.2	94.8	90.8	
2003	99.9	101.7	102.1	101.6	99.7	99.3	106.6	101.6	
2003 Q2	100.7	102.4	103.1	102.4	101.0	100.1	107.3	102.2	
Q3	100.2	102.1	102.2	101.9	100.4	100.1	106.4	101.5	
Q4	102.3	104.3	104.1	104.3	102.1	101.2	109.1	103.9	
2004 Q1	104.7	106.7	106.4	106.8	104.0	103.6	111.6	106.1	
Q2	102.2	104.1	103.6	.	.	.	109.1	103.7	
2003 Aug.	99.8	101.8	101.8	.	.	.	106.0	101.2	
Sep.	99.6	101.7	101.5	.	.	.	105.9	101.1	
Oct.	101.3	103.3	103.1	.	.	.	108.0	102.9	
Nov.	101.3	103.3	103.2	.	.	.	108.0	102.9	
Dec.	104.3	106.2	105.9	.	.	.	111.2	105.9	
2004 Jan.	105.5	107.4	107.0	.	.	.	112.5	106.9	
Feb.	105.4	107.3	106.9	.	.	.	112.3	106.8	
Mar.	103.5	105.4	105.2	.	.	.	110.2	104.7	
Apr.	101.7	103.7	103.2	.	.	.	108.3	103.0	
May	102.5	104.4	103.9	.	.	.	109.5	104.1	
June	102.4	104.2	103.7	.	.	.	109.6	103.9	
July	102.9	104.7	104.1	.	.	.	110.1	104.3	
Aug.	102.7	104.5	103.9	.	.	.	109.9	104.0	
	<i>% change versus previous month</i>								
2004 Aug.	-0.2	-0.2	-0.2	.	.	.	-0.1	-0.2	
	<i>% change versus previous year</i>								
2004 Aug.	2.9	2.7	2.0	.	.	.	3.7	2.8	

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



### C34 Bilateral exchange rates (monthly averages; index 1999 Q1=100)



Source: ECB.

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



## 8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	US dollar	Pound sterling	Japanese yen	Swiss franc	Swedish krona	South Korean won	Hong Kong dollar	Danish krone	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar	Icelandic krona	New Zealand dollar	South African rand
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.8956	0.62187	108.68	1.5105	9.2551	1,154.83	6.9855	7.4521	1.6039	1.3864	8.0484	1.7319	87.42	2.1300	7.6873
2002	0.9456	0.62883	118.06	1.4670	9.1611	1,175.50	7.3750	7.4305	1.6912	1.4838	7.5086	1.7376	86.18	2.0366	9.9072
2003	1.1312	0.69199	130.97	1.5212	9.1242	1,346.90	8.8079	7.4307	1.9703	1.5817	8.0033	1.7379	86.65	1.9438	8.5317
2003 Q2	1.1372	0.70169	134.74	1.5180	9.1425	1,373.83	8.8692	7.4250	1.9872	1.5889	7.9570	1.7742	84.71	1.9955	8.8217
Q3	1.1248	0.69888	132.14	1.5451	9.1631	1,321.05	8.7674	7.4309	1.9699	1.5533	8.2472	1.7089	88.40	1.9254	8.3505
Q4	1.1890	0.69753	129.45	1.5537	9.0093	1,404.56	9.2219	7.4361	2.0507	1.5659	8.2227	1.6622	89.16	1.9032	8.0159
2004 Q1	1.2497	0.67987	133.97	1.5686	9.1843	1,464.18	9.7201	7.4495	2.1179	1.6482	8.6310	1.6337	87.22	1.8532	8.4768
Q2	1.2046	0.66704	132.20	1.5374	9.1450	1,400.41	9.3925	7.4393	2.0518	1.6374	8.2634	1.6907	87.70	1.9180	7.9465
2003 Aug.	1.1139	0.69919	132.38	1.5400	9.2378	1,312.67	8.6873	7.4322	1.9531	1.5570	8.2558	1.7114	88.79	1.9137	8.2375
Sep.	1.1222	0.69693	128.94	1.5474	9.0682	1,306.88	8.7377	7.4273	1.9591	1.5330	8.1952	1.6967	88.81	1.9227	8.2141
Oct.	1.1692	0.69763	129.08	1.5485	9.0105	1,364.70	9.0530	7.4301	2.0282	1.5489	8.2274	1.6867	89.17	1.9446	8.1540
Nov.	1.1702	0.69278	127.84	1.5590	8.9939	1,388.09	9.0836	7.4370	2.0233	1.5361	8.1969	1.6337	88.60	1.8608	7.8806
Dec.	1.2286	0.70196	132.43	1.5544	9.0228	1,463.90	9.5386	7.4419	2.1016	1.6131	8.2421	1.6626	89.68	1.8982	7.9934
2004 Jan.	1.2613	0.69215	134.13	1.5657	9.1368	1,492.23	9.7951	7.4481	2.1415	1.6346	8.5925	1.6374	87.69	1.8751	8.7788
Feb.	1.2646	0.67690	134.78	1.5734	9.1763	1,474.74	9.8314	7.4511	2.1323	1.6817	8.7752	1.6260	86.72	1.8262	8.5555
Mar.	1.2262	0.67124	133.13	1.5670	9.2346	1,429.40	9.5547	7.4493	2.0838	1.6314	8.5407	1.6370	87.23	1.8566	8.1326
Apr.	1.1985	0.66533	129.08	1.5547	9.1653	1,381.58	9.3451	7.4436	2.0193	1.6068	8.2976	1.6142	87.59	1.8727	7.8890
May	1.2007	0.67157	134.48	1.5400	9.1277	1,412.29	9.3618	7.4405	2.0541	1.6541	8.2074	1.7033	87.97	1.9484	8.1432
June	1.2138	0.66428	132.86	1.5192	9.1430	1,406.18	9.4648	7.4342	2.0791	1.6492	8.2856	1.7483	87.55	1.9301	7.8110
July	1.2266	0.66576	134.08	1.5270	9.1962	1,420.66	9.5672	7.4355	2.0995	1.6220	8.4751	1.7135	87.71	1.8961	7.5137
Aug.	1.2176	0.66942	134.54	1.5387	9.1861	1,409.37	9.4968	7.4365	2.0886	1.6007	8.3315	1.7147	87.08	1.8604	7.8527
	% change versus previous month														
2004 Aug.	-0.7	0.5	0.3	0.8	-0.1	-0.8	-0.7	0.0	-0.5	-1.3	-1.7	0.1	-0.7	-1.9	4.5
	% change versus previous year														
2004 Aug.	9.3	-4.3	1.6	-0.1	-0.6	7.4	9.3	0.1	6.9	2.8	0.9	0.2	-1.9	-2.8	-4.7

	Cyprus pound	Czech koruna	Estonian kroon	Hungarian forint	Lithuanian litas	Latvian lats	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu	Turkish lira
	16	17	18	19	20	21	22	23	24	25	26	27	28
2001	0.57589	34.068	15.6466	256.59	3.5823	0.5601	0.4030	3.6721	217.9797	43.300	1.9482	26,004	1,102,425
2002	0.57530	30.804	15.6466	242.96	3.4594	0.5810	0.4089	3.8574	225.9772	42.694	1.9492	31,270	1,439,680
2003	0.58409	31.846	15.6466	253.62	3.4527	0.6407	0.4261	4.3996	233.8493	41.489	1.9490	37,551	1,694,851
2003 Q2	0.58653	31.470	15.6466	250.95	3.4528	0.6452	0.4274	4.3560	232.9990	41.226	1.9467	37,434	1,716,532
Q3	0.58574	32.168	15.6466	259.65	3.4528	0.6419	0.4268	4.4244	234.8763	41.747	1.9466	37,410	1,569,762
Q4	0.58404	32.096	15.6466	259.82	3.4526	0.6528	0.4287	4.6232	236.1407	41.184	1.9494	39,735	1,721,043
2004 Q1	0.58615	32.860	15.6466	260.00	3.4530	0.6664	0.4283	4.7763	237.6479	40.556	1.9517	40,550	1,665,395
Q2	0.58480	32.022	15.6466	252.16	3.4528	0.6542	0.4255	4.6877	238.8648	40.076	1.9493	40,664	1,759,532
2003 Aug.	0.58616	32.287	15.6466	259.56	3.4527	0.6397	0.4264	4.3699	234.9962	41.955	1.9463	37,166	1,564,214
Sep.	0.58370	32.355	15.6466	255.46	3.4530	0.6383	0.4265	4.4635	235.2211	41.489	1.9469	37,918	1,546,627
Oct.	0.58418	31.989	15.6466	255.77	3.4525	0.6483	0.4281	4.5952	235.6663	41.304	1.9473	38,803	1,679,067
Nov.	0.58328	31.974	15.6466	259.31	3.4528	0.6471	0.4275	4.6174	236.1345	41.102	1.9476	39,927	1,726,781
Dec.	0.58459	32.329	15.6466	264.74	3.4525	0.6631	0.4304	4.6595	236.6662	41.132	1.9533	40,573	1,761,551
2004 Jan.	0.58647	32.724	15.6466	264.32	3.4531	0.6707	0.4301	4.7128	237.3167	40.731	1.9557	41,107	1,698,262
Feb.	0.58601	32.857	15.6466	263.15	3.4532	0.6698	0.4284	4.8569	237.5123	40.551	1.9535	40,563	1,682,658
Mar.	0.58598	32.985	15.6466	253.33	3.4528	0.6596	0.4266	4.7642	238.0683	40.400	1.9465	40,029	1,620,374
Apr.	0.58630	32.519	15.6466	250.41	3.4529	0.6502	0.4251	4.7597	238.4520	40.151	1.9465	40,683	1,637,423
May	0.58589	31.976	15.6466	252.91	3.4528	0.6557	0.4259	4.7209	238.7400	40.164	1.9464	40,554	1,818,487
June	0.58239	31.614	15.6466	253.02	3.4528	0.6565	0.4254	4.5906	239.3591	39.923	1.9547	40,753	1,814,266
July	0.58171	31.545	15.6466	249.89	3.4528	0.6596	0.4259	4.4651	239.9023	39.899	1.9558	40,962	1,784,116
Aug.	0.57838	31.634	15.6466	248.85	3.4528	0.6586	0.4261	4.4310	239.9900	40.111	1.9559	40,946	1,799,918
	% change versus previous month												
2004 Aug.	-0.6	0.3	0.0	-0.4	0.0	-0.2	0.0	-0.8	0.0	0.5	0.0	0.0	0.9
	% change versus previous year												
2004 Aug.	-1.3	-2.0	0.0	-4.1	0.0	3.0	-0.1	1.4	2.1	-4.4	0.5	10.2	15.1

Source: ECB.

## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Czech Republic	Denmark	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Slovenia	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12	13
HICP													
2002	1.4	2.4	3.6	2.8	2.0	0.4	5.2	2.6	1.9	7.5	3.5	2.0	1.3
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2003 Q4	0.8	1.3	1.2	3.2	3.5	-1.2	5.4	2.3	1.4	5.0	9.4	1.9	1.3
2004 Q1	2.0	0.7	0.6	1.0	4.3	-1.1	6.8	2.5	1.8	3.7	8.2	0.6	1.3
2004 Q2	2.5	0.8	3.2	1.2	5.8	0.5	7.4	3.3	3.4	3.8	8.0	1.2	1.4
2004 Mar.	2.1	0.4	0.7	0.1	4.7	-0.9	6.6	2.1	1.8	3.5	7.9	0.4	1.1
2004 Apr.	2.0	0.5	1.5	0.1	5.0	-0.7	7.0	3.6	2.3	3.6	7.8	1.1	1.2
2004 May	2.6	1.1	3.7	1.2	6.1	1.0	7.8	3.1	3.5	3.9	8.2	1.5	1.5
2004 June	2.7	0.9	4.4	2.4	6.1	1.0	7.5	3.3	4.3	3.9	8.1	1.2	1.6
2004 July	3.1	1.1	4.0	2.9	6.7	1.8	7.2	3.1	4.7	3.7	8.3	1.2	1.4
General government deficit (-)/surplus (+) as a % of GDP													
2001	-6.4	3.1	0.3	-2.4	-1.6	-2.1	-4.4	-6.4	-3.5	-2.7	-6.0	2.8	0.7
2002	-6.4	1.7	1.8	-4.6	-2.7	-1.4	-9.3	-5.7	-3.6	-1.9	-5.7	0.0	-1.6
2003	-12.9	1.5	2.6	-6.3	-1.8	-1.7	-5.9	-9.7	-4.1	-1.8	-3.6	0.7	-3.2
General government gross debt as a % of GDP													
2001	25.2	47.8	4.7	64.4	16.2	23.4	53.5	61.8	36.7	26.9	48.7	54.4	38.9
2002	28.9	47.2	5.7	67.1	15.5	22.8	57.1	61.7	41.2	27.8	43.3	52.6	38.5
2003	37.6	45.0	5.8	72.2	15.6	21.9	59.0	72.0	45.4	27.1	42.8	51.8	39.8
Long-term government bond yield as a % per annum, period average													
2004 Feb.	4.80	4.30	-	4.79	5.05	4.81	8.65	4.70	6.82	5.01	5.11	4.55	4.88
2004 Mar.	4.50	4.10	-	5.17	4.98	4.64	8.04	4.70	6.65	4.99	5.09	4.31	4.76
2004 Apr.	4.60	4.30	-	5.17	4.89	4.55	7.89	4.65	7.02	4.83	5.06	4.55	4.99
2004 May	4.88	4.46	-	5.17	4.95	4.46	8.25	4.65	7.32	4.77	5.13	4.68	5.15
2004 June	5.02	4.53	-	5.49	4.93	4.47	8.55	4.65	7.27	4.69	5.09	4.72	5.24
2004 July	5.11	4.62	-	6.58	4.89	4.58	8.47	4.65	7.44	4.65	5.03	4.57	5.14
3-month interest rate as a % per annum, period average													
2004 Feb.	2.06	2.18	2.61	3.84	4.18	2.66	12.58	2.95	5.46	5.80	5.79	2.55	4.17
2004 Mar.	2.05	2.14	2.62	3.83	4.33	2.67	12.25	2.93	5.49	5.62	5.71	2.37	4.30
2004 Apr.	2.06	2.17	2.62	3.94	4.49	2.69	-	2.90	5.69	4.99	5.35	2.13	4.39
2004 May	2.16	2.20	2.61	5.16	4.47	2.70	-	2.90	5.99	4.76	4.91	2.14	4.53
2004 June	2.33	2.21	2.42	5.30	3.94	2.68	11.10	2.90	5.91	4.46	4.33	2.15	4.79
2004 July	2.47	2.22	2.41	5.23	4.05	2.69	-	2.90	6.34	4.03	3.96	2.15	4.86
Real GDP													
2002	1.7	1.0	7.2	2.0	6.4	6.8	3.5	1.7	1.3	3.4	4.4	2.1	1.8
2003	3.1	0.5	5.1	2.0	7.5	9.0	2.9	.	.	2.3	4.2	1.6	2.2
2003 Q4	3.3	1.4	6.2	2.9	7.5	10.6	3.6	.	.	2.5	4.7	2.3	2.9
2004 Q1	3.1	1.5	6.8	3.4	8.8	7.7	4.2	.	.	3.7	5.5	2.6	3.4
2004 Q2	.	2.5	.	.	.	6.9	.	.	.	.	.	3.3	3.7
Current and capital accounts balance as a % of GDP													
2002	-5.7	2.1	-9.9	-4.7	-6.8	-4.8	-6.8	-0.9	-2.6	1.4	-7.6	4.7	-1.6
2003	-6.5	2.8	-12.7	-3.4	-8.3	-6.5	-9.0	-5.2	-2.0	0.1	-0.5	6.3	-1.7
2003 Q3	-7.4	4.2	-9.8	9.4	-9.5	-4.6	-7.7	2.1	-1.1	1.9	0.8	6.6	-2.1
2003 Q4	-10.0	1.5	-15.9	-4.9	-9.0	-9.7	-9.1	.	-1.3	-0.7	-0.6	6.5	-1.7
2004 Q1	-2.6	3.0	-10.8	-12.6	-9.0	-8.9	-9.8	.	-1.4	0.8	1.7	7.8	-0.9
Unit labour costs													
2002	-	1.8	4.1	-	-0.4	-12.5	9.0	-	-	6.5	4.1	0.8	3.1
2003	-	2.2	4.6	-	4.9	0.2	.	-	-	.	7.2	0.5	.
2003 Q3	-	2.4	4.8	-	-	.	-	-	-	-	-	-	.
2003 Q4	-	1.0	2.7	-	-	.	-	-	-	-	-	-	.
2004 Q1	-	2.1	4.7	-	-	.	-	-	-	-	-	-	.
Standardised unemployment rate as a % of labour force (s.a.)													
2002	7.3	4.6	9.5	3.9	12.5	13.6	5.6	7.5	19.8	6.1	18.7	4.9	5.1
2003	7.8	5.6	10.1	4.5	10.5	12.7	5.8	8.2	19.2	6.5	17.1	5.6	5.0
2003 Q4	8.2	5.9	9.7	4.6	10.5	12.1	5.8	8.7	19.1	6.5	16.6	6.0	4.9
2004 Q1	8.6	5.9	9.4	4.7	10.6	11.7	5.9	8.9	19.1	6.4	16.5	6.2	4.7
2004 Q2	8.7	5.9	9.1	4.3	10.6	11.4	5.9	8.9	18.9	6.4	16.2	6.5	.
2004 Mar.	8.7	5.9	9.3	4.7	10.6	11.6	5.9	8.9	19.0	6.4	16.5	6.3	4.7
2004 Apr.	8.7	5.9	9.2	4.4	10.7	11.5	5.9	8.9	18.9	6.4	16.4	6.3	4.7
2004 May	8.7	5.9	9.1	4.2	10.6	11.4	5.9	8.9	18.9	6.3	16.3	6.6	4.7
2004 June	8.8	5.8	9.0	4.4	10.6	11.4	5.9	8.8	18.8	6.3	16.1	6.5	.
2004 July	8.8	5.9	8.8	4.5	10.6	11.3	5.9	8.7	18.8	6.2	15.9	6.4	.

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

## 9.2 In the United States and Japan

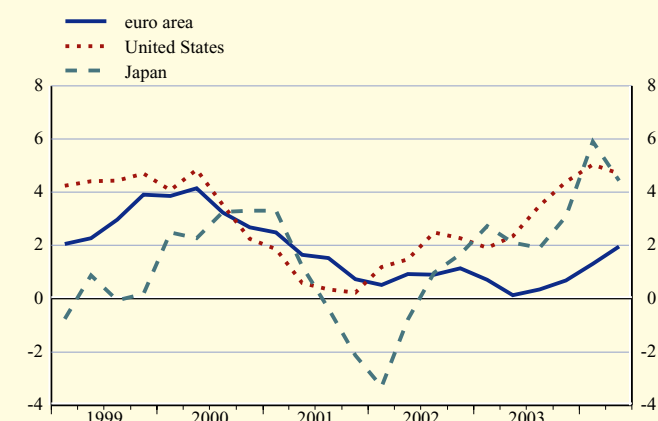
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>1)</sup>	3-month interbank deposit rate <sup>2)</sup> as a % per annum	10-year government bond yield <sup>2)</sup> as a % per annum	Exchange rate <sup>3)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>4)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2000	3.4	4.3	3.7	4.8	4.0	9.4	6.53	6.03	0.9236	1.6	44.2
2001	2.8	0.2	0.8	-3.9	4.8	11.4	3.78	5.01	0.8956	-0.4	43.4
2002	1.6	-0.3	1.9	-0.5	5.8	8.0	1.80	4.60	0.9456	-3.8	45.6
2003	2.3	3.2	3.0	0.1	6.0	6.2	1.22	4.00	1.1312	-4.6	47.9
2003 Q2	2.1	3.4	2.3	-1.3	6.1	6.9	1.24	3.61	1.1372	-4.7	47.0
Q3	2.2	3.1	3.5	-0.6	6.1	7.2	1.13	4.21	1.1248	-5.1	47.4
Q4	1.9	3.5	4.4	1.7	5.9	4.5	1.17	4.27	1.1890	-4.3	47.9
2004 Q1	1.8	1.6	5.0	3.2	5.6	4.3	1.12	4.00	1.2497	-4.5	48.7
Q2	2.9	0.0	4.7	5.8	5.6	5.7	1.30	4.58	1.2046	.	.
2004 Apr.	2.3	-	-	5.5	5.6	5.4	1.15	4.32	1.1985	-	-
May	3.1	-	-	6.0	5.6	6.0	1.25	4.70	1.2007	-	-
June	3.3	-	-	5.7	5.6	5.8	1.50	4.73	1.2138	-	-
July	3.0	-	-	5.5	5.5	4.8	1.63	4.48	1.2266	-	-
Aug.	.	-	-	.	.	.	1.73	4.27	1.2176	-	-
Japan											
2000	-0.7	-6.7	2.8	5.7	4.7	2.1	0.28	1.76	99.47	-7.5	126.9
2001	-0.7	4.4	0.4	-6.8	5.0	2.8	0.15	1.34	108.68	-6.1	134.7
2002	-0.9	-3.2	-0.3	-1.2	5.4	3.3	0.08	1.27	118.06	-7.9	141.3
2003	-0.3	-3.8	2.5	3.2	5.3	1.7	0.06	0.99	130.97	.	.
2003 Q2	-0.2	-3.0	2.1	2.2	5.4	1.6	0.06	0.60	134.74	.	.
Q3	-0.2	-1.5	1.9	1.0	5.2	1.8	0.05	1.19	132.14	.	.
Q4	-0.3	-4.3	3.1	4.2	5.1	1.5	0.06	1.38	129.45	.	.
2004 Q1	-0.1	-6.5	5.9	6.8	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	.	4.4	7.4	4.6	1.9	0.05	1.59	132.20	.	.
2004 Apr.	-0.4	-7.6	-	8.7	4.7	2.0	0.05	1.51	129.08	-	-
May	-0.5	-4.5	-	4.6	4.6	2.0	0.05	1.49	134.48	-	-
June	0.0	.	-	8.9	4.6	1.7	0.05	1.77	132.86	-	-
July	-0.1	.	-	5.9	4.9	1.8	0.05	1.79	134.08	-	-
Aug.	.	.	-	.	.	.	0.05	1.63	134.54	-	-

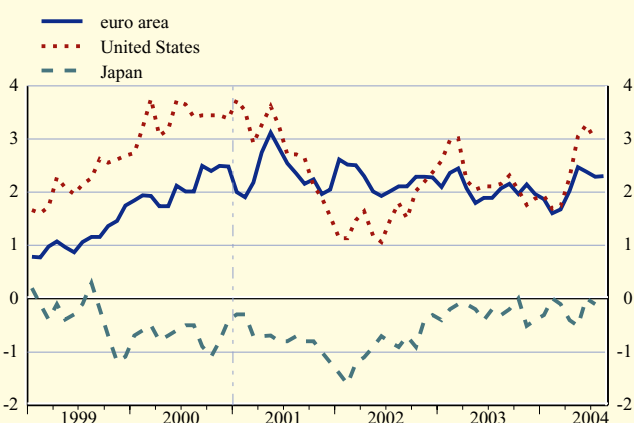
### C35 Real gross domestic product

(annual percentage changes; quarterly)



### C36 Consumer price indices

(annual percentage changes; monthly)



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

1) Average-of-period values; M3 for US, M2+CDs for Japan.

2) For more information, see Sections 4.6 and 4.7.

3) For more information, see Section 8.2.

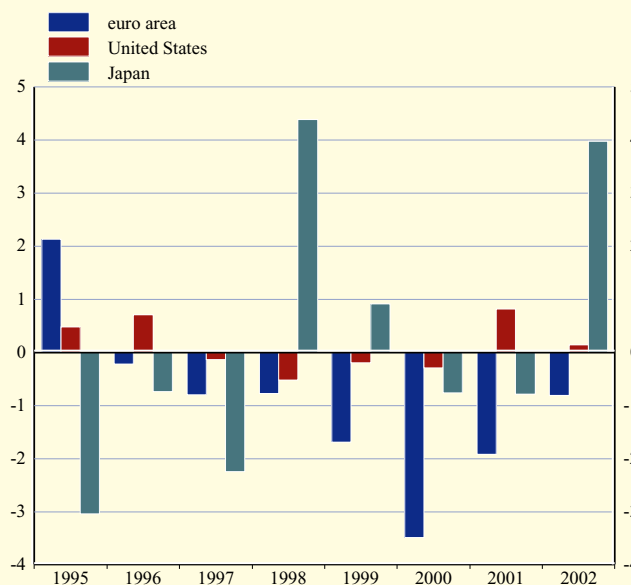
4) Gross consolidated general government debt (end of period).

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

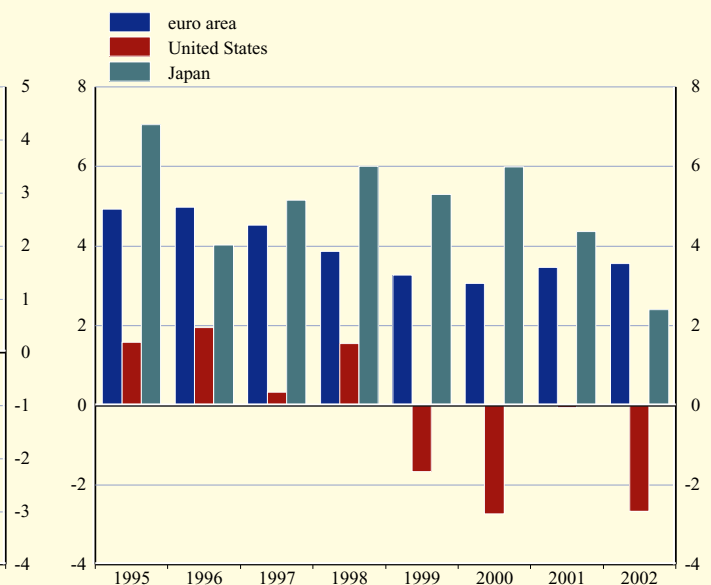
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households <sup>1)</sup>			
	Gross saving 1	Gross capital formation 2	Net lending to the rest of the world 3	Gross capital formation 4	Gross fixed capital formation 5	Net acquisition of financial assets 6	Gross saving 7	Net incurrence of liabilities 8	Securities and shares 9	Capital expenditures <sup>2)</sup> 10	Net acquisition of financial assets 11	Gross saving <sup>3)</sup> 12	Net incurrence of liabilities 13
United States													
2000	18.0	20.8	-4.0	9.5	9.0	12.3	7.5	12.6	2.4	12.6	3.1	11.0	5.9
2001	16.4	19.1	-3.8	8.0	8.4	1.8	7.6	0.9	1.8	12.7	5.9	10.6	5.9
2002	14.7	18.4	-4.4	7.4	7.4	1.2	8.2	1.0	0.0	12.8	4.0	11.1	6.7
2003	13.5	18.4	-4.7	7.1	7.2	5.0	8.7	3.2	0.9	13.0	7.0	10.9	8.3
2002 Q2	15.1	18.4	-4.6	7.3	7.4	2.3	8.2	2.1	0.4	12.8	3.5	11.6	5.7
Q3	14.5	18.5	-4.5	7.5	7.3	0.9	8.1	1.2	-1.6	12.8	2.7	10.9	5.8
Q4	13.8	18.4	-4.7	7.3	7.2	4.1	8.4	3.6	0.7	12.8	3.7	10.6	8.1
2003 Q1	12.9	18.1	-4.9	7.0	7.1	4.2	7.9	3.2	0.9	12.7	5.8	10.5	9.0
Q2	13.2	18.2	-5.0	7.0	7.1	5.7	8.6	3.9	2.1	12.9	11.4	11.1	12.6
Q3	13.4	18.4	-4.7	7.0	7.2	4.9	8.9	2.8	0.2	13.2	6.5	11.3	7.5
Q4	14.5	18.8	-4.3	7.3	7.3	5.0	9.4	2.9	0.3	13.1	4.4	10.7	4.3
2004 Q1	14.2	19.0	-4.8	7.5	7.3	5.3	9.1	3.4	0.7	12.9	7.1	10.7	9.5
Japan													
2000	27.8	26.3	2.3	15.4	15.5	0.9	14.5	-1.0	0.2	5.2	3.9	10.5	-0.1
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.4	0.2	4.9	2.8	8.6	0.2
2002	25.7	23.9	2.8	13.8	14.0	-2.9	15.7	-7.0	-0.9	4.8	0.7	8.5	-2.1
2003	.	24.0	.	.	.	2.9	.	-5.0	-0.6	.	-0.8	.	-0.6
2002 Q2	24.1	23.4	2.8	.	.	-27.9	.	-23.7	0.8	.	5.8	.	-8.5
Q3	24.5	23.9	2.7	.	.	1.2	.	-9.7	-2.4	.	-6.8	.	-0.6
Q4	24.2	25.2	2.2	.	.	5.9	.	9.2	0.7	.	9.5	.	-1.5
2003 Q1	28.2	23.4	2.8	.	.	16.0	.	-4.6	0.3	.	-11.2	.	2.9
Q2	.	23.3	.	.	.	-25.1	.	-21.4	-0.9	.	4.1	.	-5.5
Q3	.	24.1	.	.	.	9.3	.	-2.9	-3.0	.	-5.4	.	1.6
Q4	.	24.9	.	.	.	11.6	.	8.3	1.2	.	8.4	.	-1.3
2004 Q1	.	23.8	.	.	.	10.6	.	-1.4	-0.6	.	-8.6	.	0.7

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



C38 Net lending of households<sup>1)</sup>  
(as a percentage of GDP)



Sources: ECB, Federal Reserve Board, Bank of Japan and Economic and Social Research Institute.

1) Including non-profit institutions serving households.

2) Gross capital formation in Japan. Capital expenditures in the United States include purchases of consumer durable goods.

3) Gross saving in the United States is increased by expenditures on consumer durable goods.

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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW (I. MONETARY DEVELOPMENTS AND INTEREST RATES)

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

where  $L_{t-3}$  is the amount outstanding at the end of month  $t-3$  (the end of the previous quarter)

and, for example,  $C_t^Q$  is the reclassification adjustment in the quarter ending in month  $t$ .

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2001 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website ([www.ecb.int](http://www.ecb.int)) under the "Monetary statistics" sub-section of the "Statistics" section.

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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<sup>1</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA.<sup>2</sup> 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.<sup>3</sup> The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions.

Seasonal (and trading day) factors are revised at annual intervals or as required.

#### RELATING TO SECTIONS 3.1 TO 3.3

#### CALCULATION OF GROWTH RATES

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

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

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

#### RELATING TO SECTION 4.3 AND 4.4

#### CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

<sup>1</sup> For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website ([www.ecb.int](http://www.ecb.int)), under the "Monetary statistics" sub-section.

<sup>2</sup> 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.

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

from transactions or from the index of adjusted outstanding amounts. If  $N_t^M$  represents the transactions (net issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of adjusted outstanding amounts in month  $t$  is defined as:

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

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

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

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

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

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

## RELATING TO TABLE 1 IN SECTION 5.1

### SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>

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

## RELATING TO TABLE 2 IN SECTION 7.1

### SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services are pre-adjusted to take “working day” and “Easter” effects into account. Data on income credits are subject to a “working day” pre-adjustment. The seasonal adjustment for these items is carried out using these pre-adjusted series. Income debits and current transfers are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal factors are revised at semi-annual intervals or as required.

<sup>4</sup> For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.int](http://www.ecb.int)), under the “Monetary statistics” sub-section.







## GENERAL NOTES

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

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

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

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

price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

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

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

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

### OVERVIEW

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

### MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed

on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Section 1.3).

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

## **MONEY, BANKING AND INVESTMENT FUNDS**

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

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

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

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

Details of the sector definitions are set out in the “Money and Banking Statistics Sector

Manual – Guidance for the statistical classification of customers” (ECB, November 1999). The “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices recommended to be followed by the NCBs. Since 1 January 1999 the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

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

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

## FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

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

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

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

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

## FINANCIAL MARKETS

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

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

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

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

Columns 1 to 4 show the outstanding amounts, gross issues, redemptions and net issues for all euro-denominated issues. Columns 5 to 8 show

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

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

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

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

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

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial

transactions that occur when an issuer sells or redeems shares for cash excluding investments in the issuers' own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages.

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

Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) were available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

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

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is

available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics<sup>4</sup>. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001<sup>5</sup>. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2

4 OJL 162, 5.6.1998, p. 1.

5 OJL 86, 27.3.2001, p. 11.

in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Retail sales (Table 4 in Section 5.2) measures the turnover, including all duties and taxes with the exception of VAT, of all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

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

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

## GOVERNMENT FINANCE

Sections 6.1 to 6.4 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>6</sup> amending the ESA 95. Section 6.2 shows

details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002<sup>7</sup> on quarterly non-financial accounts for general government.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1, 7.2, 7.4 and 7.5) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 2 May 2003 on the statistical reporting requirements of the ECB (ECB/2003/7)<sup>8</sup>, and Eurostat documents. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (November 2003), which can be downloaded from the ECB’s website.

The presentation of net transactions in the financial account follows the sign convention of the IMF Balance of Payments Manual: an increase of assets appears with a minus sign, while an increase of liabilities appears with a

6 OJ L 172, 12.7.2000, p. 3.

7 OJ L 179, 9.7.2002, p. 1.

8 OJ L 131, 28.5.2003, p. 20.



plus sign. In the current account and capital account, both credit and debit transactions are presented with a plus sign.

The euro area b.o.p. is compiled by the ECB. The recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

In Section 7.1, Table 2 contains seasonally adjusted data for the current account. Where appropriate, the adjustment covers also working-day, leap year and/or Easter effects. Table 7 provides a sectoral breakdown of euro area purchasers of securities issued by non-euro area residents. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 8 and 9 the breakdown between “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms with the IMF Balance of Payments Manual.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In the liabilities of portfolio investment, the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs, apart from shares of money market funds and debt securities issued by MFIs with a maturity of up to two years. A specific methodological note on the monetary presentation of the euro area b.o.p. is available

in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.3 shows data on euro area external trade in goods. The main source is Eurostat. The ECB derives volume indices from Eurostat value and unit value indices, and performs seasonal adjustment of unit value indices, while value data are seasonally and working-day adjusted by Eurostat.

The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 7.3.1 is in line with the classification by Broad Economic Categories. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 3 definition. The geographical breakdown shows main trading partners individually or in regional groups.

Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the balance of payments statistics (Sections 7.1 and 7.2). The difference for imports accounted for around 5% in the recent years (ECB estimate), a significant part of which relates to the inclusion of insurance and freight services in the external trade data (c.i.f. basis).

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-euro area residents, considering the euro area as a single economy (see also Box 9 in the December 2002 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used to a large extent.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.5, together with the part held by the ECB. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Section 7.5 are in line with the

recommendations for the IMF/BIS template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

## EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in this issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.





# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM<sup>1</sup>

## 3 JANUARY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

The Governing Council also decides on an allotment amount of €20 billion per operation for the longer-term refinancing operations to be conducted in 2002. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2002 and the desire of the Eurosystem to continue to provide the bulk of refinancing of the financial sector through its main refinancing operations. The Governing Council may adjust the allotment amount in the course of the year in the event of unexpected developments in liquidity needs.

## 7 FEBRUARY, 7 MARCH, 4 APRIL, 2 MAY, 6 JUNE, 4 JULY 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 10 JULY 2002

The Governing Council of the ECB decides to reduce the allotment amount for each of the longer-term refinancing operations to be conducted in the second half of 2002 from €20 billion to €15 billion. This latter amount takes into consideration the expected liquidity needs of the euro area banking system in the second half of 2002 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

## 1 AUGUST, 12 SEPTEMBER, 10 OCTOBER, 7 NOVEMBER 2002

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

## 5 DECEMBER 2002

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.75%, starting from the operation to be settled on 11 December 2002. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.75% and 1.75% respectively, both with effect from 6 December 2002.

In addition, it decides that the reference value for the annual growth rate of the broad monetary aggregate M3 will remain at 4½%.

## 9 JANUARY 2003

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

## 23 JANUARY 2003

The Governing Council of the ECB decides to implement the following two measures to

<sup>1</sup> The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2001 can be found on pages 176 to 180 of the ECB's Annual Report 1999, on pages 205 to 208 of the ECB's Annual Report 2000 and on pages 219 to 220 of the ECB's Annual Report 2001.

improve the operational framework for monetary policy:

First, the timing of the reserve maintenance period will be changed so that it will always start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled. Furthermore, as a rule, the implementation of changes to the standing facility rates will be aligned with the start of the new reserve maintenance period.

Second, the maturity of the MROs will be shortened from two weeks to one week.

These measures are scheduled to come into effect during the first quarter of 2004.

Further to the press release of 10 July 2002, the Governing Council also decides to maintain at €15 billion the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2003. This amount takes into consideration the expected liquidity needs of the euro area banking system in 2003 and reflects the desire of the Eurosystem to continue to provide the bulk of liquidity through its main refinancing operations.

### **6 FEBRUARY 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

### **6 MARCH 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.25 percentage

point to 2.50%, starting from the operation to be settled on 12 March 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.50% and 1.50% respectively, both with effect from 7 March 2003.

### **3 APRIL 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

### **8 MAY 2003**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain

inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

### **5 JUNE 2003**

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

### **10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

### **12 JANUARY 2004**

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

### **5 FEBRUARY, 4 MARCH 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

### **10 MARCH 2004**

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.



**1 APRIL, 6 MAY, 3 JUNE, 1 JULY,  
5 AUGUST, 2 SEPTEMBER 2004**

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

# THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM



## PAYMENT FLOWS IN TARGET

In the second quarter TARGET processed a daily average of 274,036 payments with a value of €1,762 billion. Compared with the previous quarter, this represented an increase of 3% in terms of both volume and value. The increase in volume was mainly due to an increase in the number of inter-Member State payments processed in TARGET. The increase in value was caused by an increase in the value of intra-Member State payments, while the value of inter-Member State traffic remained unchanged. TARGET's overall market share increased to 88% in value terms and increased to 59% in volume terms.

## TARGET INTRA-MEMBER STATE

TARGET processed a daily average of 205,990 intra-Member State payments with a value of €1,190 billion. This represented an increase of 2% in volume and an increase of 5% in value as compared with the previous quarter. Compared with the corresponding period in 2003, the volume was unchanged, whereas the value increased by 2%.

TARGET intra-Member State traffic accounted for 75.2% of the total volume and 67.5% of the total value of TARGET. The average value of an intra-Member State payment was €5.8 million in the second quarter of 2004, up from €5.6 million in the previous quarter.

The highest intra-Member State volume on a single day was on 13 April 2004 (i.e. the day after the Easter weekend), when 272,651 payments were processed. The highest value on a single day, €1,842 billion, was recorded on 11 June (i.e. the day after a public holiday in both Germany and Austria).

66% of all intra-Member State payments were below €50,000, while 11% were above

€1 million. On average there were 135 intra-Member State payments per day with a value above €1 billion.

## TARGET INTER-MEMBER STATE

At the inter-Member State level, TARGET processed a daily average of 68,045 payments with a value of €572 billion in the second quarter of 2004. Compared with the first quarter of 2004, this represented an increase of 4% in terms of volume, with no change in terms of value. The inter-Member State figures were up by 11% in volume terms and 6% in value terms as compared with the second quarter of last year.

Interbank payments increased by 1% in volume terms and remained at the same level in terms of value as compared with the previous quarter. Customer payments showed an increase of 7% in terms of volume and were unchanged in terms of value.

The ratio of interbank payments to the average daily inter-Member State traffic was 48.0% in terms of volume and 95.2% in terms of value. The average value of interbank payments remained unchanged at €16.7 million and that of customer payments fell from €837,000 to €778,000 as compared with the first quarter of 2004.

During the second quarter the highest value on a single day for inter-Member State traffic was recorded on 30 June 2004 (i.e. the last business day of the quarter), when €769 billion was processed. In terms of volume, the peak day was 1 June 2004 (i.e. the first business day after a public holiday in several European countries and in the United States), when 94,299 inter-Member State payments were processed in TARGET, the highest daily total ever.

63% of the inter-Member State payments in TARGET had a value below €50,000. 14%



had a value above €1 million. On average there were 39 inter-Member State payments per day with a value above €1 billion.

### TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the second quarter of 2004 TARGET achieved an overall availability of 99.80%, compared with 99.87% in the first quarter of 2004. The number of incidents with an effect on TARGET's availability was 25 in the second quarter of 2004, up from 19 in the previous quarter. The adjacent table shows the respective figures for each national TARGET component and the ECB payment mechanism (EPM).

**Table 1 TARGET availability for each national component and the ECB payment mechanism (EPM)**

National TARGET component	Availability Q2 2004
Belgium	99.78%
Denmark	99.76%
Germany	99.44%
Greece	100.00%
Spain	99.97%
France	99.85%
Ireland	99.25%
Italy	99.85%
Luxembourg	100.00%
The Netherlands	100.00%
Austria	99.69%
Portugal	100.00%
Finland	99.74%
Sweden	99.62%
United Kingdom	100.00%
ECB payment mechanism	99.91%
Overall TARGET availability	99.80%

In the second quarter 95.27% of the TARGET inter-Member State payments were

processed in less than 5 minutes; 3.76% needed between 5 minutes and 15 minutes;

**Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions**

(number of payments)

	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
<b>TARGET</b>					
All TARGET payments					
Total volume	16,606,135	16,665,036	17,404,115	17,071,290	17,264,247
Daily average	267,841	252,501	271,939	266,739	274,036
Inter-Member State TARGET payments					
Total volume	3,790,098	3,813,244	4,023,122	4,184,179	4,286,846
Daily average	61,131	57,776	62,861	65,378	68,045
Intra-Member State TARGET payments					
Total volume	12,816,037	12,851,792	13,380,993	12,887,111	12,977,401
Daily average	206,710	194,724	209,078	201,361	205,990
<b>Other systems</b>					
Euro 1 (EBA)					
Total volume	9,752,646	9,835,244	10,088,174	9,669,240	9,840,955
Daily average	157,301	149,019	157,628	151,082	156,206
Paris Net Settlement (PNS)					
Total volume	1,860,345	1,790,113	1,833,104	1,772,742	1,767,244
Daily average	30,006	27,123	28,642	27,669	28,051
Servicio Español de Pagos Interbancarios (SPI)					
Total volume	461,878	419,123	423,513	365,097	316,448
Daily average	7,450	6,350	6,617	5,705	5,023
Pankkien On-line Pikasiirrot ja Sekit järjestelmä (POPS)					
Total volume	191,101	151,666	134,620	131,082	184,269
Daily average	3,082	2,298	2,103	2,048	2,925

**Table 3 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions**

(EUR billions)

	2003 Q2	2003 Q3	2003 Q4	2004 Q1	2004 Q2
<b>TARGET</b>					
All TARGET payments					
Total value	105,978	105,216	102,686	109,062	111,025
Daily average	1,709	1,594	1,604	1,704	1,762
Inter-Member State TARGET payments					
Total value	33,545	34,570	34,128	36,487	36,046
Daily average	541	524	533	570	572
Intra-Member State TARGET payments					
Total value	72,433	70,646	68,558	72,575	74,979
Daily average	1,168	1,070	1,071	1,134	1,190
<b>Other systems</b>					
Euro 1 (EBA)					
Total value	11,074	11,331	10,898	11,647	10,987
Daily average	179	172	170	182	174
Paris Net Settlement (PNS)					
Total value	4,698	4,203	4,180	4,276	4,765
Daily average	76	64	65	67	76
Servicio Español de Pagos Interbancarios (SPI)					
Total value	78	75	74	60	60
Daily average	1	1	1	1	1
Pankkien On-line Pikasiirot ja Sekit-järjestelmä (POPS)					
Total value	111	96	104	120	117
Daily average	2	1	2	2	2

and 0.44% required between 15 minutes and 30 minutes. The processing time exceeded 30 minutes for an average of 361 payments per day, which should be seen in the context of the 68,045 inter-Member State payments processed on average every day.

### TARGET TESTING AND NEW RELEASES

During the second quarter of 2004 NCBS had to run tests in preparation for the release of TARGET 2004, which was implemented on 14 June 2004.

This release corresponded to a change in the SWIFT validation rule for IBAN (International Bank Account Number), applicable from that date. The use of an IBAN as the beneficiary account number in MT103+ messages is mandatory when both

the sender and receiver banks are domiciled in a pre-defined list of countries. The change consisted in adding six new countries to that list.

Modifications to the SWIFT validation rule naturally meant similar modifications for national TARGET components and therefore required appropriate tests. Those tests were successful and TARGET 2004 went live smoothly on 14 June 2004.





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This list is designed to inform readers about selected documents published by the European Central Bank since January 2003. For Working Papers, the list only refers to publications released between June and August 2004. The publications are available to interested parties free of charge from the Press and Information Division. Please submit orders in writing to the postal address given on the back of the title page.

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## GLOSSARY

**Autonomous liquidity factors:** liquidity factors which normally do not stem from the use of monetary policy instruments. They include, for example, banknotes in circulation, government deposits with the central bank, and net foreign assets of the central bank.

**Central parity:** the exchange rate of ERM II member currencies vis-à-vis the euro around which the ERM II fluctuation margins are defined.

**Compensation per employee:** compensation is defined as the total remuneration, in cash or in kind, payable by employers to employees. Compensation includes gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions. Compensation per employee is defined as total compensation divided by the total number of employees.

**Consolidated balance sheet of the MFI sector:** obtained by netting out inter-MFI positions (mainly loans granted by one MFI to another) on the aggregated MFI balance sheet.

**Debt (financial accounts):** includes loans, debt securities issued, and pension fund reserves of non-financial corporations, valued at market value at the end of the period. In the quarterly financial accounts, debt does not include loans granted by non-financial sectors (for example inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

**Debt ratio (general government):** general government debt is defined as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The government debt-to-GDP ratio is defined as the ratio of general government debt to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community.

**Debt securities:** represent a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. They usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Deficit ratio (general government):** the general government deficit is defined as net borrowing and corresponds to the difference between total government revenue and total government expenditure. The deficit ratio is defined as the ratio of the general government deficit to gross domestic product at current market prices and is the subject of one of the fiscal convergence criteria laid down in Article 104 (2) of the Treaty establishing the European Community. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

**Deposit facility:** a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at a national central bank.

**Direct investment:** cross-border investment that reflects the objective of obtaining a lasting interest in an enterprise resident in another economy (in practice assumed for ownership equivalent to at least 10% of the voting rights). The direct investment account records net acquisitions of assets abroad by euro area residents (as "direct investment

abroad”) and net acquisitions of euro area assets by non-residents (as “direct investment in the euro area”). Direct investment includes equity capital, reinvested earnings and other capital associated with inter-company operations.

**EC surveys:** qualitative business and consumer surveys conducted for the European Commission. Questions are addressed to managers in manufacturing, construction, retail and services as well as to consumers. The confidence indicators are composite indicators calculated as the arithmetic average of the percentage balances of several components (see Table 5.2.5 in the “Euro area statistics” section for details).

**EONIA (euro overnight index average):** a measure of the interest rate prevailing in the euro interbank overnight market based on transactions.

**Equity securities:** represent ownership of a stake in a corporation. Comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement which provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

**Euro effective exchange rates (EERs, nominal/real):** nominal euro EERs are weighted averages of bilateral euro exchange rates against the currencies of euro area’s trading partners. The ECB publishes nominal EER indices for the euro against the currencies of a narrow and a broad group of trading partners. The weights used reflect the share of each partner country in euro area trade. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are, thus, measures of price and cost competitiveness.

**Eurozone Manufacturing Input Prices Index (EPI):** a weighted average of the manufacturing input price data derived from surveys of manufacturing business conditions conducted in a number of euro area countries.

**Eurozone purchasing managers’ surveys:** surveys of manufacturing and service sector business conditions conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers’ Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers’ delivery times and stocks of purchases. The service sector survey asks questions on business activity, expectations of future business activity, amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated combining the results from the manufacturing and service sector surveys.

**External trade in goods:** intra- and extra-euro area exports and imports of goods, measured in terms of value and as volume and unit value indices. Intra-euro area trade records the arrival and dispatch of goods flowing between the euro area countries, while extra-euro area trade records

the external trade of the euro area. External trade statistics are not directly comparable with exports and imports recorded in the National Accounts, as the latter include both intra- and extra-euro area transactions and also combine goods and services.

**Fixed rate tender:** a tender procedure where the interest rate is specified in advance by the central bank and participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** comprises central, state and local government and social security funds. Publicly-owned units carrying out commercial operations, such as public enterprises, are in principle excluded from general government.

**Gross domestic product (GDP):** the final result of production activity. It corresponds to the economy's output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates which make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and exports and imports of goods and services (including intra-euro area trade).

**Gross monthly earnings:** a measure of gross monthly wages and salaries of employees, including employees' social security contributions.

**Harmonised Index of Consumer Prices (HICP):** a measure of consumer prices which is compiled by Eurostat and harmonised for all EU countries.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (including bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes) and net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the total of these costs for all employees by all hours worked by them (including overtime).

**Implied volatility:** a measure of expected volatility (standard deviation in terms of annualised percentage changes) in the prices of, for example, bonds and stocks (or of corresponding futures contracts), which can be extracted from option prices.

**Index of negotiated wages:** a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

**Industrial producer prices:** a measure of the factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

**Industrial production:** a measure of the gross value added created by industry at constant prices.

**Inflation-indexed government bonds:** debt securities whose coupon payments and principal are linked to a specific consumer price index.

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world. Also referred to as the net external asset position.

**Job vacancies:** a measure of newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

**Labour force:** the sum of persons in employment and the number of unemployed.

**Labour productivity:** a measure of the output that can be produced with a given input of labour. Labour productivity can be measured in several ways. It is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a monthly open market operation, conducted by the Eurosystem, with a usual maturity of three months. The operations are conducted as variable rate tenders with pre-announced allotment volumes.

**M1:** narrow monetary aggregate. Comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** intermediate monetary aggregate. Comprises M1 and deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** broad monetary aggregate. Comprises M2 and marketable instruments, i.e. repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive credit from a national central bank at a pre-specified interest rate against eligible assets.

**Main refinancing operation:** a weekly open market operation conducted by the Eurosystem. In 2003 the Governing Council decided that as of March 2004 the maturity of these operations would be reduced from two weeks to one. The operations are conducted as variable rate tenders with a pre-announced minimum bid rate.

**MFIs (monetary financial institutions):** financial institutions forming the money-issuing sector of the euro area. They include the ECB, the national central banks of the euro area countries, and credit institutions and money market funds located in the euro area.

**MFI credit to euro area residents:** comprises MFI loans to euro area residents and MFI holdings of securities issued by euro area residents. Securities comprise shares, other equity and debt securities.

**MFI longer-term financial liabilities:** comprise deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** comprise external assets of euro area MFIs (such as gold, non-euro banknotes, securities issued by non-euro area residents and loans granted to non-euro area residents) minus external liabilities of the euro area MFI sector (such as non-euro area residents' holdings of deposits, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs).

**Portfolio investment:** a record of net acquisitions by euro area residents of securities issued by non-residents of the euro area ("assets") and net acquisitions by non-residents of the euro area of securities issued by euro area residents ("liabilities"). Includes equity securities, debt securities in the form of bonds and notes, and money market instruments. Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the voting rights.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation of employees to gross domestic product at constant prices.

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Wage drift:** a measure of the gap between the rate of increase of wages and salaries actually paid and that of basic negotiated wages (e.g. due to additional elements such as bonuses and promotion premia and clauses covering unexpected inflation).

**Yield curve:** describes the relationship between interest rates at different maturities at a given point in time. The slope of the yield curve can be measured as the difference between interest rates at two selected maturities.

