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MONTHLY BULLETIN
MAY

MONTHLY BULLETIN 05 | 2005

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In 2005 all ECB publications will feature a motif taken from the €50 banknote.

MONTHLY BULLETIN
MAY 2005

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

The cut-off date for the statistics included in this issue was 3 May 2005.

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

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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 4 May 2005, 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.

On the basis of its regular economic and monetary analyses, the Governing Council continues to see no significant evidence of a build-up of underlying domestic inflationary pressures in the euro area. Accordingly, it has left the key ECB interest rates unchanged. The exceptionally low level of interest rates across the entire maturity spectrum provides considerable support to economic activity in the euro area. At the same time, continued vigilance with regard to upside risks to price stability is warranted.

Starting with the economic analysis underlying the Governing Council's assessment, recent data and survey indicators concerning the current situation and the short-term outlook for economic activity are, on balance, on the downside. Some of the downward risks to economic growth identified earlier, in particular those related to persistently high oil prices, appear to have partially materialised over the past few months.

At the same time, when looking beyond the short term, conditions remain in place for stronger real GDP growth. On the external side, euro area exports should continue to be supported by foreign demand. On the domestic side, investment should benefit from the very favourable financing conditions, the robust corporate earnings currently being observed and ongoing improvements in corporate efficiency. Consumption growth should evolve broadly in line with expected developments in disposable income. Downside risks to economic growth continue to be related to oil price developments and global imbalances.

Turning to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.1% in April, unchanged from March. Over the coming months, annual HICP inflation rates are likely to remain around these levels. Wage increases have remained contained over recent quarters and, in the context of moderate economic growth and weak labour markets, this trend should continue for the time being. Overall, when looking ahead, there is no significant evidence of underlying domestic inflationary pressures building up in the euro area so that inflation rates should develop in line with price stability.

However, there continue to be upside risks to price stability, relating mainly to oil price developments and their potential to lead to second-round effects stemming from wage and price-setting behaviour. In order to avoid this, it is important that the social partners continue to assume their responsibilities.

As regards the monetary analysis, monetary and credit growth remain strong despite some moderation over the recent past. These developments mainly reflect the stimulative effect of the low level of interest rates in the euro area. As monetary dynamics over the past year have mainly been driven by developments in the most liquid components of M3, this continues to signal upside risks to price stability in the medium to longer term.

To sum up, the economic analysis suggests that underlying domestic inflationary pressures remain contained. However, upside risks to price stability over the medium term need to be monitored closely. Cross-checking with the monetary analysis supports the case for continued vigilance with regard to the materialisation of such risks. Against this background, longer-term inflation expectations need to be monitored closely.

As regards fiscal policies, recent information and forecasts suggest little progress in reducing fiscal imbalances in the euro area. A timely and full implementation of consolidation commitments is essential. This will strengthen the confidence of investors and consumers in

the soundness of economic policies. At the same time, it is essential to implement, in a strict and timely manner, the revised Stability and Growth Pact procedures, which are soon to enter into force, so as to underpin the credibility of the EU fiscal framework.

The Governing Council has repeatedly argued in favour of structural reforms to improve the potential for higher economic growth in the euro area. Authorities are aware of the structural obstacles and have taken important measures to address them, but continued reforms will be needed in order to keep up with the unavoidable challenges arising from an ongoing deepening in the division of labour at the global level, rapid technological change and population ageing. It is important to explain to the general public that these reforms will progressively deliver higher growth and lead to more job creation, and that, as a result, European societies will be better off. Over recent years, uncertainties surrounding the structural reform agenda in some euro area countries appear to have hindered the necessary improvement in the confidence of consumers and entrepreneurs. A clear commitment to implementing the reforms and the explanation of their benefits will help to reduce such uncertainties and thereby make a considerable contribution to improving the economic outlook for the euro area.

This issue of the Monthly Bulletin contains three articles. The first article assesses the relevance of regional divergence within a monetary union for economic policies, with a focus on the implications of differentials in inflation rates for the single monetary policy in the euro area. The second article addresses the extent of consolidation and diversification in the euro area banking sector. Finally, the third article examines how the regulatory framework for corporate governance has evolved over recent years.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continues to expand at a fairly robust pace. There are indications of a gradual moderation of growth in some countries, including the United States. However, growth in non-Japan Asia appears to have recently regained some momentum. Global inflationary pressures remain relatively contained. The outlook for the global economy and for euro area foreign demand remains fairly favourable, although some further gradual deceleration in global economic activity cannot be ruled out. The main risks to this outlook continue to be oil price developments and persistent global imbalances.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

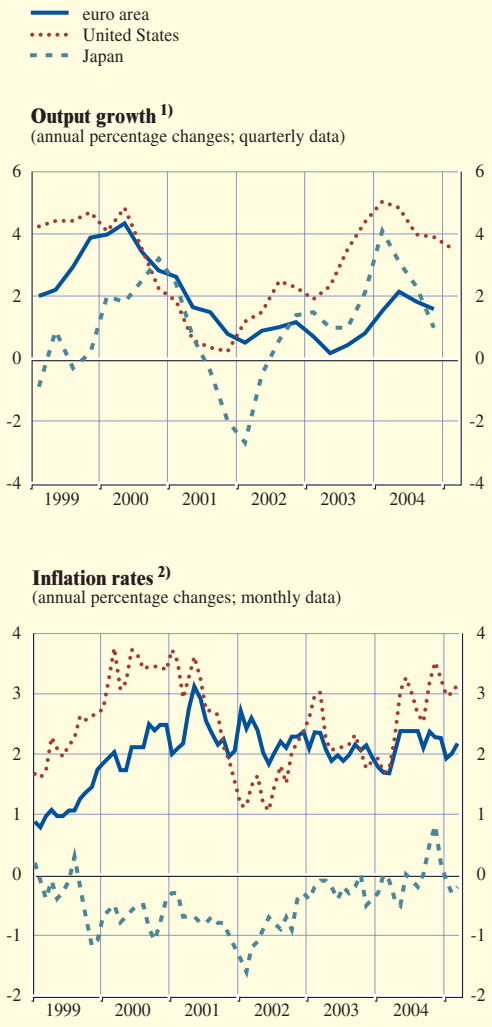
The global economy continues to expand at a fairly robust pace. There are indications of a gradual moderation of growth in some countries, including the United States and other countries in the Western Hemisphere, but growth in non-Japan Asia appears to have recently regained some momentum. In Japan growth is generally expected to improve this year, but recent data releases continue to signal some weaknesses. Global inflationary pressures remain relatively contained. However, consumer price inflation increased recently in some countries, most notably the United States and some Asian economies, in part reflecting developments in oil prices which reached a new all-time high in early April.

UNITED STATES

In the United States advance estimates indicate that real GDP growth in the first quarter of 2005 slowed to 3.1% on a quarterly annualised basis. The main contributors to growth were private consumption expenditures and business investment spending, although both components slowed from the very robust growth rates seen at the end of 2004. An increase in export growth was matched by a further increase in the strong pace of import growth – implying a continued trade drag on real GDP growth.

Several recent data releases suggest that the pace of US domestic expansion slowed towards the end of the first quarter of 2005, possibly influenced by high energy prices. Recent evidence indicates that business investment spending has decelerated from the highs of late

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; for the United States and Japan, national data are used. For all countries, GDP figures have been seasonally adjusted.
2) HICP for the euro area; CPI for the United States and Japan.

2004. In addition, growth in household spending appears to have moderated of late. At the same time, the personal saving rate as a proportion of disposable income remained near to historical lows in March, at 0.4%. Labour market data through March suggest a continued gradual absorption of accumulated slack in the labour market. Looking ahead, despite somewhat greater uncertainty surrounding short-term developments, continued growth is expected, albeit moderating from the high rates witnessed in the second half of 2004.

Indications in recent months of a pick-up in price pressures have been reflected, to some extent, in consumer prices excluding food and energy. The annual rate of change of the CPI excluding food and energy was 2.3% in March, while annual CPI inflation increased to 3.1% in the same month. Changes in the headline personal consumption expenditure (PCE) deflator through February were similar to those seen in the CPI. The annual rate of change in the PCE index excluding food and energy increased to 1.7% in March.

Concerning monetary policy, at its meeting of 3 May 2005 the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the eighth consecutive time, bringing the policy rate to 3.0%. Moreover, it reiterated the statement that "policy accommodation can be removed at a pace that is likely to be measured".

JAPAN

In Japan the economy continued to experience some weakness, reflecting subdued export activity and the ongoing inventory adjustment in the information and communication technology sector. The latest data releases provide somewhat mixed signals about the state of the Japanese economy. On the one hand, the sharp rise in industrial production observed in January 2005 (3.2%) was followed by monthly decreases in both February (-2.3%) and March (-0.3%). At the same time, exports in terms of both value and volume declined further in the first quarter of 2005, partly reflecting lower exports to China. In addition, the latest Ministry of Finance corporate survey showed a significant slowdown in capital spending (including spending on software) in the last quarter of 2004. On the other hand, the latest survey among households provided relatively favourable indications about consumption, with real consumer spending by workers' households increasing strongly in the first quarter of 2005 (up 3.2% on a quarterly basis). Thus, although the outlook for the Japanese economy remains somewhat mixed in the near future, the current weakness is generally viewed as being only a temporary "pause", with output growth likely to regain some momentum in the course of the year.

With regard to price developments, in March both the headline CPI and the CPI excluding fresh food continued to decline on an annual basis, although at a slightly slower pace than in February. The annual rate of change in the CPI was -0.2%, while that of the CPI excluding fresh food stood at -0.3%. The main source of deflationary pressure in recent months has been the liberalisation of charges for utility services, particularly telephone lines, electricity and gas. According to the Bank of Japan's bi-annual "Outlook for economic activity and prices" report released in April 2005, Policy Board members do not expect the year-on-year fall in the CPI excluding fresh food to end before the 2006 fiscal year.

UNITED KINGDOM

In the United Kingdom growth moderated somewhat in the first quarter of 2005, but remained fairly robust overall. According to preliminary estimates, real GDP rose by 0.6% quarter on quarter in the first quarter (corresponding to 2.9% year on year). This was slightly lower than in the previous quarter. Industrial production declined in the first quarter, while output in services and construction increased – although at a slower pace than in the last quarter of 2004. The moderation in GDP growth may reflect in part the decline in consumption growth during the first quarter of 2005. In particular, retail sales growth declined in real terms to 0.3% quarter on quarter in the first quarter. Looking ahead, real GDP growth is expected to remain fairly robust in 2005, although it may prove somewhat weaker than it was last year, largely reflecting a possible slowdown in private consumption growth.

In March 2005 annual HICP inflation rose to 1.9%, having remained steady at 1.6% in the previous three months. The increase in March was primarily due to higher prices for transport, food, furniture and clothing. At the same time, industrial output prices, especially those related to energy, continued to increase. Growth in average weekly earnings increased somewhat in February and the labour market remained tight. The housing market seems to have stabilised, with house price increases falling to single-digit annual rates in February for the first time in more than three years.

OTHER EUROPEAN COUNTRIES

Output growth in the other non-euro area EU countries continued to be strong in recent months, although the pace gradually slowed in most countries. In Denmark and Sweden the year-on-year real GDP growth rate was 2.9% and 2.8% respectively in the fourth quarter of 2004. After picking up in the fourth quarter, output growth in Denmark seems to have remained robust in the first quarter of 2005, driven by domestic demand. In Sweden real GDP growth slowed in the fourth quarter, being negatively affected by stocks, although it is expected to have picked up again in the first quarter of this year, driven by domestic demand. Inflation remained subdued in both countries in the first months of 2005. In Denmark annual HICP inflation rose to 1.3% in March, whereas in Sweden it fell to 0.5%.

In the new EU Member States economic activity continued to increase strongly in the fourth quarter of 2004, although the pace of growth varied between countries. Output growth continued to slow in Poland, whereas it remained broadly unchanged in Hungary and increased in the Czech Republic. Early indications for the first quarter of 2005 suggest that output growth may have moderated in all three countries. The decline in inflation in the new EU Member States that started in 2004 continued in the first months of 2005, with HICP inflation standing on average at 2.9% in March. Inflationary pressures have eased recently on account of lower food and fuel price increases, helped partly by earlier currency appreciations. In addition, the impact of indirect tax increases in early 2004 is fading out of the annual inflation comparison. Against the background of an improved inflation outlook, Magyar Nemzeti Bank, Narodowy Bank Polski and Česká národní banka lowered their official interest rates in late April.

NON-JAPAN ASIA

After experiencing a gradual decline during the second half of 2004 and the beginning of 2005, economic growth in non-Japan Asia has recently regained some momentum. Growth in exports has stabilised, after having declined in the last few quarters. At the same time, domestic demand has remained robust in most economies in the region. Meanwhile, inflationary pressures have

strengthened somewhat, in particular in economies where a reduction in fuel subsidies has resulted in a substantial increase in petrol prices.

In China the economy continued to grow strongly in the first quarter of 2005. Real GDP expanded by 9.5% year on year, unchanged from the last quarter of 2004. On a quarter-on-quarter basis, growth further increased. The main engine of growth was exports, which surged by 34.9% year on year in the first quarter of 2005, exceeding import growth by a wide margin. Industrial production growth rose from 15% year on year in the last quarter of 2004 to 16.2% in the first quarter of 2005, mainly driven by the production of export-oriented goods. At the same time, domestic demand moderated as the growth of fixed investment and retail sales slowed to 22.8% and 13.7% respectively in the first quarter of 2005. Meanwhile, CPI inflation eased to 2.7% year on year in March.

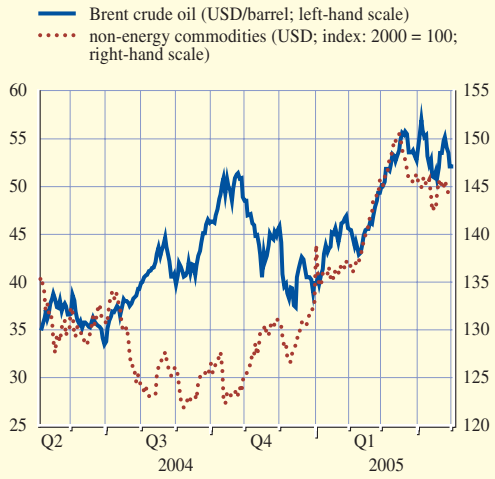
LATIN AMERICA

In Latin America economic activity continued to expand at a robust pace, although there are signs that the pace of expansion has decelerated somewhat. Year-on-year industrial production growth moderated to 4.4% in Brazil and to 2.0% in Mexico in February, while in Argentina it increased to 8.7% in March. The loss of momentum in the former two countries comes despite rather robust export growth, possibly reflecting the impact of recent increases in policy rates. The growth outlook for the region remains positive overall with risks being fairly balanced. Inflation rates have remained high, exceeding official targets, driven by strong domestic demand and oil price developments.

1.2 COMMODITY MARKETS

Stronger than expected demand for oil during the first quarter of 2005, partly due to a spell of cold weather, together with limited spare capacity throughout the oil supply chain and continued concerns over the security of oil supplies, pushed the price of Brent crude oil up to a new all-time high of USD 57.0 in early April. Although prices moderated somewhat thereafter, oil price developments continued to be characterised by considerable volatility. On 3 May the price of Brent crude oil stood at USD 52.1, 1.3% below its level at the end of March. Limited spare capacity, and therefore high sensitivity to unanticipated changes in the balance of supply and demand, is expected to keep oil prices both high and volatile in the near future. Market participants expect oil prices to decline only gradually towards USD 48.7 by the end of 2007 (see Box 1 entitled "Recent developments in oil prices" for a more detailed account).

Chart 2 Main developments in commodity markets



Sources: Bloomberg and HWWA.

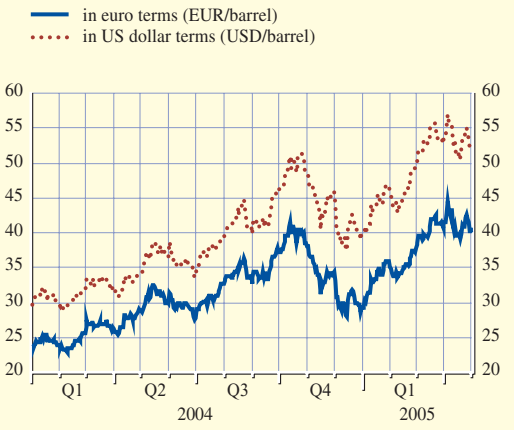
Box 1

RECENT DEVELOPMENTS IN OIL PRICES

Oil prices rose strongly in 2004 and the current year has thus far been marked by a further rise, with oil prices reaching historic highs in early April 2005 (e.g. USD 57 in the case of Brent crude oil). These developments highlight the continued risk to the outlook for global growth emanating from oil markets. Against this background, this box takes a closer look at recent oil price developments and the factors underlying them.

The surge in oil prices during the course of 2004 was dampened by the strengthening of the euro, with oil prices increasing by 34.0% throughout 2004 in US dollar terms and by 24.2% in euro terms. Since the start of 2005, however, the weakening of the euro vis-à-vis the US dollar has added to the price increase – 38.2% in euro terms, compared with 30.5% in US dollar terms (see Chart A).

Chart A Brent crude oil prices



Source: Bloomberg.

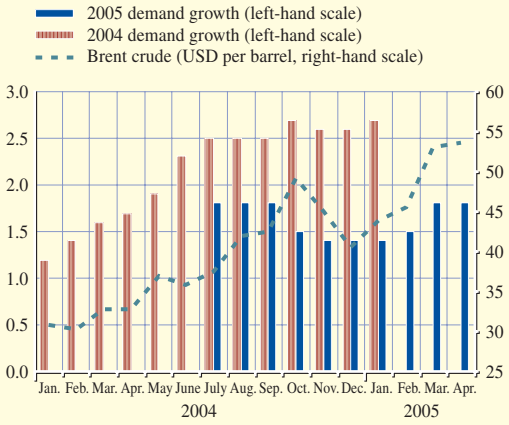
The main factors underlying the increase in oil prices in 2004 and 2005 were buoyant demand, supply bottlenecks and concerns with regard to the security of oil supplies, in part related to geopolitical uncertainties. According to the International Energy Agency (IEA), demand for oil grew at its strongest pace in almost three decades in 2004, mainly driven by strong growth in Asia and North America. Throughout 2004 demand forecasts had to be revised upwards continuously as demand exceeded expectations (see Chart B). Demand forecasts for 2005 were revised downwards towards the end of 2004. This was accompanied by a general easing of prices. The subsequent upward revisions in the first few months of 2005 coincided with the renewed rise in prices.

Looking ahead, the IEA expects oil demand growth to decline somewhat as compared with last year's levels on account of some deceleration in global growth. In particular, oil demand growth in China is expected to decline from the extraordinarily high rates observed in 2004. The IEA now expects global demand for oil to increase by 2.1% in 2005 as a whole, compared with a 3.4% increase in 2004.

Rising production aimed at matching soaring demand for oil has eroded spare capacity throughout the oil supply chain. According to IEA estimates, OPEC's spare production capacity excluding Iraq has shrunk to between 1.2 and 1.7 million barrels per day, constituting less than 2% of global oil supplies. Very high demand for finished oil products such as petrol, diesel and heating oil as well as environmental regulations have put great strain on the existing capacity for processing heavy and sulphur-rich grades of oil. This factor appears to have been

Chart B Oil demand forecasts

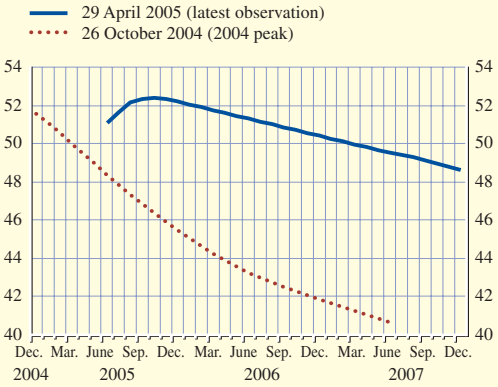
(annual percentage change; USD)



Sources: International Energy Agency and Bloomberg.

Chart C Brent crude oil futures prices

(USD/barrel)



Source: Bloomberg.
Note: The curves show the prices of Brent crude oil futures contracts traded on the International Petroleum Exchange for different maturities (horizontal axis). 26 October 2004 corresponds to the peak in oil prices in 2004.

particularly important in 2004, when the quality-related premiums that had to be paid for light and sweet grades of oil, such as the European benchmark Brent, over heavy and sour grades of crude oil, such as Dubai Fateh, rose temporarily to USD 14 per barrel. Although the spreads have since narrowed, they remain around three times as high as their historical average, indicating continued tightness in the processing industry. Looking ahead, capacity to produce and process oil is expected to increase, but spare capacity is likely to be rebuilt only very gradually.

Uncertainties about the security of oil supplies were a further important factor contributing to the price increase in 2004. Numerous acts of sabotage in Iraq, threats to the oil infrastructure of other Middle Eastern producers and civil unrest in Nigeria caused concerns among market participants with regard to the possibility of supply disruptions. Despite having moderated somewhat, such concerns remain, thereby continuing to put upward pressure on prices. In particular, non-OPEC production growth in 2005 is not expected to meet the rising demand, implying another year of an increasing call on OPEC oil.

A key difference between the recent oil price increase and last year's increase is that markets appear to expect the current high level of prices to last longer. While current spot oil prices, in euro terms, are close to the levels experienced during the previous peak witnessed at the end of October 2004, the prices of oil futures are considerably higher (see Chart C). The futures price for delivery in mid-2007, for example, is now almost USD 9 higher than it was last October. In addition, at shorter horizons, oil futures prices are increasing with the maturity of the contract (so-called "contango"), a situation not usually associated with high spot prices, while the opposite was true last October (so-called "backwardation"). This market structure may be a reflection of concerns as to whether oil supplies will be adequate to meet the expected peak in demand during the summer, and thus indicates market participants' desire to build inventories ahead of peak demand.

Oil prices continue to pose a significant risk to the global economic outlook. However, the negative effects on growth and inflation thus far appear to have been relatively contained. This may indicate a greater resilience on the part of the global economy to oil price shocks as compared with earlier episodes of oil price increases, possibly related to a generally lower level of oil dependency. However, the possibility cannot be ruled out that a further increase in prices, or a longer than expected continuation of current price levels, could trigger significantly more pronounced negative effects in the future. Against this background, continued heightened vigilance with regard to oil market developments is warranted.

The prices of non-energy commodities have eased somewhat from the peak levels reached in the middle of March. This mainly reflects developments in the prices of food and beverages and, to a lesser extent, developments in the prices of industrial raw materials. Overall, in April non-energy commodity prices, expressed in US dollar terms, stood 5.9% above their level one year ago.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Despite recent signs of some moderation of growth in a number of countries, most notably the United States, the overall outlook for the global economy and for euro area foreign demand remains fairly favourable. Continuing favourable financing conditions and structural improvements in corporate balance sheets in many countries, together with robust profit growth, should support further gains in economic activity. Nonetheless, a further gradual deceleration in global economic activity from the high levels observed at the beginning of 2004 cannot be ruled out in the light of the relatively advanced stage of the economic cycle and the continued high price of oil. The main risks to this outlook continue to be oil price developments and persistent global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

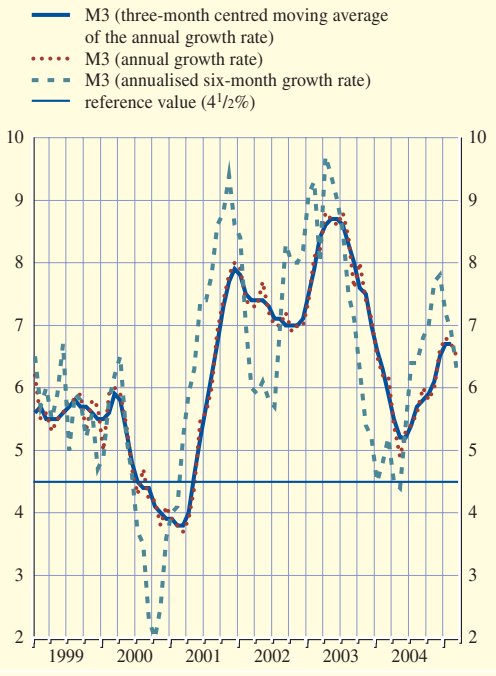
While annual M3 growth remained robust in March 2005, shorter-term dynamics suggest that the pace of monetary expansion has moderated somewhat since the turn of the year. The stimulative effect of the low level of interest rates continued to be the main driver of monetary growth in March, although its impact was partly offset by the ongoing, albeit gradual, normalisation of portfolio allocation behaviour by euro area residents. The low level of interest rates also supported a further strengthening in the growth of loans to the private sector. Overall, there remains considerably more liquidity in the euro area than is needed to finance non-inflationary economic growth. This could pose risks to price stability over the medium term. Furthermore, the combination of high excess liquidity and robust credit growth could be a source of strong asset price increases, particularly in housing markets.

THE BROAD MONETARY AGGREGATE M3

The annual rate of growth of the broad monetary aggregate M3 decreased to 6.5% in March 2005, from 6.7% in February (the latter figure incorporating an upward revision to past data, which raised annual M3 growth rates for the period from December 2004 to February 2005 by 0.2-0.3 percentage point). The three-month average of the annual growth rates over the period January-March 2005 stood at 6.7%, unchanged from the December 2004-February 2005 period, while the six-month annualised rate of growth of M3 declined to 6.3% in March, from 6.9% in the previous month (see Chart 3). Although annual M3 growth remains at a robust level, the shorter-term dynamics of M3 point to a somewhat more moderate pace of monetary expansion since the turn of the year than was observed in the second half of 2004.

Chart 3 M3 growth and the reference value

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



Source: ECB.

Data for March 2005 remained in line with the assessment that monetary developments continue to be influenced by two opposing forces. On the one hand, the prevailing low level of interest rates continued to stimulate demand both for the most liquid components of M3 on the liabilities side of the MFI balance sheet and for loans to the private sector on the assets side. On the other hand, monetary dynamics have been dampened by the ongoing normalisation of the asset allocation behaviour of economic agents in the euro area, following the exceptional preference for liquidity observed between 2001 and 2003. However, this process of normalisation is still proceeding more slowly than would have been expected on the basis of past regularities.

There is currently considerably more liquidity available in the euro area than is needed to finance non-inflationary economic growth. The reduction of this excess liquidity will

require a further normalisation of the portfolio allocation behaviour of the euro area money-holding sector. Viewed from a medium to longer-term perspective, the risks to price stability implied by this excess liquidity would be likely to materialise if a significant part of the liquidity were transformed into transaction balances at a time when confidence and real economic activity were strengthening. In addition, the combination of high excess liquidity and robust credit growth could be a source of strong asset price increases, particularly in housing markets.

MAIN COMPONENTS OF M3

M1 growth continued to be the main contributor to annual M3 growth in March (see Table 1). Among the components of M1, the annual growth of currency in circulation remained robust at a rate of 17.8% in March, compared with 18.3% in February. The annual growth rate of overnight deposits decreased to 7.8% in March, from 8.8% in the previous month (although this was partly related to a base effect).

The annual rate of growth of short-term deposits other than overnight deposits increased to 4.8% in March, from 4.3% in February. This rise mainly reflected increased demand for this type of asset by non-monetary financial intermediaries other than insurance corporations and pension funds and by non-financial corporations.

Over the six-month period from October 2004 to March 2005 there was an outflow of funds from money market fund shares/units – assets which are often held in periods of heightened uncertainty as a safe and liquid savings vehicle. This outflow reflected the ongoing normalisation of the portfolio allocation behaviour of euro area residents, with wealth holdings being shifted from money into riskier and longer-term assets. However, the process of normalisation is still proceeding more slowly than would have been expected on the basis of past experience.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Feb.	2005 Mar.
M1	**45.4**	**10.2**	**9.6**	**9.3**	**9.6**	**10.2**	**9.3**
Currency in circulation	7.2	21.6	20.3	19.1	18.0	18.3	17.8
Overnight deposits	38.2	8.5	7.9	7.7	8.2	8.8	7.8
M2 - M1 (= other short-term deposits)	40.4	1.7	2.0	3.5	4.5	4.3	4.8
Deposits with an agreed maturity of up to and including two years	15.4	-6.9	-5.8	-2.4	0.6	0.3	1.7
Deposits redeemable at notice of up to and including three months	25.0	8.1	7.6	7.4	7.1	6.9	6.8
M2	**85.7**	**6.0**	**5.8**	**6.4**	**7.1**	**7.3**	**7.1**
M3 - M2 (= marketable instruments)	14.3	2.0	4.0	3.8	4.0	2.7	3.2
M3	**100.0**	**5.4**	**5.6**	**6.0**	**6.7**	**6.7**	**6.5**
Credit to euro area residents		**6.0**	**6.2**	**6.0**	**6.4**	**6.6**	**6.4**
Credit to general government		6.3	6.3	3.7	3.4	4.1	2.3
Loans to general government		2.3	2.3	0.7	-0.4	0.1	-2.1
Credit to the private sector		5.9	6.2	6.6	7.3	7.3	7.5
Loans to the private sector		5.6	6.2	6.8	7.3	7.3	7.6
Longer-term financial liabilities (excluding capital and reserves)		**8.3**	**8.6**	**8.9**	**9.5**	**9.8**	**9.7**

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

MAIN COUNTERPARTS OF M3

On the counterpart side, the annual rate of growth of MFI loans to the private sector rose to 7.6% in March, from 7.3% in the previous month. This strengthening reflected not only the stimulative impact of the low level of interest rates, but also improvements in credit supply conditions (see Box 2, entitled "The results of the April 2005 bank lending survey for the euro area"). Looking at developments since the end of 2004, the increase in loan growth in the first quarter of 2005 as compared with the last quarter of 2004 was broadly based across sectors (see Table 2). Loans to households for house purchase remained the main driver of overall loan growth in the first quarter of 2005, in an environment characterised by low mortgage lending rates and continued strong housing market dynamics in several regions of the euro area (see Box 4, entitled "Recent trends in residential property prices in the euro area and across euro area countries"). These loans exhibited an annual growth rate of 10.0% in March, broadly unchanged from February. The annual growth rate of MFI loans to non-financial corporations strengthened further, with the pick-up recorded from early 2004 mainly being driven by developments in loans with shorter maturities. However, in March shorter-term loans still grew at a more moderate pace on an annual basis than longer-term loans.

The annual rate of growth of MFI credit to general government decreased to 2.3% in March, from 4.1% in the preceding month (see Table 1). This was mainly due to a strong decline in MFIs' holdings of securities issued by general government, possibly pointing to an increase in the appetite of the money-holding sector for assets with longer maturities.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) remained broadly unchanged at 9.7% in March (see Table 1). This development provides further support for the view that the portfolio allocation behaviour of euro area residents has continued to normalise, with wealth increasingly being allocated to instruments with longer maturities, probably in large part having been shifted out of money market fund shares/units.

Table 2 MFI loans to the private sector

(quarterly figures are averages; not adjusted for seasonal and calendar effects)

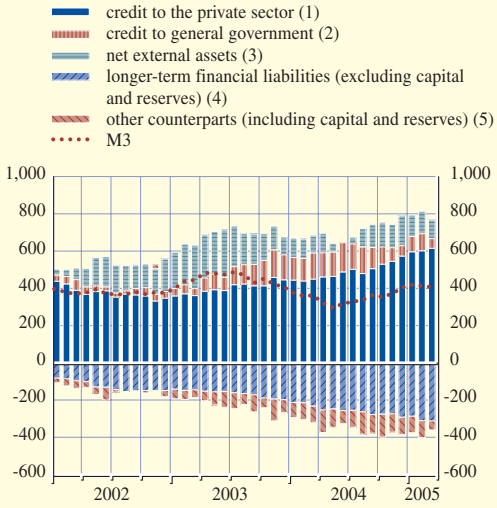
	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Feb.	2005 Mar.
Non-financial corporations	**41.6**	**3.6**	**4.2**	**5.1**	**5.8**	**5.8**	**6.0**
Up to one year	30.9	-2.4	-1.4	1.6	3.3	3.7	4.2
Over one and up to five years	17.4	5.1	6.0	5.8	6.7	6.4	6.8
Over five years	51.7	7.0	7.3	7.0	6.9	6.9	6.8
Households [2]	**50.3**	**6.9**	**7.4**	**7.9**	**8.1**	**8.1**	**8.0**
Consumer credit [3]	13.5	4.9	6.0	6.2	6.4	6.4	6.7
Lending for house purchase [3]	68.4	8.7	9.3	9.9	10.1	10.1	10.0
Other lending	18.2	2.1	2.2	1.9	2.1	2.2	2.0
Insurance corporations and pension funds	**0.8**	**14.8**	**18.3**	**14.4**	**23.1**	**24.2**	**23.5**
Other non-monetary financial intermediaries	**7.3**	**8.4**	**8.3**	**9.7**	**10.0**	**9.2**	**12.2**

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

The annual flow in the net external asset position of euro area MFIs was €100 billion in the year to March, compared with €121 billion in the year to February (see Chart 4). Since developments in MFI net external assets reflect transactions between non-MFI euro area and non-euro area residents that are settled via the euro area MFI sector, this decline signals a moderation in the shift of the wealth portfolios of non-euro area residents towards euro-denominated assets and/or a declining reluctance to invest in foreign assets on the part of the euro area money-holding sector.

Chart 4 Counterparts of M3

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



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

Summing up the information from the counterparts of M3, on the one hand, the strengthening of demand for MFI loans, driven by the low level of interest rates, continued to have a positive impact on M3 growth. On the other hand, the ongoing robust expansion in MFI longer-term financial liabilities (excluding capital and reserves) and the moderation in the annual flow of net external assets suggest a portfolio reallocation in favour of non-monetary assets, dampening M3 dynamics. Notwithstanding these indications of a shift in wealth portfolios from money into riskier and longer-term assets, the apparently still relatively high degree of risk aversion on the part of money-holders, in particular concerning investment in foreign assets, seems to be preventing a more rapid normalisation of portfolio allocation behaviour.

Box 2

THE RESULTS OF THE APRIL 2005 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the bank lending survey for the euro area carried out by the Eurosystem in April 2005.[1] Overall, the survey showed a significant further relaxation of credit standards as applied to loans to enterprises and households in the first quarter of 2005. Thus, the results indicated a consolidation of past trends in the lending policies of banks located in the euro area. For the second quarter of 2005, reporting banks expected corporate credit standards to remain broadly unchanged, while they anticipated an easing of standards for loans to households.

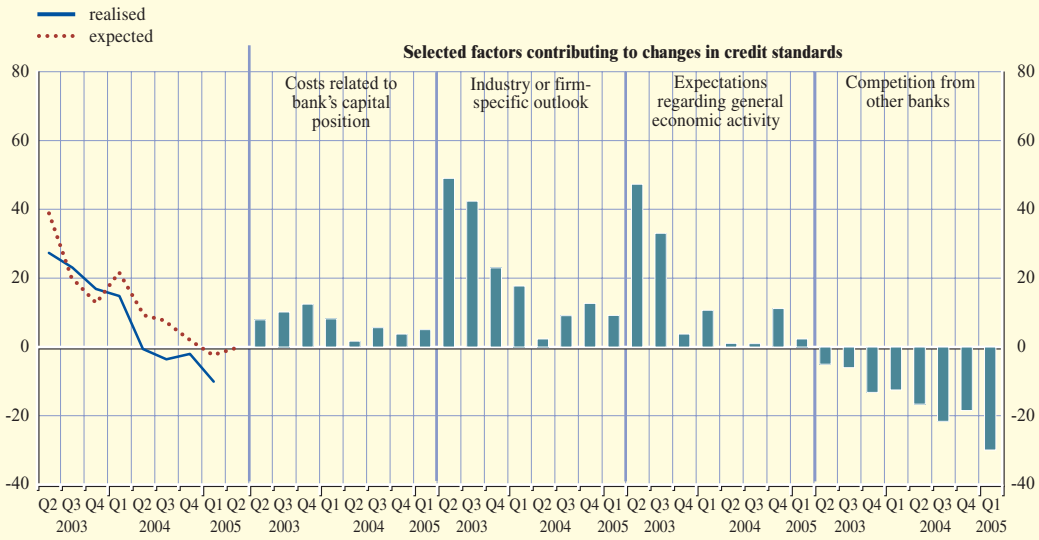
Loans or credit lines to enterprises

Credit standards: For the first quarter of 2005, banks reported a further net easing[2] of credit standards for loans or credit lines to enterprises. That net easing was significantly more

1 A comprehensive assessment of the results of the April 2005 bank lending survey for the euro area was released on 6 May 2005 and can be found on the ECB's website (www.ecb.int/stats/money/lend/html/index.en.html).
2 The term "net easing" reflects the fact that the proportion of banks reporting that credit standards have been eased is greater than the proportion of banks reporting that they have tightened.

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

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the second quarter of 2005 were reported by banks in the April 2005 survey.

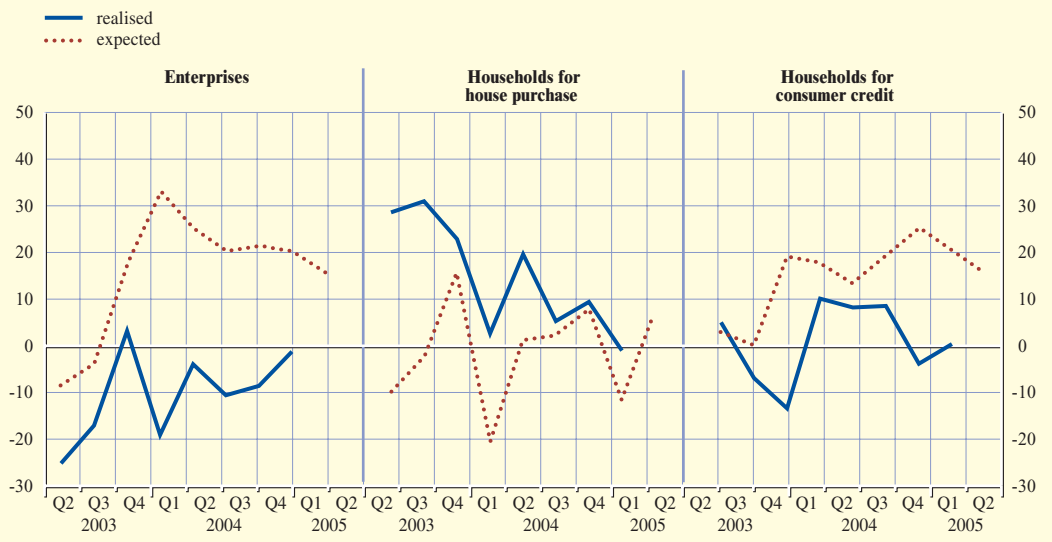
pronounced than had been reported in the previous quarter (-10%, compared with -2%). This was the fourth consecutive quarter that a net easing of credit standards had been recorded, thereby continuing the downward trend registered since the launch of the bank lending survey (see Chart A, first panel). Among the factors explaining changes in credit standards, competition from other banks contributed most to the looser credit standards (see Chart A, fifth panel). At the same time, risk perceptions regarding general economic activity – despite continuing to act as a countervailing factor – decreased to very low levels. As regards the terms and conditions of credit, the further easing of credit standards was effected mainly through a strong decline in margins on average loans and, for the first time since the launch of the survey, through reductions in non-interest rate charges. In terms of the borrower's size, banks reported a net easing of credit standards for small and medium-sized enterprises, as well as for large enterprises.

Loan demand: Net demand[3] for loans to enterprises improved slightly, but remained negative in the first quarter of 2005 (see Chart B, first panel). This development mainly reflected an increase in net demand for loans on the part of small and medium-sized enterprises, and this was the second consecutive quarter that banks had reported such an increase. The major factors contributing to the continued negative net demand were, according to reporting banks, the fact that fixed investment remained weak, the use of alternative sources of corporate financing (primarily internal finance related to improved profitability) and increased competition from other banks. However, banks reported an increase in firms' financing needs for inventories,

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

Chart B Changes in the demand for loans or credit lines to enterprises and households

(net percentages)



Notes: The net percentage refers to the difference between the sum of the percentages for "increased considerably" and "increased somewhat" and the sum of the percentages for "decreased somewhat" and "decreased considerably". "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the second quarter of 2005 were reported by banks in the April 2005 survey.

working capital and merger and acquisition activity as being an important factor behind the relative improvement in corporate loan demand in the first three months of 2005.

Expectations: Overall, for the second quarter of 2005, banks expected broadly unchanged corporate credit standards (see Chart A, first panel). At the same time, banks expected a substantial increase in net demand for corporate loans (see Chart B, first panel). This anticipated positive net demand was expected to be more pronounced for small and medium-sized enterprises than for large enterprises.

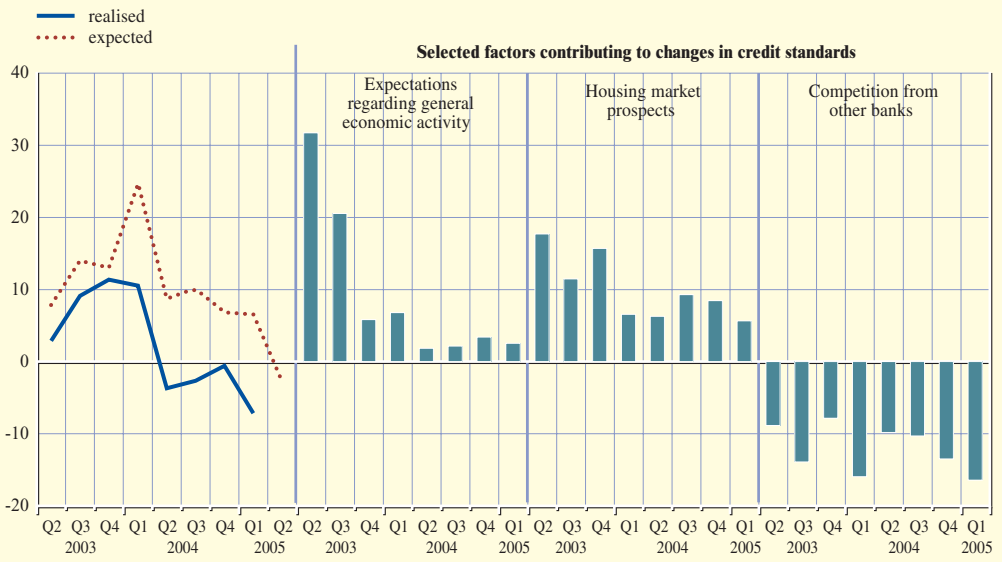
Loans to households for house purchase

Credit standards: Banks reported a slight net easing of credit standards applied to the approval of loans to households for house purchase in the first quarter of 2005 (see Chart C, first panel). This net easing partly reflected a further increase in competition from other banks (see Chart C, fourth panel), while the banks' perceptions of risks in terms of expectations regarding general economic activity and housing market prospects contributed somewhat less to a net tightening in the first quarter of 2005 than in previous quarters (see Chart C, second and third panels). As regards the terms and conditions of credit, banks reported that the net easing of credit standards applied to housing loans was achieved predominantly by a substantial narrowing of margins on average loans and, to a lesser extent, by a lengthening of the maturity of new loans.

Loan demand: Net demand for housing loans decreased in the first quarter of 2005 and, for the first time since the launch of the bank lending survey, became negative (see Chart B, second

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

(net percentages)



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the second quarter of 2005 were reported by banks in the April 2005 survey.

panel). The main factors behind this development were a fall in consumer confidence and an increase in non-housing-related consumption expenditure.

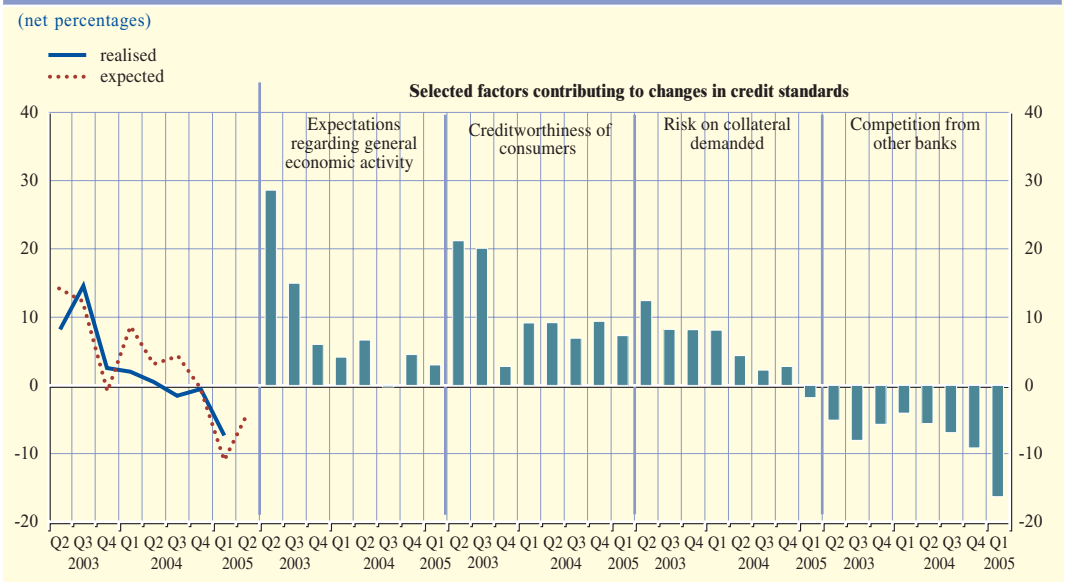
Expectations: For the second quarter of 2005, respondent banks predicted a slight net easing of credit standards for housing loans (see Chart C, first panel). This was the first time that banks expected a net easing of credit standards, as credit conditions tended to be looser than predicted. Banks also expected net demand for housing loans to recover and become positive again in the second quarter of 2005 (see Chart B, second panel).

Loans to households for consumer credit and other lending

Credit standards: For loans to households for consumption purposes, credit standards showed a further net easing in the first quarter of 2005 (see Chart D, first panel). A strong increase in competition from non-banks and other banks was the main factor contributing to this development (see Chart D, fifth panel). Significant perceived risks regarding the creditworthiness of consumers and concerns regarding general economic activity continued to act as countervailing factors, though to a lesser extent than in the previous quarter (see Chart D, second and third panels). Banks eased the terms and conditions of consumer credit mainly through lower margins on average loans.

Loan demand: According to responding banks, net demand for consumer credit and other lending to households remained broadly unchanged in the first quarter of 2005 (see Chart B, third panel). This may reflect opposing factors. On the one hand, net demand in the first three

Chart D Changes in credit standards applied to the approval of loans to households for consumer credit and other lending



Notes: The net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are defined as the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values are the net percentages calculated from the responses given by the banks in the previous survey. For instance, "expected" values for the second quarter of 2005 were reported by banks in the April 2005 survey.

months of 2005 was depressed in particular by a worsening of consumer confidence. On the other hand, however, banks reported that reduced household savings contributed to an overall net increase in demand for such loans in the first quarter of 2005.

Expectations: For the second quarter of 2005, banks expected a net easing of credit standards (see Chart D, first panel) and an increase in net demand for consumer credit (see Chart B, third panel).

2.2 SECURITIES ISSUANCE

In February there was an increase in the annual growth of debt securities issued by euro area residents, which was supported by robust issuance by the financial sector. At the same time, issuance of quoted shares by euro area residents remained subdued.

DEBT SECURITIES

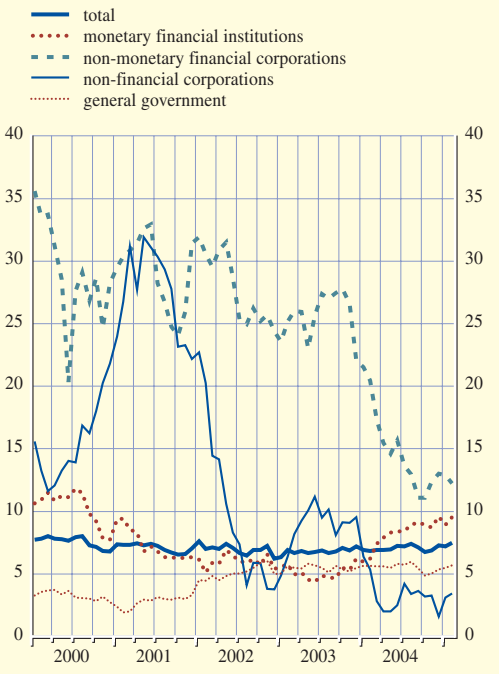
The annual growth of debt securities issued by euro area residents increased to 7.5% in February 2005, from 7.2% in the previous month (see Chart 5). The annual growth of short-term debt securities rose by 1.7 percentage points from the previous month, to 3.4% in February. At the same time, issuance of long-term debt securities, particularly at variable rates, continued to grow robustly (7.9% in February).

Turning to the sectoral breakdown, the annual growth of debt securities issued by MFIs continued to rise sharply (9.5% in February 2005; see Table 3), in line with the upward trend that has been observed since mid-2003. Within this sector, the highest growth rate was registered in long-term debt securities issued at a variable rate (20.1% in February). These developments most likely reflect the fact that banks took advantage of the favourable debt financing costs, especially at variable rates, to fund the continued strong growth of lending, mainly loans to households for house purchase and, more recently, also loans to non-financial corporations.

The annual growth of debt securities issued by non-financial corporations increased slightly to 3.4% in February 2005, thereby returning to the level of November 2004. From a longer-term perspective, non-financial corporate debt issuance remains relatively subdued in comparison with the very strong average growth rates experienced after the introduction of the euro. The low net recourse to debt securities most likely relates to the positive developments in corporate earnings that took place in 2004, which generally improved the availability of internal financing and, as a result, weakened firms' external financing needs. At the same time, the low growth of debt securities

Chart 5 Sectoral breakdown of debt securities issued by euro area residents

(annual growth rates)



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

Table 3 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2004 Q4	Annual growth rates [1] 2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Jan.	2005 Feb.
Debt securities:	**9,305**	**6.9**	**7.0**	**7.3**	**6.9**	**7.2**	**7.5**
MFIs	3,592	6.3	8.0	8.7	9.0	8.9	9.5
Non-monetary financial corporations	757	20.5	15.5	13.3	11.8	12.9	12.2
Non-financial corporations	593	5.9	2.2	3.6	3.0	3.1	3.4
General government	4,363	5.6	5.6	5.8	5.1	5.5	5.7
of which:							
Central government	4,114	4.8	5.0	5.2	4.6	5.0	5.3
Other general government	250	21.4	18.5	16.4	14.4	14.8	12.7
Quoted shares:	**4,035**	**1.2**	**1.1**	**0.9**	**1.1**	**1.1**	**1.1**
MFIs	644	1.9	2.3	1.7	2.0	2.9	2.5
Non-monetary financial corporations	406	3.1	1.6	1.7	1.5	0.8	0.9
Non-financial corporations	2,985	0.9	0.8	0.7	0.8	0.8	0.8

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

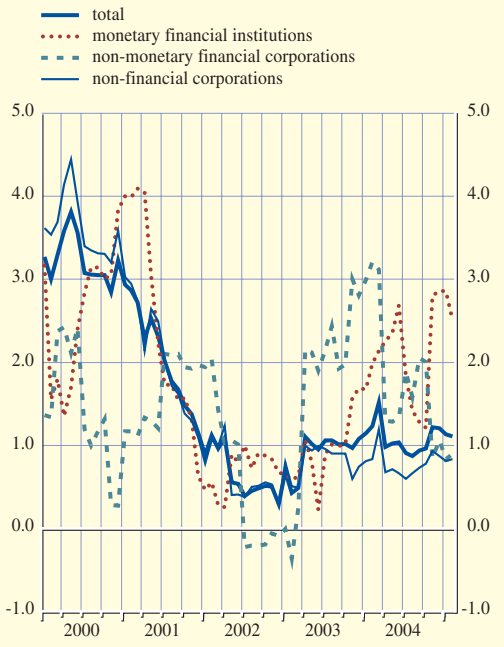
issuance seems to be lagging behind the recent increases in the growth of MFI loans to non-financial corporations, possibly signalling a more favourable lending attitude of MFIs, as also reflected in the bank lending survey of April (see Box 2).

MFIs and non-financial corporations can also raise external finance indirectly through the use of non-monetary financial corporations. As in previous months, the growth of this sector's issuance activity remained robust at 12.2% in February 2005, compared with an average of 15.1% in 2004.

Regarding the government sector, the annual growth of debt securities issued by the central government continued to increase slightly to 5.3% in February, thus exceeding the average annual growth rate in 2004 (4.9%). At the same time, the annual growth of debt securities issued by the other general government sectors, mainly local governments, remained strong, although it declined to 12.7% in February 2005.

Chart 6 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



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

QUOTED SHARES

Equity issuance remained subdued in February 2005. Hence, the annual growth of quoted shares issued by euro area residents was 1.1% in February, broadly unchanged from the previous month (see Chart 6 and Table 3). Broken down by sector, the annual growth of quoted shares issued by non-financial corporations remained particularly subdued at 0.8% in February 2005. At the same time, the annual growth of quoted shares issued by MFIs declined slightly, to 2.5% in February 2005, while the annual growth of quoted shares issued by non-monetary financial corporations (including insurance companies) remained unchanged at 0.9% in February. The low net issuance of quoted shares reflected the limited need for external financing sources and the very low cost of external debt financing.

2.3 MONEY MARKET INTEREST RATES

In April 2005 short-term money market interest rates remained broadly stable, while longer-term interest rates gradually decreased. As a result, the money market yield curve flattened in the course of that month.

In April 2005 money market interest rates at the short end of the yield curve remained broadly stable. Over the same period the twelve-month EURIBOR declined somewhat from the level observed in March. As a result, the slope of the money market yield curve flattened in the course of the month. At 9 basis points on 3 May, the difference between the twelve-month and the

one-month EURIBOR rates stood 16 basis points lower than at the end of March (see Chart 7).

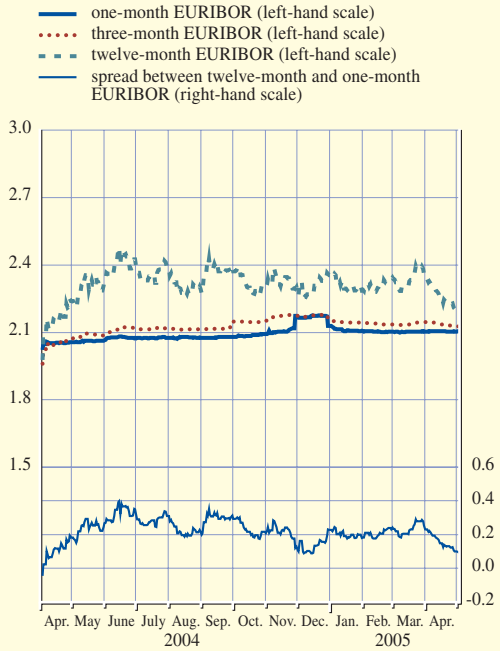
Between the end of March and 3 May, the rates implied by futures prices on three-month EURIBOR futures contracts maturing in June, September and December 2005 declined by up to 32 basis points, reaching 2.11%, 2.11% and 2.17% respectively.

Money market interest rates at the shortest maturities were broadly stable in April 2005 at levels close to the minimum bid rate in the Eurosystem's main refinancing operations (MROs). The marginal and weighted average rates in the Eurosystem's MROs were around 2.05% during that month. The euro overnight index average (EONIA) remained stable at around 2.07% for most of the month. However, on the last day of the reserve maintenance period ending on 12 April the EONIA increased to 2.18% on account of a net recourse to the marginal lending facility of €0.9 billion. The EONIA also increased slightly, to 2.09%, on 29 April on account of the end-of-month effect. On 3 May the EONIA returned to the level observed before the end of the month, i.e. 2.07% (see Chart 8).

In the Eurosystem's longer-term refinancing operation settled on 28 April 2005, the marginal and weighted average interest rates stood at 2.08% and 2.09% respectively, 1 basis point lower than the corresponding rates in the previous tender (i.e. on 31 March 2005). Compared with the three-month EURIBOR prevailing on 28 April, these rates were lower by 5 and 4 basis points respectively.

Chart 7 Short-term money market interest rates

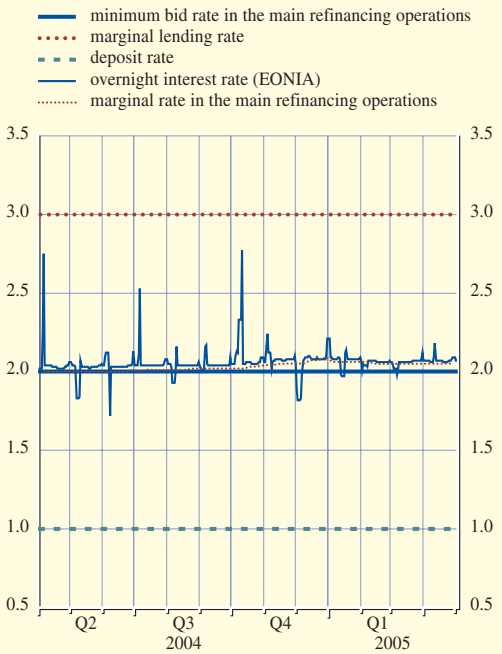
(percentages per annum; percentage points; daily data)



Source: Reuters.

Chart 8 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

2.4 BOND MARKETS

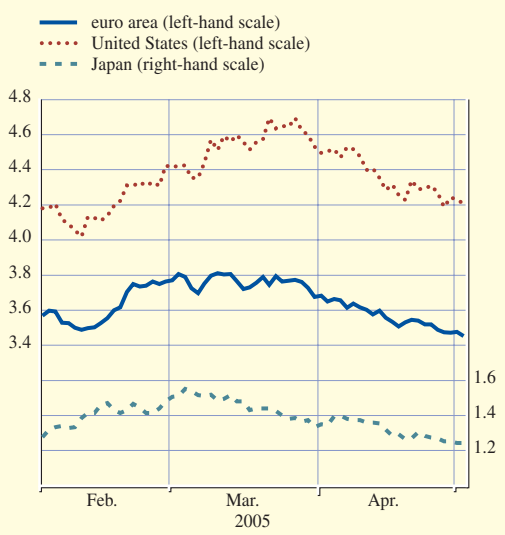
Long-term government bond yields in the major markets declined in April, probably reflecting a less favourable perception of the growth outlook by market participants. In this environment, however, market participants' inflation expectations did not change substantially, as is suggested by only small movements in break-even inflation rates.

Developments in long-term interest rates were broadly similar across the major global markets in April. Ten-year government bond yields in the euro area and in the United States declined by about 20 and 30 basis points respectively between the end of March and 3 May (see Chart 9). As a result, the differential between US and euro area ten-year government bond yields narrowed somewhat and stood at around 75 basis points on 3 May. Ten-year government bond yields in Japan also declined, by about 10 basis points, over the same period. The general downturn in long-term bond yields seemed mainly to reflect heightened concern among market participants about the outlook for global growth following the latest data releases on economic activity in the countries concerned. In addition, safe-haven portfolio shifts by investors – from stocks to bonds – may also have contributed to lower bond yields. This notwithstanding, market participants' uncertainty about near-term bond market developments, as indicated by implied bond market volatility, remained relatively low in the major economies (see Chart 10).

In the United States government bond yields declined over the entire maturity spectrum in the period under review. For shorter-maturity bonds in particular, the decline partly reflected market reactions to the release of the minutes of the meeting of the Federal Open Market Committee in March 2005, which seemed to induce investors to revise their expectations regarding the path of monetary policy tightening in the United States somewhat downwards. For longer maturities, the decline in bond yields appeared more related to data releases on economic activity, in particular the latest figures on employment and retail sales, which were perceived as less favourable than expected by market participants. The resulting more subdued outlook for future economic activity in the eyes of investors was reflected in lower yields on US ten-year index-linked bonds. At the same time, market participants' inflation expectations for the US economy – as reflected, among other things, in ten-year break-even inflation rates – may have declined marginally in April (see Box 3 entitled "Change in the index-linked bond used for the calculation of long-term break-even inflation rates"), and thus proved to be resilient to the slightly higher then expected US outcome for CPI inflation in March.

Chart 9 Long-term government bond yields

(percentages per annum; daily data)

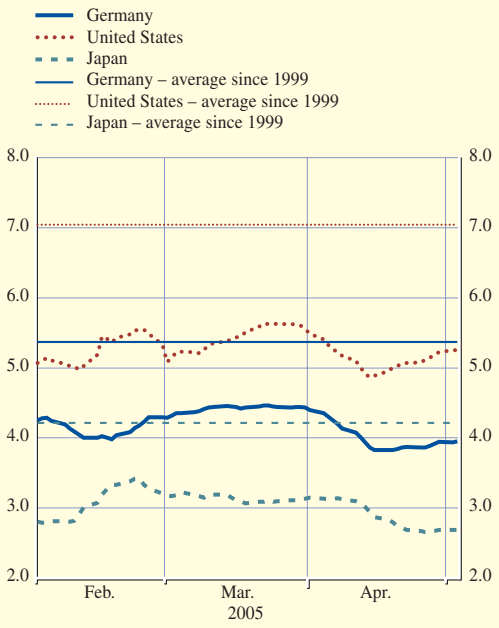


Sources: Bloomberg and Reuters.
Note: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity.

In the euro area long-term government bond yields declined to levels in April that were very low by historical standards. The recent downturn in long-term interest rates in the euro area was mainly related to market participants' downward revisions regarding the growth

Chart 10 Implied bond market volatility

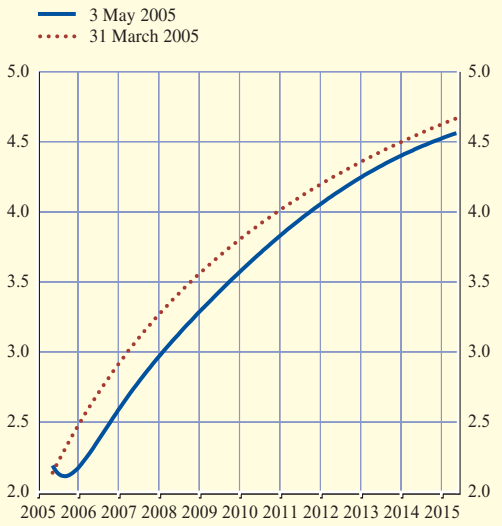
(percentages per annum; ten-day moving average of daily data)



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.

Chart 11 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 in the January 1999 issue of the Monthly Bulletin. The data used in the estimate are derived from swap contracts.

prospects for the euro area economy. In addition, portfolio shifts from the stock markets to the government bond markets may have put additional downward pressure on euro area bond yields over the entire maturity spectrum. Investors seemed to have become particularly concerned about the short to medium-term growth outlook. Reflecting this, the real yield on the Italian index-linked government bond (linked to the euro area HICP excluding tobacco) maturing in 2008 declined by around 20 basis points, whereas the real yield on the comparable French index-linked government bond maturing in 2015 declined less markedly, namely by around 10 basis points, between the end of March and 3 May. The implied forward overnight interest rate curve for euro area short to medium-term bond maturities shifted downwards most strongly in April (see Chart 11).

Market participants' concerns about inflationary pressures in the euro area seem to have eased somewhat in April, as suggested by a decline – of about 10 basis points – in the ten-year break-even inflation rate, as derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, which stood at about 2.1% on 3 May.

Box 3

CHANGE IN THE INDEX-LINKED BOND USED FOR THE CALCULATION OF LONG-TERM BREAK-EVEN INFLATION RATES

Long-term break-even inflation rates – which are calculated as the yield differential between a conventional nominal bond and an index-linked bond issued by the same entity and with a comparable maturity – are very useful indicators of market participants' average inflation expectations over the residual maturities of those bonds.[1] Since the February 2002 issue of the ECB's Monthly Bulletin, the benchmark ("ten-year") break-even inflation rates for the euro area have been derived from the 2012-maturity inflation-linked bond issued by the French government in November 2001. However, this bond now has a residual maturity of only around 7½ years. The issuance of a 2015-maturity inflation-linked bond (also indexed to the euro area HICP excluding tobacco) by the French government in November 2004 makes it possible to change the underlying bonds used to calculate the benchmark break-even inflation rate so that it reflects market participants' inflation expectations over a period that is again as close as possible to ten years.

This box considers the consequences of the change in the bonds used for the calculation of the benchmark break-even inflation rates in the euro area reported regularly in the Monthly Bulletin. For the sake of consistency, a similar change has been implemented for the calculation of the reported break-even inflation rates in the United States.

As can be seen in Chart A, the change from the 2012-maturity bond to the 2015-maturity bond has thus far led to an only small difference in the reported long-term break-even inflation rates.[2]

1 For further details, see the article entitled "Extracting information from financial asset prices" in the November 2004 issue of the Monthly Bulletin.

2 The break-even inflation rates derived from the 2012 and 2015-maturity inflation-linked bonds are determined on the basis of a comparison with equivalent French nominal bonds. To avoid distortions arising from maturity mismatches, nominal bonds are selected to match the maturity of the inflation-linked bonds to the extent possible. For the inflation-linked bonds maturing in 2012 and 2015, nominal bonds with maturities three months shorter were selected. As a result, break-even inflation rates derived from the 2015-maturity bond were not available until February 2005, as the underlying nominal bond was issued in February 2005.

Chart A Break-even inflation rates in the euro area

(percentages per annum; daily data)

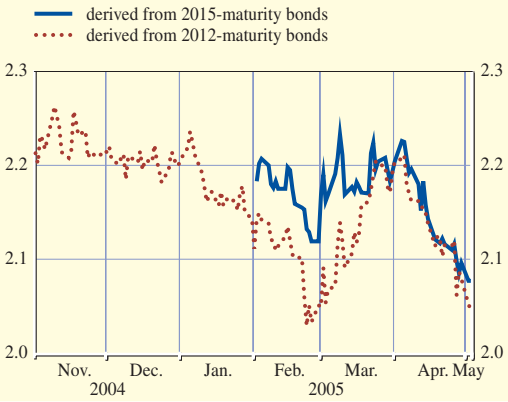
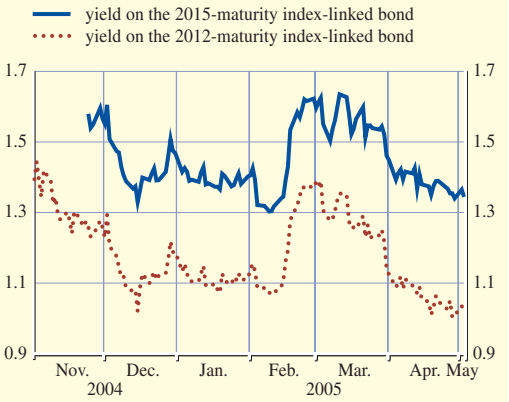


Chart B Yield on index-linked bonds in the euro area

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart C Break-even inflation rates in the United States

(percentages per annum; daily data)

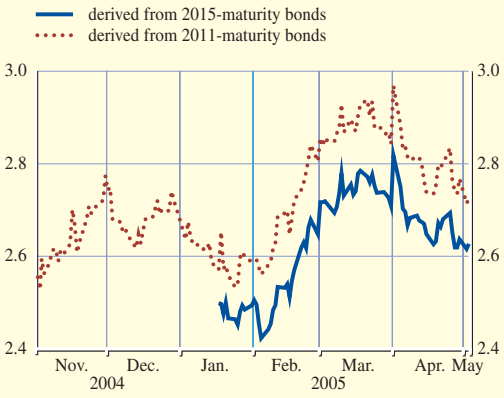
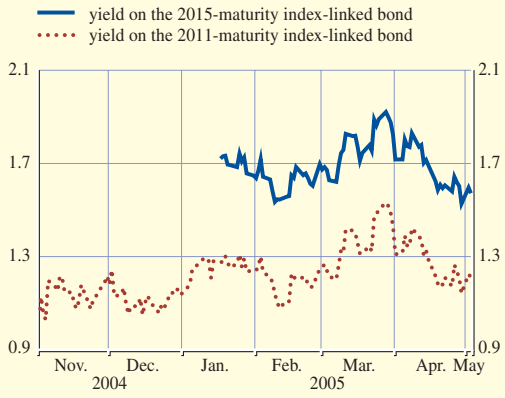


Chart D Yield on index-linked bonds in the United States

(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

On 3 May the break-even inflation rates derived from the 2015 and 2012-maturity bonds both stood at around 2.1%. However, Chart A also shows that the break-even inflation rates derived from the 2015-maturity bond were a few basis points higher than those derived from the 2012-maturity bond between early February and mid-March. These minor differences could, market factors aside, reflect slightly higher term premia, which increase with maturity, as well as time-varying inflation uncertainty and the related inflation risk premia embodied in the different bonds used. For instance, oil price hikes over that period may have contributed to temporarily higher inflation uncertainty at short-term to medium-term horizons than at longer ones.

By contrast, looking at long-term index-linked bond yields – a measure of long-term real interest rates in the euro area – the yield on the 2015-maturity bond on 3 May was around 30 basis points higher than that on the 2012-maturity bond (see Chart B). This reflects the fact that the yield curve for real interest rates is currently sloping upward.

A similar change in the bonds underlying the calculation of the break-even inflation rate was made for the United States, in order to ensure comparability with the euro area figures. Reported yields for inflation-indexed bonds and the corresponding break-even inflation rates in the United States are now based on a recently issued 2015-maturity inflation-indexed US Treasury bond, rather than on the 2011-maturity inflation-indexed bond used previously. On 3 May the break-even inflation rate derived from the 2015-maturity bonds stood around 10 basis points lower than that derived from the 2011-maturity bonds (see Chart C). This may reflect that market participants' inflationary concerns are at present stronger in the short and medium term than over longer horizons. The reported real ten-year yield on the 2015-maturity index-linked bond on 3 May was around 40 basis points higher than that on the corresponding 2011-maturity bond (see Chart D).

2.5 INTEREST RATES ON LOANS AND DEPOSITS

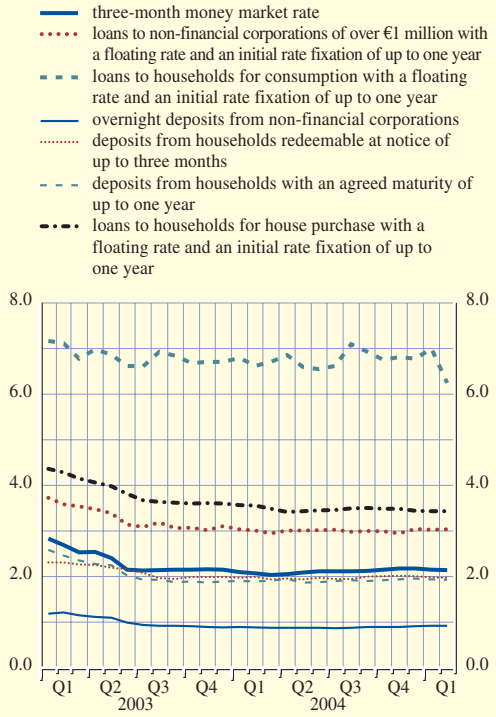
In February 2005 most short-term MFI interest rates remained broadly unchanged. At the same time, long-term MFI interest rates on new loans to non-financial corporations and households declined somewhat.

Most short-term MFI interest rates on new deposits and loans remained unchanged in February 2005 (see Chart 12 and Table 4). The only notable exception was a decline of 75 basis points in the short-term rate on loans to households for consumption, which was due mainly to a sharp decrease in this rate in a single country.

Viewed from a longer time perspective, most short-term MFI interest rates have remained broadly unchanged since July 2003, mirroring developments of comparable money market rates. Between June 2004 and January 2005, for instance, the short-term rates on both loans to non-financial corporations and loans to households for house purchase generally remained unchanged. Over the

Chart 12 Short-term MFI interest rates and a short-term market rate

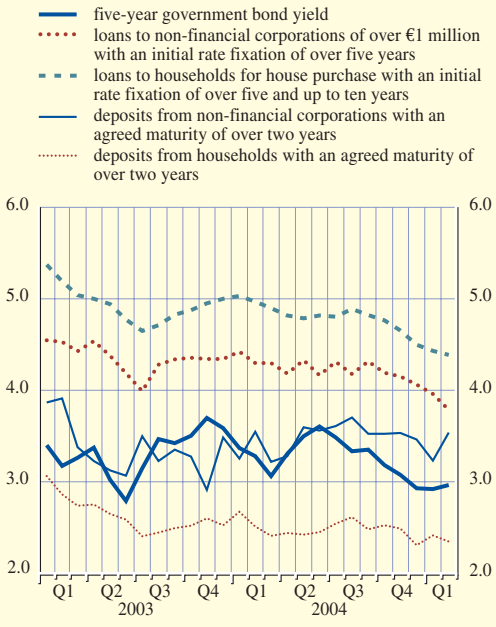
(percentages per annum; rates on new business; weight-adjusted[1])



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

Chart 13 Long-term MFI interest rates and a long-term market rate

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



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

Table 4 MFI interest rates on new business

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

	2004 Sep.	2004 Oct.	2004 Nov.	2004 Dec.	2005 Jan.	2005 Feb.	Change in basis points up to Feb. 2005: 2003 Jan.	2004 Nov.	2005 Jan.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.90	1.92	1.94	1.95	1.94	1.92	-66	-1	-1
with an agreed maturity of over two years	2.48	2.53	2.49	2.31	2.41	2.35	-71	-14	-7
redeemable at notice of up to three months	2.00	2.00	2.02	2.01	1.98	1.97	-33	-4	-1
redeemable at notice of over three months	2.52	2.52	2.51	2.52	2.49	2.49	-79	-2	0
Overnight deposits from non-financial corporations	0.89	0.89	0.89	0.91	0.92	0.92	-26	2	0
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.00	2.04	2.04	2.08	2.04	2.04	-68	0	0
with an agreed maturity of over two years	3.52	3.53	3.53	3.46	3.23	3.54	-33	1	31
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.93	6.75	6.81	6.78	7.00	6.25	-92	-56	-75
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.50	3.49	3.48	3.44	3.43	3.43	-93	-5	0
with an initial rate fixation of over five and up to ten years	4.82	4.76	4.65	4.50	4.43	4.38	-99	-27	-5
Bank overdrafts to non-financial corporations	5.38	5.40	5.37	5.27	5.36	5.30	-77	-6	-6
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.99	4.01	4.01	3.98	3.98	3.94	-93	-7	-4
with an initial rate fixation of over five years	4.70	4.65	4.55	4.44	4.46	4.36	-79	-19	-9
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	3.00	2.98	2.95	3.04	3.02	3.03	-70	8	0
with an initial rate fixation of over five years	4.32	4.19	4.15	4.06	3.96	3.79	-76	-36	-17
Memo items									
Three-month money market interest rate	2.12	2.15	2.17	2.17	2.15	2.14	-69	-3	-1
Two-year government bond yield	2.60	2.47	2.41	2.36	2.39	2.45	-18	4	6
Five-year government bond yield	3.35	3.18	3.08	2.93	2.92	2.97	-44	-11	4

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.

same period, the rates on deposits with an agreed maturity of up to one year from both households and non-financial corporations increased only slightly (by around 5 basis points).

Most long-term MFI interest rates on new business at longer maturities declined somewhat in February (see Chart 13 and Table 4). The only significant exception was the rate on long-term deposits (with an agreed maturity of over two years) from non-financial corporations which increased by about 30 basis points in that month, thereby offsetting a similar overall decline of this rate in the previous two months.

In a longer-term perspective from June 2004, most long-term MFI interest rates have declined in line with developments in market interest rates for comparable maturities (the yield on five-year government bonds, for instance, has declined by around 65 basis points since then). Over the same

period, MFI interest rates on long-term loans to non-financial corporations (with initial rate of fixation of over five years) and those on long-term loans to households for house purchase (with initial rate fixation of over five and up to ten years) declined by about 35 and 45 basis points respectively. At the same time, interest rates on deposits with an agreed maturity of over two years from households declined only slightly (by around 10 basis points) over the same period, while the rate for corresponding deposits from non-financial corporations generally remained unchanged.

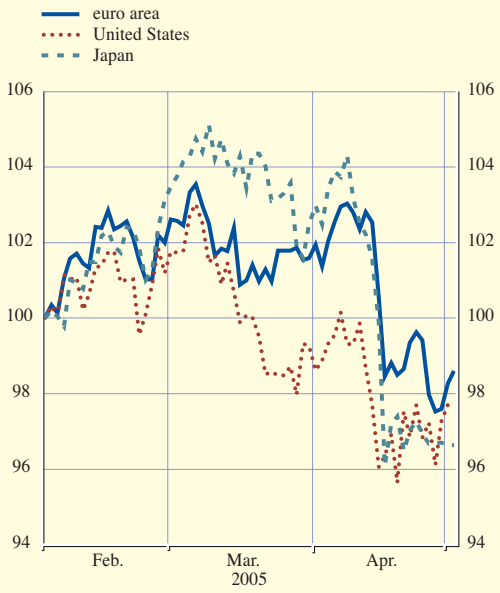
2.6 EQUITY MARKETS

Overall, global stock market prices fell markedly throughout April. Increasing concerns among investors about the economic growth prospects for the major economies contributed both to the decline in stock prices and to the rise in global stock market uncertainty.

Equity prices in the major economies declined in April, thereby continuing the downward movement that had started in the preceding month (see Chart 14). Overall, stock prices in the euro area and the United States, as measured by the Dow Jones EURO STOXX index and the Standard

Chart 14 Stock price indices

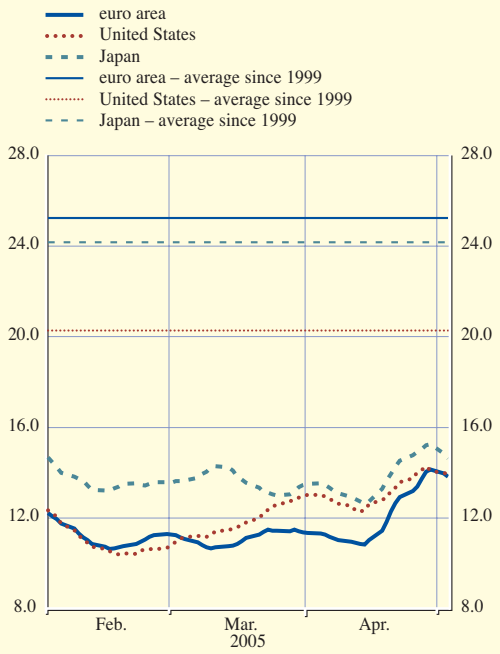
(index: 1 February 2005 = 100; daily data)



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

Chart 15 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 Poor's 500 index respectively, declined by about 3% and 2% between the end of March and 3 May. In Japan, the Nikkei 225 index also fell, by close to 6%, over the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, increased in the major markets, but still remained well below the average over the period since 1999 (see Chart 15).

Several factors influenced stock prices in the United States in April. The release of lower than expected employment and retail sales data fuelled some concerns about the strength of future US economic growth. In addition, higher equity risk premia demanded by investors seemed also to have weighed on US stock prices. This interpretation was also in line with an increase in perceived uncertainty, as reflected in the implied volatility extracted from stock options. However, continued relatively strong reported earnings growth and lower long-term bond yields – acting as a discount factor for expected future cash flows – probably helped limit the fall in US stock prices.

The decline in euro area stock prices in April also reflected concerns among market participants about the growth prospects. These concerns were mainly triggered by several data releases that pointed towards decreasing near-term growth dynamics in the euro area economy. At the same time, however, continued strong profitability among euro area corporations, together with lower bond yields, probably worked in the opposite direction.

At the sectoral level, the health care sector outperformed the broad-based Dow Jones EURO STOXX index. At the same time, the stock prices of corporations in the consumer goods and services sectors performed worse than the overall index, possibly reflecting concern among investors that final demand in these sectors may be less strong then previously anticipated.

3 PRICES AND COSTS

Euro area HICP inflation was unchanged in March 2005, at 2.1%. On the one hand, the contribution from energy and unprocessed food prices increased, owing to rising oil prices and cold weather in some euro area countries. On the other hand, a base effect related to the introduction of tobacco taxes in some countries in March 2004 had a downward impact. According to Eurostat's flash estimate, annual HICP inflation was also 2.1% in April 2005. The annual growth rate of producer prices remained unchanged in March, at 4.2%. While there are signs of some pass-through of higher energy costs to producer prices of capital and intermediate goods, there is no evidence thus far of a significant transmission to prices for consumer goods. As regards labour costs, recently released indicators are consistent with an overall picture of moderate wage developments. Oil prices remain crucial for the short-term outlook for euro area HICP inflation. In general, there is no significant evidence of underlying inflationary pressures building up in the euro area; with some delay, inflation should fall below 2% again. However, upside risks to price stability remain in the medium to long term.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR APRIL 2005

According to Eurostat's flash estimate, HICP inflation was 2.1% in April 2005. Although a detailed breakdown showing the different components is not yet available, energy prices are likely to have exerted further upward pressure. Uncertainty surrounding this estimate remains significant given the preliminary nature of the data.

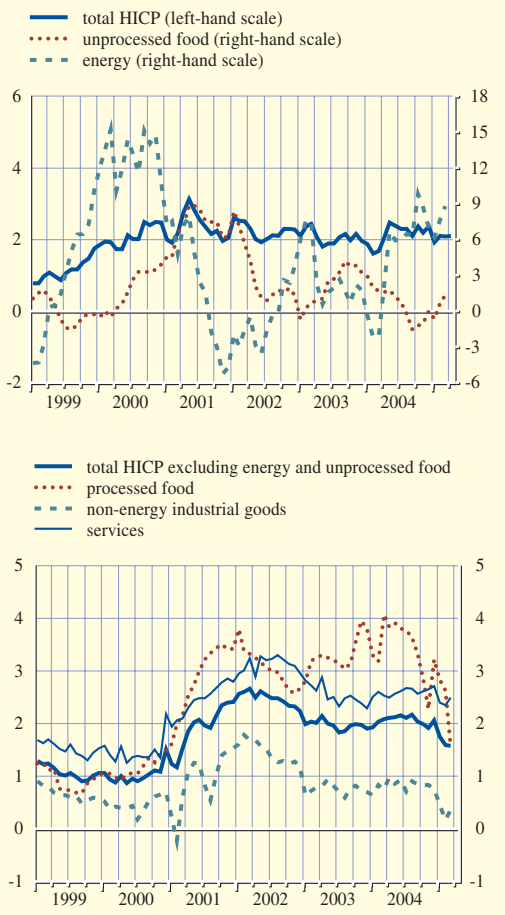
HICP INFLATION IN MARCH 2005

Annual HICP inflation remained at 2.1% in March, unchanged from February. Inflationary pressures from energy and unprocessed food prices were stronger than in February. The annual growth rate of the energy component rose to 8.8% in March from 7.7% in February, reflecting the recent increases in oil prices (see Chart 16). Unprocessed food prices also grew faster, probably affected by cold weather in some countries (e.g. France) which resulted in strong price increases for fruit and vegetables.

However, the higher contribution from volatile items was offset by a base effect related to an increase in tobacco taxes in some countries in March 2004. This base effect significantly reduced the contribution from processed food prices and also explains why, despite some increase in the annual growth rates for non-energy industrial goods and services prices (see Table 5), the annual rate of increase in the HICP excluding energy and unprocessed food was unchanged at 1.6% (see Chart 16).

Chart 16 Breakdown of HICP inflation: main sub-components

(annual percentage changes; monthly data)



Source: Eurostat.

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

	2003	2004	2004 Nov.	2004 Dec.	2005 Jan.	2005 Feb.	2005 Mar.	2005 Apr.
HICP and its components								
Overall index [1]	2.1	2.1	2.2	2.4	1.9	2.1	2.1	*2.1*
Energy	3.0	4.5	8.7	6.9	6.2	7.7	8.8	.
Unprocessed food	2.1	0.6	-1.0	0.0	-0.6	0.7	1.3	.
Processed food	3.3	3.4	2.3	3.2	2.8	2.6	1.6	.
Non-energy industrial goods	0.8	0.8	0.8	0.8	0.5	0.2	0.4	.
Services	2.5	2.6	2.7	2.7	2.4	2.4	2.5	.
Other price indicators								
Industrial producer prices	1.4	2.3	3.7	3.5	3.9	4.2	4.2	.
Oil prices (EUR per barrel)	25.1	30.5	34.5	30.0	33.6	35.2	40.4	41.4
Non-energy commodity prices	-4.5	10.8	0.4	-0.2	3.1	3.1	-0.4	-1.9

Sources: Eurostat, Thomson Financial Datastream and HWWA.
1) HICP inflation in April 2005 refers to Eurostat's flash estimate.

Recent data available for 2004 show that residential property price increases remained strong in the euro area as a whole (see Box 4).

Box 4

RECENT TRENDS IN RESIDENTIAL PROPERTY PRICES IN THE EURO AREA

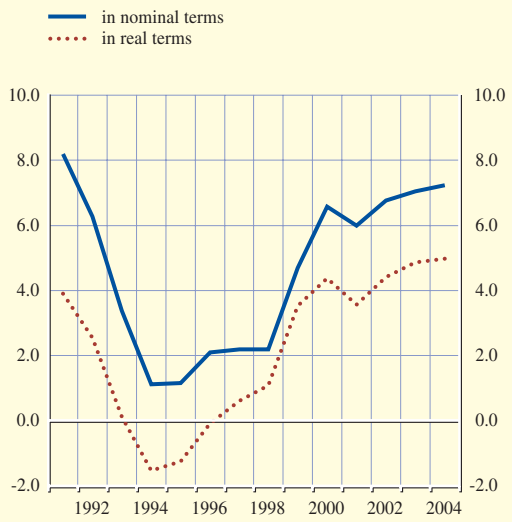
Developments in residential property prices are an important factor in the assessment underlying monetary policy decisions aimed at maintaining price stability over the medium term.[1] For example, changes in residential property prices may have effects on households' consumption behaviour, notably through wealth effects, and on residential investment. They may also affect credit developments. While residential property prices are not included in the HICP, they can have an indirect impact on some of its constituents, particularly the rent sub-component. This box reviews recent residential property price developments in the euro area and across euro area countries.

Data available for 2004 show that residential property price increases remained strong in the euro area as a whole, being close to their highest point since the early 1990s. Residential property prices are estimated to have increased by 7.2% in the euro area in 2004, after a 7.0% rise in 2003 (see Chart A). This is the fifth consecutive year of increases in the region of 6-7%. Between 1999 and 2004, residential property prices grew by 3-5 percentage points above the HICP inflation rate. This followed a period of relatively modest price increases (of less than 3%) between 1993 and 1998. [2]

1 See for example the article entitled "Asset price bubbles and monetary policy" in the April 2005 issue of the Monthly Bulletin.
2 It should be noted that due to the heterogeneity of underlying national data, euro area aggregate figures compiled by the ECB provide only a broad indication of residential property price developments. 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.

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

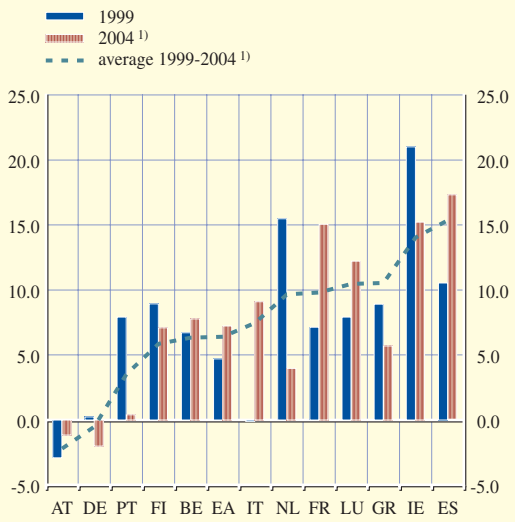
(annual percentage changes; annual data)



Source: ECB calculations on the basis of non-harmonised national data.
Note: Residential property prices in real terms are obtained using the HICP as a deflator.

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 the euro area.
1) For Austria and Luxembourg, annual data are available up to 2002. For Belgium, Greece and Ireland, annual data are available up to 2003.

Aggregate euro area residential property price developments mask substantial disparities across the euro area countries, as shown in Chart B. On average between 1999 and 2004, Spain, Ireland, Greece, Luxembourg, France and the Netherlands experienced residential property price increases substantially above the euro area aggregate, while in Germany and Austria residential property prices declined.

Regarding more recent developments, according to available annual data for 2004 residential property price increases slowed in the Netherlands and Portugal, dropping below their average growth rate over the period 1999-2004. Residential property price increases remained strong in France and Spain, registering a further acceleration in the former. In Germany, by contrast, a third consecutive annual drop was recorded.

Quarterly data available up to the second quarter of 2004 for Belgium point to broadly unchanged rates of property price increase compared with 2003, while quarterly data available up to the third quarter for Ireland suggest some deceleration compared with the previous year.[3] For Greece, quarterly data available up to the third quarter of 2004 show a significant deceleration compared with the previous year.

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

3 In Ireland, according to data collected by the private sector (the permanent tsb House Price Index, available up to the first quarter of 2005), residential property price increases may have decelerated even further after the third quarter of 2004.

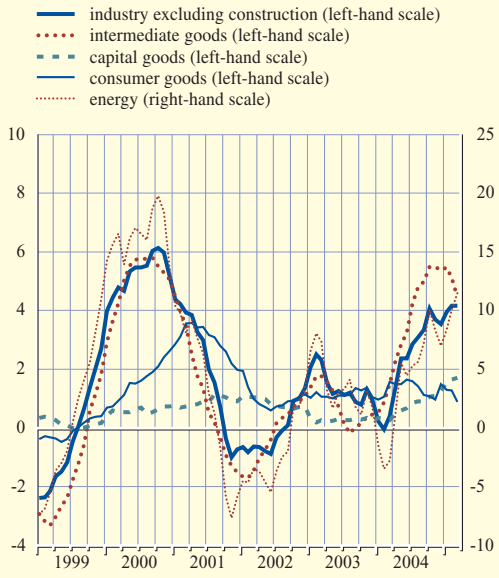
3.2 PRODUCER PRICES

The annual growth rate of overall producer prices (excluding construction) was unchanged at 4.2% in March 2005 (see Chart 17). The stability of the annual growth rate concealed a further rise in the annual increase in the energy component, driven by oil price developments, while the annual rate of growth of producer prices excluding construction and energy fell. Overall, while there are signs of some pass-through of higher energy costs to producer prices for capital and intermediate goods, there is no evidence thus far of a significant transmission to producer prices for consumer goods.

As regards the various components of producer prices, the annual growth rate of energy producer prices increased further in March, to 11.5% from 10.0% in February, primarily reflecting the impact of buoyant oil prices in recent months. The annual increase in intermediate goods prices declined for the second consecutive month in March, although it remained relatively high, probably reflecting the dynamics of some raw material prices in recent months. The most recent developments might nonetheless suggest some reversal towards lower rates of growth in the future. The annual rate of change of consumer goods producer prices declined in March, confirming the subdued rate of increase seen in the last two years. This suggests that the influence of rising energy costs on consumer goods producer price inflation has been very limited thus far. Finally, the annual increase in capital goods producer prices rose slightly in March, to 1.7%, thus continuing the gradual upward trend visible since early 2004.

Chart 17 Breakdown of industrial producer prices

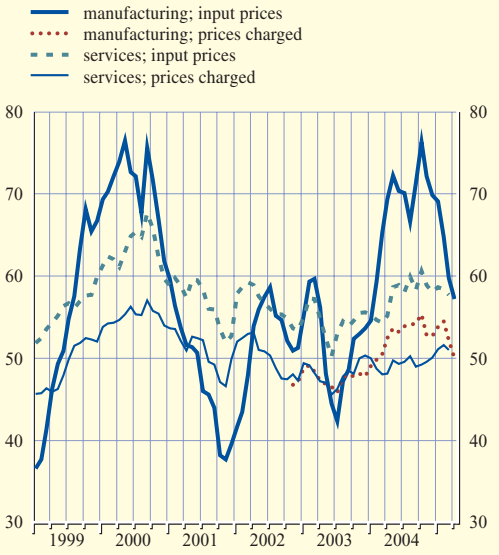
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 18 Producer input and output price surveys

(diffusion indices; monthly data)



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

Regarding survey data, the Eurozone Input Price Index from the Purchasing Managers' Survey for April 2005 showed a continued moderation in the dynamics of cost pressures in the manufacturing sector despite rising energy prices (see Chart 18), although the input price index remained above 50, still signalling rising input prices. The index for prices charged in the manufacturing sector also declined and, for the first time in over a year, reached a level signalling no change in output prices. This suggests that, probably due to strong international competition and moderate growth in the euro area, manufacturing firms have been thus far unable to fully pass rising input prices on to prices charged. At the cut-off date, data for the services sector were available only up to March. In that month, the indices for both input prices and prices charged declined but remained above 50, signalling a continued rise.

3.3 LABOUR COST INDICATORS

Turning to labour cost developments, all indicators of labour cost growth declined on average in 2004 compared with 2003, supporting the overall picture of moderate wage growth in the euro area (see Table 6 and Chart 19).

The annual rate of change in euro area compensation per employee rose in the fourth quarter, to 2.0% from 1.8% in the third. This slight increase was largely a statistical effect related to a reversal of the large fall recorded in Italy in the third quarter, owing to the timing of public sector payments. Taking a somewhat longer perspective, while the euro area annual growth rate of compensation per employee was revised upwards to 2.5% (previously 2.2%) for the first half of 2004 and to 1.8% for the third quarter (previously 1.5%), the figures still point to moderation in wage growth over recent quarters.

Data available at the sectoral level, which have also been subject to significant statistical revisions, suggest that the annual growth in compensation per employee rebounded slightly in both the industrial and the services sector in the fourth quarter, while it declined in the construction sector (see Chart 20). In the course of 2004, the annual increase in compensation per employee declined substantially in the construction and especially the industrial sector, while it fluctuated without a clear direction in the services sector.

As regards other labour cost indicators, negotiated wages grew by 2.2% year on year in the final quarter of 2004, which was 0.2 percentage point higher than in the third quarter. For 2004 as a whole, the average increase in negotiated wages was 2.2%, slightly lower than in 2003. Annual

Table 6 Labour cost indicators

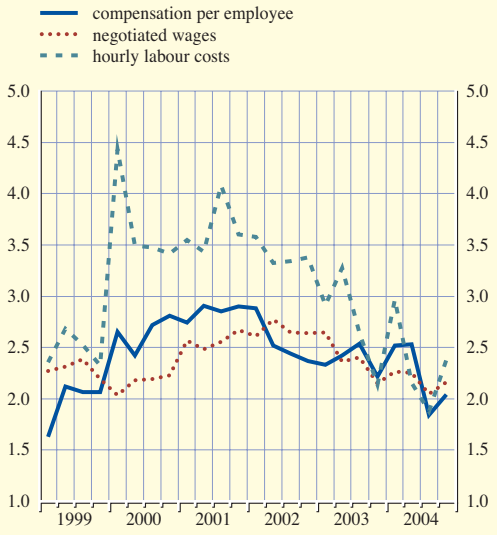
(annual percentage changes, unless otherwise indicated)

	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
Negotiated wages	2.4	2.2	2.2	2.3	2.3	2.0	2.2
Total hourly labour costs	2.7	2.3	2.1	3.0	2.2	1.9	2.4
Compensation per employee	2.4	2.2	2.2	2.5	2.5	1.8	2.0
Memo items:							
Labour productivity	0.4	1.3	0.6	1.3	1.7	1.3	0.9
Unit labour costs	2.0	0.9	1.6	1.2	0.8	0.5	1.1

Sources: Eurostat, national data and ECB calculations.

Chart 19 Selected labour cost indicators

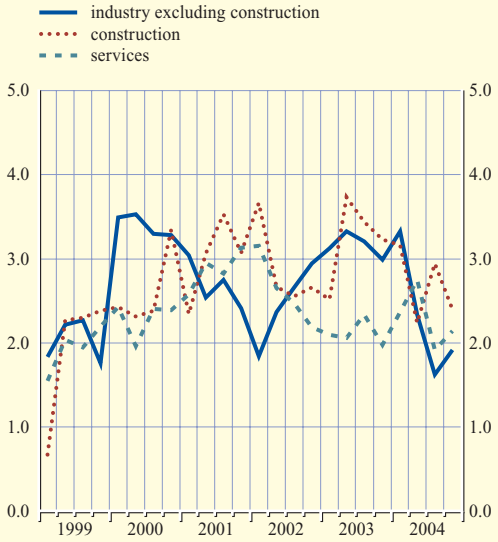
(annual percentage changes)



Sources: Eurostat, national data and ECB calculations.

Chart 20 Sectoral compensation per employee

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

growth in hourly labour costs was 2.4% in the fourth quarter of 2004, up from the previous quarter but still below the 2003 average of 2.7%. Reflecting the cyclical slowdown in labour productivity, annual growth in unit labour costs increased to 1.1% in the fourth quarter, from 0.5% in the third. Nonetheless, the annual increase in unit labour costs in 2004 was, at 0.9%, relatively moderate by historical standards and significantly lower than the increase recorded in the previous year (2.0%).

3.4 THE OUTLOOK FOR INFLATION

Unless affected again by sharp movements in oil prices or other volatile factors, annual HICP inflation is expected to remain at around current levels in the coming months. Wage increases have remained contained over recent quarters and, in the context of moderate economic growth and high unemployment, this trend should continue for the time being. Overall, there is no significant evidence of underlying inflationary pressures building up in the euro area; with some delay, inflation should fall below 2% again. However, there remain upside risks to price stability, relating mainly to oil price developments and their potential to lead to second-round effects stemming from wage and price-setting behaviour. In this respect, it will be important to monitor the development of long-term inflation expectations in the euro area (see Box 5).

Box 5

PRIVATE SECTOR EXPECTATIONS FOR THE EURO AREA: RESULTS OF THE SURVEY OF PROFESSIONAL FORECASTERS FOR THE SECOND QUARTER OF 2005

This box reports the results of the 27th Survey of Professional Forecasters (SPF), conducted by the ECB between 18 and 22 April 2005. The SPF gathers expectations for euro area inflation, economic activity and unemployment from experts affiliated to financial or non-financial institutions based in the EU. It is important to bear in mind that, given the diversity of the panel of participants, aggregate SPF results can reflect a relatively heterogeneous set of subjective views and assumptions. Whenever possible, SPF results are compared with other available indicators of private sector expectations for the same horizons.

Inflation expectations for 2005 and 2006

Compared with the previous survey, conducted in January, expectations regarding the inflation outlook remained largely unchanged. SPF panellists expect HICP inflation to be on average 1.9% in 2005 and 1.8% in 2006. The SPF average forecast is 0.1 percentage point higher than that of Consensus Economics for 2005 and that of both Consensus Economics and the Euro Zone Barometer for 2006. According to SPF forecasters, the inflation outlook is mainly shaped by oil price developments. The upward impact of high oil prices is seen as being partly counterbalanced by a number of dampening factors, including increased international competition, the continued strength of the euro and continued wage moderation.

Results from the SPF, Consensus Economics and the Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

	Survey horizon				
HICP inflation	**2005**	**Mar. 2006**	**2006**	**Mar. 2007**	**Longer term[2)]**
Q2 2005 SPF	1.9	1.8	1.8	1.8	1.9
Previous SPF (Q1 2005)	1.9	-	1.8	-	1.9
Consensus Economics (Apr. 2005)	1.8	-	1.7	-	1.9
Euro Zone Barometer (Apr. 2005)	1.9	-	1.7	-	1.9
Real GDP growth	**2005**	**Q4 2005**	**2006**	**Q4 2006**	**Longer term[2)]**
Q2 2005 SPF	1.6	1.8	2.0	2.0	2.2
Previous SPF (Q1 2005)	1.8	-	2.1	-	2.3
Consensus Economics (Apr. 2005)	1.5	-	1.9	-	2.1
Euro Zone Barometer (Apr. 2005)	1.6	-	1.9	-	2.1
Unemployment rate[1)]	**2005**	**Feb. 2006**	**2006**	**Feb. 2007**	**Longer term[2)]**
Q2 2005 SPF	8.8	8.7	8.6	8.5	7.6
Previous SPF (Q1 2005)	8.8	-	8.5	-	7.5
Consensus Economics (Apr. 2005)	8.8	-	8.6	-	-
Euro Zone Barometer (Apr. 2005)	8.9	-	8.7	-	7.7

1) As a percentage of the labour force.
2) In the current and the previous SPF round and in the Euro Zone Barometer longer-term expectations refer to 2009. The Consensus Economics forecast refers to the period 2011-15.

SPF participants are also asked to assign a probability distribution to their forecasts. This distribution provides information on the probability, expressed as a percentage, of the future outcome being within a specific interval. The probability distribution resulting from the

Chart A Probability distribution for average inflation in 2005 in the last three rounds of the SPF

(percentages)

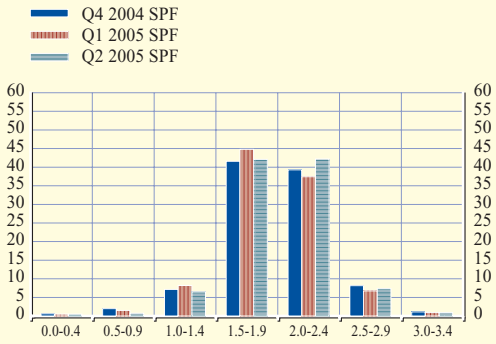
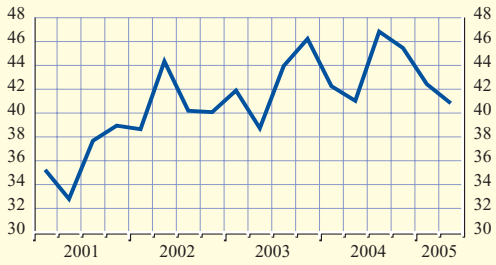


Chart B Probability of five-year ahead inflation being at or above 2%

(percentages)



aggregation of responses also helps to assess how, on average, survey participants gauge the risk of the actual outcome being above or below the most likely range. Chart A, which shows the aggregate probability distributions for average annual rates of HICP inflation in 2005 in the last three rounds of the survey, highlights an upward shift in the balance of risks in the most recent round. The probability that inflation in 2005 may stand between 2.0% and 2.4% is now very close to that of inflation standing between 1.5% and 1.9% (both around 42%), the former having risen compared with the SPF conducted in February 2005. The probability distribution for 2006, by contrast, has changed very little compared with the previous SPF and continues to assign a high probability (45%) to inflation staying between 1.5% and 1.9%. The major risk cited by SPF forecasters remains oil price developments.

Indicators of longer-term inflation expectations

The latest results of the SPF show five-year ahead inflation expectations unchanged at 1.9% for the 14th consecutive round. These expectations are fully in line with the recently published estimates from Consensus Economics and Euro Zone Barometer. While the probability distribution assigned to longer-term inflation continues to point to an upward risk, there has been some easing in the assessment of such a risk over recent SPF rounds (see Chart B).[1]

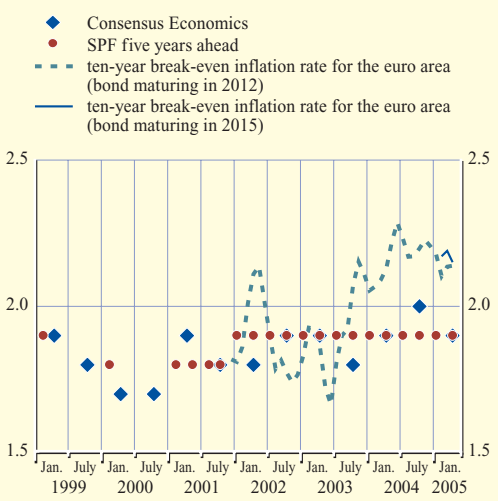
SPF survey results can be compared with long-term inflation expectations as measured by the spread between nominal and inflation-linked bonds. In April 2005 the break-even inflation rates derived from French government inflation-linked bonds (linked to the euro area HICP excluding tobacco) maturing in 2012 or 2015 continued to be higher than survey measures of inflation expectations (see Chart C).[2] However, the break-even inflation rate extracted from financial markets is not simply a measure of inflation expectations; it also includes various risk

1 Additional data are available on the ECB's website, at www.ecb.int/stats/prices/indic/forecast/html/index.en.html.
2 It should be noted that the break-even inflation rate reflects average expected inflation over the (residual) maturity of the bonds used in its construction and is not a point estimate for a precise year (as is the case for some of the survey indicators of long-term inflation expectations). For a description of the conceptual nature of the break-even inflation rate, refer to the article entitled "Extracting information from financial asset prices" in the November 2004 issue of the Monthly Bulletin.

premia (such as inflation uncertainty and liquidity premia). Consequently these measures are affected when investors become more uncertain about their forecasts and are willing to pay a premium for a hedge.

Chart C Indicators of long-term inflation expectations

(average annual percentage changes)



Sources: French Treasury, Reuters, Consensus Economics and ECB.

Expectations for real GDP growth and unemployment in the euro area

Expected GDP growth in 2005 was revised downwards to 1.6%, i.e. 0.2 percentage point lower than in the previous SPF. The point estimate for 2006, at 2.0%, was also revised down by 0.1 percentage point compared with the previous SPF round. These downward revisions are partly accounted for by lower than expected growth at the end of 2004, higher than expected oil prices and the strength of the euro. According to SPF participants, the overall balance of risks is on the downside and closely related to the above factors. Fiscal developments in some countries are also cited as weighing on confidence and thus on economic growth expectations. Forecasters nevertheless reported a number of upward risks to their assessment, in particular favourable financing conditions and improvements in profitability.

The SPF forecast for real GDP growth is in line with the most recent 2005 estimate published by the Euro Zone Barometer and 0.1 percentage point higher than the latest Consensus Economics 2005 estimate. Regarding 2006, the SPF forecast is 0.1 percentage point higher than those of the two other surveys (see table above). Five-year ahead real GDP growth expectations stand at 2.2%, 0.1 percentage point lower than in the previous round. Many SPF forecasters expressed the view that longer-term prospects hinge upon the success of structural reforms.

SPF respondents' expectations for unemployment in 2005 were unchanged compared with the previous round, at 8.8%. Forecasters mentioned the expected moderate increase in GDP growth and continued low capacity utilisation as the main factors preventing unemployment from declining faster in the coming years. This is also reflected in the upward revision of expectations for unemployment in 2006, which were 0.1 percentage point higher than in the previous SPF round, at 8.6%. The expected rate of unemployment in 2009 stood at 7.6%, up by 0.1 percentage point compared with the previous round. Respondents continued to stress that the decline in the unemployment rate over the long-term horizon is dependent on further labour market reforms.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The second release of euro area national accounts data for the fourth quarter of 2004 confirmed that GDP slowed in the second half of last year. It also confirmed the rebound in the contribution from domestic demand and the negative contribution from net exports in the fourth quarter. In the first quarter of 2005, industrial production seems to have stabilised and indicators of household spending point to moderate growth in private consumption. Against this background, there has been no significant change in labour market conditions. Looking ahead, the conditions remain in place for moderate economic growth to continue.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

Eurostat's second estimate of euro area national accounts confirmed the significant weakening of real GDP growth in the second half of 2004. While real GDP growth was revised slightly upwards in the third quarter of 2004, from 0.2% to 0.3%, mainly due to rounding, estimated growth in the fourth quarter remained unchanged, at 0.2%. Although statistical working-day effects may have partly exaggerated the weakness of real GDP growth in the fourth quarter, the picture of a significant slowdown in the second half of the year compared with the average of 0.6% quarter-on-quarter growth recorded in the first half thus remains. Nevertheless, for the year as a whole, growth was confirmed at 1.8% on a working-day-adjusted basis, which was considerably higher than the 0.5% recorded in the previous year. The dispersion of real GDP growth rates across euro area countries fell in 2004 (see Box 6).

Box 6

RECENT DEVELOPMENTS IN OUTPUT GROWTH DIVERGENCE ACROSS EURO AREA COUNTRIES

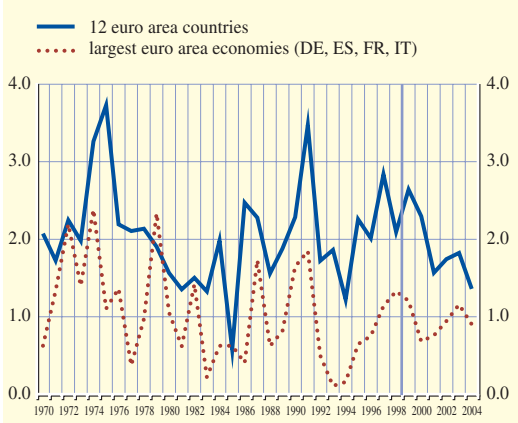
Some recent reports have suggested that divergence in real economic activity in the euro area widened somewhat in the course of 2004. However, this assertion appears to be based only on the relatively volatile quarter-on-quarter real GDP growth rates for the four largest euro area economies and does not take into account developments in the rest of the euro area. Moreover, in order to assess recent developments properly, it is important to take a historical perspective.

Looking only at the four largest euro area economies, a wider divergence of real GDP growth rates in quarter-on-quarter terms was indeed seen at the end of last year. This reflected a decline in real GDP in Germany and Italy in the fourth quarter, in contrast to a significant increase in activity in France and Spain. At least part of this greater dispersion in the fourth quarter may reflect some unusual factors, namely the negative impact of the working-day adjustment on quarterly GDP in Germany and the very large correction in the net trade contribution seen in Italy, following an exceptionally strong net trade contribution in the third quarter.

However, from a historical perspective, such an increase in dispersion does not appear to be exceptional. Differences in real GDP growth among the four largest euro area economies have been seen, to varying degrees, over the last few years. Germany and Italy have seen, on

Chart A Dispersion of real GDP growth rates (annual averages) across the euro area countries

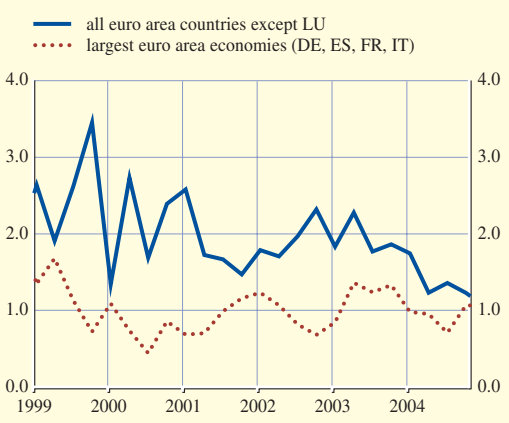
(percentage points) [1]



Sources: European Commission and ECB calculations.
1) Unweighted standard deviation. Before 1991, Germany refers to West Germany.

Chart B Dispersion of real GDP growth rates (in year-on-year terms) across the euro area countries based on quarterly GDP data

(percentage points) [1]



Sources: Eurostat and ECB calculations.
1) Unweighted standard deviation. No quarterly GDP data are available for Luxembourg.

average, the lowest real GDP growth rates in the euro area since the start of EMU in 1999. Over the period from 1999 to 2004, average annual GDP growth in these two countries was between 1.2% and 1.4% – well below the euro area aggregate of 1.9%.

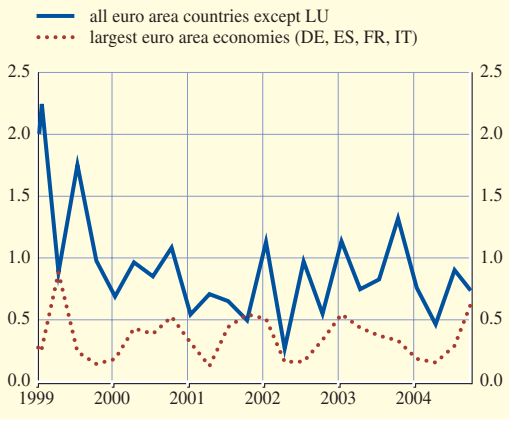
An assessment of divergence in the euro area must also take into account the other euro area countries. As can be seen in Chart A, dispersion of real GDP growth rates across the 12 euro area countries actually declined somewhat in 2004, in annual average terms, to a relatively low level. Measured by the unweighted standard deviation, dispersion fell to around 1.4 percentage points last year. By contrast, since the 1970s it has fluctuated, on average, around a level of 2.0 percentage points.

Similar developments are visible in the quarterly GDP profile for 2004. Real GDP growth rates can be computed either in year-on-year or in quarter-on-quarter terms for this purpose. The results show that the degree of dispersion in the euro area declined in terms of year-on-year growth rates and remained broadly unchanged in terms of quarter-on-quarter growth rates in 2004 (see Charts B and C).

Nevertheless, there have been enduring differences in growth between euro area countries. As these differences largely appear to reflect structural factors, they must be addressed by appropriate national measures. The ECB's single monetary policy cannot

Chart C Dispersion of real GDP growth rates (in quarter-on-quarter terms) across the euro area countries based on quarterly GDP data

(percentage points) [1]



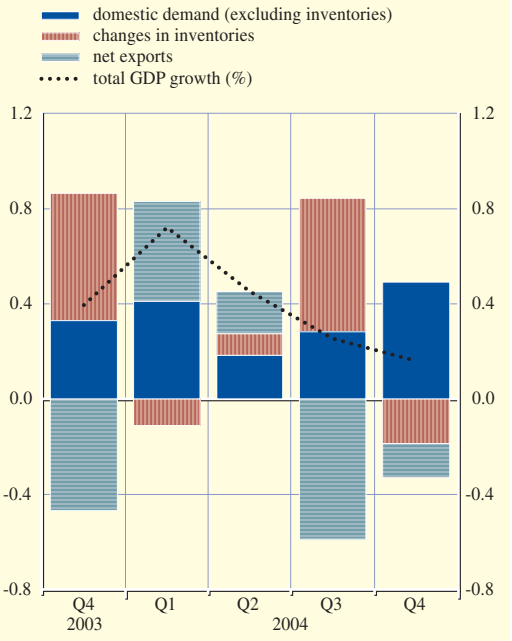
Sources: Eurostat and ECB calculations.
1) Unweighted standard deviation. No quarterly GDP data are available for Luxembourg.

resolve them. Suitable structural reforms by national authorities in persistently underperforming countries are therefore urgently needed. Such reforms would not only contribute to raising potential growth rates and smoothing growth differentials but would also facilitate the communication and implementation of the single monetary policy.

While overall real GDP growth was not revised, there were small changes to some of the expenditure components in the fourth quarter of 2004. Domestic demand, in particular, was stronger than estimated in the first release. Private consumption growth was revised slightly upwards, as was the contribution of net exports, while the contribution of changes in inventories was revised slightly downwards. However, these changes were not substantial. Overall, the picture in the fourth quarter remains one of relatively favourable developments in domestic demand (excluding inventories), with net exports less of a drag on growth than in the third quarter. The breakdown of investment by product type, which has become available for the fourth quarter, shows an increase in construction investment and a decline in non-construction investment growth (see Box 7).

Chart 21 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

The decline in growth between the first and the second half of 2004 was broadly distributed across sectors. However, while the construction and services sector appear to have regained some momentum between the third and the fourth quarter, the slowdown in growth in the industry sector seems to have continued.

Box 7

LATEST DEVELOPMENTS IN INVESTMENT BY TYPE OF PRODUCT

In 2004 investment increased by 1.6%, following declines in the three previous years. Thus, investment, together with strong exports, was one of the main reasons for the pick-up in overall activity in the euro area in 2004. This box reviews in detail developments in investment in the euro area up to the fourth quarter of last year. Overall, the increase in investment growth was broadly based. It reflected stronger growth rates for both construction and non-construction investment, each of which accounts for roughly half of total investment. In

the course of the year, however, developments in the two sectors diverged somewhat. While the quarter-on-quarter growth rate of construction investment increased towards the end of last year, the rate of growth of non-construction investment declined (see Chart A).

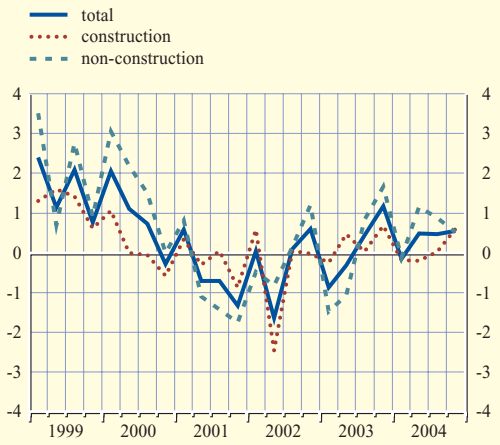
The rise in investment growth in 2004 is consistent with the results of the European Commission's biannual industrial investment survey conducted in the fourth quarter of 2004. According to respondents, financing and demand conditions improved in 2004 as compared with 2003, with the latter largely reflecting strong global growth. However, according to the survey, the bulk of the increase in investment growth in 2004 was for replacement purposes, suggesting that it was possible to meet stronger demand without expanding the existing capital stock.

Investment growth in metal products and machinery shaped non-construction investment in 2004

Non-construction investment in the euro area increased by 2.7% in 2004, having contracted by 0.7% in the previous year. This rise reflected increases in the annual growth rates of all of its main components, although the quarterly growth profiles differed somewhat within the year (see Chart B). Investment in metal products and machinery (the largest component of non-construction investment, accounting for around 60%) increased by 3.2% in 2004 after having contracted by 1.6% in the previous year. Investment in transport equipment (which represents a further 20% of non-construction investment) rose by 2.5%, 1.5 percentage points more than in 2003. Finally, investment in other products (which also accounts for 20% of non-construction investment) increased by 1.5% in 2004, following a rise of 0.4% in 2003.

Chart A Total, construction and non-construction investment

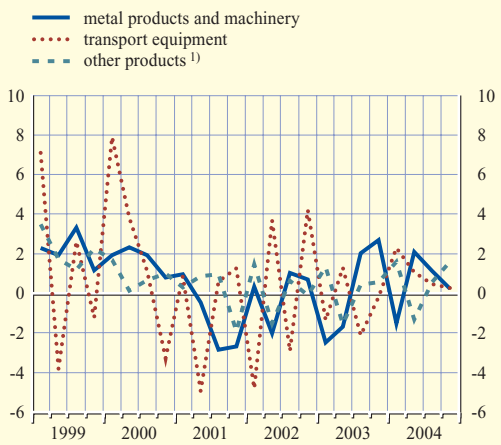
(quarter-on-quarter changes; seasonally adjusted)



Source: Eurostat.

Chart B Breakdown of non-construction investment

(quarter-on-quarter changes; seasonally adjusted)



Source: Eurostat.

1) Includes agriculture.

Investment growth in construction increased in 2004

Euro area construction investment increased by 0.5% year on year in 2004, having declined for three consecutive years. Developments in the course of 2004 were broadly similar for both housing and non-housing construction investment growth (each representing roughly half of total construction investment). Both were strongly affected by negative developments in Germany.

Looking ahead, investment growth should benefit from continued favourable financing conditions. Corporate profits appear to have been buoyant in 2004, which should also support investment growth. However, investment decisions are also related to expectations of future growth and demand which, according to the latest survey results, remain uncertain.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

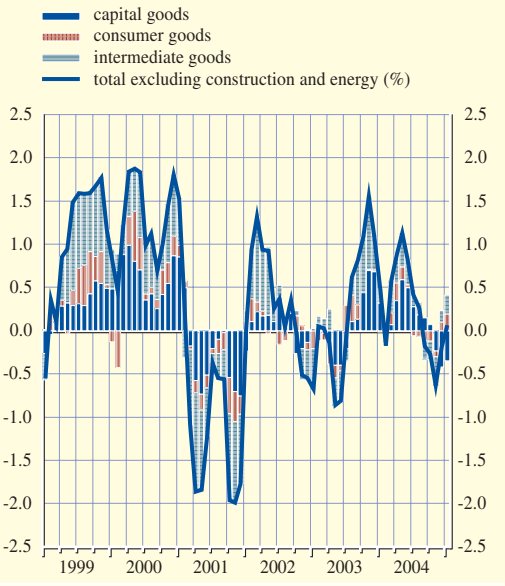
Industrial production (excluding construction) improved only slightly in the first two months of 2005. It decreased in February, but given developments in the previous months, should have improved in the first quarter as a whole compared with the fourth quarter.

The decline in industrial production in February 2005 was broadly distributed among the main industrial groupings, with the intermediate goods sector experiencing the largest fall. On a three-month moving average basis, production in the capital goods sector declined strongly in the period from December to February compared with the previous three months, while production in the intermediate and consumer goods sectors rose over the same horizon (see Chart 22). In the consumer goods sector, the improvement hides diverging developments in the industries producing durable and non-durable consumer goods. While the non-durable consumer goods industries showed some increase in production, the durable goods industries contracted.

The value of new orders in manufacturing continued to decline in February 2005, albeit to a lesser extent than in January. These falls offset a spike in new orders in December 2004, accounted for by very large orders of transportation equipment in some euro area countries.

Chart 22 Industrial production growth and contributions

(growth rate and percentage point contributions; seasonally adjusted)



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

SURVEY DATA FOR THE MANUFACTURING AND SERVICES SECTORS

Survey data for the industry and services sectors point to ongoing but moderate growth in the first quarter and at the start of the second quarter of 2005. As regards the industry sector, the Purchasing Managers' Index (PMI) and the European Commission's confidence indicator suggest that conditions may have deteriorated in April compared with March. The PMI for the manufacturing sector decreased substantially in April, for the second consecutive month, as a result of a worsening in all its components. The index was below the theoretical threshold delimiting expansion in activity from contraction. The picture derived from the PMI is broadly confirmed by the European Commission's industrial confidence indicator. In April the confidence indicator declined for the fifth consecutive month, to its level at the end of 2003. The decrease was observed for all components of this indicator.

Survey data for the services sector are more mixed but also do not point to a strengthening of activity at the start of the second quarter of 2005. The European Commission's services confidence indicator declined substantially in April, for the third consecutive month, and returned to the level reached at the end of the third quarter of 2003. The PMI for the services sector was broadly unchanged in the first quarter of 2005 compared with the previous quarter. The results of the services PMI for April were not available at the cut-off date for this issue of the Monthly Bulletin.

INDICATORS OF HOUSEHOLD SPENDING

Indicators of household spending suggest that private consumption is likely to make a positive contribution to GDP growth in the first quarter of 2005, albeit to a lesser extent than in the fourth

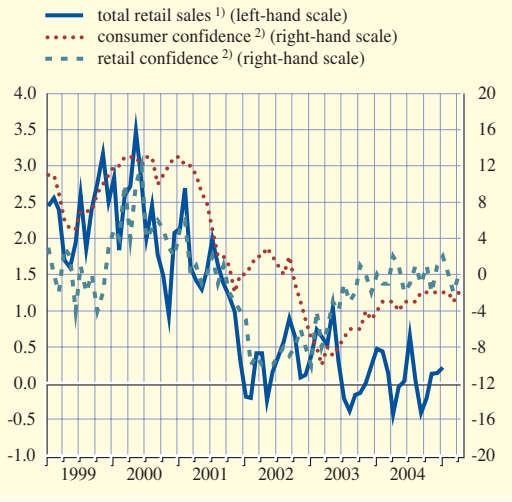
Chart 23 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)

Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Research 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.

Chart 24 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.

quarter of 2004. Retail sales volumes increased in both January and February, following a stabilisation observed in the previous quarter (see Chart 24). However, the positive contribution to overall consumption growth provided by this increase is likely to be partly offset by the significant decline in new passenger car registrations in the first quarter of 2005. There was a slight improvement in consumer confidence in April, which has remained broadly unchanged since the second half of 2004. The low level of consumer confidence is likely to have continued to weigh on private consumption growth in the first quarter of 2005.

4.2 LABOUR MARKET

Employment data point to unchanged growth in net job creation in the second half of 2004 compared with the first half. Available unemployment and survey data signal broadly unchanged labour market conditions at the start of 2005.

UNEMPLOYMENT

The euro area standardised unemployment rate is estimated to have increased to 8.9% in March 2005, compared with a downward-revised 8.8% in February (see Chart 25). Both the increase from February to March and the revision to the February figure are due to rounding. Looking back, the unemployment rate has gradually increased in past months, although so marginally that the rise has only become visible in the headline number for March.

In March the number of unemployed increased by around 21,000 persons, one-third as much as in January and February. However, the interpretation of short-term developments warrants caution, as a change in the source of German standardised unemployment data has led to a substantial increase in the volatility of the euro area unemployment data.

EMPLOYMENT

Employment in the euro area grew by 0.2% quarter on quarter in the fourth quarter of 2004, a similar rate to that recorded for the previous quarters (see Table 7). This development was the result of stronger growth in industry excluding construction offset by weaker growth in the services sector. In 2004 as a whole, employment is estimated to have increased by 0.5%, after 0.2% in 2003.

Table 7 Employment growth

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

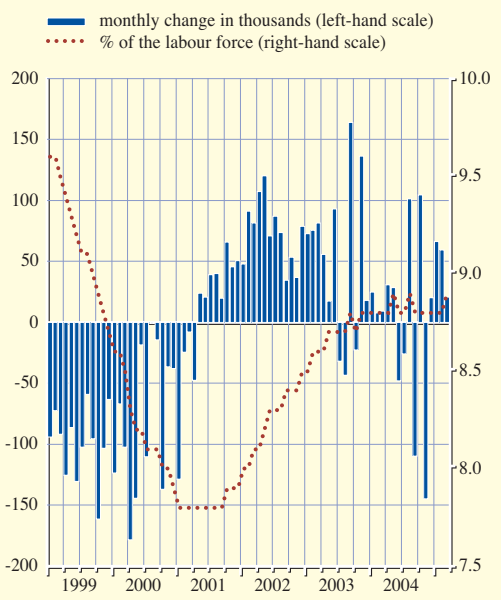
	Annual rates		Quarterly rates				
	2003	2004	2003 Q4	2004 Q1	2004 Q2	2004 Q3	2004 Q4
Whole economy	0.2	0.5	0.0	0.1	0.3	0.2	0.2
of which:							
Agriculture and fishing	-2.3	-0.7	-0.5	-0.5	0.0	0.4	0.0
Industry	-1.4	-0.9	-0.4	-0.6	0.3	-0.1	0.1
Excluding construction	-1.9	-1.6	-0.6	-0.7	0.2	-0.5	0.4
Construction	0.0	1.1	0.1	-0.2	0.5	0.9	-0.5
Services	1.0	1.1	0.2	0.4	0.3	0.3	0.2
Trade and transport	0.5	0.6	0.1	0.0	0.3	0.3	0.0
Finance and business	1.3	2.8	0.5	1.2	0.5	0.6	0.4
Public administration	1.2	0.7	0.2	0.3	0.2	0.1	0.2

Sources: Eurostat and ECB calculations.

Business employment expectations have been broadly stable over recent months, pointing to ongoing but modest employment growth. In the industry sector, both the PMI employment index and the European Commission survey employment expectations declined in April 2005, following the slight improvement recorded in the first quarter. In the services sector, the Commission survey employment expectations improved in April for the third consecutive month. The PMI index, available up to March 2005, also points to a slight improvement since January 2005.

Chart 25 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The information available for the first quarter of 2005 and at the start of the second quarter continues to give mixed signals as regards the strength of economic growth. In general it points to ongoing growth at a moderate pace over the short term. Recent data and survey indicators are, on balance, on the downside. Some of the downward risks to economic growth identified in the past, in particular those related to persistently high oil prices, appear to have partially materialised over the past few months. Looking beyond the short term, however, the overall conditions remain in place for stronger real GDP growth. This assessment is shared by respondents to the ECB's Survey of Professional Forecasters (see Box 5). Euro area exports should continue to be supported by foreign demand. On the domestic side, investment is expected to continue to be supported by very favourable financing conditions, improved profits and greater business efficiency. Private consumption growth should develop in line with real disposable income growth. At the same time, however, persistently high oil prices and global imbalances pose downside risks to growth.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

Foreign exchange markets were relatively calm in April and early May 2005, with the euro depreciating slightly in effective terms. On 29 April the Cyprus pound, the Latvian lats and the Maltese lira became part of ERM II.

US DOLLAR/EURO

At the beginning of April the appreciation of the US dollar vis-à-vis the euro, which began in mid-March, continued as the interest rate differential between the United States and the euro area increased. Thereafter, however, market sentiment regarding the euro/dollar exchange rate became more mixed. Expectations of a slowdown in US growth following the release of weaker than expected US economic data appear to have induced a fall in US equity markets and long-term bond yields. This in turn might have temporarily weighed on the US dollar. In the second half of the month, however, the US dollar regained some ground, as the downward revision for US growth was counterbalanced by the parallel lowering of growth prospects for the euro area. On 3 May 2005 the euro stood at USD 1.29, i.e. 0.8% below its level at the end of March 2005 and 3.4% above its 2004 average.

JAPANESE YEN/EURO

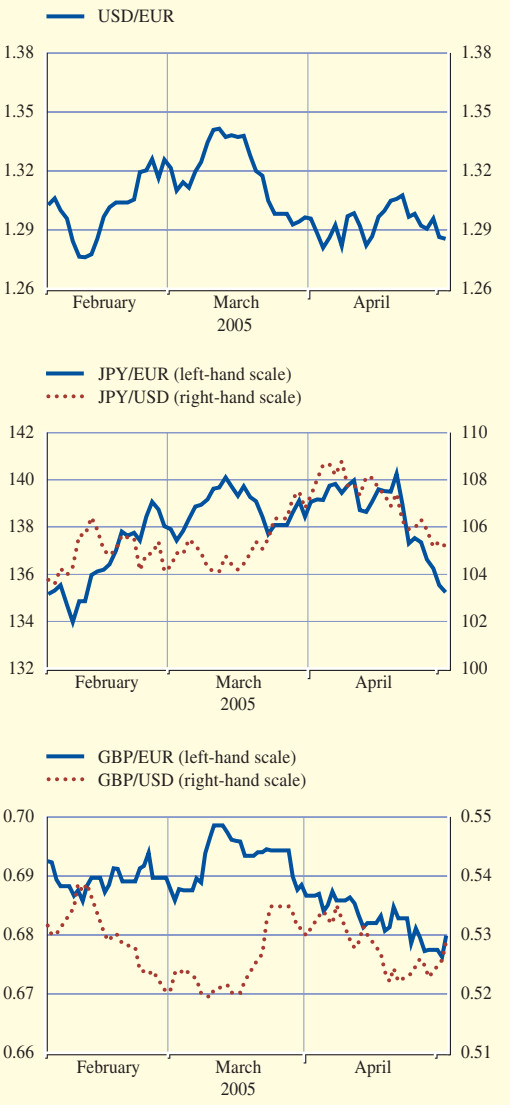
After trading within fairly narrow ranges for most of March and April 2005, the Japanese yen started to appreciate relatively strongly against the euro and the US dollar towards the end of April. The upward pressure on the Japanese currency appears to have been associated with heightened expectations among foreign exchange market participants of a near-term increase in exchange rate flexibility in the Asian region. On 3 May 2005 the euro was quoted at JPY 135.2, 2.3% below its end-March level and 0.6% higher than its 2004 average.

EU MEMBER STATES' CURRENCIES

In ERM II, the Danish krone and the Slovenian tolar moved in very narrow ranges close to their

Chart 26 Patterns in exchange rates

(daily data)



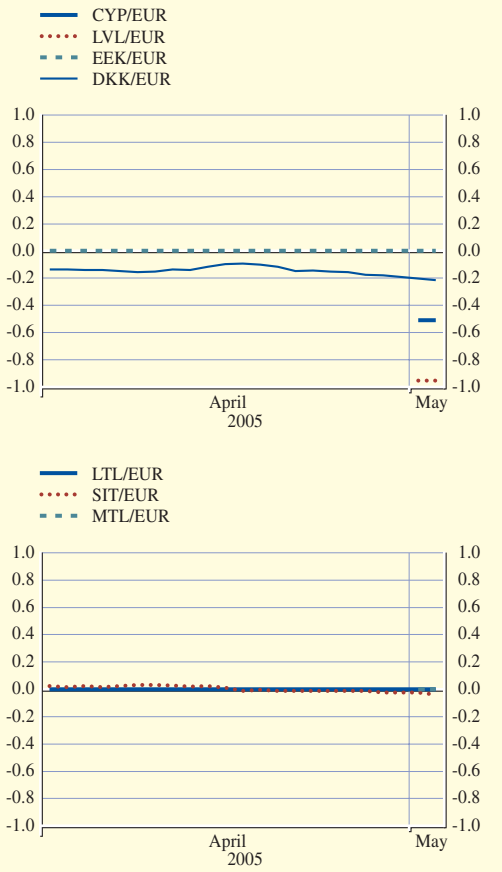
Source: ECB.

respective central parities (see Chart 27). The Estonian kroon and the Lithuanian litas remained unchanged relative to their ERM II central parities in line with those countries' unilateral commitments to maintain currency board arrangements within the standard ERM II fluctuation bands. On 29 April it was decided that the Cyprus pound, the Latvian lats and the Maltese lira would become part of ERM II (see Box 8).

With regard to the currencies of other EU Member States, in April 2005 the euro depreciated against the pound sterling. On 3 May the euro traded against the pound sterling at GBP 0.68, which is 1.2% below its end-March level and almost unchanged compared with its 2004 average. Between the end of March and 3 May the euro appreciated further against the Polish zloty (by 3.6%) and, to a lesser extent, against the Hungarian forint, the Slovak koruna and the Czech koruna (by 1.8%, 1.5% and 1.2% respectively). The broad-based depreciation of these currencies, which started around the middle of March, seems to have been linked to a decline in global risk appetite. At the same time, the euro appreciated by almost 1% against the Swedish krona.

Chart 27 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 against the euro implies that the currency is at the weak/strong side of the band. For the Danish krone the fluctuation band is ±2.25%; for all other currencies the standard fluctuation band of ±15% applies.

Box 8

ENTRY OF THE CURRENCIES OF CYPRUS, LATVIA AND MALTA INTO THE EXCHANGE RATE MECHANISM II (ERM II)

Following requests by the Cypriot, Latvian and Maltese authorities, the ministers of the euro area Member States of the European Union, the President of the European Central Bank and the ministers and the central bank governors of Denmark, Estonia, Lithuania, Slovenia and of each of the countries requesting ERM II entry decided on 29 April 2005, by mutual agreement, following a common procedure involving the European Commission and after consultation of the Economic and Financial Committee, to include the currencies of Cyprus, Latvia and Malta in the exchange rate mechanism II (see communiqués of the European Union of the same date).

The central rates have been set for the Cyprus pound at CYP/EUR 0.585274, for the Latvian lats at LVL/EUR 0.702804 and for the Maltese lira at MTL/EUR 0.429300. For all three currencies the standard fluctuation band of ±15% will be observed around these central rates. Accordingly, the compulsory intervention rates for these currencies have been established with effect from 2 May 2005 as set out in Table A below. The euro central rate and compulsory intervention rates for the Danish krone, the Estonian kroon, the Lithuanian litas and the Slovenian tolar remain unchanged. For Denmark only, a fluctuation band of ±2.25% applies.

Table A Euro central rates and compulsory intervention rates for the currencies of the Member States participating in ERM II, in force as of 2 May 2005 (EUR 1 =)

	Upper rate	Central rate	Lower rate
Danish krone (DKK)	7.62824	7.46038	7.29252
Estonian kroon (EEK)	17.9936	15.6466	13.2996
Cyprus pound (CYP)	0.673065	0.585274	0.497483
Latvian lats (LVL)	0.808225	0.702804	0.597383
Lithuanian litas (LTL)	3.97072	3.45280	2.93488
Maltese lira (MTL)	0.493695	0.429300	0.364905
Slovenian tolar (SIT)	275.586	239.640	203.694

Prior to ERM II entry, both the Cyprus pound and the Latvian lats were already unilaterally pegged to the euro. While a fluctuation band of ±15% applied in the case of Cyprus, Latvia retained a ±1% fluctuation band when the lats was re-pegged from the special drawing right (SDR) to the euro on 1 January 2005. In line with the preceding exchange rate regime, the Latvian authorities have declared that they will unilaterally maintain the exchange rate of the lats at the central rate against the euro with a fluctuation band of ±1%.

Prior to ERM II participation, the Maltese lira was pegged to a basket including the euro, the pound sterling and the US dollar with no fluctuation band. Upon entry into the mechanism, the Maltese lira was re-pegged to the euro from the basket arrangement. Moreover, the Maltese authorities have declared that they will unilaterally maintain the exchange rate of the Maltese lira at the central rate against the euro.

As regards the currencies which entered ERM II in June 2004, it is worthwhile to recall that it was accepted that Estonia and Lithuania could join the mechanism with their existing currency board arrangements in place. These announcements, as well as those of the Latvian and Maltese authorities, constitute unilateral commitments, thus placing no additional obligations on the ECB.

The agreements on the participation of the Cyprus pound, the Latvian lats and the Maltese lira are based on firm commitments by the authorities in these countries in various economic policy areas. The authorities, together with the responsible EU bodies, will closely monitor macroeconomic developments in these countries. Table B provides an overview of the main macroeconomic and financial market indicators for Cyprus, Latvia and Malta.

The agreement on the participation of the Cyprus pound in ERM II is based on a firm commitment by the Cypriot authorities to pursue sound fiscal policies, including lowering the high debt level, which are essential for preserving macroeconomic stability and ensuring the sustainability of the convergence process. The Cypriot government's medium-term fiscal consolidation strategy requires a high degree of budgetary discipline and needs to continue to

be implemented decisively through measures of a permanent nature. The authorities will continue to ensure effective financial supervision. Continued vigilance will be needed to ensure that wage developments remain in line with productivity growth. Further structural reform efforts aimed at enhancing the economy's flexibility and adaptability, including progress with the de-indexation of wage mechanisms, will contribute to strengthening domestic adjustment mechanisms and support the overall competitiveness of the economy.

The agreement on the participation of the Latvian lats in ERM II is based on a firm commitment by the Latvian authorities to achieve a sustainable reduction in inflation. The authorities recognise that strengthening the fiscal stance will be instrumental to this end, while it would also contribute to an orderly and substantial reduction of the current account deficit. To help reduce the external imbalance and contain it at a sustainable level, the authorities will take measures to restrain domestic demand and will remain vigilant concerning risks of excessive domestic credit growth. Continued effective financial supervision will assist the authorities in promoting prudent credit policies and limiting credit risk in the banking system. The authorities will also promote wage developments that are supportive to reducing inflationary pressures. Structural reforms aimed at further enhancing the economy's flexibility and adaptability will be implemented in a timely fashion so as to strengthen domestic adjustment mechanisms and safeguard the overall competitiveness of the economy.

The agreement on the participation of the Maltese lira in ERM II is based on a firm commitment by the Maltese authorities to pursue sound fiscal policies, including containing current government expenditure and lowering the high debt level, which are essential for preserving macroeconomic stability, containing the current account deficit and ensuring the sustainability of the convergence process. The Maltese government's medium-term consolidation strategy requires a high degree of budgetary discipline and needs to be implemented decisively. Strict monitoring of budget execution will be required, aimed at a timely detection and correction of slippages. Continued vigilance will be needed to ensure that wage developments remain in line with productivity growth. The authorities will continue to ensure effective financial supervision. Further structural reforms, aimed at supporting productivity growth and enhancing the economy's flexibility and adaptability, will be implemented in a timely fashion so as to strengthen domestic adjustment mechanisms and safeguard the overall competitiveness of the economy.

Table B Main economic indicators for Cyprus, Latvia and Malta

(annual percentage changes, unless otherwise indicated)

	Cyprus		Latvia		Malta	
	2001-2003	2004	2001-2003	2004	2001-2003	2004
Real economic growth	2.7	3.7	7.3	8.5	-0.4	1.5
HICP inflation	2.9	1.9	2.5	6.2	2.3	2.7
Growth of credit to the private sector	7.9	5.0	41.6	42.9	3.9	12.7
Current account balance (% of GDP)	-3.7	-5.8	-7.6	-12.4	-3.3	-7.1
Fiscal deficit (% of GDP)	-4.4	-4.2	-2.1	-0.8	-7.6	-5.2
Government debt (% of GDP)	65.6	71.9	14.5	14.4	65.6	75.0
Long-term interest rate	6.0	5.8	6.0	4.9	5.7	4.7
Short-term interest rate	4.7	4.7	5.0	4.2	4.1	2.9
Exchange rate (per EUR)	0.5784	0.5818	0.5939	0.6652	0.4127	0.4280

Sources: ECB, Eurostat and European Commission.
Note: Data refer to annual averages.

OTHER CURRENCIES

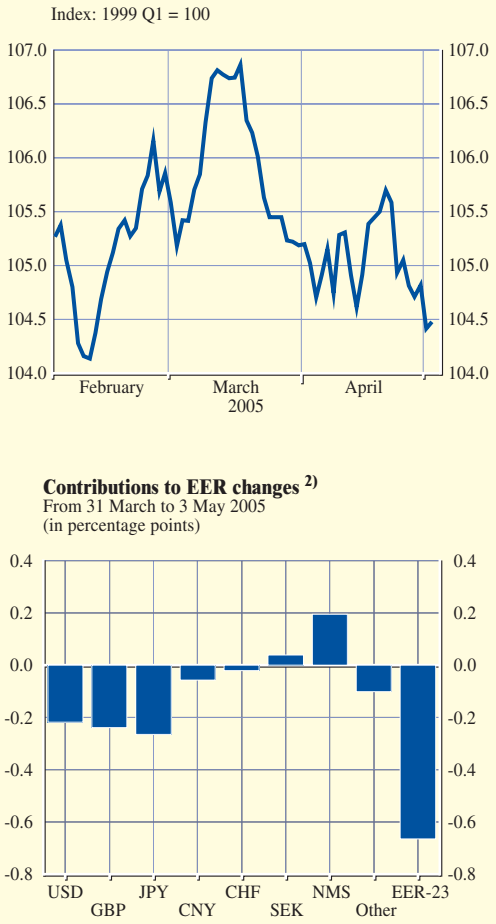
Regarding other currencies, compared with end-March, the euro was broadly unchanged vis-à-vis the Swiss franc. Other developments over the period under consideration include the appreciation of the euro against the Canadian dollar (by 2.6%) and its depreciation against the Korean won (by 2.1%).

EFFECTIVE EXCHANGE RATE OF THE EURO

On 3 May 2005 the nominal effective exchange rate of the euro – as measured against the currencies of 23 of the euro area's important trading partners – was 0.7% below its end-March level and 0.6% higher than its average level in 2004 (see Chart 28). The developments in the euro exchange rate in effective terms were driven primarily by the weakening of the euro against the Japanese yen, the pound sterling, the US dollar and the Korean won and its appreciation against the currencies of several new EU Member States and the Canadian dollar.

Chart 28 Euro effective exchange rate and its decomposition [1)]

(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-23 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category "NMS" refers to the aggregate contribution of the currencies of the ten new Member States which joined the EU on 1 May 2004. The category "Other" refers to the aggregate contribution of the remaining seven trading partners of the euro area in the EER-23 index. Changes are calculated using the corresponding overall trade weights in the EER-23 index.

5.2 BALANCE OF PAYMENTS

In February 2005 the value of extra-euro area exports remained close to the levels reached in the previous month. The value of goods and services imports also remained flat. Net combined direct and portfolio investment flows were close to balance on a 12-month cumulated basis. First estimates suggest that the international investment position of the euro area at the end of 2004 showed net liabilities amounting to 11% of GDP (10.5% at the end of 2003).

CURRENT ACCOUNT

The seasonally adjusted current account of the euro area showed a surplus of €5.1 billion in February 2005, reflecting surpluses in goods (€7.0 billion) and services (€2.2 billion) that were partly offset by a deficit in current transfers (€4.0 billion). The income account was balanced (see Table 7.1 in the "Euro area statistics" section).

The value of extra-euro area exports of goods declined by 0.2% in February 2005 compared with January 2005. However, given that the

level of exports was significantly higher in January than in the previous month, the data for February tend to confirm the slight upward trend in goods exports that emerged in the last quarter of 2004. Although exports are still benefiting from the ongoing strength in foreign demand, the appreciation of the euro is having a downward impact on the growth of export volumes (for further details see Box 4 entitled "Recent developments in extra-euro area trade volumes and prices" in the April 2005 issue of the Monthly Bulletin). However, exporters are partially offsetting the negative impact of the appreciation on competitiveness by cutting profit margins and reducing export prices (in euro). Meanwhile, the value of imports of goods declined by 0.4% in January, confirming the slowdown that followed the strong rise in the third quarter. At the same time, imports of services increased by 1.8% in terms of value and almost compensated for the decrease in the value of imports of goods.

The 12-month cumulated current account surplus amounted to €36.5 billion in the period up to February 2005, i.e. around 0.5% of GDP, compared with €28.9 billion a year earlier (see Chart 29). This increase resulted from a lower deficit in income and a higher surplus in services, partly counterbalanced by a lower goods surplus. The deficit in current transfers remained broadly unchanged over this period.

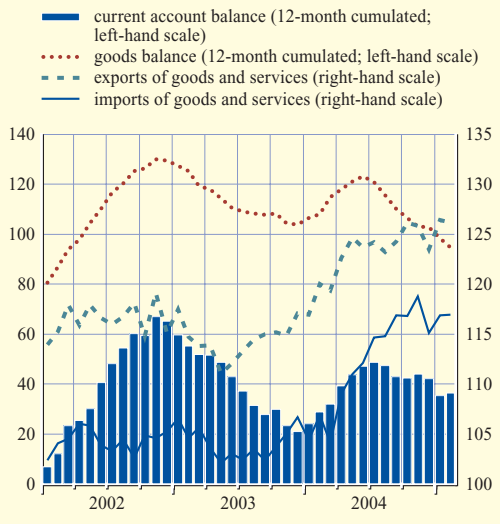
FINANCIAL ACCOUNT

In February 2005 combined direct and portfolio investment recorded net inflows of €18.0 billion. This was accounted for by net inflows in debt instruments (€36.9 billion), while both direct investment and equity portfolio investment recorded net outflows.

Looking at developments over the 12-month period to February 2005, the euro area combined direct and portfolio investment account was close to balance, after having shown net outflows throughout most of 2004 (see Chart 30). Since the second half of 2004, however, a gradual

Chart 29 The euro area current account and goods balance

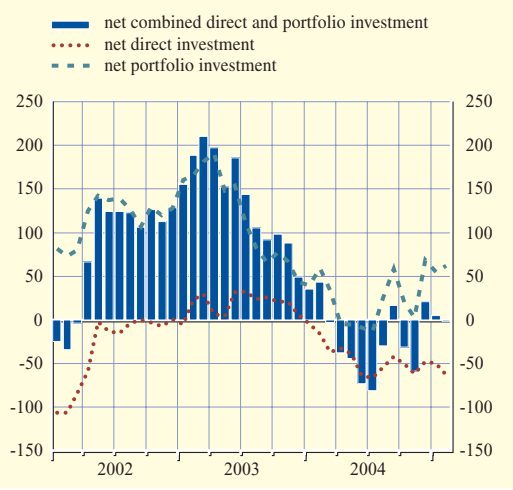
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 30 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.

increase in net inflows in equity portfolio investment has taken place, reflecting net purchases of euro area equity securities by non-residents. As reported in previous issues of the Monthly Bulletin, these inflows took place at a time when market surveys showed that euro area equity securities were perceived by international investors to be more attractively priced in relative terms.

GEOGRAPHICAL BREAKDOWN OF THE EURO AREA BALANCE OF PAYMENTS

In 2004 the euro area recorded a current account surplus vis-à-vis most of its main partner countries or economic regions. The geographical pattern of the euro area's trade surplus in goods was similar to that for the current account, with the United Kingdom, the United States and "other EU Member States" – in that order – being the main contributors. The euro area's surplus in services was largely accounted for by a surplus with the United Kingdom. Finally, the euro area deficit in the income account reflected deficits primarily vis-à-vis Japan, the United Kingdom and, to a lesser extent, Switzerland and the United States.

In the financial account, the euro area recorded in 2004 net outflows in direct investment to all partner countries or economic regions considered, with the exception of the United States, Switzerland and Denmark. The United Kingdom, "offshore financial centres" and "other countries" were the main recipients of euro area direct investment abroad, while the United Kingdom and the United States were the main investors in the euro area. Euro area portfolio investment abroad was directed primarily towards the United Kingdom, the United States, Japan and the "offshore financial centres", particularly in the form of investment in debt instruments.

INTERNATIONAL INVESTMENT POSITION AT THE END OF 2004

In April 2005 the ECB published, for the first time, data on the international investment position at quarterly frequency. At the end of 2004, the international investment position of the euro area vis-à-vis the rest of the world recorded net liabilities of €816 billion (approximately 11% of euro area GDP). At the end of 2003, the euro area international investment position showed net liabilities amounting to 10.5% of GDP.

The change in the international investment position was associated with a decrease in the net asset position in direct investment and an increase in the net liability position in portfolio investment. The reserve asset position amounted to 3.7% of euro area GDP at the end of 2004, which represented a decrease of 0.5 percentage point from the position in 2003. According to preliminary estimates, most of these changes were not related to transactions, but rather emanated from valuation adjustments due to developments in exchange rates and asset prices.

Exchange rate and asset price developments also played an important role in the dynamics of the net international investment position in 2003. Detailed estimates of these data can be found in the following box.

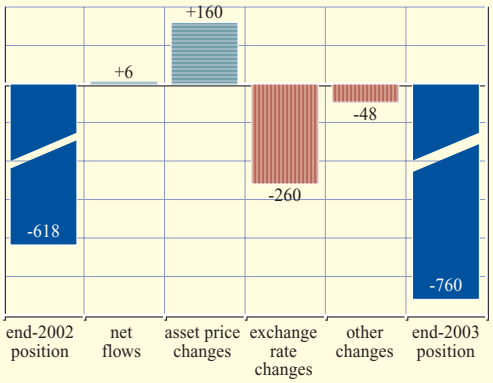
Box 9

DEVELOPMENTS IN THE INTERNATIONAL INVESTMENT POSITION OF THE EURO AREA IN 2003

This box analyses the impact of the euro appreciation and asset price changes on the euro area's net international investment position in 2003. The international investment position summarises the value and composition of an economy's outstanding claims and liabilities vis-à-vis the rest of the world at a specific date. Changes in the outstanding amounts of claims and liabilities reflect both financial transactions in the balance of payments and other changes, such as financial asset price changes, exchange rate changes, and other adjustments (e.g. write-downs, write-offs or reclassifications).[1]

Main components of the change in the net international investment position of the euro area in 2003

(EUR billions)



Sources: ECB and ECB calculations.

The international investment position of the euro area recorded net liabilities of €760 billion (10.5% of euro area GDP) at the end of 2003, compared with net liabilities of €618 billion (8.7% of euro area GDP) a year earlier. Despite the euro area current and capital account surplus of €34 billion in 2003, net liabilities thus rose by €142 billion. The change in the net international investment position mainly reflected the negative impact of the revaluation of positions denominated in foreign currency (of €260 billion), which was only partly offset by price revaluations (of €160 billion). Net financial outflows were close to balance (see

1 The ECB publication entitled "European Union balance of payments/international investment position statistical methods" (November 2004) describes the collection and compilation of balance of payments and international investment position statistics in detail.

Table A Developments in the foreign exchange, equity and sovereign debt markets in 2003

(percentage change from end-2002 to end-2003)

Foreign exchange rates		Stock market indices		Sovereign debt price indices	
		euro area			
Nominal effective exchange rate (EER-23)	12.2	*Dow Jones EUROSTOXX*	18.1	*1 to 3 years*	-1.7
		Dow Jones EUROSTOXX 50	15.7	*7 to 10 years*	-0.3
		United States			
EUR/USD	20.4	*S&P 500*	26.4	*1 to 3 years*	-2.1
		Nasdaq 100	48.1	*7 to 10 years*	-2.7
		Japan			
EUR/JPY	8.6	*Nikkei 225*	24.5	*1 to 3 years*	-1.8
				7 to 10 years	-3.4
		United Kingdom			
EUR/GBP	8.3	*FTSE 100*	13.6	*1 to 3 years*	-3.3
				7 to 10 years	-3.1

Sources: ECB, Reuters and Datastream.

chart). The net financial outflows (€6 billion) are not equal to the current and capital account surplus (€34 billion), owing to net errors and omissions.

The 12% appreciation of the nominal effective exchange rate of the euro (see Table A) was a key factor behind the rise in net liabilities in the euro area international investment position in 2003. Usually, an appreciation of the euro exchange rate results in a lower net international investment position for the euro area, as euro area assets abroad are largely denominated in foreign currencies whereas euro area liabilities vis-à-vis the rest of the world are mostly denominated in euro.

Developments in prices of fixed income Treasury securities in 2003 were similar in the euro area and in the other major developed countries. Conversely, equity values rose faster on the US and Japanese stock exchanges than in the euro area. These developments were reflected in an increase in the market value of net euro area equity investment, namely in direct investment and portfolio investment (by €270 billion and €110 billion respectively; see Table B).

Table B The international investment position of the euro area in 2003

(EUR billions)

	Outstanding amounts in 2002	Changes in outstanding amounts in 2003						Outstanding amounts in 2003
		Total	Transactions	Other changes				
				Total	Asset prices[1]	Exchange rates[1]	Other adjustments[1]	
Total								
Net	-618	-142	6	-148	160	-260	-48	-760
Assets [2]	7,113	491	635	-144	350	-580	86	7,604
Liabilities	7,731	633	629	4	190	-320	134	8,364
Direct investment								
Net	204	-125	-5	-119	160	-160	-119	80
Abroad	1,877	233	136	97	270	-180	7	2,110
In the euro area	1,673	358	141	216	110	-20	126	2,031
Portfolio investment								
Net	-879	56	-43	99	10	-80	169	-824
Assets	2,303	305	277	28	90	-210	148	2,607
Equity [3]	853	201	67	134	110	-80	104	1,055
Debt securities	1,449	103	210	-106	-20	-130	44	1,553
Liabilities	3,182	249	320	-71	80	-130	-21	3,431
Equity [3]	1,366	150	117	33	100	-60	-7	1,516
Debt securities	1,816	99	203	-104	-20	-70	-14	1,915
Financial derivatives								
Net	-12	5	12	-8	-10	-	2	-7
Other investment								
Net	-297	-18	73	-90	-	20	-110	-315
Assets	2,579	9	240	-231	-	-150	-81	2,587
Liabilities	2,876	26	168	-141	-	-170	29	2,902
Reserve assets	366	-60	-30	-30	-	-40	10	307

Source: ECB.
1) ECB calculations.
2) Net financial derivatives included.
3) Including mutual funds.

Overall, however, the positive effect of the asset price change differentials and the marginal net financial outflows did not offset the negative effect of the appreciation of the euro exchange rate. Thus, the net international investment position deteriorated significantly in 2003.

The international investment position data are available in Section 7.4 of the "Euro area statistics" section of the Monthly Bulletin and on the ECB's website. This issue of the Monthly Bulletin also includes, for the first time, quarterly statistics on the international investment position of the euro area. While the quarterly international investment position statistics are compiled using the same methodological framework as for the annual international investment position, there are some differences linked to the availability of the data sources. Data for some international investment position items in some euro area countries are not available at an infra-annual frequency, and some data are only available with a delay. Still, preliminary data also show a similar effect of euro exchange rate developments on the net international investment position in 2004 (mainly in the last quarter).

ARTICLES

MONETARY POLICY AND INFLATION DIFFERENTIALS IN A HETEROGENEOUS CURRENCY AREA

This article assesses the relevance of regional divergence within a monetary union for economic policies and the single monetary policy, with a focus on differentials in inflation rates.

Inflation differentials are a normal phenomenon in any monetary union. Even in long-established monetary unions like the United States, differences in regional inflation rates are observed. By comparison, national inflation differentials in the euro area are not unusually large.

Inflation differentials can be an integral part of the adjustment mechanism resulting from the dispersion of economic developments across the participating countries, a mechanism which in turn reflects the impact of various economic shocks as well as the fact that the economic structures in place vary from country to country. Inflation differentials are, then, the product of an equilibrating adjustment process within a monetary union and, as such, are not only unavoidable, but also desirable.

At the same time, lasting inflation differentials in the euro area are, to some extent, also a product of misaligned fiscal policies, diverging wage developments and deep-seated structural inefficiencies such as nominal and real rigidities in product and factor markets. Inflation differentials stemming from such factors need to be addressed by national policies, primarily by structural reforms in labour and product markets aimed at enhancing the relevant country's ability to adapt in the best possible way to continuously changing economic conditions within the monetary union.

Monetary policy, by maintaining price stability in the euro area as a whole, contributes to price transparency and helps to facilitate the necessary adjustment of relative prices across the various countries. While limiting changes in relative prices and inflation differentials cannot form an objective for the ECB's monetary policy, it is necessary for the ECB to assess the underlying causes of such differentials. More generally, monitoring national and sectoral developments is key to understanding the underlying trends in the euro area as a whole and formulating the most appropriate monetary policy response. Such monitoring also facilitates the identification of structural barriers that may hamper macroeconomic adjustment in the euro area and thus helps to identify areas in which structural reforms are particularly necessary.

1 INTRODUCTION

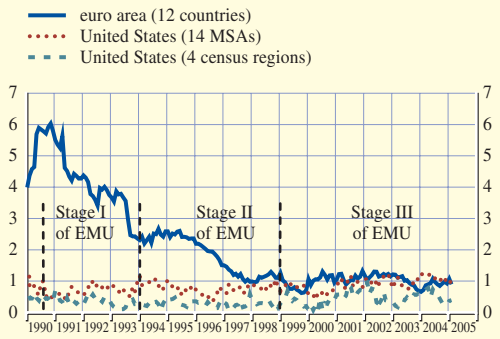
The euro area is a currency union comprising 12 countries and more than 300 million people. The successful adoption of the euro has been as a result of the convergence of currencies towards the best pre-existing benchmarks. Economic and Monetary Union has created conditions conducive to sizeable potential gains in terms of prosperity and welfare for the participating countries. The introduction of a common currency has, in particular, eliminated exchange rate variability among euro area countries, thus reducing transaction costs and enhancing cross-border price transparency, thereby promoting trade and, ultimately, greater economic integration.

Monetary policy is conducted by the Governing Council of the ECB with the primary objective of maintaining price stability in the euro area as a whole. Monetary policy does not, therefore, directly address differences in inflation rates or other economic developments which – because of the variety of economic structures or policies in place – may emerge across the euro area.

While inflation differentials are a normal feature of any monetary union, in the euro area context their presence is combined with institutional and economic characteristics that are, to a large extent, unique, such as limited labour mobility, rigidities in labour and product markets, a lack of significant centralised fiscal transfer mechanisms and decentralised responsibility for

Chart 1 Dispersion of annual inflation in the euro area, 14 US metropolitan statistical areas (MSAs) and the four US census regions[1)]

(unweighted standard deviation in percentage points)



Sources: Eurostat, US Bureau of Labor Statistics and ECB calculations.
1) Data up to February 2005.

fiscal and other economic policies. Under these circumstances, differences in price developments across the countries of the euro area have attracted substantial public attention since the introduction of the euro.

This article reviews the evidence on the main features and possible causes of inflation differentials in the euro area and discusses their implications for economic policies and the single monetary policy. The article is structured as follows: Section 2 provides evidence on recent developments in inflation differentials in the euro area, inter alia from a historical perspective; Section 3 presents the main possible explanations for inflation differentials in a currency area; Section 4 discusses the policy implications put forward in the economic debate; Section 5 describes how the ECB takes inflation differentials and, more generally, disaggregated information on sectoral and regional developments into account in the formulation of its monetary policy; and Section 6 draws a number of conclusions.

2 EVIDENCE ON INFLATION DIFFERENTIALS IN THE EURO AREA

Chart 1 reports the evolution of inflation dispersion among the countries of the euro area, as measured by the unweighted standard deviation of those countries' annual inflation rates (in terms of the HICP).[1] The degree of inflation dispersion across euro area countries has broadly stabilised since the inception of the euro. Looking back to the start of the 1990s, during Stage One of EMU (July 1990 to December 1993) the degree of inflation dispersion among the 12 EU Member States that now comprise the euro area was characterised by a strong downward trend. The high degree of dispersion observed in the early 1990s was mainly the result of very high levels of inflation in a few countries. During Stage Two (January 1994 to December 1998) the reduction in the degree of inflation dispersion continued. In Stage Three of EMU inflation dispersion reached its lowest level around the second half of 1999. Since then, with the exception of a modest increase over the period 2000-02, the level of inflation dispersion across the euro area has changed very little.[2]

By way of comparison, Chart 1 shows the evolution of the dispersion of inflation rates observed in a long-standing monetary union, namely the United States. Since the start of Stage Three of EMU inflation dispersion within the euro area has been fluctuating close to the level observed across the 14 US metropolitan statistical areas,[3] whereas it has been somewhat higher than that recorded in the four US census regions.[4]

1 Inflation dispersion can be measured in a number of ways. The simplest measure is the spread between the highest and lowest inflation rates. Another conventional measure is the standard deviation of inflation rates across countries. The weighted standard deviation measure takes account of the size of the countries, whereas the unweighted measure gives equal importance to all countries. Other measures of inflation dispersion include the root mean squared deviation around the euro area rate of inflation. All of these measures paint a similar picture regarding the evolution of inflation dispersion in the euro area.

2 For more details, see ECB (2003), *Inflation differentials in the euro area: Potential causes and policy implications*.

3 The 14 MSAs considered are: New York, Philadelphia, Boston, Washington, Chicago, Detroit, Cleveland, Dallas, Houston, Atlanta, Miami, Los Angeles, San Francisco and Seattle. These represent around 41% of total consumer spending in the United States.

4 The four US census regions are: Northeast, which includes the MSAs of New York, Philadelphia, Boston and Washington; Midwest, which includes the MSAs of Chicago, Detroit and Cleveland; South, which includes the MSAs of Dallas, Houston, Atlanta and Miami; and West, which includes the MSAs of Los Angeles, San Francisco and Seattle.

Table 1 Differentials in annual HICP inflation in relation to the euro area average

(percentage points)

	1999-2004 average	1999	2000	2001	2002	2003	2004
Belgium	-0.1	0.0	0.6	0.1	-0.7	-0.6	-0.3
Germany	-0.7	-0.5	-0.7	-0.4	-0.9	-1.0	-0.4
Greece	1.2	1.0	0.8	1.3	1.7	1.4	0.9
Spain	1.0	1.1	1.4	0.5	1.3	1.0	0.9
France	-0.2	-0.6	-0.3	-0.6	-0.3	0.1	0.2
Ireland	1.8	1.3	3.2	1.6	2.5	1.9	0.2
Italy	0.4	0.5	0.5	0.0	0.3	0.7	0.1
Luxembourg	0.5	-0.1	1.7	0.1	-0.2	0.5	1.1
Netherlands	0.8	0.9	0.2	2.8	1.6	0.2	-0.8
Austria	-0.4	-0.6	-0.1	0.0	-0.6	-0.8	-0.2
Portugal	1.1	1.0	0.7	2.1	1.4	1.2	0.4
Finland	-0.3	0.2	0.8	0.3	-0.2	-0.8	-2.0

Sources: Eurostat and ECB calculations.

Importantly, the process of nominal convergence was not accompanied by greater dispersion of economic activity within the euro area. The dispersion of real GDP growth rates in the euro area has, since 1999, remained very close to its historical average and no signs of increased divergence in growth rates have emerged so far. Furthermore, since the late 1980s there has been evidence of an ongoing increase in the cyclical synchronisation of euro area countries.[5] This supports the view that the nominal divergence prior to the introduction of the euro was largely due to exchange rate variations and the variety of monetary policy regimes in place.

At the same time, inflation differentials in the euro area appear to be very persistent, in the sense that many countries have systematically maintained either a positive or a negative inflation gap against the euro area average since the introduction of the euro, as shown in Table 1.

This persistence of inflation differentials seems to be a specific feature of the euro area. Looking at the 14 MSAs in the United States, inflation differentials larger than 1 percentage point and lasting more than two years have been seen only in a few specific cases. By contrast, seven of the twelve economies in the euro area have recorded annual inflation rates remaining either consistently above or consistently below the euro area average since 1999.

A first insight into the possible causes of the persistence of inflation differentials in the euro area can be gathered by performing an inflation accounting exercise, which breaks down the euro area inflation differentials into their primary determinants. The exercise demonstrates the relative importance of both internal factors (such as unit labour costs, profit margins and net indirect taxes) and external factors (such as import prices) in the observed inflation differentials. As Table 2 shows, internal factors (i.e. "domestic costs") were in nine of the twelve countries the most important contributor to the inflation differentials in relation to the euro area average. Import costs also played a major role in some cases. The inflation differentials of Belgium, France and Luxembourg were mainly driven by import cost dynamics.

As regards the internal source of inflation differentials in terms of the GDP deflator, the main contributions to the differentials came from unit labour costs and the gross operating surplus, while net indirect taxes tended to

5 See "Cyclical convergence in the euro area: recent developments and policy implications", *Quarterly Report on the Euro Area*, European Commission, July 2004.

Table 2 Results of the inflation accounting exercise for the period 1999-2003

	Final demand deflator			GDP deflator				Unit labour costs		
		Contribution to change			Contribution to change				Contribution to change	
	Total change in %	Domestic costs	Import costs [1]	Total change in %	Unit labour costs	Gross operating surplus	Net indirect taxes	Total change in %	Compensation per employee	Inverse labour productivity
	1 = 2+3	2	3	4 = 5+6+7	5	6	7	8 = 9+10	9	10
	Average annual growth in percentage points, unless otherwise indicated									
Euro area	1.8	1.0	0.8	2.0	1.1	0.6	0.2	1.9	2.6	-0.7
	Deviation from the euro area average [2]									
Belgium	0.1	-0.4	0.5	-0.4	0.1	-0.4	-0.1	0.1	0.5	-0.4
Germany	-1.0	-1.0	-0.1	-1.2	-0.7	-0.5	0.0	-1.1	-1.0	-0.1
Greece	1.5	1.4	0.1	1.5	0.2	1.0	0.3	0.4	3.5	-3.1
Spain	1.5	1.2	0.3	1.8	0.7	0.8	0.3	1.1	1.2	0.0
France	-0.7	-0.3	-0.4	-0.6	-0.2	-0.2	-0.2	-0.2	-0.2	0.0
Ireland	1.3	1.2	0.1	2.4	0.0	2.0	0.3	0.4	3.5	-3.0
Italy	0.8	0.8	0.0	0.5	0.3	0.2	-0.1	0.7	0.0	0.8
Luxembourg	0.3	-0.4	0.7	0.3	0.7	-0.6	0.2	1.4	3.3	-1.9
Netherlands	0.8	0.6	0.3	1.4	1.2	-0.1	0.3	1.9	1.5	0.4
Austria	-0.6	-0.6	0.0	-0.6	-0.8	0.4	-0.2	-1.4	-0.9	-0.5
Portugal	1.0	1.3	-0.3	1.6	2.0	-0.9	0.5	2.9	2.7	0.2
Finland	-0.8	-0.4	-0.4	-0.8	-0.2	-0.5	-0.1	-0.2	0.5	-0.7

Sources: European Commission, Eurostat and ECB calculations.
1) At the country level, import costs refer to intra and extra-euro area imports.
2) The figures in the table can be interpreted as follows: in the case of Belgium, for instance, the average annual change in the final demand deflator over the period 1999-2003 was 0.1 percentage point higher than in the euro area as a whole. The contribution from average import cost changes to the observed differential in final demand inflation was 0.5 percentage point, whereas the contribution of domestic costs was -0.4 percentage point.

contribute less. Notably, in Germany, France and Finland, below-average dynamics in terms of both unit labour costs and the gross operating surplus contributed significantly to the negative GDP inflation differentials of those countries in relation to the euro area average. By contrast, the positive gaps for Greece, Ireland, Italy and Spain were the result of dynamics above the euro area average in both unit labour costs and profits.

Looking at the unit labour cost developments, the analysis reveals that the compensation per employee component was generally more important than labour productivity in contributing to differentials. The moderate dynamics of unit labour costs in Germany, Austria and, to a lesser extent, France were mainly driven by subdued developments in the compensation component, while the above-average dynamics of the compensation per employee component in Portugal, the Netherlands and Spain drove unit labour costs in those countries. However, in a few cases (Belgium, Greece, Ireland and Finland) the two components appeared to be equally important. In the case of Italy, low labour productivity seemed to be responsible for the observed unit labour cost growth differential.

The diversity of inflation rates among euro area countries also has an important sectoral dimension. Table 3 shows the dispersion of the inflation rates for each of the five main sub-components of the HICP – namely services, non-energy industrial goods, energy, processed food and unprocessed food.

Although it decreased throughout the 1990s, the degree of dispersion in service price inflation across the euro area countries remained higher than that observed for the HICP index as a whole.[6] By contrast, the rates of increase of non-energy

6 This result proves robust to the exclusion from the calculations of those euro area countries that experienced strong idiosyncratic dynamics in the prices of services.

Table 3 Dispersion[1] of annual sectoral inflation in the euro area

(percentage points)

	Overall HICP	Services	Non-energy industrial goods	Energy	Processed food	Unprocessed food
1994-1998	1.95	2.43	2.12	2.78	2.67	3.25
1999-2004	1.12	1.54	1.06	3.35	1.77	2.44
memo items:						
HICP euro area weights 1998		0.34	0.34	0.09	0.13	0.09
HICP euro area weights 2004		0.41	0.31	0.08	0.12	0.08

Sources: Eurostat and ECB calculations.
1) The dispersion is measured as the root mean squared deviation around the euro area average.

industrial goods prices converged significantly throughout the 1990s and levelled off at a low level of dispersion from 1999 onwards. Given the large share of tradable goods among the non-energy industrial items of the HICP, that low level of dispersion is likely to be the result of the process of price level convergence observed in the countries of the euro area. This process was given significant impetus by the implementation of the single market during the first half of the 1990s and continued with the introduction of the single currency. Looking at the more volatile sub-components of the HICP, the evolution of energy prices varies substantially from country to country, a result not only of the significant historical volatility of this sub-index, but also of the considerable heterogeneity of the euro area countries' exposure and responses to external oil shocks.

Given the considerable weight of the service sector in the HICP basket, service price dynamics are the largest contributor to overall HICP inflation dispersion. This role is further enhanced by the fact that the weight of this sub-component in the overall HICP index has increased in recent years, while the weight of non-energy industrial goods has declined.

Overall, several elements can be singled out as being important in accounting for the persistence of euro area inflation differentials, such as wage dynamics, the role of the service sector and the openness of national economies to international trade. However, the available evidence indicates that there is no one single factor which explains the persistence of inflation differentials across euro area economies.

3 ORIGINS OF INFLATION DIFFERENTIALS IN THE EURO AREA

In order to ascertain the potential policy implications of persistent inflation differentials, it is necessary to properly identify their underlying causes. However, this is not an easy task because, in a large monetary union such as the euro area, a number of factors may contribute to inflation divergence. This section presents a brief description of the main factors which have been put forward to explain the existence of long-lasting inflation differentials in the euro area. In particular, a distinction is made between transitory factors related to the convergence process; factors related to long-lasting or permanent differences in national economic structures; and policy-induced factors related to the conduct and operation of national fiscal and structural policies or to the various regional responses to euro area-wide policies. Finally, the presence and the relative strengths of amplifying and countervailing factors operating in a currency union are addressed.

3.1 INFLATION DIFFERENTIALS OWING TO THE CONVERGENCE PROCESS

THE MOVE TO STAGE THREE OF EMU

The move to Stage Three of EMU and the one-off convergence of nominal interest rates within the euro area at a level previously seen only in the best-performing national economies has been an important temporary factor shaping inflation differentials in the first years of the euro. Notably, in countries which have in the past experienced higher inflation rates, the adoption of the euro has led to a significant reduction in nominal (and real) interest rates and financial costs, as well as a higher degree of integration with the capital markets of the rest of the euro area. This has contributed to a surge in domestic demand in those countries, exerting sustained upward pressure on prices, particularly in the non-tradable goods and services sectors.

PRICE LEVEL CONVERGENCE FOR TRADABLE GOODS

The implementation of the European single market in the first half of the 1990s and the subsequent introduction of the single currency in 1999 have contributed to a marked decline in price level dispersion, mainly for tradable goods.[7] This convergence of the absolute prices of tradable goods towards a common long-term level is likely to have accounted for some of the inflation differentials in the first years of the euro, even if its relative contribution is difficult to quantify.[8] Looking ahead, although further improvements in both European and national competition policies may further reduce price differentials for tradable goods, the importance of this type of price level convergence for euro area inflation differentials should diminish over time.[9]

PRICE LEVEL CONVERGENCE FOR NON-TRADABLE GOODS AND SERVICES: THE BALASSA-SAMUELSON EFFECT

While market integration and increased cross-border price transparency has led to convergence in the price of traded goods, a large part of the HICP is composed of goods and services which are not traded between countries. In this respect, the Balassa-Samuelson effect, a mechanism which can lead to changes in countries' real exchange rates and, in a monetary union, to changes in their respective inflation rates, has often been discussed in relation to persistent inflation differentials in the euro area. At the centre of the Balassa-Samuelson hypothesis are differences in productivity growth in countries' tradable and non-tradable sectors. If labour productivity growth is higher in the tradable sector, wages will tend to increase in that sector without leading to higher unit labour costs. However, if labour mobility between sectors is high, wages will also tend to increase in the non-tradable sector, where – given the lower average labour productivity growth – prices will exhibit higher average increases. Therefore, countries in which there is a larger difference between labour productivity growth rates in the tradable and non-tradable sectors will also experience a higher inflation rate. The Balassa-Samuelson effect reflects an equilibrium phenomenon: international competition among countries ensures that no substantial price pressures emerge in the tradable sector. Price pressures emerge only in the non-tradable sector and there is no need to reabsorb the resulting inflation differentials across countries.

The Balassa-Samuelson effect is often associated with the process of convergence in living standards across economies. Countries with lower than average income which are in the process of catching up normally display strong productivity growth in the tradable sector, while productivity developments in the non-tradable sector are normally more similar across countries.

7 See the article entitled "Price level convergence and competition in the euro area" in the August 2002 issue of the ECB's Monthly Bulletin.

8 Rogers, J. (2002), "Monetary union, price level convergence, and inflation: how close is Europe to the United States?", International Finance Discussion Paper No 740, estimates that the contribution of price level dispersion in 1999 to observed annual HICP inflation dispersion at the end of 2002 amounted to around 16% of the overall inflation dispersion.

9 See Rodriguez-Palenzuela, D., G. Camba-Mendez and J. A. Garcia (2003), "Relevant economic issues concerning the optimal rate of inflation", ECB Working Paper No 278.

Opinions differ on the extent to which the Balassa-Samuelson hypothesis is relevant to the euro area.[10] Overall, it is very difficult to quantify possible Balassa-Samuelson effects, in particular because it is not easy to isolate them from other historical influences on inflation trends, notably differences in monetary policy regimes and exchange rate policies. There is, however, a growing consensus that the Balassa-Samuelson effect constitutes only a partial explanation for the persistent inflation differentials observed in the euro area. One reason for this is the fact that the observed differences in labour productivity trends across euro area countries can only account for a relatively moderate share of inflation diversity, as shown in Section 2.

The size of the Balassa-Samuelson effect for countries currently in the euro area is likely to diminish over time, given that there has already been substantial convergence among those countries in terms of per capita GDP. At the same time, such an effect may be more relevant in giving rise to lasting inflationary pressures in some of the new Member States wishing to adopt the euro, given their lower starting income and price levels.

3.2 INFLATION DIFFERENTIALS OWING TO STRUCTURAL DIFFERENCES

HETEROGENEITY IN CONSUMERS' PREFERENCES

One structural factor that may in principle contribute to lasting inflation and output differentials in a currency area relates to deep-seated differences across countries in households' preferences as regards consumption. This heterogeneity in preferences is reflected in the fact that the shares of the various goods and services in national consumption and value added differ from country to country and thus have different weights in the various sub-indices of the national HICPs. However, empirical evidence has shown that this factor makes a relatively minor contribution to the inflation dispersion observed in the euro area.[11]

THE DEGREE OF OPENNESS AND THE COMPOSITION OF TRADE

The divergence in inflation rates within the euro area may also have an external dimension related to differences in national exposure to changes in the exchange rate of the euro and the price of raw materials. In particular, differences in the degree of openness, in the composition of international trade and in trade links with non-euro area partner countries might be relevant factors explaining inflation differentials. For example, a euro area country mainly importing from outside the euro area will experience different inflationary pressures if the euro exchange rate depreciates as compared with a country that trades mainly with other euro area countries. Fluctuations in the exchange rate of the euro, coupled with asymmetries in trade links, have helped to explain some of the inflation differentials observed in the euro area. Considered alone, however, this type of heterogeneity cannot account for the inflation differentials observed among the largest euro area economies. In this respect, one complementary explanation might be that the role of external shocks and the effect of differences in trade composition are being enhanced by the presence of a high degree of inflation inertia in euro area countries.

RIGIDITIES IN WAGE AND PRICE-SETTING

The process of adjustment to changing economic conditions typically requires the continuous adjustment of relative prices across regions and sectors. Such a mechanism, which is a normal and desirable feature of a market-based economy, may give rise to short-lived inflation differentials across the regions and sectors of a monetary union in the face of demand and supply shocks. However, the presence of rigidities affecting the price and wage formation mechanism delays the necessary adjustment and gives rise to

10 ECB (2003), *Inflation differentials in the euro area: Potential causes and policy implications*.
11 Ibid.

distortions in relative prices after such shocks, contributing to lasting inflation differentials.[12]

In this respect, recent provisional evidence from the Eurosystem Inflation Persistence Network[13] helps to shed light on the importance of rigidities in the price-setting behaviour of firms in the euro area. On the basis of micro data on consumer prices, the Network calculates that the average consumer price duration[14] in the euro area is between four and five quarters, compared with an estimate of around two quarters for the United States. This seems to indicate that, on average, there is greater rigidity in price-setting in the euro area than in the United States. As regards differences in the frequency of price changes, heterogeneity across products and sectors appears to be more pronounced than heterogeneity across countries. Moreover, the ranking of products and sectors in terms of the degree of price stickiness is not only similar in each of the countries analysed, but is also similar to that observed in the United States. Euro area energy and unprocessed food prices seem to change most frequently, while service prices appear to be modified less frequently.

If service prices are indeed characterised by a systematically longer adjustment process, perhaps on account of some intrinsic features of the price-setting mechanism, this could, given the large weight of the non-tradable sector in the economy, generate significant and persistent inflation divergence.

This conclusion would seem to sit well with the evidence presented in Table 3, which indicates that the service sector (which accounts for most of the price dynamics of the non-tradable sector) makes a significant contribution to overall inflation dispersion. It is also corroborated by the evidence in Table 2 on the importance of unit labour costs in explaining differentials in changes in GDP deflators across the euro area, given that a large share of the total output of the service sector is accounted for by employment compensation. Overall, this suggests that a substantial part of persistent divergence in price developments may stem from differences in wage developments and wage-setting mechanisms across euro area countries (including, in some countries, the automatic indexation of nominal wages to prices).

3.3 POLICY-RELATED FACTORS

Both area-wide and regional policies might themselves shape the degree of heterogeneity in a currency union. Fiscal policies in particular may be one source of inflation and output differentials in the euro area. First, changes in administered prices and indirect taxes can add to inflation dispersion, at least in the short to medium term. In the euro area, administered prices account for around 6% of the entire HICP. However, it has been shown that the difference between the dispersion of HICP inflation and that of HICP inflation excluding administered prices has been very small since 1999.[15] More importantly, fiscal policy can also help to create or reinforce inflation differentials through the inappropriate use of fiscal instruments. In this respect, there is some evidence that the pro-cyclical effects of the fiscal policies of euro area countries may have helped to increase cyclical differences among euro area countries in the recent past.[16]

12 See, among others, Angeloni, I., and M. Ehrmann (2004), "Euro area inflation differentials", ECB Working Paper No 388 and Altissimo, F., P. Benigno and D. Rodriguez-Palenzuela (2004), "Inflation differentials in a currency area: facts, explanations and policies", presented at the ECB workshop "Monetary policy implications of heterogeneity in a currency area", Frankfurt, 13-14 December 2004, available at www.ecb.int.

13 See the proceedings of the conference "Inflation persistence in the euro area", Frankfurt, 10-11 December 2004, available at www.ecb.int. The paper by Angeloni, I., L. Aucremanne, M. Ehrmann, J. Gali, A. Levin and F. Smets (2004), "Inflation persistence in the euro area: preliminary summary of findings", available on the conference webpage, provides a summary of the provisional evidence gathered so far within the Eurosystem Inflation Persistence Network project.

14 Price duration is defined as the time elapsing between two successive price changes.

15 See ECB (2003), *Inflation differentials in the euro area: Potential causes and policy implications*. Nevertheless, changes in indirect taxes and administered prices in some euro area countries appear to have contributed somewhat to the increases in HICP inflation dispersion observed in the first half of 2004.

16 See footnote 5.

Structural policies conducted at the national or regional level can also be a source of inflation differentials. For example, policies aimed at influencing the structure of the labour market may modify wage-setting behaviour. The fact that indexation clauses in collective wage-bargaining agreements are present in some euro area countries may, for instance, contribute to the persistence of inflation differentials by increasing inflation inertia in those countries.

Monetary policy in a currency union can also add to inflation dispersion via its differentiated transmission across countries, particularly in the presence of differing degrees of nominal rigidities. In this respect, however, there is no conclusive evidence of systematic differences in the transmission of monetary policy impulses across euro area countries.[17] Differences in the estimated impact of monetary policy on output and prices across countries do not tend to be robust to different methodologies, data and models. Furthermore, the effects of monetary policy depend critically on the monetary policy regime in place; the change in policy regime owing to the introduction of the euro might have modified the transmission mechanism of monetary policy across euro area countries, making it more difficult to properly extrapolate from historical experiences.

3.4 AMPLIFYING AND COUNTERVAILING MECHANISMS WITHIN THE MONETARY UNION

In the euro area, as in other monetary unions, the official interest rate set by the central bank is uniform across participating countries. At the same time, inflation differentials across countries can arise for a variety of reasons. It is sometimes argued that the combination of the above two factors leads to differing real interest rates across countries, which may have a destabilising effect on national economies, in particular by helping to strengthen inflation differentials. For instance, it is argued that countries with higher than average inflation experience lower real interest rates, which in turn fuel domestic demand and inflation, and that, conversely, countries with lower than average inflation experience higher real interest rates, resulting in further downward pressure on domestic demand and inflation. However, these views do not take into account all the underlying factors.

First of all, the above argument is generally made with reference to ex post measures of the

17 See the article entitled "Recent findings on monetary policy transmission in the euro area" in the October 2002 issue of the ECB's Monthly Bulletin.

Table 4 Selected statistics on the dispersion of real interest rates within the euro area

(percentage points)

		Short-term real interest rates [1]		Long-term real interest rates [2]	
		Ex ante: Inflation forecasts for the following year [3]	Ex post: Current HICP annual inflation rate	Ex ante: Long-term (six to ten years ahead) inflation forecasts [3]	Ex post: Current HICP annual inflation rate
Standard deviation					
1990-1998	*unweighted* [4]	1.69	0.82	1.29	0.68
	weighted [5]	1.26	0.75	1.23	0.64
1999-February 2005	*unweighted* [4]	0.52	0.76	0.26	0.58
	weighted [5]	0.45	0.66	0.23	0.54

Sources: BIS, Consensus Economics, ECB, ECB calculations, Eurostat and Reuters.
1) Three-month money market interest rates (EURIBOR for the period 1999-2005). All the 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 forecasts.
4) The same weights are attributed to each of the euro area countries considered.
5) Based on 2002 GDP weights at PPP exchange rates.

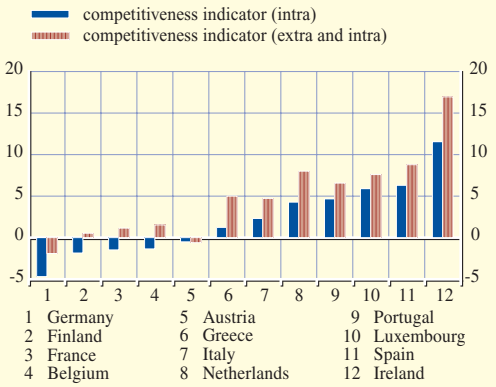
real interest rate, calculated by subtracting the current observed level of inflation from nominal interest rates. By contrast, what matters for investment and consumption decisions are ex ante measures of real interest rates, i.e. the difference between market interest rates and expectations for inflation developments over the relevant horizon.[18] By way of illustration, Table 4 compares the dispersion of ex post and ex ante real interest rates, the latter being computed using inflation forecasts (for the HICP) over the relevant horizon as compiled by Consensus Economics.[19]

The dispersion across countries of ex ante measures of real interest rates is significantly lower than that of ex post measures. In the case of long-term interest rates, the dispersion of ex ante measures of real interest rates has since 1999 been approximately half that of real interest rates measured using realised inflation. Furthermore, since 1999 the dispersion of ex ante measures of real interest rates has been about one-third of that prevailing before the inception of the euro. By contrast, the dispersion of the ex post measures has remained broadly unchanged.

Second, and perhaps even more fundamentally, the consequences of inflation differentials (and thus of differing real interest rates) obviously depend on the underlying causes, which, as mentioned, are manifold. For example, if a country's lower than average inflation rate is due to higher than average productivity growth, this would be an indication that the country in question has strong investment prospects, even if its observed real interest rate is higher than that of other countries.

Finally, in a monetary union, where exchange rates among countries are by definition fixed, there are strong market-based forces that work in a stabilising manner. In particular, if a country has lower than average inflation on account of weak demand, it will become more competitive in relation to other countries. This tends to increase demand in that country (and reduce demand in others) over time. As has been shown in a number of recent studies, the competitiveness ("real exchange rate") channel, although slow to build up, eventually becomes the dominating adjustment factor.[20] In this respect, Chart 2 shows that, as a consequence of the prolonged inflation differentials observed, the euro area countries have experienced marked differences in terms of the evolution of national competitiveness.[21]

Chart 2 National competitiveness indicators[1] – cumulative percentage change between January 1999 and December 2004



Source: ECB calculations.
1) An increase indicates a real effective appreciation or a decline in national competitiveness based on consumer prices. The first indicator (intra) is based on intra-euro area trade, whereas the second indicator (extra and intra) also incorporates trade with a group of 23 euro area trading partners.

18 For further details, see the box entitled "Measuring real interest rates in the euro area countries" in the September 2004 issue of the ECB's Monthly Bulletin.

19 Consensus Economics inflation forecasts are available for all euro area countries except Luxembourg over shorter horizons, but are available only for the five largest euro area countries over longer horizons.

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

21 For further details, see Buldorini, L., S. Makrydakis and C. Thimann (2002), "The effective exchange rates of the euro", ECB Occasional Paper No 2, and the box entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the ECB's Monthly Bulletin.

4 IMPLICATIONS OF INFLATION DIFFERENTIALS FOR THE DESIGN OF ECONOMIC POLICIES

As described above, inflation differentials in the euro area reflect to some extent longer-term equilibrium phenomena and the normal and healthy operation of market-based adjustments in relative prices following economic shocks. In the particular case of a – in historical terms – recently established monetary union, the introduction of a single currency entails a gradual but fairly substantial transformation of the economic structures in place and creates the potential for a long-term economic adjustment process. Inflation differentials across euro area countries may therefore reflect at least in part equilibrating changes in relative prices, which are an unavoidable and also desirable manifestation of the gradual but ultimately far-reaching structural transformations to which monetary integration and the single market process give rise.

However, at least to some extent, the persistent inflation differentials observed in the euro area are also a product of misaligned national fiscal policies, wage developments and deep-seated structural inefficiencies such as nominal and real rigidities in product and factor markets, and can result in damaging developments for the national economies. It is typically the impediments to the operation of market forces, which delay the adjustments needed after economic shocks, that need to be addressed by policy-makers.

4.1 STRUCTURAL REFORMS IN LABOUR AND PRODUCT MARKETS

It is widely recognised that two elements are crucial to the smooth adjustment to changing economic conditions and the efficient functioning of a currency area: the mobility of factors of production and flexibility in wage and price-setting.

With regard to the mobility of factors of production, a clear dichotomy can be observed in the euro area.

On the one hand, the process of integrating financial markets has already come a long way. Although further action is needed to remove the remaining market segmentation and regulatory impediments to free competition, a continuous increase in cross-border financial and capital flows is being observed, as well as increasing competition in the provision of financial services. A deepening of financial integration in the years to come will allow investors to diversify their portfolios more efficiently and thereby provide a cushion against localised macroeconomic risks.

On the other hand, the other main factor of production – labour – is, it appears, either too slow to react to wage and demand signals or is being prevented from doing so by persistently distorted price signals, leading to relatively low labour mobility between countries and regions, as well as between sectors and professions. This points to a need for more flexible labour markets in the context of EMU, particularly at the national and regional levels. The importance of such flexibility is further enhanced by the presence of elements of a permanent nature, such as linguistic and cultural differences, which inhibit labour mobility across countries. Some discernible progress has been seen in almost all countries of the euro area over the past decade with regard to labour market reform. However, labour markets in the euro area still appear to be too rigid and unresponsive to economic conditions. This is reflected in the persistently high level of structural unemployment and low labour force participation rates in most countries. Further measures could usefully target disincentives to labour market flexibility, for instance those stemming from high replacement rates, compressed wage structures and employment protection legislation.

Similarly, in order to improve the efficiency of price signals in the goods and services markets, thereby enhancing the efficiency of resource allocation in the economy, it is crucial to continue the process of strengthening effective competition, for instance through liberalisation and deregulation. An

intensification of competition through regulatory reforms will not only enhance innovation and productivity and reduce prices in the markets concerned, but will also increase the economic region's resilience and ability to adapt to continuously changing economic conditions.

4.2 FISCAL POLICY

Fiscal policies can also help to enhance the ability of individual countries to respond to economic shocks and reduce the potentially damaging effects of prolonged inflation differentials. In particular, sound government finances are crucial in order for individual countries to be able to let automatic stabilisers work fully without running the risk of excessively high deficits. This represents an important mechanism in the process of macroeconomic adjustment in response to regional divergence. Historical experience shows that discretionary fiscal policies are – especially considering the implementation and impact lags involved – an inappropriate instrument when it comes to responding to cyclical fluctuations. It is particularly important in this respect that governments prevent discretionary policy measures from acting pro-cyclically over the business cycle, thereby exacerbating divergence across countries after asymmetric shocks.

4.3 IMPLICATIONS FOR MONETARY POLICY

There is a broad consensus among academics, observers and policy-makers that monetary policy should focus on maintaining price stability in the currency area as a whole. Thus, monetary policy should anchor inflation expectations and increase market transparency, thereby facilitating the necessary adjustment of relative prices across different countries or sectors in the presence of economic shocks. By contrast, it is widely recognised that assigning to monetary policy the additional role of directly addressing the relative balance between the sectors or regions of the currency area in the process of adjustment to shocks would overburden monetary policy to the detriment of its primary role.

At the same time, the debate has more recently also tended to highlight some more direct implications of inflation differentials for the formulation of monetary policy in a monetary union, particularly where such differentials are coupled with, or are the product of, nominal and real rigidities.

Box 1 critically reviews some of the recent contributions appearing in economic literature which deal with this topic. While, as discussed in the box, some of the conclusions of this recent analysis are very much dependent on the specific analytical framework adopted and some of the recommendations would encounter significant implementation problems, some important general conclusions can still be drawn. First, the presence of long-term equilibrium inflation differentials across countries may constitute an additional reason (together with other prominent reasons, such as the need to ensure a sufficient safety margin to guard against the risks of deflation) for the central bank to aim to maintain the inflation rate in the currency area as a whole low, but not too close to zero. Second, it is important for the central bank to take into account regional and sectoral information on the source and nature of economic shocks, including monitoring and understanding the underlying reasons for inflation differentials, even if it formulates its policy with a view to maintaining price stability for the currency area as a whole. Finally, by maintaining a medium-term orientation in the conduct of its monetary policy, a central bank is able to facilitate the necessary adjustment of relative prices across regions and sectors in the presence of asymmetric shocks.

Box 1

RECENT ECONOMIC LITERATURE ON THE IMPLICATIONS OF INFLATION DIFFERENTIALS FOR MONETARY POLICY IN A CURRENCY UNION

Economic and Monetary Union has spurred a number of analytical contributions aimed at assessing the implications of inflation differentials for the conduct of the single monetary policy.

A first stream of analytical work has addressed the policy implications of inflation differentials generated by equilibrium factors such as the Balassa-Samuelson effect (as described in Section 3).[1] In such circumstances, inflation differentials across a currency area reflect equilibrating changes in relative prices, which are an unavoidable and desirable manifestation of the gradual adjustment induced by the process of monetary integration. However, in the presence of downward nominal rigidities in price and wage-setting, these differentials may become a source of concern for the central bank because they can impair the ability of a common monetary policy to operate effectively at very low levels of inflation. In the presence of downward nominal rigidities, countries experiencing inflation rates which are persistently below average may possibly face episodes of prolonged deflation and may encounter difficulties in regaining competitiveness. While such arguments are not without foundation (and, indeed, are taken into account by the ECB, as discussed in Section 5), their quantitative importance should not be exaggerated. First, as mentioned above, the available quantitative estimates of the Balassa-Samuelson effect in the euro area point to this factor generally making a relatively small contribution to the explanation of inflation differentials. Second, the empirical evidence indicates that there is significant scope for downward flexibility in prices and wages in the euro area.[2]

A second stream of literature advocates the active engagement of monetary policy in tackling inflation differentials arising from the presence of nominal and real rigidities in monetary unions.[3] According to these arguments, in order to achieve its final goal – usually defined as the economic welfare of the monetary union in the context of a specific model – the central bank should target an objective defined using a price index that assigns a weight to sectoral or regional units which differs from the relative size of those units. That weighting should instead reflect estimates of key structural features of the sectoral or regional unit concerned. In this respect, a key conclusion drawn by such assessments is that overall economic welfare in these stylised models is enhanced by a monetary policy that assigns larger weights to sectors or regions where price developments are more persistent. The rationale for this can be described as follows. In an economy with two sectors of equal size, one more rigid (i.e. featuring a higher degree of friction in the adjustment of relative prices following shocks) and the other more flexible, a monetary policy that does not take account of sectoral heterogeneity in the weighting of the price index implies that, upon the occurrence of an aggregate shock, the two sectors have to adjust in a similar way. However, the rigid sector bears a higher cost than the flexible sector in its adjustment to that macroeconomic shock. This imbalance leads to a welfare loss for the

1 See, among others, Sinn, H.-W., and M. Reuter (2001), "The minimum inflation rate for Euroland", NBER Working Paper No 8085.
2 See the proceedings of the conference "Inflation persistence in the euro area", Frankfurt, 10-11 December 2004, available at www.ecb.int.
3 See, for example, Woodford, M. (2003), *Interest and Prices: Foundations of a Theory of Monetary Policy*, Princeton University Press and Benigno, P. (2004), "Optimal monetary policy in a currency area", *Journal of International Economics*, 63, pp. 293-320.

currency union that could be reduced. By weighting the more rigid sector to take into account more than just its overall size, monetary policy would make sure that the flexible sector responded to a higher degree to the shock, thus making a stronger contribution to the overall adjustment needed in the economy.

While intuitively appealing in the context of stylised models of the economy, there are obvious arguments against the above prescriptions and, in particular, substantial problems related to any practical implementation. First of all, there would be enormous problems related to the appropriate measurement of the degree of nominal rigidity in the various sectors or regions, given that there is no one single method of measuring such rigidity – or even a standard definition of the phenomenon. It would also be very difficult to determine the level at which such nominal rigidity should be measured (for instance, whether the relevant units should be sectors, regions or countries). All of this would introduce substantial elements of arbitrariness and uncertainty in the conduct of monetary policy and negatively affect the transparency of the objective pursued by the central bank and thus its accountability. Secondly, the possibility cannot be ruled out that by assigning greater importance to a particular country or sector-specific development, monetary policy would in practice be accommodating behavioural or structural inefficiencies, ultimately creating perverse incentives and hampering the necessary progress towards more market-based adjustment mechanisms. Furthermore, the communication of monetary policy would face considerable challenges, since its conduct would become significantly more complex and difficult to explain to the public.

This literature, however, also makes the important point that, for any given objective of monetary policy, it is critical for the central bank to take into account the source and nature of economic shocks, including those originating at the local level, in formulating the most appropriate monetary policy response. This point is specifically addressed by a third stream of economic research, which analyses the role of sectoral and regional information in the conduct of monetary policy.[4] In these models, the objective of monetary policy is expressed (as is the case for the euro area) in terms of an area-wide price index which assigns a weight to countries according to their relative size. It is shown that even in this case monetary policy could improve its performance by taking into account disaggregated (i.e. sectoral and regional) information on economic developments rather than looking exclusively at aggregated, area-wide information.

4 See, for example, Angelini, P., P. Del Giovane, S. Siviero and D. Terlizzese (2002), "Monetary policy rules for the euro area: what role for national information?", Banca d'Italia Working Paper No 457.

5 THE RELEVANCE OF INFLATION DIFFERENTIALS AND DISAGGREGATED INFORMATION FOR THE ECB'S MONETARY POLICY

As laid down in Article 105(1) of the Treaty, the primary objective of the ECB is to maintain price stability for the euro area as a whole. Price stability makes it easier for people to recognise changes in relative prices, since such changes are not obscured by fluctuations in the overall price level. This enables firms and consumers to make better-informed decisions on consumption and investment, allowing the market to allocate resources more efficiently and enhancing the productive potential of the economy. Thus, by maintaining a stable price level, monetary policy contributes to the adjustment of relative prices as well as facilitating their role in guiding the allocation of resources across the sectors and countries of the euro area. This is the best contribution that

monetary policy can make to economic welfare and the achievement of high levels of economic activity and employment.

In 1998 the ECB announced its definition of price stability as a "year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area as a whole of below 2%". The choice of Eurostat's HICP, a consumer price index harmonised across the Member States of the EU, has the advantage of transparency, as it is the measure that most closely approximates the price of a representative basket of consumption goods and services purchased by euro area households.

In May 2003, as part of its review of the ECB's monetary policy strategy, the Governing Council of the ECB clarified its price stability objective, explaining that, in pursuing price stability, it aims to maintain inflation rates "below but close to 2%" over the medium term. The aim of maintaining the inflation rate close to the upper bound of its definition of price stability signals the ECB's commitment to providing an adequate margin to guard against the risk of deflation. At the same time, the Governing Council made it clear that this also takes into account the implications of inflation differentials across the countries of the euro area. It was thus recognised that inflation differentials could pose a risk to regions with structurally lower inflation rates in terms of the potential costs of adjustment associated with the possible presence of downward nominal rigidities.

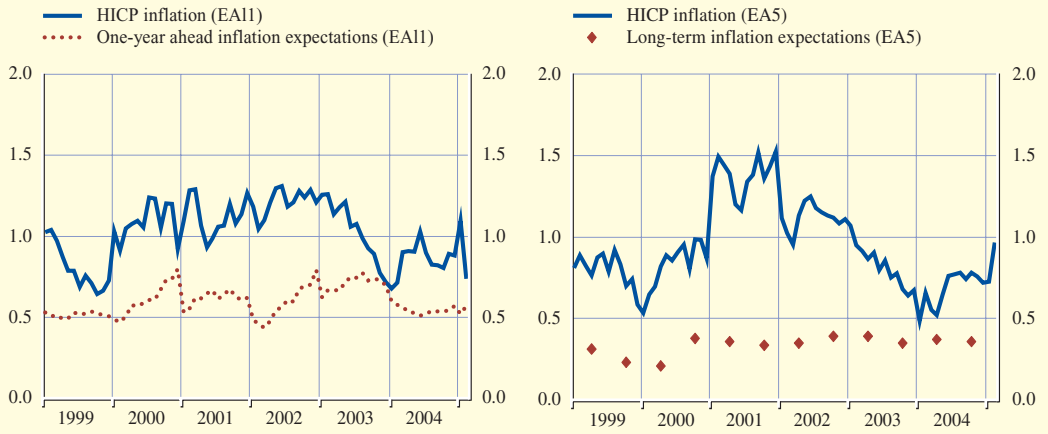
While the ECB's internal work, analysis and assessment of economic information, its policy deliberations and its decisions are directed at the aim of maintaining price stability for the euro area as a whole, this does not mean that the ECB looks exclusively at aggregated (i.e. area-wide) information. In order to achieve its objective and, in particular, in order to conduct its broad-based analysis of the risks to price stability over the medium term, the ECB regularly reviews and analyses all relevant information relating to the various sectors and countries of the euro area. Thus, it closely monitors sectoral and national developments, including various price and output developments.

There are several important aspects to this activity. First, analysing sectoral and national developments in the euro area helps to sharpen the assessment of the economic situation and its possible evolution for the euro area as a whole. One example of such intensive use of disaggregated information is the Eurosystem macroeconomic projections, which are produced and published twice a year by the ECB. In such exercises, experts from the Eurosystem jointly analyse, discuss and interpret a large amount of economic information at the sectoral and national level. The final projections are produced by aggregating the expected developments at the level of the individual economies, taking into account the spillover of local developments into the rest of the euro area. Such methodology is key to obtaining a better understanding of the underlying trends and economic prospects for the euro area as a whole.

Second, as mentioned in previous sections, it is essential that the central bank is able both to understand the source and nature of economic shocks (i.e. whether they originate from the demand or the supply side, and whether they are permanent or of only a temporary nature) and to assess their effect on the economy as a whole in order to formulate the best possible monetary policy response. In this respect, the analysis of disaggregated information is key, as some relevant area-wide shocks originate in specific countries or sectors. Third, this analysis is essential to identifying structural barriers that may hamper adjustment and efficiency-enhancing change in the euro area, allowing the ECB to inform the public and effectively discuss with other European policy-making institutions the most appropriate action to take. Finally, a crucial element of the ECB's monetary policy strategy is its medium-term orientation, that is to say, the fact that it does

Chart 3 Dispersion of annual inflation rates and inflation expectations[1)]

(unweighted standard deviation in percentage points)



Sources: Eurostat, Consensus Economics and ECB calculations.
1) Consensus Economics inflation forecasts are available for all euro area countries except Luxembourg over short horizons (EA11; left-hand panel); they are available only for the five largest euro area economies over longer horizons (EA5; right-hand panel).

not attempt to maintain or restore price stability in the very short term following economic changes. This allows the ECB to formulate the best possible monetary policy taking into account the nature of economic shocks and, at the same time, provides flexibility for individual economies or sectors to adjust gradually after localised or asymmetric shocks.

The ECB's clear and unambiguous quantitative definition of price stability, its high degree of credibility and its strong focus on the achievement of its primary objective have allowed inflation expectations in the euro area to be maintained in line with its definition of price stability. An important positive effect of this is that inflation expectations at the country level are very similar to one another. Chart 3 shows that the dispersion of inflation expectations across euro area countries one year ahead (left panel) and six to ten years ahead (right panel), as compiled by Consensus Economics, is very low, indeed much lower than the dispersion of realised inflation. Given the importance of expectations for future developments in wage and price-setting behaviour, this implies that a powerful mechanism has been set in motion which is helping to maintain a high degree of uniformity for price developments across the individual countries of the euro area.

6 CONCLUSION

Inflation differentials across the regions or sectors of a monetary union are a natural product of the continuous readjustment of relative prices in a market economy. Such equilibrating changes in relative prices, which form an integral and essential part of any market economy, provide the signals and incentives for market participants from both the supply and demand sides to reallocate resources and set in motion economic change.

Inflation differentials in the euro area are – as indicated by the evidence and analyses described in previous sections – partly a reflection of such equilibrating changes in relative prices. They are also an essential element of the economic adjustment process in the context of the fundamental structural transformations taking place in the euro area as a consequence of Economic and Monetary

Union. As such, inflation differentials are a desirable phenomenon and should be allowed to perform their equilibrating role without hindrance.

However, the persistence of inflation differentials in the euro area also reflects a lack of flexibility and adaptability in the institutions and market structures of the national economies. Such structural differences require strong determination on the part of those with responsibility for national policies, which should aim to achieve a high degree of flexibility and adaptability in all regions of the euro area.

In line with its mandate as laid down in the Treaty, the ECB focuses on maintaining price stability in the euro area as a whole and does not seek to address questions of relative prices or inflation differentials. The ECB's internal work, analysis and assessment of economic information, its policy discussions and its deliberations are directed at achieving its primary objective for the euro area as a whole. In order to achieve this objective and, in particular, in order to conduct its broad-based analysis of the risks to price stability over the medium term, the ECB regularly reviews and analyses not only the information contained in euro area macroeconomic aggregates, but also the relevant information at the sectoral and country level. The analysis of disaggregated information is indispensable when identifying the underlying trends and structural shocks that drive euro area developments. Thus, sectoral and national information is a fundamental element of the ECB's assessment of the risks to price stability in the euro area.

CONSOLIDATION AND DIVERSIFICATION IN THE EURO AREA BANKING SECTOR

This article examines the extent of consolidation in the euro area banking sector over the last ten years and explains some of the reasons for this. It also looks at the ways in which consolidation has affected banks' performance and geographical, product and sectoral diversification strategies. It then examines the trend towards a transformation of banks into large and diversified financial conglomerates, particularly in the form of bancassurance groups. Finally, it discusses some of the financial stability implications related to the conglomeration process.

1 THE CONSOLIDATION PROCESS AFFECTING EURO AREA BANKS

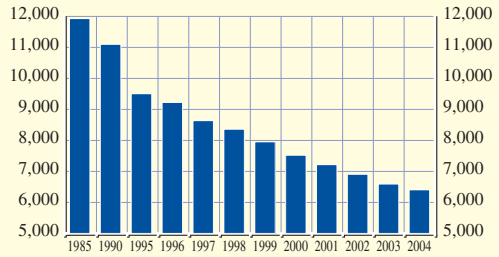
This section gives an overview of the consolidation that has taken place in the euro area banking sector since the early 1990s. It focuses in particular on aspects related to increased sectoral diversification and internationalisation of the ownership of credit institutions and then goes on to describe the main driving forces behind these developments, namely changes in the external environment and in banks' strategies.

1.1 CONSOLIDATION AND DIVERSIFICATION PATTERNS

The number of credit institutions in the euro area declined from around 9,500 in 1995 to 6,400 in 2004 (see Chart 1). In other words, almost one-third of credit institutions active ten years ago have since disappeared. This general pattern has, however, been uneven across countries: those with a larger number of credit institutions have witnessed more widespread consolidation (see Table 1).

Chart 1 Consolidation in the euro area banking sector

(1985-2004)



Source: ECB.
Notes: The chart shows the absolute number of credit institutions (CIs) in the euro area as a whole, based on MFI statistics. Figures for 1985 and 1990 are only indicative.

Despite the decline in the number of banks, the number of branches has remained fairly stable – or even risen – in most euro area countries (see Table 1). A restructuring of the banking sector is only evident or likely where consolidation in the branch network has taken place. The pattern observed so far supports the view that consolidation has by and large been driven by mergers and acquisitions (M&A) activity and not by (branch) restructuring.[1]

Figures for M&A activity further support this view.[2] In 1991 there was a marked increase in M&A activity – coinciding with the signing of the Treaty on European Union – and activity remained high until 2004 (see Chart 2). Most M&A activity had a local character, with 80% of the deals involving domestic institutions only. This is one reason why, initially, M&A deals generally involved smaller institutions. It was not until the period 1998-2000 that very large deals were struck between large banks and between banks and insurance companies (see below). After 2000 relatively unfavourable stock market developments and continued market uncertainty led to a general decline in M&A activity and transaction volumes, although volumes remained above those of the early 1990s.

Despite their smaller number, cross-border M&A deals have been increasing and have

1 There is only anecdotal evidence of bank closures due to operational failures. A major shake-out took place in the wake of a banking crisis in the Nordic countries in the early 1990s.
2 Another source of consolidation, although without direct consequences for the number of institutions in the market, has occurred through cross-shareholdings, i.e. the acquisition of a minority share in another credit institution.

Table 1 Consolidation in euro area countries

(ranked on number of credit institutions (CIs) in 2004)

Country	Number of CIs 1995	Number of CIs 2004	Number of branches 1995	Number of branches 2003	Number of M&As 1995-2004	of which cross-border M&As (%)
DE	3,785	2,148	48,180	47,351	170	17.8
FR	1,469	897	25,581	25,789	157	21.3
AT	1,041	796	4,667	4,395	41	29.6
IT	970	787	23,493	30,502	275	12.2
NL	648	461	6,802	3,671	23	57.7
ES	506	346	36,465	39,762	95	31.6
FI	381	363	1,941	1,252	16	25.0
PT	233	197	3,446	5,440	38	40.0
LU	220	165	348	269	10	92.9
BE	145	104	7,704	4,989	34	30.1
IE	56	80	1,043	924	8	62.5
GR	53	62	2,404	3,300	34	25.7
Euro area	**9,507**	**6,406**	**162,074**	**167,644**	**901**	**23.2**

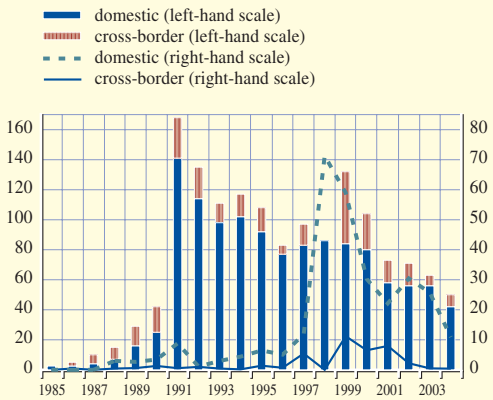
Sources: ECB and Thomson Financial Securities Data Company.
Note: The estimated number of M&As in the banking sector over the period 1995-2004 may exclude a number of smaller deals that were not reported. M&A data include both minority and majority acquisitions, cross-border M&As cover both acquirers from the euro area and third countries.

given euro area banks a greater cross-border presence – allowing them to diversify country and region-specific risks and increase their revenues. On average, foreign branches and subsidiaries account for about 15% of the euro area banking market (see Chart 3). However, this share varies substantially across markets and has tended to increase slightly.

This development is also supported by growing direct cross-border banking activity (lending and deposits), which enables banks to take advantage of diversification opportunities without incurring the high fixed costs of establishing a local presence. The cross-border provision of banking services within the euro area has been clearly supported by the

Chart 2 M&As in the euro area banking sector

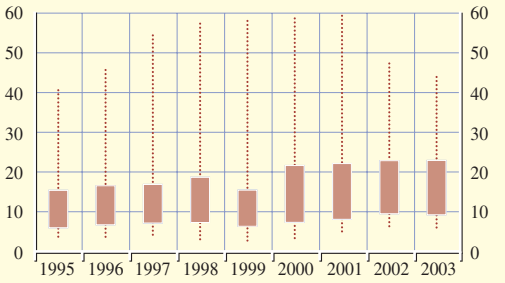
(number of M&As; EUR billions)



Source: Thomson Financial SDC.
Notes: A number of deals are without reported value. Cross-border refers to intra-euro area M&As.

Chart 3 Market share of foreign banks in the euro area member countries

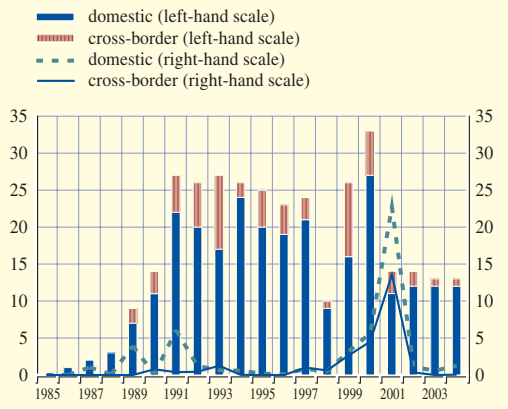
(percentage of total assets)



Source: ECB.
Notes: The chart shows the minimum, maximum and interquartile distribution of market shares of foreign banks (branches and subsidiaries) in euro area countries. Luxembourg was excluded for reasons of scaling (foreign ownership represents almost 100%).

Chart 4 M&A deals between euro area banks and insurance companies

(number of M&As; EUR billions)



Source: Thomson Financial SDC.
Notes: Targets are banks or insurance companies located in the euro area and acquired by insurance companies or banks respectively. See also notes to Chart 2.

introduction of the euro in 1999 and benefited mainly wholesale banking activities, such as interbank loans, syndicated lending and asset allocation. Cross-border retail lending and deposit-taking have also continued to grow, although they remain at relatively low levels.

Many euro area banks are part of larger financial groups or financial conglomerates. A financial conglomerate is a group of entities whose primary business is financial and whose regulated entities are engaged to a significant extent in at least two of the activities of banking, insurance and securities.[3] The combination of banking and insurance activities in a global financial services institution has proven to be particularly successful, and the number of such institutions has experienced strong growth worldwide. In the period 1985-2004, several bancassurance groups emerged through a sequence of M&A deals in the euro area (see Chart 4). In the period 1999-2001 in particular, a number of large deals were struck. Nearly 70% of all transactions involved domestic banks and insurance companies. Most cross-border transactions were initiated by insurance companies looking for bank outlets to distribute their products and diversify their income streams. Cross-sector M&A activity between domestic financial institutions often involves larger deal values than cross-border deals. This may suggest that the distribution of products is a stronger motive for M&A activity than the geographical diversification of income streams.

1.2 DETERMINANTS OF CONSOLIDATION

Changes in the external environment – including regulatory, technological and macroeconomic changes – have contributed to consolidation in the banking sector.[4] Since the mid-1980s the EU financial sector has experienced significant liberalisation and deregulation (see Table 2). These measures have created a more competitive environment, facilitating the consolidation of credit institutions.

Looking ahead, the new European Company Statute could foster further consolidation by enabling banks to operate under a common set of EU rules in addition to the various national regimes. It may also provide banks with a tangible channel for cross-border restructuring, such as a change of seat or a rationalisation of group structures.

Furthermore, since the mid-1980s, most EU countries have increasingly deregulated their financial markets, encouraging euro area banks to expand into related activities such as investment banking, asset management and insurance, thereby fostering cross-sector consolidation in the financial sector.

The creation of Economic and Monetary Union (EMU) has forced banks to reconsider their strategic orientation and has led to increased internationalisation and geographical diversification, making banking practices more uniform and pricing more transparent. This has also lowered costs and increased the liquidity of securities issuance in the euro area, thereby stimulating disintermediation. As a result, this

3 See Dierick, "The supervision of mixed financial services groups in Europe", ECB Occasional Paper No 20, August 2004.
4 See also the Group of Ten's report on "Consolidation in the financial sector", January 2001.

Table 2 Overview of relevant regulatory measures for the EU financial sector

Year	Description
1977	First Banking Directive: coordination of laws on credit institutions; freedom of establishment for credit institutions
1988	Basel Capital Adequacy Regulation: solvency framework
1988	Deregulation of capital movements in EMS countries
1989	Second Banking Directive: principles of home country control, mutual recognition of prudential norms and standards
1993	Investment Services Directive
1999	Launch of the Financial Services Action Plan (FSAP)
2000	Directive on e-money institutions
2001	Directive on the reorganisation and winding up of credit institutions
2001	Regulation on the European Company Statute
2004	New EU Takeover Directive
2006-8	Basel II Capital Adequacy Regulation: new solvency framework

has also bolstered consolidation in the euro area banking sector.

Technological progress has also been one of the main driving forces behind change in the banking sector, making it possible for banks to increase their geographical reach via electronic channels.[5] The benefits, however, are disproportionate, as only larger banks have the minimum scale needed to justify substantial investments in technology. From a strategic perspective, this supports the move towards larger, consolidated institutions.

Finally, the macroeconomic environment has also contributed to consolidation: throughout the 1990s a favourable interest rate environment, high stock market valuations and high economic growth allowed banks to record high profits and build up significant reserves, which were subsequently used to finance their expansion and takeovers of (weaker) competitors. The converse impact was also notable, as the economic slowdown in 2001-2003 led to a reduction in M&A activity.

An important driving force behind banking consolidation has its source within the sector itself and stems from the need for ongoing development.

While difficult to assess unambiguously, some indicators – such as the number of branches per capita – suggest that banks in some countries wanted to reduce overcapacity and increase market share. This was evident from a survey of large banks' strategies conducted in 2004, which identified preserving market share as a major strategic concern leading to consolidation in both domestic and euro area-wide banking sectors.[6]

Studies of the characteristics of the firms involved in financial sector M&A activity generally support the view that the search for efficiency gains motivates consolidation, provided that the management of the acquiring firm is more effective at minimising costs than that of the target firm. Many studies have found that acquiring firms tend to be more cost-efficient than target firms.

Empirical evidence suggests that economies of scale may have been a motivating factor for consolidation among small and medium-sized financial services firms during the 1990s. This is because scale economies allow financial institutions to realise operational and cost synergies and enhance their franchise value. While in a smaller market fewer banks may be able to reach an adequate scale to support a large and diversified set of activities, in a larger market a smaller relative scale may be sufficient to operate efficiently (see Section 2.1).[7]

5 See the ECB's report on "The effects of technology on the EU banking systems", July 2004.

6 See Section 3.2 of the ECB's "Report on EU banking structure", November 2004.

7 Empirical evidence on scale economies for banking yields mixed results: some studies find evidence of scale economies while others do not. Nevertheless, a consensus emerges, finding scale economies in some banking segments, particularly in wholesale and investment banking.

Economies of scope – achieved by a consolidated group that is able to offer a wider range of products and services as well as products and services that would not be feasible on a stand-alone basis (e.g. because of high sales costs that make the product uncompetitive) – may also have been conducive to consolidation.

2 CONSEQUENCES OF THE CONSOLIDATION PROCESS

The consolidation process increases the size of an average institution: the balance sheet total of the average euro area credit institution increased from less than €1.5 billion in 1995 to nearly €3 billion in 2003. This effect of consolidation is also particularly evident among the largest institutions: the asset share of the 25 largest euro area banks increased from 45% in 1997 to nearly 60% in 2003. This section analyses the impact of this consolidation process on the concentration and performance of euro area banks, as well as the possible implications for financial stability.

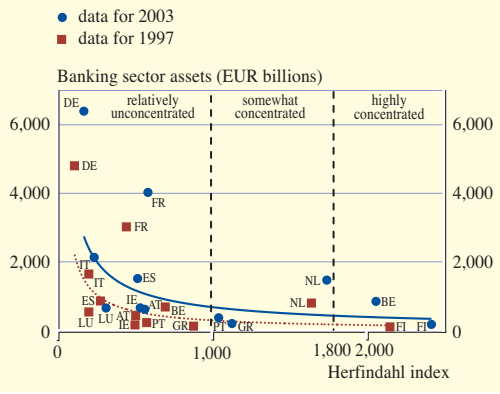
2.1 CONCENTRATION AND COMPETITION

The level of market concentration provides an indication of the extent of competition within a market, since it indicates the degree to which large banks are able to control the market. Concentration has increased in all euro area countries since the mid-1990s. In the smaller euro area countries in particular, the market share of the five largest credit institutions typically exceeds 60%. The Herfindahl index[8] also suggests concentrated market structures, albeit to a lesser extent (see Chart 5). However, the definition of the relevant market is changing gradually from domestic to euro area market as a result of increasing financial integration. Yet despite increased consolidation, competitive conditions in the euro area banking sector do not appear to have been adversely affected. Net interest margins have fallen significantly, even in more concentrated markets, which would suggest that banking markets have remained contestable.[9]

An important concern is whether increased concentration and consolidation may lead to a reduction in small business lending, given that the euro area economy relies heavily on a vibrant SME sector. Indeed, empirical evidence indicates that there are hardly any negative effects, either because alternative sources of finance are developed, because cross-industry players enter the marketplace, or because M&As improve banks' ability to assess the potential risk of borrowers.[10]

Perhaps more importantly, consolidation and concentration could affect the monetary policy transmission mechanism if they cause changes in the behaviour of banks or the operation of financial markets. Cross-border

Chart 5 Market size and concentration in the euro area banking sector



Source: ECB.

8 The Herfindahl index is the sum of the squares of the market shares of a country's banks. It ranges from 0 to 10,000. A market is said to be "highly concentrated" if the index is above 1,800, and "relatively unconcentrated" if the index is below 1,000.

9 Assuming that competition strengthens efficiency and reduces interest margins, the latter can be considered an additional proxy indicator of competitive conditions. It should be noted, however, that some segments are generally considered less contestable than others, in particular retail (as opposed to wholesale) banking activities, owing to the importance of branches, reputation effects, high sunk costs, etc.

10 See Bonaccorsi di Patti and Gobbi, "The effects of bank mergers on credit availability: evidence from corporate data", Banca d'Italia Working Paper No 479, June 2003.

consolidation and more integrated financial markets, in addition to other factors, could increase the speed and predictability of the transmission mechanism, which would be beneficial for both monetary policy and consumers. However, consolidation can also cause greater aggregate liquidity risk and increase aggregate liquidity needs if the interbank market dries up in favour of internally kept reserves, which could occur if refinancing is very expensive.[11] In addition, if larger banks were able to exercise more market power, interest rates could become more volatile. However, in reality, as EMU and the introduction of the euro have led to increasingly integrated money and capital markets, the effects of consolidation on competition are alleviated by the increase in the size of the market and the rise in the number of participants. The competitive and contestability situation of the financial industry in the euro area should nonetheless be monitored carefully.

2.2 PERFORMANCE

Over the past ten years, euro area banks' performance has been resilient to a number of external shocks,[12] even though individual banks have occasionally experienced adverse conditions. On average, the sector's return on equity (ROE) has remained fairly stable and loan loss provisions have remained well within historical limits. To some extent, consolidation has contributed to the resilience of the euro area banking sector, as weaker institutions have generally been acquired by bigger and stronger rivals. In the euro area, larger banks seem to be more cost-efficient and profitable than smaller ones. For example, in 2003, the cost-to-income ratio was 66% for large banks and 69.8% for small banks;[13] similarly, ROE amounted to 7.93% for large banks and only 5.83% for small banks. These differences may imply that, over time, consolidation can help to make the financial system more efficient.[14]

Cross-sector consolidation, especially bancassurance, would appear to improve financial performance – as measured by ROE – in comparison with the overall euro area banking sector. While some studies found evidence of a "conglomerate discount" – i.e. a situation where financial conglomerates performed worse than stand-alone banking, insurance or securities firms – some more recent studies suggest that this may well be a statistical artefact.[15]

Empirical studies suggest that bancassurance may also help to diversify income risks.[16] The box below provides some arguments along the same lines. Furthermore, diversification of income sources is also taking place within the banking sector: in 1997 non-interest revenues accounted for 33% of total revenues; in 2003 it accounted for more than 40%.[17]

11 See Carletti, Hartmann and Spagnolo, "Bank mergers, competition and liquidity", ECB Working Paper No 292, November 2003.

12 See the article entitled "Accounting for the resilience of the EU banking sector since 2000" in the July 2004 issue of the Monthly Bulletin.

13 See the ECB's "Financial Stability Review" of December 2004.

14 See Altunbas and Marqués Ibáñez, "Mergers and acquisitions and bank performance in Europe: the role of strategic similarities", ECB Working Paper No 398, October 2004. The authors found that, on average, bank mergers in the EU resulted in an improved return on capital.

15 For a summary of recent studies see the "Financial Conglomerates" section of the National Bank of Belgium's Financial Stability Review 2002.

16 See Genetay and Molyneux, "Bancassurance", Macmillan Press, London, 1998, for an overview of the studies carried out in this area. Oliver, Wyman and Company, "Study on the risk profile and capital adequacy of financial conglomerates", February 2001, provides an estimate of incremental diversification benefits between banks and insurance companies, ranging from a 5% to 10% reduction in capital requirements, depending on the business mix.

17 Diversification also tends to enhance revenues. This is supported by the positive and significant correlation (0.60) between non-interest revenues as a percentage of total revenues and ROE over the period 1997-2003 for the euro area banking sector.

Box

RISK DIVERSIFICATION IN THE BANKING AND INSURANCE SECTORS

An analysis of the correlations between euro area banking and insurance indices suggests that there may be some diversification benefits from conglomeration: time-varying correlations of sectoral stock indices reveal substantial idiosyncratic factors across sectors (see Chart A). Chart A depicts the correlation between returns on euro area bank and insurance stock indices, over a rolling three-month window, called full correlation. It also shows an adjusted correlation, which filters out the impact of market-wide movements. While the unadjusted correlation is very high, the market-adjusted correlation tends to be much lower and is often close to zero. Thus, both sectors appear to be heavily influenced by market-wide movements but not so much by developments in the other sector.

In addition, time-varying betas are estimated. They gauge the sensitivity of bank and insurance sector returns to changes in the market-wide return (see Chart B). A high degree of commonality in the sectors' reaction to market-wide changes is evident. However, the sensitivities are not of exactly the same magnitude, suggesting a slightly different reaction to market-wide movements.[1]

Chart A Correlation between euro area bank and insurance stock price indices

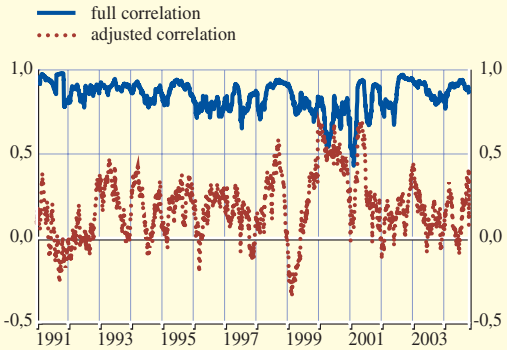
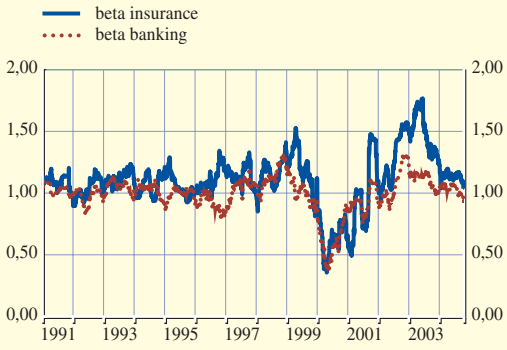


Chart B Betas of euro area bank and insurance sector stock price indices



Sources: Datastream (January 1990 to August 2004) and ECB calculations.

Another way to assess possible benefits of diversification is through the Sharpe ratio – a yardstick of the risk-return trade-off. Simulations with different weightings of banking and insurance sector stock price indices show more favourable Sharpe ratios for combined business lines than for the stand-alone sectors. The highest return per unit of risk over the period 1990-2004 is achieved when banking and non-life insurance activities are combined. Despite this, banking seems to have been better able to withstand the equity value deterioration than any simulated combination between 2000 and 2002, a period of sluggish equity market performance. However, shareholder value creation should be evaluated over the longer run, allowing for short, temporary setbacks in performance.

1 In statistical terms, the two sectors' betas are significantly different at the 1% level.

2.3 POSSIBLE IMPLICATIONS FOR FINANCIAL STABILITY

In assessing the possible effects of the consolidation process and of the development of financial conglomerates on the overall stability of the financial system, two main aspects need to be considered:

– the impact on the risk profile of the institutions themselves, and

– the impact on the risk profile of the financial sector as a whole.

The risk profile of individual institutions is affected both positively and negatively by within-sector and cross-sector consolidation. For the reasons outlined above with regard to performance, large and diversified entities appear to be able to absorb non-systemic shocks more easily. Risks or losses in one business area tend to be offset by gains in other unrelated business areas. Therefore, higher concentration – possibly, but not necessarily, reflecting a less competitive environment – can go hand in hand with lower risk for individual banks.[18] However, conglomeration can pose specific problems of its own: in particular, complex group structures can be more difficult to manage, less transparent, and more easily subject to conflicts of interest and regulatory arbitrage. The overall net effect is difficult to gauge because aggregating these risks is a difficult task, although in theory, combining different financial activities in one institution may allow for economies of scope in risk management.

The effect of consolidation on the risk profile of the financial system as a whole, or systemic risk, is, in essence, a question of whether risk diversification is more effective through large banks and conglomerates than through smaller banks. It is evident that a bank or conglomerate's systemic importance increases with its size and reach across markets and geographical boundaries, and also that large banks or conglomerates grow more resilient to sector or activity-specific (idiosyncratic) shocks as their size or scope increases. This is due to the realisation of diversification benefits within the firm resulting from growth. However, if a large financial institution were to fail, the impact could be larger, geographically wider and affect more business lines. Therefore, the financial sector as a whole may become less diversified as individual financial conglomerates become more diversified across business lines and more similar in their risk exposures.[19]

An extreme example serves to illustrate this point. If a single firm provides financial services across different sectors, its risk management effectively becomes that of the industry as a whole – with all its faults and virtues. If a sufficiently large shock affects this major financial group and causes a failure, it effectively translates into a systemic problem. It remains unclear, however, whether the same shock would have been diffused in a system with smaller and more diverse institutions. To some extent, these systemic problems may be offset if the smaller number of large institutions facilitates the monitoring of risks by supervisors or counterparty institutions.[20]

There is therefore no clear answer as to what prevailing effects large financial groups have on financial stability.[21] An important role in this respect is played by the existence of sound internal risk management and control systems and by effective public supervision.

18 See Bikker and Wesseling, "Intermediation, integration and internationalisation: a survey on banking in Europe", De Nederlandsche Bank Occasional Paper No 3, 2003.

19 See Section VII of the Bank for International Settlements' 73rd Annual Report, Basel, 30 June 2003.

20 See Berger, Demsetz and Strahan, "The consolidation of the financial services industry: Causes, consequences, and implications for the future", Journal of Banking and Finance, Volume 23, 1999.

21 Consolidation may also raise the question of whether some institutions have become "too large to fail" and, hence, of whether a failure might disrupt the whole financial system.

3 CONCLUSION

Consolidation in the financial sector – by fostering M&A activity and reducing the number of credit institutions – has been a major force driving structural change in the euro area banking sector over the past decade. Consolidation seems set to continue, especially as financial integration may lead to more cross-border M&A activity on the part of major banks wishing to establish a pan-European distribution network.

To some extent, consolidation has also taken the form of financial conglomeration. The main driving force for conglomeration has been the realisation of income synergies and similarities in competitive strategies. Bancassurance has been one of the most common types of conglomeration involving the euro area banking sector.

Both consolidation and cross-sector diversification are powerful drivers of change in the euro area financial landscape. Although this process is likely to improve the overall efficiency of the financial system, possible implications for financial stability still need to be closely monitored.

THE EVOLVING FRAMEWORK FOR CORPORATE GOVERNANCE

Over recent years there have been important regulatory developments in corporate governance. A number of initiatives to strengthen the laws, rules and principles for corporate governance have been adopted in the EU, the United States and at the international level. The objective of this article is to take stock of these measures and provide an overview of the evolving framework for corporate governance.

The article starts with an analysis of the reasons behind the recent surge in corporate governance initiatives, looking, in particular, at the impact of recent corporate scandals, structural changes, globalisation and innovation in the financial markets, and the wider economic and financial implications of corporate governance. It then goes on to describe the main elements of corporate governance, focusing on the three mutually reinforcing pillars of internal corporate governance, external corporate governance and disclosure, and on the importance of selecting the appropriate regulatory instruments. Against this background, an overview of the main measures for enhancing the corporate governance framework in the EU, the United States and at the international level is provided. The article concludes with an assessment of the remaining challenges for the evolving corporate governance framework.

1 REASONS FOR THE GROWING IMPORTANCE OF CORPORATE GOVERNANCE

Efforts to strengthen the corporate governance framework have been partly in response to the series of corporate scandals which have surfaced over recent years, such as Enron (2001), WorldCom (2002) and Parmalat (2003) (see Box 1). While there are no corporate governance arrangements that will eradicate corporate fraud entirely, there are clear indications that the checks and balances of corporate governance failed to work sufficiently well in these cases. Poor oversight by company boards, insufficient arrangements for the control of management by shareholders, inadequate internal audit and risk management processes, and a lack of public disclosure and transparency were compounded by ineffective external audit. These shortcomings went largely unnoticed by financial analysts, investment firms and credit rating agencies, which further hampered the early detection of the deteriorating financial situation of the companies. Consequently, the fact that managers had been grossly misrepresenting the true economic and financial situation of their companies was only revealed when the companies were already on the verge of insolvency.

The growing political prominence of corporate governance issues should also be seen in the context of structural changes in the financial system, in particular the increasing role of market-based financing in the EU. While the US financial system has traditionally been market-based, corporate financing through equities and bonds has only picked up in the EU in recent years.[1] Owing to this evolution, a wider group of stakeholders, in addition to companies' creditors and employees, have become concerned with corporate governance. This applies not only to companies' shareholders, but also to the growing number of small investors. Savings are increasingly being channelled through financial markets by institutional investors, such as investment funds and, in the light of recent pension reforms, private pension schemes. Given their enhanced involvement in corporate financing, market forces need to assume a stronger disciplinary role in companies.

As a result of the wider economic and financial implications of corporate governance, effective checks and balances in this area have also become more important from a broader macroeconomic perspective. Sound

1 See the article entitled "Recent developments in financial structures of the euro area" in the October 2003 issue of the ECB's Monthly Bulletin.

Box 1

MAJOR CORPORATE SCANDALS IN RECENT YEARS

Company	Origin of the scandal
Parmalat (2003) *Multinational food and dairy company, based in Italy*	• In November 2003 Parmalat failed to repay a €150 million bond despite apparently large amounts of cash and liquid assets on its balance sheet. • On 19 December 2003 Bank of America stated that a document purporting to show a large account of a Parmalat subsidiary at Bank of America had been forged. As a result, a €3.95 billion black hole emerged in Parmalat's accounts. • On 27 December 2003 Parmalat was declared insolvent. • In January 2004 Parmalat's new administration admitted that the company's level of debt was over €14 billion, almost eight times more than previously stated.
Ahold (2003) *World's third biggest food retailer, based in the Netherlands*	• Doubts about the reliability of Ahold's financial statements grew during 2002-03. • In February 2003 Ahold admitted it had overstated profits for 2001 and 2002 by at least €463 million, sparking an immediate 63% slump in share prices. • From late 2001 to February 2003, Ahold lost 90% of its market value.
WorldCom (2002) *US telecommunications firm, world's largest provider of internet and e-commerce services*	• In June 2002 WorldCom admitted to having significantly manipulated its accounts, especially by wrongly declaring costs as capital expenses. Looking at the period from 2001 alone, USD 3.8 billion of alleged profits should instead have been stated as losses. • WorldCom filed for the largest bankruptcy in US history in July 2002.
Vivendi Universal (2002) *World's second largest media group, based in France*	• In spring 2002 Vivendi reported unexpectedly high levels of corporate debt (€19.1 billion at the end of 2001) and losses (€12.6 billion for 2001 and €12.3 billion for the first half of 2002). • Markets discovered that they had been misled by Vivendi's aggressive use of opaque accounting practices. • Vivendi's share price fell from €141 in March 2000 to €30 in June 2002, bringing Vivendi close to collapse.
Enron (2001) *Seventh largest US company, focusing on energy trading*	• In October 2001 Enron declared a USD 1 billion write-off on bad investments and a USD 1.2 billion reduction in equity capital; US authorities launched an inquiry into Enron. • In November 2001 Enron restated its financial statements for the period 1997-2001 to account for nearly USD 600 million in losses which had been concealed in complex financial transactions. Standard & Poor's downgraded Enron's debt to junk bond status. • Enron filed for bankruptcy in December 2001.

corporate governance provides an incentive structure for the efficient allocation of resources, thereby fostering economic growth. It is also beneficial for financial stability as incentives for efficient resource allocation reduce the risk that large financial imbalances may develop. Moreover, weaknesses in corporate governance could threaten financial stability by undermining overall market confidence. The potential impact on financial stability lay behind the ECB's interest in establishing an adequate corporate governance framework.[2]

Finally, changes in corporate structures and practices resulting from globalisation and financial innovation necessitated amendments to the existing corporate governance framework. For instance, owing to the growing complexity of companies' financial transactions stemming from the use of derivatives and asset securitisation, the existing accounting standards were no longer sufficient to inform investors adequately about companies' performance and risk profiles. Similarly, complex corporate structures based on special purpose vehicles and spanning several jurisdictions, including offshore centres, created a need to step up internal risk management processes and to enhance disclosure.

2 THE MAIN ELEMENTS OF CORPORATE GOVERNANCE

BASIC RATIONALE

The fundamental motivation for corporate governance is the separation of ownership and control in public companies. The interests of managers and owners may not be entirely congruous as managers neither bear the full costs nor reap the full benefits of their actions. Consequently, there is always a risk that principal/agent problems may arise, i.e. that the actions and decisions of the agent (management) do not sufficiently meet the interests of the principal (owners). Corporate governance seeks to address this problem by establishing a system of internal and external checks and balances on corporate behaviour. An effective framework for corporate governance is based on three main pillars: internal corporate governance, external corporate governance and transparency and disclosure.

THE THREE PILLARS

INTERNAL CORPORATE GOVERNANCE

Internal corporate governance refers to the mechanisms that enable shareholders to exercise management control. These include the adequate organisation of the board of directors, effective arrangements for the exercise of shareholder rights, and a well-developed internal audit function. As regards the role of the board, the competence and efficiency of management should be promoted and monitored by an independent body within the board. Depending on the company law framework, the functional division between management and control can be implemented in different ways. In a two-tier board system, the management board is responsible for the company's day-to-day operation, while the role of the supervisory board is to appoint, supervise and dismiss members of the management board. In this regard, the supervisory board may receive support from specific committees, such as nomination, remuneration and audit committees. In a one-tier board system, the distinction between executive and non-executive directors within the board constitutes the main instrument for internal monitoring, with non-executive directors exercising the control function. The positions of board chairman and chief executive officer may also be separated. To ensure that shareholders are able to exercise their rights effectively, adequate access to all relevant information, as well as effective arrangements for shareholder communication

2 Under Article 105(5) of the Treaty establishing the European Community, the ESCB contributes to the smooth conduct of policies pursued by the competent authorities relating to the stability of the financial system.

and decision-making are indispensable. Finally, internal processes and controls should be properly scrutinised, which is a task performed by internal audit. Unlike external audit, internal audit does not have a legally prescribed role and mandate, which means that management needs to define its responsibilities and provide it with the appropriate tools.

EXTERNAL CORPORATE GOVERNANCE

External corporate governance relates to the controlling function performed by financial markets. Primary markets are part of the checks and balances of corporate governance because they provide direct access to corporate financing. Market participants may be reluctant to invest in new equity or bonds of companies with corporate governance deficiencies. Companies' prospectuses published at the point of public offering are of key relevance in providing potential investors with information in this regard. Adequate investor information is also an important issue on the secondary markets, namely in the context of the prospectuses for financial instruments that are admitted to trading. Furthermore, financial and reputational intermediaries[3] provide an important contribution to corporate governance. Given that their task is to evaluate and price financial instruments, they may provide investors with warning signals about companies with dubious internal controls and help to uncover deficiencies in internal corporate governance at an early stage. To ensure that the "gatekeepers" do their job, it is important to have a set of rules on sound methodologies as well as on the prevention and/or management of conflicts of interest. Markets for corporate control, i.e. for corporate mergers and takeovers, reward good and penalise bad management, and in this way promote good corporate governance. The market for takeover bids is especially important in this context, as, unlike mergers, takeovers do not require management approval. A precondition for the effective functioning of the corporate control market is therefore an adequate framework for takeover operations.

TRANSPARENCY AND DISCLOSURE

Transparency and disclosure form the link between internal and external corporate governance. Adequate accounting standards are crucial in this regard. Moreover, an effective framework for external audit plays a key role, given the statutory duty of the external auditor to verify that all financial reports are prepared in accordance with the existing accounting standards. The competence and independence of external auditors and mechanisms to prevent or manage conflicts of interest are therefore essential.

The corporate governance framework does not exist in isolation, but depends on a country's broader legal and regulatory framework. Rules on internal corporate governance and the market for corporate control need to be considered in the context of the wider company law, while provisions targeting primary and secondary markets and transparency and disclosure form part of the overall regulatory framework for securities markets. The effective functioning of corporate governance also depends on the existence of an appropriate framework for monitoring compliance and ensuring enforcement.

THE CHOICE OF REGULATORY INSTRUMENTS

Corporate governance seeks to promote both the efficiency and the integrity of companies. The choice of adequate regulatory instruments is therefore a key issue. While corporate governance provisions should ensure that the interests of shareholders and other stakeholders are adequately protected, they should not be unduly onerous, nor undermine business flexibility and competitiveness. It is therefore important to strike an appropriate balance between these two considerations.

3 This term refers to those market actors – such as financial analysts, investment banks and credit rating agencies – which provide information about a company's financial situation and prospects on the basis of their reputation as independent parties. Reputational intermediaries provide an important service both to companies and stakeholders: they "lend" their reputation to companies, while at the same time acting as "delegated monitors" for stakeholders, thus helping to overcome collective action problems of widely dispersed shareholders, investors and other stakeholders.

A variety of regulatory instruments may be employed, ranging from fully marked-based solutions to monitored self-regulation, principles-based public regulation and detailed legal rules. Identifying the appropriate tool requires a careful analysis of the specific policy area in question. For instance, in the area of external audit, recent corporate scandals have led many observers to argue that reliance on self-regulation of the profession is no longer sufficient. Largely in response to these concerns, public oversight of the auditing profession has been introduced in the United States and is in the process of being established in the EU. Similarly, there is a shared understanding between the EU and the United States that more transparency and stricter disclosure requirements are necessary to facilitate the monitoring of companies. Consequently, detailed legislation on this matter has been adopted or is in the pipeline. However, as far as the role of reputational intermediaries is concerned, greater regulatory flexibility is considered necessary to minimise the potentially stifling effects of new rules. The EU and the United States have also stepped up legal requirements in this area, especially with regard to the need to avoid or manage conflicts of interest, but these have consequently been more principles-based.

The choice of regulatory instruments also depends on the overall political and institutional setting. For example, international fora, such as the Organisation for Economic Co-operation and Development (OECD), the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) comprise a wide and highly heterogeneous membership. They are also based on a "soft" mode of cooperation, whereby decisions are taken by consensus and implemented on a voluntary basis. Any corporate governance provisions issued by these bodies therefore take the form of principles rather than specific rules. In this way, there is sufficient room for implementation in line with the different legal and institutional settings across countries. Conversely, the EU corporate governance framework needs an appropriate infrastructure for sustaining the Single Market, which requires a greater degree of regulatory convergence. However, even in the EU, the appropriate level of regulatory harmonisation is not the same across policy areas. In particular, full harmonisation of internal corporate governance provisions would neither be feasible nor desirable in the light of the substantial differences in the legal settings of Member States. By contrast, the close convergence of external corporate governance and transparency and disclosure requirements is recognised as an essential element in the legal underpinning of the single financial market.

3 RECENT EFFORTS TO STRENGTHEN THE CORPORATE GOVERNANCE FRAMEWORK

In recent years several important initiatives have been taken to improve the corporate governance framework. The following sections provide a brief overview of the measures that have been adopted in the EU[4], the United States and at the international level.

3.1 EU INITIATIVES

FINANCIAL SERVICES ACTION PLAN

The Financial Services Action Plan (FSAP), which was adopted in 1999[5], constituted a major overhaul of the existing regime for financial services in order to promote the development of a truly integrated financial market, focusing, in particular, on securities markets regulation. FSAP measures affect the corporate governance framework in the areas of external corporate governance and transparency and disclosure.

4 Regulatory measures for improving corporate governance in the EU have been taken both in several Member States and by the European Commission. This article only covers the initiatives taken at the Community level.

5 Commission Communication of 11 May 1999 entitled "Implementing the framework for financial markets: action plan" (COM(1999) 232).

In the area of external corporate governance, the new Prospectus Directive[6] standardises initial disclosure requirements for issuers, and thus reinforces the functioning of the primary markets. As regards the secondary markets, two new directives strengthen the role of reputational and financial intermediaries: the Market Abuse Directive[7], inter alia, requires the fair presentation of investment recommendations as well as the disclosure of interest and conflicts of interest to the public, while the Directive on Markets in Financial Instruments[8] introduces stricter conduct of business rules and requirements to address conflicts of interest. In addition, the FSAP included the 13th Company Law Directive on takeover bids[9], which constitutes an important measure for improving the functioning of the markets for corporate control.

In the area of transparency and disclosure, a new regulation[10] requires all listed companies to prepare their consolidated financial statements in accordance with the International Accounting Standards by 2005, while the Transparency Directive[11] substantially tightens periodic information requirements for issuers.

ACTION PLAN ON COMPANY LAW AND CORPORATE GOVERNANCE

Another milestone in strengthening the EU framework for corporate governance was the European Commission's Action Plan on Company Law and Corporate Governance, which was published in May 2003.[12] The Action Plan closely followed the recommendations of the report of the High Level Group of Company Law Experts set up by the Commission.[13] It provided a comprehensive agenda for modernising the regulatory framework for EU company law in view of the growing degree of financial market integration and new market developments, and for improving internal corporate governance in response to the lessons learned from recent corporate scandals. More specifically, the Action Plan highlights four strands of work in the area of internal corporate governance, namely the need to:

i. better the functioning of company boards, among other things by strengthening the role of non-executive (or supervisory) directors, by establishing minimum standards for companies' regimes concerning the remuneration of directors, and by establishing the collective responsibility of board members for financial statements;

ii. heighten the role of shareholders by improving shareholders' access to the relevant information and by facilitating the exercise of shareholder rights, especially in a cross-border context;

iii. improve company disclosure on corporate governance; and

iv. promote convergence of national corporate governance towards best practices by setting up a European Corporate Governance Forum.

6 Directive 2003/71/EC of the European Parliament and of the Council of 28 January 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (OJ L 345, 31.12.2003, p. 64).

7 Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse), (OJ L 96, 12.4.2003, p. 16).

8 Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ L 145, 30.4.2004, p. 1).

9 Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (OJ L 142, 30.4.2004, p. 12).

10 Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

11 Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).

12 Commission Communication of 21 May 2003 entitled "Modernising company law and enhancing corporate governance in the European Union – a plan to move forward" (COM(2003) 284 final).

13 Report of the High Level Group of Company Law Experts on a modern regulatory framework for company law in Europe of 4 November 2002.

As a follow-up to the Action Plan, the Commission took a number of initiatives in October 2004. It adopted a Recommendation on directors' remuneration[14], a Recommendation on independent directors[15], as well as a proposal to revise the existing EU Accounting Directives[16], which would give collective responsibility for financial statements to the board, provide for greater transparency in off-balance sheet arrangements and transactions with related parties, and require the issuance of an annual corporate governance statement from all listed companies. In addition, the Commission set up the European Corporate Governance Forum, which comprises 15 senior corporate governance experts and is chaired by the Commission.[17]

COMMUNICATION ON REINFORCING THE STATUTORY AUDIT

The Commission Communication on Reinforcing the Statutory Audit, issued in May 2003,[18] was an initiative specifically targeted at strengthening the external audit function in the EU. The main proposal of the Communication was to update and substantially broaden the scope of the 8th Company Law Directive, among other things by laying down new requirements for auditor independence, external quality assurance and disciplinary sanctioning, and by requiring the use of International Standards on Auditing (ISA) by 2005. It also provided for the introduction of public oversight of auditors, which is to be performed by a new Audit Regulatory Committee comprising representatives from each Member State. The Commission presented its proposal for the new Directive on Statutory Audit in March 2004[19], and it is currently being discussed in the EU Council and the European Parliament.

MEASURES IMPLEMENTED AFTER THE PARMALAT CASE

When the Parmalat group declared insolvency in December 2003, it marked the end of Europe's largest ever corporate scandal (see Box 2). Several important initiatives to strengthen the EU corporate governance framework had already been instigated (but not yet adopted or implemented) before the Parmalat scandal, but some of these were slightly modified after the event to incorporate the specific lessons learned from the case. For example, the Commission, in its proposal for the new Directive on Statutory Audit, introduced the principle that the main auditor bears full group responsibility, made audit committees mandatory in listed companies and tightened potential sanctions. Furthermore, according to the proposed revision of the EU Accounting Directives, companies would be required to provide full information about all off-balance sheet arrangements, including special purpose vehicles.

In a Communication issued in September 2004[20], the Commission stated that its efforts to improve corporate governance were part of a broader strategy against corporate and financial malpractice in the light of recent scandals. The overall aim of this strategy is to strengthen four basic lines of defence, namely internal controls, independent third parties (including external auditors), supervision and oversight, and law enforcement. The Communication covers several policy areas, including Financial Services, Justice and

14 Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC).

15 Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC).

16 Proposal for a directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC concerning the annual accounts of certain types of companies and consolidated accounts (COM(2004) 725).

17 The Commission announced the creation of the Forum on 18 October 2004. Its main role will be to identify best practices in corporate governance across Member States and to provide advice to the Commission. It will not, however, have any advisory powers with regard to regulatory matters.

18 Commission Communication of 21 May 2003 entitled "Reinforcing the statutory audit in the EU" (COM(2003) 286).

19 Proposal for a directive of the European Parliament and of the Council on statutory audit of annual accounts and consolidated accounts and amending Council Directives 78/660/EEC and 83/349/EEC (COM(2004) 177).

20 Communication from the Commission to the Council and the European Parliament on Preventing and Combating Corporate and Financial Malpractice (COM(2004) 611).

Box 2

CORPORATE GOVERNANCE FAILURE AT PARMALAT

While the Parmalat case was, above all, a classic example of accounting fraud, it also highlighted severe corporate governance weaknesses:

- In the area of *internal corporate governance*, the main problems stemmed from insufficient protection of the interests of minority shareholders and other stakeholders in the largely family-owned company, the lack of truly independent supervisory directors, and the absence of an effective internal audit function.

- As regards *external corporate governance*, doubts were raised as to whether external auditors properly performed their role in monitoring and controlling Parmalat's management. The fact that the respective responsibilities were shared between two auditing firms has been identified as a major weakness in the auditing arrangements, as it hindered a clear overview of the group as a whole. In the light of some early warning signals about Parmalat's true financial situation (e.g. the fact that the company continued to take on additional debt despite purportedly holding large amounts of cash and liquid assets), it has also been argued that financial and reputational intermediaries may have not been sufficiently vigilant. Furthermore, lawsuits have been filed against several of Parmalat's banks following allegations that they may have been compromised by conflicts of interest when conducting business for the company. These allegations, however, have been contested by the banks in question and remain unproven.

- In what pertains to *transparency and disclosure*, one particular problem at Parmalat was the lack of transparency regarding the complex corporate structures of the group, especially in terms of the use of offshore special purpose vehicles, which were a major contributory factor to the company's opaque financial structure.

Home Affairs and Tax Policy. No new measures have been proposed for Financial Services, as it is felt that the measures under way are sufficient for the time being, and that the focus should be on ensuring their timely implementation and strict enforcement.

INITIATIVES RELATING TO CREDIT RATING AGENCIES

Unlike other reputational intermediaries, such as investment firms and financial analysts, credit rating agencies are not bound by EU rules. In response to the Enron scandal, however, the Commission proposed to the ECOFIN Council at its informal meeting in Oviedo in April 2002 an examination of the role of rating agencies in the financial markets, and an assessment as to whether or not regulatory intervention in the area of credit ratings should be considered. Further impetus was added to the issue by several recent developments, in particular

– the new role of credit rating agencies as "external credit assessment institutions" in the forthcoming revised capital requirements framework for banks and investment firms;[21]

– the adoption of the Market Abuse Directive and the related implementing measures

21 Proposal for a directive of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions (recast) and Council Directive 93/6/EEC of 15 March 1993 on the capital adequacy of investment firms and credit institutions (COM(2004) 486).

regarding conflicts of interest and fair information[22] (which will apply to financial analysts, but not to rating agencies); and

– the Parmalat case, in which credit rating agencies did not issue a timely warning about the company's deteriorating financial situation.

The issue was also taken up by the European Parliament. In its resolution on the role and methods of rating agencies, which was adopted on 10 February 2004, the Parliament asked the Commission to assess, by 31 July 2005, the potential need for and scope of EU action on rating agencies.[23] In July 2004 the Commission asked the Committee of European Securities Regulators (CESR) for technical advice on possible EU measures for credit rating agencies by April 2005.

3.2 US INITIATIVES

SARBANES-OXLEY ACT

The Sarbanes-Oxley Act (SOX), signed into law in July 2002, constituted a major overhaul of the US corporate governance framework. This new law applies to all companies with more than 500 shareholders ("public companies") and listed companies. Most of the SOX provisions require compliance also from all foreign issuers reporting to the US Securities and Exchange Commission (SEC) as well as from the foreign auditors providing services to those companies.

One of the main areas targeted by the SOX is internal corporate governance. Among other things, it requires a company's chief executive and financial officers to personally certify each annual and quarterly report, tightens the legal provisions on corporate and financial fraud accountability (including significant penalty enhancements), and provides for more comprehensive disclosure on internal controls. In addition, the SOX prohibits insider trading and loans, and requires listed companies to have a fully independent internal audit committee. Another prominent feature of the SOX is a substantially enhanced regime for statutory audit. In particular, it provides for the creation of a Public Company Accounting Oversight Board (PCAOB), which marks the shift from a self-regulatory framework for external audit to external oversight performed by an independent body. As a result, all accounting firms auditing public companies will be subject to the PCAOB's requirements on audit quality, registration and regular inspections as well as to possible sanctions. The SOX also includes provisions that address potential financial analysts' conflicts of interest. Finally, it steps up the rules for the ongoing disclosure of issuers, for example by expanding disclosure requirements for off-balance sheet arrangements and by requiring issuers to report on any changes in their financial situation and operations "on a rapid and current basis".

While some of the SOX provisions came into effect immediately, most required specific rule-making by the SEC. In addition to these statutory measures, the two main market operators – the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation (NASDAQ) – revised their listing requirements in response to the SOX.

INITIATIVES RELATING TO CREDIT RATING AGENCIES

The SOX invited the SEC to review the role of rating agencies in the United States, focusing on the overall importance of rating agencies for securities markets, possible obstacles to performing this function efficiently, barriers to entry in the ratings industry, and potential conflicts of interest. The SEC delivered its report to the US Congress in January 2003. It

22 Commission Directive 2003/125/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest (OJ L 339, 24.12.2003, p. 73).

23 The resolution was based on the "Report on the role and methods of rating agencies" of 29 January 2004, which had been prepared by the European Parliament's Committee on Economic and Monetary Affairs.

then, in June 2003, issued for consultation a concept release on several issues relating to rating agencies, including the use of credit ratings for regulatory purposes and possible oversight measures[24]. Market participants were invited to provide feedback on the concept release by the end of July 2003. The SEC has not yet decided on any further action.

3.3 INTERNATIONAL INITIATIVES

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

In May 1999 the OECD issued its Principles of Corporate Governance, which were subsequently adopted by the Financial Stability Forum as one of the 12 key standards for international financial stability. In 2002 the OECD launched a general assessment of its principles in the light of several corporate scandals, new developments and calls for more regulation in many countries. As a result of this wide-ranging review process, which involved taking stock of corporate governance developments in OECD countries and a round of worldwide public consultation, a revised version of the OECD Principles of Corporate Governance was published in April 2004.

As in the 1999 version, the revised OECD principles focus on internal corporate governance and disclosure, covering five areas: the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders; disclosure and transparency; and the responsibilities of the board. The respective provisions, however, were expanded and rendered more specific. For instance, in terms of shareholders' rights, the revised version explicitly recognises shareholders' right to dismiss members of the board and participate in key decisions such as the nomination, election and remuneration of board members. More emphasis is also placed on the conditions needed for an effective exercise of shareholder rights and on the protection of minority shareholders. Regarding the role of wider stakeholders, a new principle on the protection of "whistleblowers" (any stakeholder that may wish to communicate concerns about illegal or unethical corporate practices to the board) has been introduced. The section on disclosure and transparency includes additional disclosure obligations and also highlights the importance of auditor independence. Furthermore, a new principle states that the work of rating agencies and financial analysts should not be compromised by conflicts of interest. Finally, the new principles concerning the responsibilities of the board stress, in particular, the fiduciary role of the board as well as the need for independence and objectivity.

BASEL COMMITTEE ON BANKING SUPERVISION

Adequate checks and balances on corporate governance are even more important for banks than for other companies because of their crucial role in channelling funds within the economy and the comparatively higher risk of contagion in the banking sector. Sound internal corporate governance significantly enhances banks' capacity to adequately identify, measure and monitor their financial risks.

In September 1999 the BCBS issued guidance on "Enhancing Corporate Governance for Banking Organisations". This document formed part of the Committee's ongoing efforts to improve banks' risk management and disclosure, and also responded to the national and international initiatives to enhance the corporate governance framework, in particular, the development of the OECD Principles on Corporate Governance. Taking into account previous supervisory experience of specific corporate governance problems at banks, the document identified a number of fundamental principles for effective internal corporate governance of banks. The BCBS is currently assessing the possible need and scope for updating this guidance.

24 SEC Concept Release 33-8236 of 4 June 2003 entitled "Rating Agencies and the Use of Credit Ratings under the Federal Securities Laws".

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

In February 2004, following the recent corporate scandals, IOSCO launched a broad strand of work to strengthen the defences of international capital markets against financial fraud and market abuse. A high-level task force was mandated to identify the main policy issues of concern and to assess the possible need for and scope of a regulatory response from IOSCO. Based on this work, IOSCO published its "Report on Strengthening Capital Markets against Financial Fraud" on 1 March 2005, which summarised the main findings of the task force and set out an action plan for improving the current regulatory framework. The report identified several areas that were instrumental in recent corporate scandals, including internal corporate governance, external audit, issuer disclosure and transparency, the role and obligations of reputational and financial intermediaries, and the use of complex corporate structures. For each of these areas, the report analysed existing IOSCO standards and principles, and the possible case for measures to improve implementation and enforcement of existing provisions and/or for additional guidance. Particular emphasis was placed on suitable mechanisms for promoting more effective implementation and enforcement of IOSCO standards and principles across countries.

In previous years IOSCO had already taken several other important initiatives to improve the corporate governance framework. In its role as an association of securities commissions, IOSCO has, in particular, developed guiding principles and best practices for external corporate governance and for transparency and disclosure, for example with regard to the role of credit rating agencies and financial analysts in securities markets and the framework for external audit.[25]

4 CHALLENGES AHEAD

Ensuring a sound framework for corporate governance is an ongoing task. New market developments may always require adaptations of the corporate governance framework and new corporate governance problems may come to light. In recent years a large number of major initiatives have already been adopted to strengthen the three pillars of corporate governance in the face of the current challenges for effective corporate governance. Work is still under way in a few areas, such as the implementation of the Commission Action Plan on Company Law and Corporate Governance and possible initiatives for credit rating agencies. In the coming period, public policy should therefore focus mainly on the implementation of the revised framework. Above all, new provisions should generally be allowed to show their effects before additional regulatory initiatives in these areas are contemplated. The costs and benefits of any further regulatory initiatives should also be assessed very carefully.

Effective implementation will not only depend on the strict application and enforcement of the new principles and provisions on corporate governance. Indeed, even the best rules can be circumvented and never prevent fraud entirely. This highlights the importance of adequate business ethics and shareholder culture. For example, internal corporate governance not only rests on formal compliance with the rules for the organisation of the board and the rights of shareholders, but also on the promotion of an appropriate corporate culture by senior management and the board, and on the active

25 As regards credit rating agencies, IOSCO issued its "Code of Conduct Fundamentals" in December 2004, focusing on three main areas: the quality and integrity of the rating process, the need for independence and avoiding conflicts of interest and rating agencies' responsibilities to investors and issuers. The Code of Conduct Fundamentals was developed on the basis of IOSCO's earlier work on rating agencies, especially the "Principles Regarding the Activities of Credit Rating Agencies" and the "Report on the Activities of Credit Rating Agencies", both published in September 2003. With respect to financial analysts, IOSCO presented, in September 2003, a "Report on Analyst Conflicts of Interest" as well as a "Statement of Principles for Addressing Sell-Side Securities Analyst Conflicts of Interest". For the area of external audit, IOSCO issued in October 2002 "Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence" as well as "Principles for Auditor Oversight".

role of shareholders. In a similar vein, while strengthened rules on transparency and disclosure will facilitate market discipline, all stakeholders must assume their responsibilities as active monitors of companies.

In the light of the closer integration of financial markets, the pursuit of close cross-border convergence is another important implementation issue, both at the EU and the international level.

In the EU context, the timely and consistent implementation of the relevant new Community legislation in Member States is an important prerequisite for the efficiency and integrity of the single financial market. It should also be carefully monitored whether the various non-binding Community measures, particularly in the area of internal corporate governance, are successful in spurring effective convergence towards best practice.

At the international level, one priority will be to ensure that the commonly agreed standards and benchmarks for good corporate governance are adequately reflected in national rules and practices. While international principles need to be closely observed across countries, there will be no "one size fits all" approach to corporate governance regulation owing to substantial differences in financial systems, legal settings and corporate ownership structures. Because of these differences, regular cross-border exchanges of information between the responsible authorities are essential, especially with regard to the ongoing or forthcoming regulatory initiatives. Such dialogue will help to promote a better mutual understanding of the respective corporate governance systems. They will also facilitate cross-border coordination of regulatory measures aiming to reduce the risk of a possible duplication of requirements or level playing-field distortions. The EU-US Financial Markets Regulatory Dialogue[26], an informal bilateral exchange on regulatory and supervisory issues of mutual interest, is a significant example of such cooperation.

26 The EU-US Financial Markets Regulatory Dialogue was launched at the EU-US summit in May 2002. It involves the European Commission, the SEC, the Board of Governors of the Federal Reserve System and the US Treasury.

EURO AREA STATISTICS

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

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WHAT'S NEW

The international investment position statistics for the euro area are now available with a quarterly frequency. Quarterly figures are given for the first time in this issue in Section 7.4.

Section 8.2 has been rearranged in order to accommodate the seven new currencies for which the ECB has published euro reference exchange rates since 1 April 2005.

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-financial and non-monetary financial corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year government bond yield (% per annum, period averages)
	1	2	3	4	5	6	7	8
2003	10.9	8.0	8.1	-	4.9	19.6	2.33	4.16
2004	10.0	6.3	5.8	-	6.0	10.9	2.11	4.14
2004 Q2	10.2	6.0	5.4	-	5.6	10.2	2.08	4.36
Q3	9.6	5.8	5.6	-	6.2	9.9	2.12	4.21
Q4	9.3	6.4	6.0	-	6.8	8.9	2.16	3.84
2005 Q1	9.6	7.1	6.7	-	7.3	.	2.14	3.67
2004 Nov.	9.7	6.6	6.0	6.1	6.9	9.4	2.17	3.87
Dec.	8.9	6.7	6.6	6.5	7.1	8.9	2.17	3.69
2005 Jan.	9.6	7.1	6.8	6.7	7.3	9.8	2.15	3.63
Feb.	10.2	7.3	6.7	6.7	7.3	9.6	2.14	3.62
Mar.	9.3	7.1	6.5	.	7.6	.	2.14	3.76
Apr.	.	.	.	.	.	.	2.14	3.57

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
2003	2.1	1.4	2.7	0.5	0.3	81.1	0.2	8.7
2004	2.1	2.3	2.3	2.1	1.9	81.7	0.5	8.8
2004 Q2	2.3	2.0	2.2	2.2	3.0	81.6	0.5	8.9
Q3	2.2	3.1	1.9	1.8	2.8	82.1	0.6	8.8
Q4	2.3	3.8	2.4	1.6	1.0	82.0	0.8	8.8
2005 Q1	2.0	4.1	.	.	.	81.4	.	8.8
2004 Nov.	2.2	3.7	-	-	0.7	-	-	8.8
Dec.	2.4	3.5	-	-	1.1	-	-	8.8
2005 Jan.	1.9	3.9	-	-	2.0	81.9	-	8.8
Feb.	2.1	4.2	-	-	0.5	-	-	8.8
Mar.	2.1	4.2	-	-	.	-	-	8.9
Apr.	2.1	.	-	-	.	80.9	-	.

3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-23 [3] (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2003	33.5	102.7	5.4	43.4	306.5	99.9	101.7	1.1312
2004	62.5	103.4	-47.9	68.6	280.6	103.8	105.8	1.2439
2004 Q2	7.4	31.4	-12.1	27.0	302.2	102.1	104.1	1.2046
Q3	15.5	23.5	1.1	7.2	298.5	102.8	104.9	1.2220
Q4	20.0	20.8	-14.0	23.1	280.6	105.7	107.8	1.2977
2005 Q1	.	.	.	.	284.9	105.7	107.8	1.3113
2004 Nov.	6.3	4.6	-6.4	-13.0	292.7	105.6	107.7	1.2991
Dec.	9.6	7.3	5.1	38.3	280.6	107.1	109.3	1.3408
2005 Jan.	-8.0	0.2	-11.4	-17.1	289.0	105.8	107.9	1.3119
Feb.	9.1	6.1	-4.6	22.6	283.2	105.1	107.1	1.3014
Mar.	.	.	.	.	284.9	106.0	108.2	1.3201
Apr.	.	.	.	.	.	105.1	107.4	1.2938

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

	2005 8 Apr.	2005 15 Apr.	2005 22 Apr.	2005 29 Apr.
Gold and gold receivables	128,024	127,990	127,959	127,431
Claims on non-euro area residents in foreign currency	156,535	154,868	154,586	155,909
Claims on euro area residents in foreign currency	19,574	19,981	20,538	20,527
Claims on non-euro area residents in euro	8,681	8,725	9,103	9,673
Lending to euro area credit institutions in euro	365,013	360,503	372,004	370,512
Main refinancing operations	274,999	270,499	281,999	280,500
Longer-term refinancing operations	90,002	90,002	90,002	90,000
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	11	1	2	3
Credits related to margin calls	1	1	1	9
Other claims on euro area credit institutions in euro	2,993	3,063	3,010	2,906
Securities of euro area residents in euro	80,706	80,724	80,116	79,795
General government debt in euro	41,177	41,177	41,184	41,184
Other assets	124,540	125,167	126,043	126,542
Total assets	927,243	922,198	934,543	934,479

2. Liabilities

	2005 8 Apr.	2005 15 Apr.	2005 22 Apr.	2005 29 Apr.
Banknotes in circulation	502,872	502,327	502,100	506,965
Liabilities to euro area credit institutions in euro	142,220	143,412	143,675	139,295
Current accounts (covering the minimum reserve system)	142,084	143,345	143,647	138,874
Deposit facility	135	33	28	420
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	1	34	0	1
Other liabilities to euro area credit institutions in euro	140	140	140	140
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	72,424	67,654	79,580	77,605
Liabilities to non-euro area residents in euro	8,888	8,869	8,861	9,191
Liabilities to euro area residents in foreign currency	238	297	309	356
Liabilities to non-euro area residents in foreign currency	10,917	9,636	9,978	10,907
Counterpart of special drawing rights allocated by the IMF	5,701	5,701	5,701	5,701
Other liabilities	53,679	53,996	54,032	54,152
Revaluation accounts	71,961	71,961	71,961	71,961
Capital and reserves	58,203	58,205	58,206	58,206
Total liabilities	927,243	922,198	934,543	934,479

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Variable rate tenders			Running for (...) days
				Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7
	Main refinancing operations						
2005 5 Jan.	324,154	321	259,000	2.00	2.06	2.07	7
12	343,644	332	265,000	2.00	2.06	2.07	7
19	362,771	364	279,500	2.00	2.06	2.07	7
26	368,794	358	273,000	2.00	2.06	2.07	7
2 Feb.	332,198	329	277,500	2.00	2.06	2.06	6
8	327,172	305	275,500	2.00	2.06	2.06	8
16	352,917	341	276,500	2.00	2.05	2.06	7
23	349,248	352	284,500	2.00	2.05	2.06	7
2 Mar.	329,036	325	275,000	2.00	2.05	2.06	7
9	320,545	335	272,500	2.00	2.05	2.05	7
16	317,574	350	276,500	2.00	2.05	2.05	7
23	346,871	370	291,000	2.00	2.05	2.05	7
30	312,429	337	276,000	2.00	2.05	2.06	7
6 Apr.	292,103	350	275,000	2.00	2.05	2.05	7
13	313,575	348	270,500	2.00	2.05	2.05	7
20	328,593	370	282,000	2.00	2.05	2.05	7
27	329,984	351	280,500	2.00	2.05	2.05	7
4 May	339,182	301	273,000	2.00	2.05	2.05	7
	Longer-term refinancing operations						
2004 29 Apr.	54,243	180	25,000	-	2.01	2.03	91
27 May	45,594	178	25,000	-	2.04	2.05	91
1 July	37,698	147	25,000	-	2.06	2.08	91
29	40,354	167	25,000	-	2.07	2.08	91
26 Aug.	37,957	152	25,000	-	2.06	2.08	91
30 Sep.	37,414	138	25,000	-	2.06	2.08	84
28 Oct.	46,646	187	25,000	-	2.10	2.11	91
25 Nov.	51,095	174	25,000	-	2.13	2.14	91
23 Dec.	34,466	155	25,000	-	2.12	2.14	98
2005 27 Jan.	58,133	164	30,000	-	2.09	2.10	91
24 Feb.	40,340	145	30,000	-	2.08	2.09	91
31 Mar.	38,462	148	30,000	-	2.09	2.10	91
28 Apr.	47,958	148	30,000	-	2.08	2.09	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9
2000 5 Jan. [5)]	Collection of fixed-term deposits	14,420	43	14,420	-	-	3.00	3.00	7
21 June	Reverse transaction	18,845	38	7,000	-	-	4.26	4.28	1
2001 30 Apr.	Reverse transaction	105,377	329	73,000	-	4.75	4.77	4.79	7
12 Sep.	Reverse transaction	69,281	63	69,281	4.25	-	-	-	1
13	Reverse transaction	40,495	45	40,495	4.25	-	-	-	1
28 Nov.	Reverse transaction	73,096	166	53,000	-	3.25	3.28	3.29	7
2002 4 Jan.	Reverse transaction	57,644	61	25,000	-	3.25	3.30	3.32	3
10	Reverse transaction	59,377	63	40,000	-	3.25	3.28	3.30	1
18 Dec.	Reverse transaction	28,480	50	10,000	-	2.75	2.80	2.82	6
2003 23 May	Collection of fixed-term deposits	3,850	12	3,850	2.50	-	-	-	3
2004 11 May	Collection of fixed-term deposits	16,200	24	13,000	2.00	-	-	-	1
8 Nov.	Reverse transaction	33,175	42	6,500	-	2.00	2.06	2.07	1
7 Dec.	Collection of fixed-term deposits	18,185	16	15,000	2.00	-	-	-	1
2005 18 Jan.	Reverse transaction	33,065	28	8,000	-	2.00	2.05	2.05	1
7 Feb.	Reverse transaction	17,715	24	2,500	-	2.00	2.05	2.05	1
8 Mar.	Collection of fixed-term deposits	4,300	5	3,500	2.00	-	-	-	1

Source: ECB.

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

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]:	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2002	11,116.8	6,139.9	409.2	1,381.9	725.5	2,460.3
2003	11,538.7	6,283.8	412.9	1,459.1	759.5	2,623.5
2004 Q1	11,926.7	6,404.7	442.5	1,483.2	867.7	2,728.6
Q2	12,148.5	6,524.1	439.1	1,515.1	859.0	2,811.2
Q3	12,209.6	6,488.0	435.3	1,535.3	880.8	2,870.3
2004 Oct.	12,262.1	6,496.9	448.2	1,546.5	888.8	2,881.7
Nov.	12,371.7	6,535.7	452.7	1,551.1	946.6	2,885.6
Dec.	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005 Jan.	12,596.6	6,697.7	460.1	1,577.8	943.1	2,918.0
Feb.	12,722.0	6,710.6	471.2	1,583.5	999.2	2,957.5

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2002	128.8	129.5	0.8	0.0	3.06
2003	131.8	132.6	0.8	0.0	2.00
2004 Q1	133.4	134.1	0.7	0.0	2.00
Q2	136.4	137.1	0.7	0.0	2.00
Q3	138.7	139.3	0.6	0.0	2.02
Q4	137.9	138.5	0.6	0.0	2.05
2005 18 Jan.	138.4	139.1	0.7	0.0	2.07
7 Feb.	139.3	140.0	0.8	0.0	2.06
8 Mar.	140.5	141.3	0.8	0.0	2.05
12 Apr.	142.6	143.3	0.6	0.0	2.05
10 May	143.1	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2002	371.5	168.1	45.0	1.1	2.0	0.2	0.0	350.7	51.7	55.5	129.5	480.5
2003	320.1	235.5	45.0	0.6	0.0	0.1	0.0	416.1	57.0	-4.5	132.6	548.7
2004 Q1	303.3	219.4	56.7	0.4	0.0	0.2	0.0	418.0	48.6	-21.1	134.1	552.3
Q2	311.3	224.7	75.0	0.1	0.0	0.5	0.0	442.5	52.2	-21.1	137.1	580.1
Q3	299.4	251.6	75.0	0.1	0.0	0.2	0.0	462.8	56.3	-32.4	139.3	602.3
Q4	298.0	265.7	75.0	0.1	0.0	0.1	0.5	475.4	60.2	-36.0	138.5	614.1
2005 18 Jan.	290.3	272.9	75.0	0.2	0.2	0.1	0.0	496.0	45.3	-41.9	139.1	635.2
7 Feb.	280.6	276.6	78.0	0.1	0.1	0.1	0.0	487.1	63.8	-55.5	140.0	627.2
8 Mar.	280.2	277.8	82.2	0.1	0.0	0.1	0.1	489.5	68.5	-59.2	141.3	630.9
12 Apr.	282.1	278.2	86.9	0.2	0.0	0.1	0.0	498.6	67.4	-62.1	143.3	642.0

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 [1]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2002	1,042.8	416.2	24.2	0.6	391.3	94.6	86.0	1.0	7.6	-	13.2	374.2	11.9	132.7
2003	1,086.8	471.3	22.6	0.6	448.0	133.6	121.5	1.3	10.8	-	12.8	317.9	12.4	138.8
2004 Q1	1,102.7	467.6	22.6	0.7	444.3	143.4	128.9	1.5	13.0	-	13.1	320.7	14.0	143.9
Q2	1,200.0	560.9	22.2	0.6	538.0	147.8	133.5	1.9	12.3	-	13.3	311.3	14.1	152.7
Q3	1,193.5	544.3	22.2	0.6	521.5	150.7	135.2	1.9	13.6	-	13.5	309.2	14.2	161.7
Q4	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	291.6	14.0	176.2
2005 Jan.	1,240.7	581.9	21.5	0.6	559.8	159.3	143.6	1.7	14.0	-	13.8	298.2	14.7	172.8
Feb.	1,275.4	614.5	21.5	0.6	592.4	162.5	146.6	1.6	14.4	-	13.9	294.2	12.5	177.7
Mar. [p]	1,274.5	599.9	21.5	0.6	577.8	167.8	151.9	1.6	14.4	-	14.0	296.8	12.5	183.5
	MFIs excluding the Eurosystem													
2002	18,857.9	11,611.4	813.0	6,780.6	4,017.8	2,671.5	1,135.0	366.2	1,170.4	62.4	827.6	2,465.5	167.6	1,051.8
2003	19,800.8	12,114.7	819.1	7,101.8	4,193.8	2,944.0	1,242.6	427.7	1,273.6	67.3	894.9	2,572.7	161.8	1,045.5
2004 Q1	20,395.7	12,218.3	823.3	7,170.2	4,224.9	3,077.6	1,301.6	434.2	1,341.8	78.0	926.4	2,836.1	160.0	1,099.3
Q2	20,755.0	12,434.3	817.9	7,320.1	4,296.3	3,153.6	1,347.0	447.1	1,359.4	76.8	948.7	2,873.9	159.7	1,108.1
Q3	20,984.2	12,569.9	812.2	7,401.3	4,356.4	3,179.2	1,345.9	447.5	1,385.9	77.5	920.6	2,907.3	161.0	1,168.7
Q4	21,357.3	12,826.4	814.5	7,555.1	4,456.8	3,187.8	1,299.9	465.3	1,422.5	72.5	943.1	2,947.5	159.6	1,220.5
2005 Jan.	21,664.5	12,909.2	819.5	7,594.4	4,495.3	3,237.2	1,339.9	468.1	1,429.2	75.7	961.7	3,075.0	157.4	1,248.4
Feb.	21,829.9	12,967.3	809.8	7,620.8	4,536.7	3,288.0	1,367.8	478.3	1,441.9	75.4	965.5	3,127.0	157.6	1,249.1
Mar. [p]	22,055.1	13,053.2	807.2	7,671.0	4,575.0	3,294.9	1,358.0	480.8	1,456.1	72.5	975.4	3,191.5	156.5	1,311.2

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2002	1,042.8	392.9	328.4	29.5	15.6	283.3	-	3.6	165.9	32.9	119.1
2003	1,086.8	450.5	324.0	21.3	16.9	285.8	-	1.6	143.8	27.5	139.4
2004 Q1	1,102.7	439.9	336.6	43.1	15.8	277.7	-	1.6	155.5	23.6	145.3
Q2	1,200.0	465.1	413.2	67.1	18.4	327.6	-	1.6	145.5	23.5	151.1
Q3	1,193.5	480.6	380.4	57.8	16.3	306.3	-	1.6	148.5	23.6	158.8
Q4	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005 Jan.	1,240.7	502.4	402.0	57.6	16.0	328.4	-	0.5	145.7	25.8	164.1
Feb.	1,275.4	504.9	435.7	71.4	18.4	345.9	-	0.5	145.8	21.8	166.6
Mar. [p]	1,274.5	516.4	411.5	61.1	17.6	332.7	-	0.5	149.9	24.9	171.3
	MFIs excluding the Eurosystem										
2002	18,857.9	0.0	10,197.8	106.9	5,954.3	4,136.6	533.4	2,993.5	1,108.7	2,592.8	1,431.7
2003	19,800.8	0.0	10,774.7	132.3	6,277.6	4,364.9	648.8	3,161.4	1,151.0	2,606.5	1,458.4
2004 Q1	20,395.7	0.0	10,863.5	140.7	6,310.3	4,412.5	680.6	3,304.6	1,160.4	2,832.6	1,553.9
Q2	20,755.0	0.0	11,088.0	156.6	6,408.6	4,522.7	686.0	3,370.5	1,177.6	2,870.3	1,562.6
Q3	20,984.2	0.0	11,174.2	146.3	6,441.3	4,586.6	687.0	3,447.8	1,187.2	2,838.0	1,650.1
Q4	21,357.3	0.0	11,487.6	139.0	6,640.3	4,708.3	677.4	3,496.9	1,206.2	2,814.9	1,674.3
2005 Jan.	21,664.5	0.0	11,534.3	123.0	6,655.9	4,755.4	692.4	3,527.5	1,206.4	2,968.1	1,735.8
Feb.	21,829.9	0.0	11,602.8	138.7	6,660.2	4,803.9	690.9	3,580.0	1,211.5	3,007.5	1,737.3
Mar. [p]	22,055.1	0.0	11,658.6	125.0	6,707.6	4,826.0	687.7	3,617.3	1,217.7	3,080.5	1,793.3

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	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	2,839.7	179.5	1,132.7
2003	14,557.3	7,944.2	841.7	7,102.4	1,793.1	1,364.1	429.0	623.6	2,890.6	174.1	1,131.7
2004 Q1	15,066.1	8,016.8	845.9	7,170.9	1,866.2	1,430.5	435.7	649.4	3,156.8	173.9	1,202.9
Q2	15,331.0	8,160.9	840.2	7,320.7	1,929.6	1,480.6	449.0	662.9	3,185.2	173.8	1,218.7
Q3	15,489.3	8,236.4	834.4	7,401.9	1,930.4	1,481.1	449.3	643.1	3,216.5	175.2	1,287.8
Q4	15,725.6	8,391.8	836.0	7,555.7	1,906.9	1,439.9	467.0	666.4	3,239.2	173.6	1,347.8
2005 Jan.	15,991.4	8,436.1	841.0	7,595.1	1,953.4	1,483.5	469.9	678.0	3,373.2	172.1	1,378.7
Feb.	16,105.3	8,452.8	831.3	7,621.5	1,994.3	1,514.4	479.9	681.5	3,421.3	170.1	1,385.4
Mar. (p)	16,287.0	8,500.3	828.7	7,671.6	1,992.2	1,509.9	482.4	687.2	3,488.3	169.0	1,450.0
	Transactions										
2002	602.8	299.2	-9.4	308.6	72.2	43.4	28.8	7.7	245.2	-1.3	-20.1
2003	767.4	385.9	13.7	372.2	170.4	116.3	54.1	19.3	224.8	-3.6	-29.5
2004 Q1	430.1	84.6	5.7	78.8	56.8	52.5	4.3	24.6	211.1	-0.4	53.4
Q2	265.8	150.2	-7.4	157.6	64.1	50.0	14.1	8.4	32.3	1.6	9.3
Q3	193.0	87.7	-5.4	93.1	-4.4	-1.8	-2.6	-19.5	61.0	1.6	66.6
Q4	377.9	175.8	1.6	174.1	-23.4	-42.6	19.2	20.9	129.7	0.0	75.0
2005 Jan.	199.2	43.1	4.8	38.4	39.9	37.3	2.6	10.7	82.1	-1.4	24.8
Feb.	133.4	17.5	-9.1	26.5	42.9	32.4	10.5	1.4	66.0	-2.0	7.5
Mar. (p)	140.2	47.7	-2.4	50.1	-3.3	-5.7	2.5	5.9	42.6	-1.1	48.3

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [1]	Debt securities issued [2]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	13,931.2	341.2	136.4	5,969.9	471.0	1,819.0	1,006.4	2,625.6	1,550.9	10.8
2003	14,557.3	397.9	153.6	6,294.4	581.5	1,878.5	1,010.6	2,634.0	1,597.8	8.9
2004 Q1	15,066.1	399.6	183.8	6,326.1	602.6	1,951.5	1,025.8	2,856.2	1,699.3	21.1
Q2	15,331.0	423.0	223.7	6,427.1	609.2	2,000.4	1,024.1	2,893.8	1,713.7	16.0
Q3	15,489.3	438.0	204.1	6,457.6	609.5	2,049.9	1,044.7	2,861.6	1,808.9	15.0
Q4	15,725.6	468.4	163.7	6,655.4	604.9	2,061.8	1,053.7	2,842.1	1,841.6	34.0
2005 Jan.	15,991.4	459.9	180.6	6,671.9	616.8	2,084.8	1,054.7	2,993.9	1,900.0	28.8
Feb.	16,105.3	463.6	210.1	6,678.7	615.5	2,124.3	1,059.3	3,029.3	1,903.8	20.8
Mar. (p)	16,287.0	471.7	186.1	6,725.2	615.2	2,147.3	1,065.4	3,105.4	1,964.7	6.0
	Transactions									
2002	602.8	101.4	-5.8	222.0	70.6	106.1	39.7	74.6	-92.3	86.5
2003	767.4	79.0	12.9	315.8	56.7	133.5	40.1	130.8	-61.2	59.8
2004 Q1	430.1	1.7	30.2	25.2	22.4	61.0	8.3	174.7	117.6	-11.0
Q2	265.8	23.4	39.4	102.5	2.2	48.7	9.9	32.3	9.6	-2.2
Q3	193.0	15.1	-19.7	35.5	1.6	54.6	19.4	-3.7	81.7	8.5
Q4	377.9	30.4	-40.4	210.5	-3.9	33.9	13.5	72.3	19.5	42.1
2005 Jan.	199.2	-8.5	16.9	10.1	12.8	4.7	-2.4	104.4	75.4	-14.3
Feb.	133.4	3.7	29.5	5.4	-2.2	44.0	5.9	52.0	-1.3	-3.5
Mar. (p)	140.2	8.2	-23.9	43.9	-0.5	18.2	4.3	54.7	55.5	-20.2

Source: ECB.

1) Amounts held by euro area residents.

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

2.3 Monetary statistics

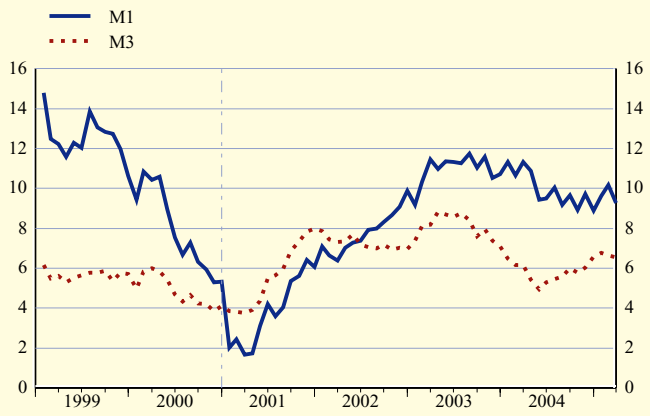
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [1] and counterparts

	M1	M2-M1	M2	M3-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 [2]
										Loans	
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2002	2,444.9	2,470.7	4,915.7	851.8	5,767.5	-	3,987.0	2,076.2	7,721.6	6,776.5	191.0
2003	2,682.6	2,553.3	5,236.0	908.5	6,144.5	-	4,139.3	2,227.6	8,156.0	7,097.8	235.4
2004 Q1	2,757.7	2,556.2	5,313.9	907.7	6,221.6	-	4,242.2	2,265.8	8,246.0	7,170.0	316.8
Q2	2,795.2	2,584.6	5,379.8	930.9	6,310.7	-	4,311.6	2,303.3	8,401.0	7,295.7	290.6
Q3	2,867.0	2,620.5	5,487.5	941.0	6,428.5	-	4,393.8	2,322.9	8,526.1	7,416.8	342.9
Q4	2,912.6	2,662.8	5,575.3	961.8	6,537.1	-	4,459.5	2,300.2	8,690.1	7,550.6	378.1
2005 Jan.	2,960.4	2,665.6	5,626.0	949.8	6,575.7	-	4,497.1	2,330.6	8,748.7	7,598.3	379.1
Feb.	2,992.8	2,667.1	5,660.0	949.3	6,609.2	-	4,534.7	2,344.3	8,790.8	7,631.7	397.5
Mar. [p]	3,007.3	2,676.1	5,683.4	946.4	6,629.7	-	4,578.1	2,328.6	8,831.9	7,671.9	397.7
	Transactions										
2002	219.6	87.8	307.4	68.1	375.5	-	188.1	36.2	347.1	311.3	173.9
2003	261.5	113.5	375.0	32.6	407.6	-	237.6	133.5	445.9	372.3	95.9
2004 Q1	74.3	-2.9	71.4	4.0	75.4	-	80.5	25.8	96.9	82.6	73.7
Q2	37.1	30.4	67.5	20.1	87.6	-	79.7	35.8	158.4	133.4	-17.0
Q3	73.8	37.4	111.2	9.6	120.8	-	89.2	17.6	134.5	133.0	53.6
Q4	53.2	47.0	100.1	20.5	120.6	-	93.6	-24.1	183.3	154.1	50.5
2005 Jan.	45.4	-0.1	45.3	-11.7	33.6	-	15.5	23.9	56.4	46.7	-3.6
Feb.	32.7	-0.5	32.2	-7.1	25.1	-	49.6	15.8	40.6	33.5	19.8
Mar. [p]	13.4	8.2	21.5	-2.8	18.8	-	35.7	-16.8	41.3	40.2	-2.9
	Growth rates										
2002 Dec.	9.9	3.7	6.7	8.7	7.0	7.1	4.9	1.8	4.7	4.8	173.9
2003 Dec.	10.7	4.6	7.7	3.8	7.1	7.0	6.0	6.4	5.8	5.5	95.9
2004 Mar.	11.3	2.1	6.7	3.1	6.2	5.9	7.0	6.6	5.8	5.3	92.1
June	9.5	1.7	5.6	3.5	5.3	5.2	7.7	7.3	6.2	6.0	-0.6
Sep.	9.7	2.7	6.2	4.7	6.0	5.8	7.9	5.2	6.3	6.5	122.8
Dec.	8.9	4.4	6.7	6.0	6.6	6.5	8.3	2.5	7.0	7.1	160.8
2005 Jan.	9.6	4.5	7.1	4.7	6.8	6.7	8.0	3.6	7.3	7.3	115.5
Feb.	10.2	4.3	7.3	2.7	6.7	6.7	8.7	4.1	7.3	7.3	120.7
Mar. [p]	9.3	4.8	7.1	3.2	6.5	.	8.6	2.3	7.5	7.6	100.4

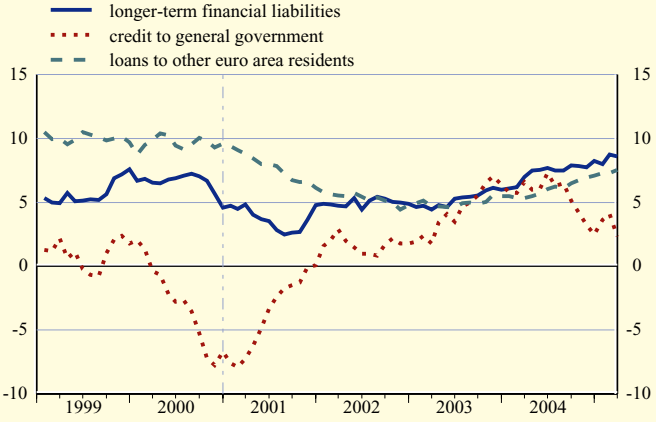
C1 Monetary aggregates

(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

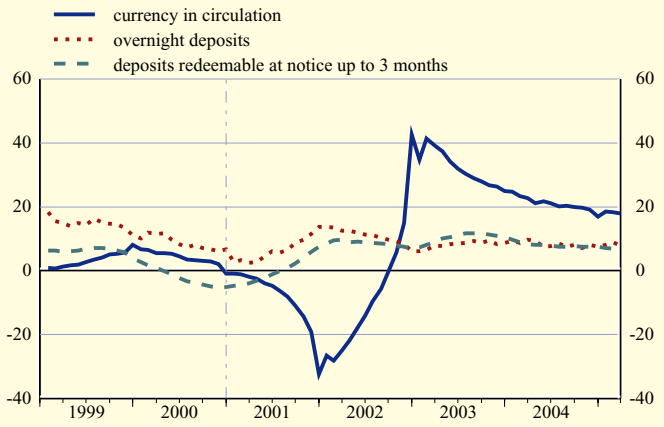
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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	331.9	2,113.0	1,071.8	1,399.0	238.1	485.2	128.5	1,693.6	103.9	1,184.3	1,005.3
2003	386.9	2,295.7	1,031.0	1,522.3	218.6	597.3	92.7	1,789.6	90.7	1,250.0	1,009.0
2004 Q1	405.3	2,352.4	1,005.2	1,551.0	215.6	597.6	94.5	1,856.5	90.0	1,270.3	1,025.4
Q2	421.2	2,374.1	999.9	1,584.7	220.0	610.8	100.1	1,899.2	89.1	1,297.9	1,025.4
Q3	440.2	2,426.8	1,004.6	1,615.8	225.1	615.8	100.1	1,945.7	88.7	1,319.9	1,039.5
Q4	452.7	2,459.9	1,028.1	1,634.7	239.1	620.3	102.3	1,962.7	89.6	1,355.6	1,051.6
2005 Jan.	466.7	2,493.8	1,026.0	1,639.6	230.5	620.0	99.2	1,991.6	90.0	1,364.4	1,051.1
Feb.	471.6	2,521.2	1,021.5	1,645.6	220.8	612.2	116.3	2,012.2	90.4	1,370.4	1,061.7
Mar. (p)	477.5	2,529.8	1,020.1	1,655.9	224.4	610.4	111.5	2,035.0	90.9	1,386.9	1,065.3
	Transactions										
2002	99.1	120.5	-1.5	89.3	9.5	71.2	-12.5	118.5	-10.0	40.3	39.3
2003	77.5	184.0	-29.7	143.1	-10.3	58.0	-15.1	149.2	-13.2	61.9	39.6
2004 Q1	18.4	55.9	-31.5	28.6	-2.0	1.5	4.4	52.2	-0.7	19.5	9.5
Q2	15.8	21.2	-3.3	33.7	4.0	8.8	7.2	40.9	-0.9	28.0	11.7
Q3	19.0	54.8	6.1	31.2	5.2	6.2	-1.8	53.4	-0.5	23.4	12.9
Q4	12.5	40.7	27.9	19.1	14.2	5.3	0.9	40.3	0.9	35.8	16.6
2005 Jan.	14.0	31.4	-4.8	4.7	-8.7	0.6	-3.6	11.1	0.4	8.0	-3.9
Feb.	4.9	27.8	-7.4	6.9	-9.6	-8.7	11.2	31.0	0.4	6.3	11.9
Mar. (p)	5.9	7.4	-1.8	9.9	3.6	-2.0	-4.3	17.6	0.0	16.2	1.8
	Growth rates										
2002 Dec.	42.6	6.1	-0.1	6.8	4.1	17.2	-9.0	7.4	-8.8	3.5	4.0
2003 Dec.	24.9	8.7	-2.8	10.4	-4.6	11.1	-14.9	8.9	-12.7	5.2	4.0
2004 Mar.	22.7	9.6	-6.1	8.2	-1.2	6.9	-7.3	10.5	-9.9	5.5	4.6
June	21.1	7.7	-6.7	7.9	1.8	4.6	0.4	10.4	-7.1	7.0	5.3
Sep.	19.9	8.0	-4.2	7.6	3.1	4.2	11.3	10.9	-2.9	7.3	4.5
Dec.	17.0	7.5	-0.1	7.4	9.9	3.7	11.8	10.4	-1.2	8.5	5.0
2005 Jan.	18.5	8.1	0.6	7.1	6.8	4.3	2.7	9.8	-0.4	8.6	4.7
Feb.	18.3	8.8	0.3	6.9	-0.9	2.6	11.6	11.1	0.4	8.5	5.4
Mar. (p)	17.8	7.8	1.7	6.8	4.0	1.7	10.4	10.5	0.5	9.3	5.0

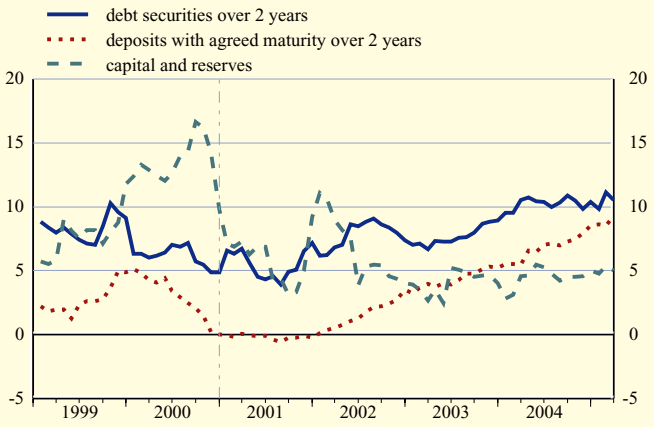
C3 Components of monetary aggregates

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities

(annual growth rates; seasonally adjusted)



Source: ECB.

2.4 MFI loans, breakdown [1]

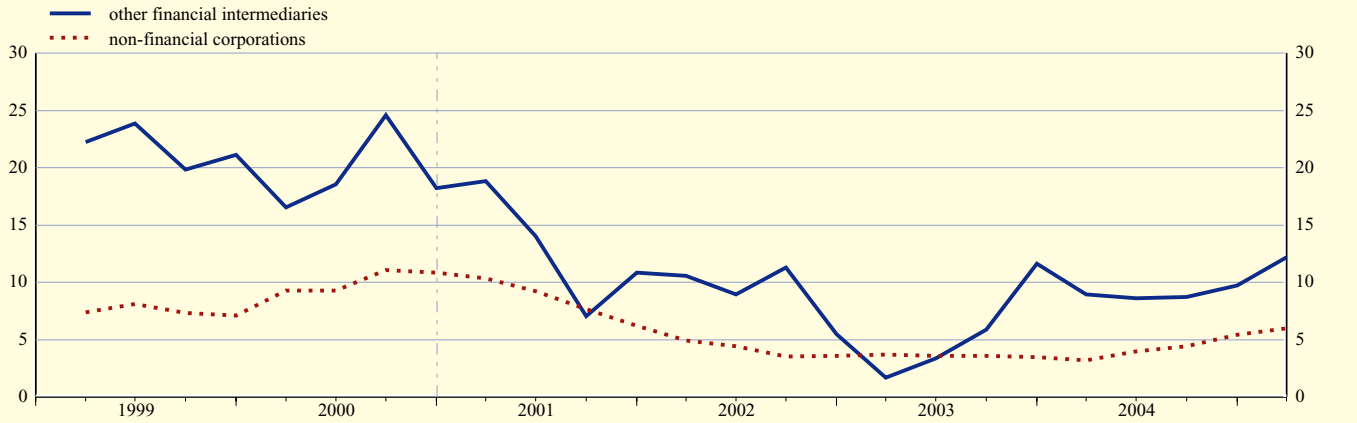
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds		Other financial intermediaries [2]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2002	32.9	19.6	455.5	289.3	2,965.1	980.2	514.8	1,470.1
2003	35.4	22.1	511.4	325.0	3,034.3	961.5	524.1	1,548.8
2004 Q1	46.3	32.2	504.1	307.4	3,055.1	956.5	523.8	1,574.7
Q2	53.7	39.8	510.0	310.2	3,093.2	968.7	534.7	1,589.9
Q3	52.5	37.6	509.1	305.1	3,103.4	954.5	542.9	1,605.9
Q4	48.7	31.4	544.7	335.5	3,155.9	974.4	547.1	1,634.5
2005 Jan.	55.6	38.6	545.2	339.4	3,172.4	981.0	555.9	1,635.6
Feb.	59.1	41.3	549.5	345.8	3,174.3	982.3	551.4	1,640.6
Mar. (p)	58.1	40.2	558.3	351.2	3,193.2	987.3	555.1	1,650.8
	Transactions							
2002	-4.1	-8.0	23.9	14.2	103.7	-26.6	31.8	98.5
2003	4.2	2.2	53.8	26.2	102.3	-8.0	15.5	94.8
2004 Q1	10.8	10.0	-2.4	-11.2	22.1	-4.9	4.5	22.5
Q2	7.0	7.3	8.6	5.5	60.0	17.0	11.5	31.5
Q3	-1.1	-2.2	3.0	-1.4	15.7	-12.3	9.1	18.8
Q4	-3.5	-6.0	39.4	33.0	67.1	24.3	6.3	36.5
2005 Jan.	6.6	7.0	-1.6	2.7	16.3	6.7	8.7	0.9
Feb.	3.0	2.0	4.4	6.2	3.0	-1.0	-4.1	8.1
Mar. (p)	-1.1	-1.1	6.9	5.6	20.0	5.5	4.0	10.5
	Growth rates							
2002 Dec.	-10.3	-28.4	5.5	5.1	3.6	-2.6	6.5	7.1
2003 Dec.	11.8	11.6	11.7	8.8	3.5	-0.8	3.0	6.5
2004 Mar.	8.6	6.3	8.9	3.2	3.2	-2.6	3.7	6.9
June	18.8	25.6	8.6	3.6	4.0	-2.1	6.5	7.2
Sep.	17.5	31.5	8.7	5.9	4.5	-0.6	6.1	7.2
Dec.	37.1	41.5	9.7	8.4	5.5	2.5	6.1	7.1
2005 Jan.	16.5	11.9	10.0	10.6	5.8	3.0	7.4	6.9
Feb.	24.2	21.5	9.2	10.6	5.8	3.7	6.4	6.9
Mar. (p)	23.5	21.8	12.2	17.2	6.0	4.2	6.8	6.8

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.4 MFI loans, breakdown [1]

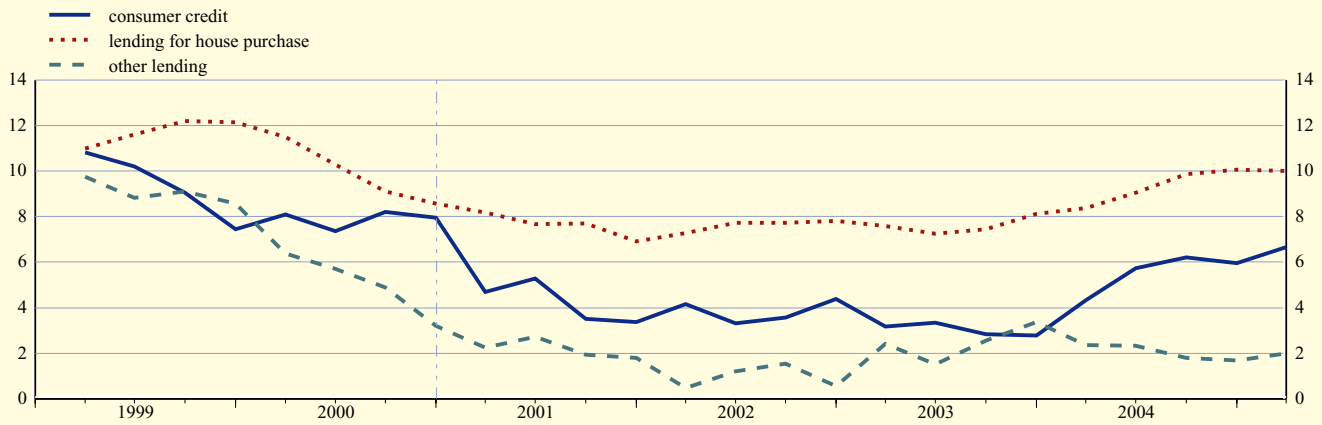
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [2]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2002	3,327.0	518.9	105.9	178.3	234.7	2,188.5	22.3	65.1	2,101.1	619.6	153.9	99.7	366.0
2003	3,520.6	484.5	112.0	181.0	191.5	2,360.4	14.4	63.3	2,282.7	675.6	145.0	95.5	435.1
2004 Q1	3,564.7	484.5	109.9	182.3	192.3	2,400.2	14.2	61.6	2,324.5	679.9	141.8	95.1	443.0
Q2	3,663.2	502.2	115.1	187.1	199.9	2,463.8	15.2	64.7	2,383.9	697.2	147.5	99.3	450.5
Q3	3,736.3	507.5	115.2	188.4	203.9	2,534.1	14.9	65.8	2,453.4	694.7	144.6	99.0	451.1
Q4	3,805.8	514.5	118.3	190.5	205.7	2,592.8	15.5	65.8	2,511.5	698.5	144.4	99.6	454.6
2005 Jan.	3,821.3	514.1	119.2	189.3	205.6	2,608.0	15.0	65.5	2,527.5	699.1	143.6	98.8	456.7
Feb.	3,837.9	513.8	119.0	188.9	206.0	2,622.1	14.9	65.6	2,541.6	702.0	143.8	98.8	459.4
Mar. [p]	3,861.3	519.7	120.1	191.5	208.0	2,640.3	14.9	67.0	2,558.4	701.3	144.1	99.0	458.3
	Transactions												
2002	183.2	21.9	7.1	5.3	9.4	157.9	-0.4	2.3	156.0	3.5	-3.1	2.2	4.4
2003	211.8	13.0	8.4	6.1	-1.4	177.3	-5.9	1.7	181.5	21.4	-6.2	-4.7	32.3
2004 Q1	48.2	2.1	-1.6	1.8	2.0	44.8	-0.1	-0.8	45.7	1.3	-2.3	0.4	3.2
Q2	82.0	13.6	4.8	3.7	5.1	60.0	0.9	2.6	56.6	8.5	3.0	1.0	4.4
Q3	75.6	5.4	0.2	1.3	3.9	71.3	-0.2	1.2	70.3	-1.1	-2.6	-0.5	2.0
Q4	71.2	7.7	3.5	1.9	2.3	60.8	0.4	-0.1	60.4	2.7	1.0	1.0	0.6
2005 Jan.	17.0	-0.2	0.4	-0.9	0.4	15.3	-0.4	-0.3	16.0	1.9	-0.3	-0.7	2.9
Feb.	16.2	0.1	0.1	-0.7	0.7	14.6	0.0	0.1	14.6	1.5	0.1	0.2	1.2
Mar. [p]	24.3	5.8	1.2	2.6	1.9	18.4	0.1	1.4	16.9	0.1	0.5	0.2	-0.6
	Growth rates												
2002 Dec.	5.8	4.4	6.9	3.1	4.2	7.8	-1.8	3.7	8.1	0.6	-2.0	2.2	1.2
2003 Dec.	6.4	2.8	8.0	3.4	-0.2	8.1	-26.3	2.6	8.7	3.4	-4.1	-4.8	8.5
2004 Mar.	6.6	4.3	-0.1	6.1	5.3	8.4	4.6	-3.3	8.8	2.4	-0.9	-1.8	4.4
June	7.3	5.7	3.3	5.8	7.0	9.0	9.0	1.0	9.3	2.3	-1.4	1.8	3.8
Sep.	7.8	6.2	4.4	5.4	8.0	9.8	4.2	0.6	10.2	1.8	-0.1	-0.1	2.9
Dec.	7.9	6.0	6.1	4.8	7.0	10.0	6.4	4.7	10.2	1.7	-0.6	2.1	2.3
2005 Jan.	8.1	6.5	7.8	5.3	7.0	10.1	5.6	5.9	10.3	2.3	0.5	2.2	3.0
Feb.	8.1	6.4	8.7	4.3	7.0	10.1	6.0	6.1	10.3	2.2	1.8	2.1	2.4
Mar. [p]	8.0	6.7	9.2	4.3	7.4	10.0	4.2	7.9	10.1	2.0	1.2	1.3	2.4

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.4 MFI loans, breakdown [1]

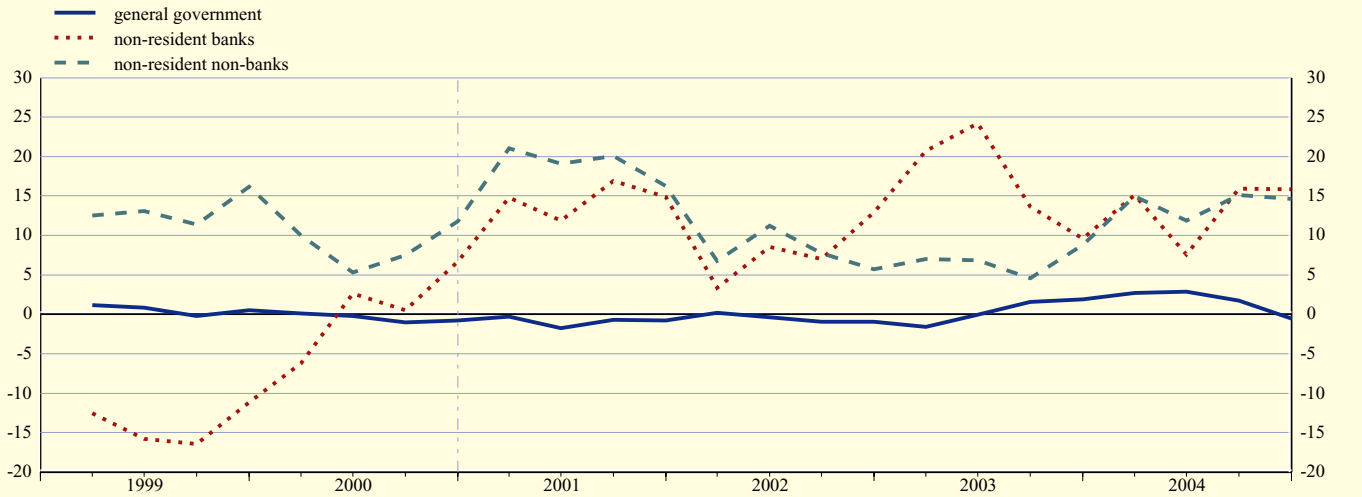
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	813.0	132.7	277.7	382.8	19.7	1,730.1	1,146.2	583.9	64.6	519.3
2003	819.1	130.0	265.1	388.9	35.0	1,762.7	1,182.2	580.6	59.3	521.2
2004 Q1	823.3	134.6	261.3	388.5	38.9	1,955.5	1,308.6	646.9	61.1	585.8
Q2	817.9	129.4	253.4	391.4	43.7	1,965.2	1,322.6	642.6	60.8	581.8
Q3	812.2	126.5	252.3	394.6	38.8	1,965.9	1,317.3	648.6	60.9	587.7
Q4 (p)	814.5	129.5	252.3	395.6	37.3	1,979.3	1,336.6	641.8	61.5	580.4
	Transactions									
2002	-7.9	-11.3	-21.1	19.9	4.6	169.1	135.3	34.5	-1.2	35.7
2003	15.3	-4.3	-12.2	16.6	15.3	159.6	109.2	50.3	-5.0	55.3
2004 Q1	5.7	5.7	-3.9	0.0	3.9	164.1	107.4	56.6	1.8	54.8
Q2	-7.0	-6.2	-8.5	2.8	4.8	6.1	11.3	-5.3	-0.5	-4.8
Q3	-5.4	-2.7	-1.0	3.3	-5.0	22.5	7.8	14.8	0.1	14.7
Q4 (p)	2.4	3.6	-0.5	1.0	-1.5	81.9	61.4	19.4	0.6	18.8
	Growth rates									
2002 Dec.	-1.0	-7.8	-7.1	5.5	30.0	10.3	12.9	5.7	-1.9	6.7
2003 Dec.	1.9	-3.2	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	10.9
2004 Mar.	2.7	0.8	-2.2	3.0	63.2	15.1	15.1	15.0	4.0	16.3
June	2.9	1.8	-4.0	4.2	54.4	9.0	7.6	11.9	2.9	12.9
Sep.	1.8	-1.4	-4.1	4.9	26.9	15.7	16.0	15.1	1.9	16.6
Dec. (p)	-0.5	0.2	-5.2	1.9	6.4	15.5	15.8	14.7	3.3	16.0

C7 Loans to government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

2.5 Deposits held with MFIs, breakdown [1]

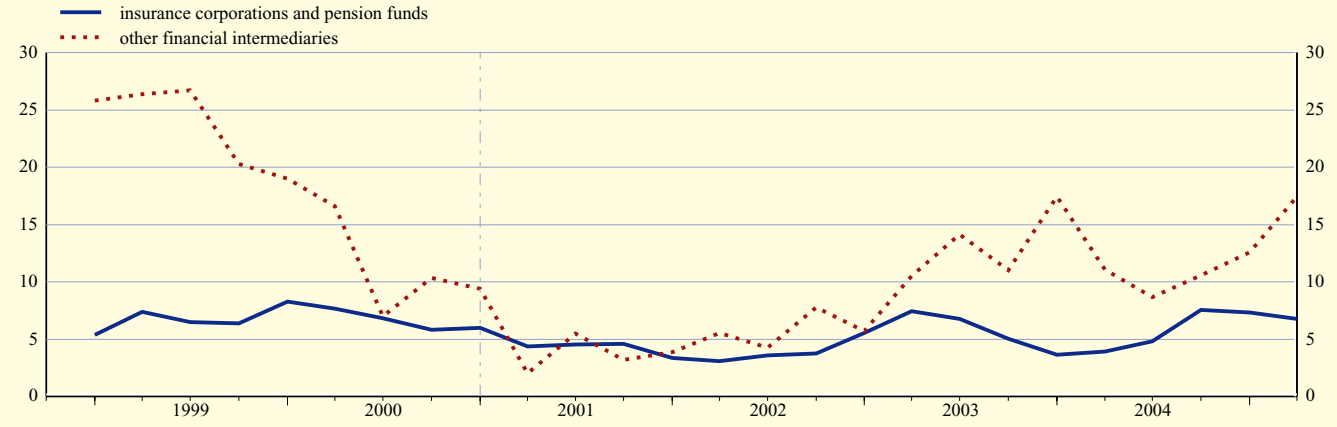
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	523.1	55.8	-	-	-	-	17.8	493.6	152.7	-	-	-	-	97.1
2003	542.4	58.9	41.7	420.5	1.3	0.8	19.1	567.7	183.0	130.8	143.3	6.1	0.1	104.4
2004 Q1	557.3	64.7	42.2	426.2	1.3	1.0	22.0	586.9	197.3	119.9	145.7	7.8	0.1	116.1
Q2	565.4	59.9	42.1	439.8	1.3	1.0	21.2	596.4	194.5	122.6	153.7	8.3	0.1	117.2
Q3	573.6	61.5	47.3	442.5	1.2	1.0	20.0	598.5	190.1	120.5	164.9	8.1	0.1	114.8
Q4	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.0	180.3	138.9	187.3	10.1	0.1	119.3
2005 Jan.	595.7	67.3	50.9	451.2	1.4	1.3	23.6	662.2	209.4	129.9	186.4	11.6	0.1	124.8
Feb.	590.3	60.6	48.9	456.0	1.3	1.3	22.3	673.6	212.9	132.8	188.9	11.5	0.1	127.4
Mar. (p)	596.9	65.7	48.6	460.1	1.3	1.3	19.8	689.2	211.9	133.4	202.7	11.5	0.1	129.5
	Transactions													
2002	27.6	7.8	-	-	-	-	1.4	26.6	-4.7	-	-	-	-	12.8
2003	19.0	1.6	-3.1	18.8	0.3	0.4	1.1	85.0	27.4	-0.5	38.9	3.2	0.0	16.0
2004 Q1	14.6	5.7	0.3	5.6	0.0	0.2	2.8	15.4	14.3	-14.6	1.4	1.6	0.0	12.7
Q2	7.2	-4.9	0.0	13.7	0.0	-0.6	-0.9	12.3	-1.3	3.9	8.3	0.6	0.0	0.8
Q3	8.2	1.6	5.3	2.6	-0.1	0.0	-1.1	2.6	-4.0	-2.3	11.4	-0.2	0.0	-2.4
Q4	9.9	-1.7	4.8	5.9	0.0	0.3	0.7	41.1	-7.1	18.8	22.6	2.1	0.0	4.7
2005 Jan.	12.2	8.0	-0.7	1.8	0.2	0.0	2.8	23.1	28.2	-9.6	-2.3	1.4	0.0	5.4
Feb.	-5.2	-6.7	-1.9	4.8	-0.1	0.0	-1.3	8.3	3.9	-0.8	2.6	-0.1	0.0	2.6
Mar. (p)	5.6	5.0	-0.4	3.4	0.1	0.0	-2.5	14.2	-1.3	0.3	13.2	-0.1	0.0	2.0
	Growth rates													
2002 Dec.	5.6	16.3	-	-	-	-	8.5	5.7	-3.0	-	-	-	-	14.9
2003 Dec.	3.6	2.8	-6.7	4.7	40.9	60.8	6.0	17.5	17.7	-0.5	36.8	70.6	-	17.1
2004 Mar.	3.9	5.1	9.9	2.4	40.8	52.8	18.6	11.1	17.2	-13.0	22.3	47.6	-	17.8
June	4.8	-6.4	12.7	6.4	40.0	-44.0	-6.3	8.7	7.9	-10.0	18.6	44.5	-	20.5
Sep.	7.6	6.9	46.4	4.8	13.6	-52.5	6.9	10.6	7.5	-6.0	28.3	63.5	-	11.7
Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.6	0.9	4.3	30.4	67.6	-	15.3
2005 Jan.	7.3	3.5	18.9	6.6	5.1	36.2	8.2	16.4	17.4	-1.1	32.0	69.0	-	12.6
Feb.	5.8	-2.9	16.9	7.2	-2.8	-51.5	-11.6	16.4	17.8	5.4	31.8	38.2	-	6.1
Mar. (p)	6.8	2.2	16.7	7.5	1.9	-51.5	-10.4	17.4	9.6	8.6	38.4	50.0	-	11.4

C8 Deposits by financial intermediaries

(annual growth rates)



Source: ECB.

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

2) This category includes investment funds.

2.5 Deposits held with MFIs, breakdown [1]

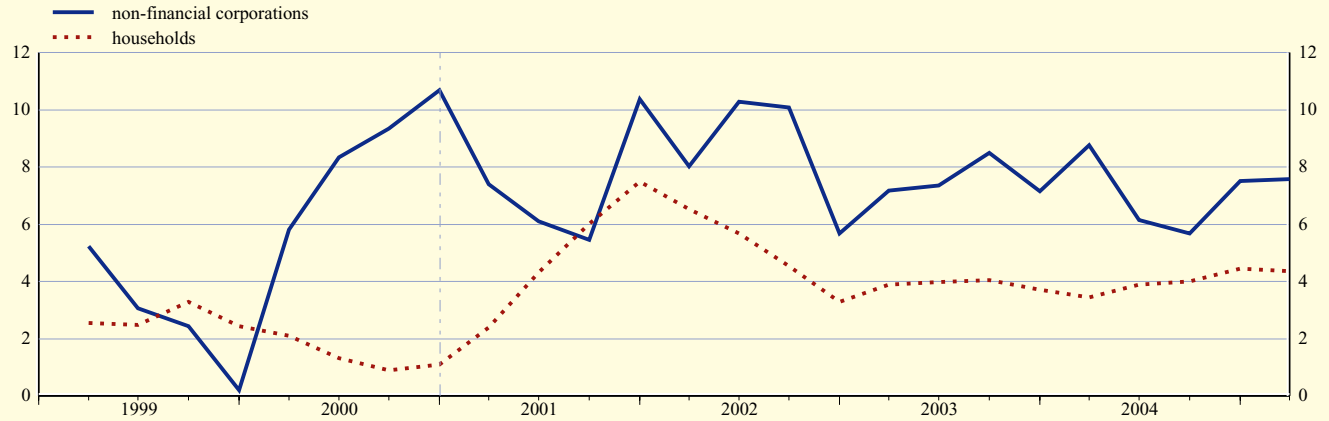
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [2]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2002	990.0	595.6	-	-	-	-	34.7	3,806.3	1,173.0	-	-	-	-	74.7
2003	1,050.1	633.3	280.2	67.6	38.1	1.0	30.0	3,978.5	1,311.8	544.0	600.8	1,379.2	89.9	52.9
2004 Q1	1,036.2	623.7	275.9	69.9	39.9	1.0	25.8	3,998.0	1,320.8	527.4	608.6	1,401.2	88.2	51.9
Q2	1,053.4	650.1	265.6	70.3	41.0	1.0	25.5	4,055.6	1,367.7	517.0	612.4	1,422.3	85.8	50.4
Q3	1,066.5	657.0	269.7	70.6	42.6	1.1	25.6	4,060.8	1,363.3	511.4	615.0	1,431.9	85.5	53.7
Q4	1,116.2	674.6	293.6	73.5	43.7	1.1	29.7	4,160.4	1,403.1	514.2	632.8	1,466.7	88.0	55.6
2005 Jan.	1,080.5	658.8	279.5	73.7	42.5	1.1	24.9	4,166.8	1,400.5	514.5	634.6	1,477.3	87.7	52.2
Feb.	1,073.2	656.1	275.7	73.7	43.7	1.1	22.8	4,175.1	1,406.5	515.4	634.6	1,478.7	88.3	51.6
Mar. [p]	1,102.6	675.8	283.8	74.5	44.0	1.1	23.4	4,175.3	1,409.8	511.1	632.9	1,481.7	88.7	51.2
	Transactions													
2002	54.3	28.9	-	-	-	-	-1.3	120.5	65.3	-	-	-	-	-1.9
2003	70.4	40.8	53.5	-29.8	10.2	0.0	-4.2	141.8	95.2	-71.2	35.9	117.4	-13.7	-21.8
2004 Q1	-15.0	-9.9	-5.3	2.6	1.9	0.0	-4.2	18.1	8.6	-17.4	7.7	21.9	-1.7	-1.0
Q2	21.1	27.7	-8.9	0.9	1.1	0.6	-0.3	53.5	43.8	-11.0	3.3	21.1	-2.4	-1.5
Q3	15.5	7.9	5.4	0.4	1.6	0.0	0.2	6.0	-3.8	-5.3	2.4	9.6	-0.3	3.3
Q4	56.7	20.1	26.0	2.8	3.6	0.0	4.1	99.9	41.5	4.1	17.5	32.4	2.5	1.9
2005 Jan.	-37.3	-16.9	-15.2	0.8	-1.2	0.0	-4.8	5.0	-2.9	-0.6	1.7	10.5	-0.3	-3.5
Feb.	-6.3	-2.2	-3.4	0.1	1.2	0.0	-2.1	8.9	5.4	1.3	0.0	2.1	0.6	-0.6
Mar. [p]	28.4	19.2	7.7	0.6	0.3	0.0	0.6	1.0	3.2	-4.0	-0.4	2.7	-0.1	-0.4
	Growth rates													
2002 Dec.	5.7	5.1	-	-	-	-	-3.5	3.3	6.0	-	-	-	-	-2.5
2003 Dec.	7.2	6.7	23.0	-30.7	41.5	-3.5	-12.4	3.7	7.9	-11.5	6.4	9.3	-13.2	-29.2
2004 Mar.	8.8	11.8	3.1	13.2	23.1	-3.9	-19.1	3.5	7.7	-8.7	3.7	7.4	-10.5	-26.5
June	6.1	10.0	-3.5	14.8	17.1	52.2	-13.5	3.9	7.6	-8.0	4.5	7.0	-7.7	-18.6
Sep.	5.7	9.7	-2.7	7.1	18.8	64.7	-16.0	4.0	7.1	-7.7	4.8	6.4	-3.5	-4.5
Dec.	7.5	7.3	6.2	10.0	21.8	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Jan.	8.0	8.5	6.2	10.2	15.4	14.4	-2.0	4.2	6.3	-4.6	4.8	5.9	-1.2	-3.5
Feb.	6.9	9.4	0.8	9.2	18.0	71.1	-12.2	4.4	6.6	-3.0	4.4	5.7	-0.1	-4.7
Mar. [p]	7.6	9.0	4.2	8.3	17.0	68.0	-9.1	4.4	6.6	-2.9	4.0	5.6	0.1	-1.3

C9 Deposits by non-financial corporations and households

(annual growth rates)



Source: ECB.

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

2) Including non-profit institutions serving households.

2.5 Deposits held with MFIs, breakdown [1]

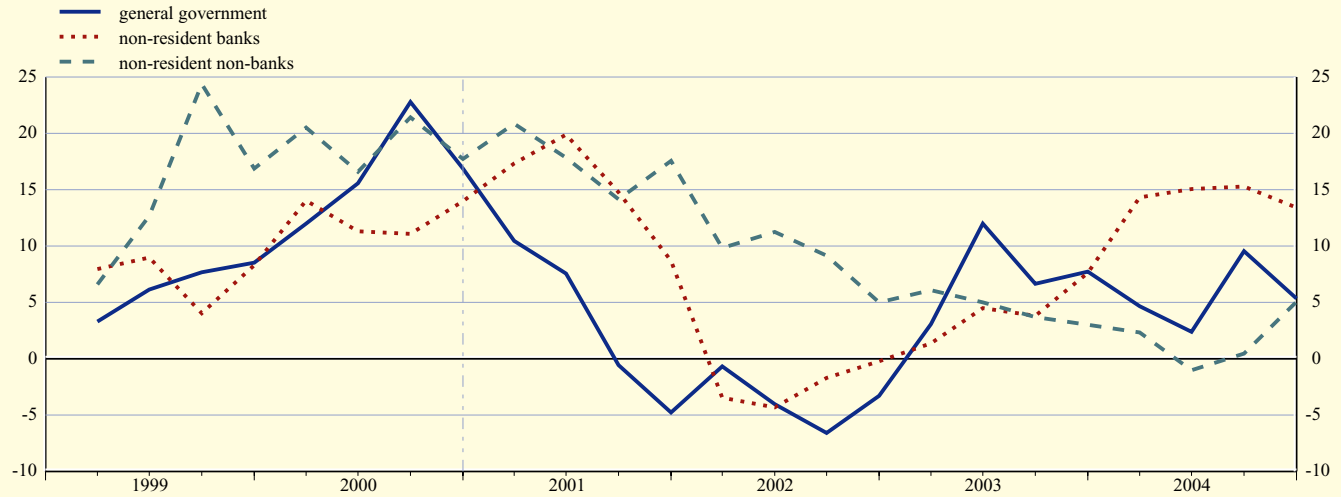
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [2]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2002	248.4	106.9	31.6	69.2	40.7	2,271.0	1,585.3	685.7	97.4	588.3
2003	271.2	132.3	31.1	66.9	40.9	2,245.1	1,580.9	664.3	96.1	568.2
2004 Q1	272.7	140.7	30.0	62.4	39.6	2,444.2	1,742.7	701.5	100.8	600.7
Q2	294.4	156.6	31.6	64.5	41.7	2,471.5	1,788.9	682.6	102.0	580.6
Q3	288.3	146.3	33.0	66.3	42.6	2,452.1	1,764.8	687.4	105.1	582.3
Q4 [p]	283.5	139.0	30.6	69.6	44.4	2,428.9	1,747.4	682.3	103.8	578.5
	Transactions									
2002	-8.3	-0.2	1.8	0.4	-10.3	30.2	-4.9	35.2	3.6	31.6
2003	19.3	21.1	-0.5	-2.3	1.0	138.7	117.6	21.1	-1.3	22.4
2004 Q1	1.5	8.4	-1.1	-4.5	-1.3	155.3	129.6	25.8	4.8	21.0
Q2	21.2	15.4	1.6	2.1	2.1	21.3	41.3	-20.1	1.2	-21.3
Q3	-4.8	-10.3	2.3	1.9	1.3	6.8	-4.6	11.5	3.1	8.4
Q4 [p]	-3.4	-7.4	-1.0	3.2	1.7	62.3	46.4	16.4	-1.7	18.1
	Growth rates									
2002 Dec.	-3.3	-0.2	5.9	0.5	-20.2	1.3	-0.2	5.0	3.9	5.1
2003 Dec.	7.7	19.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.3	3.7
2004 Mar.	4.7	14.4	-6.2	-4.7	-1.4	10.6	14.3	2.3	3.1	2.2
June	2.4	7.9	-7.6	-0.2	-4.4	10.1	15.0	-1.0	7.9	-2.4
Sep.	9.5	13.2	5.1	3.3	11.5	10.7	15.3	0.4	12.5	-1.5
Dec. [p]	5.3	4.7	5.7	4.0	9.3	10.9	13.4	5.0	7.6	4.6

C10 Deposits by government and non-euro area residents

(annual growth rates)



Source: ECB.

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

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

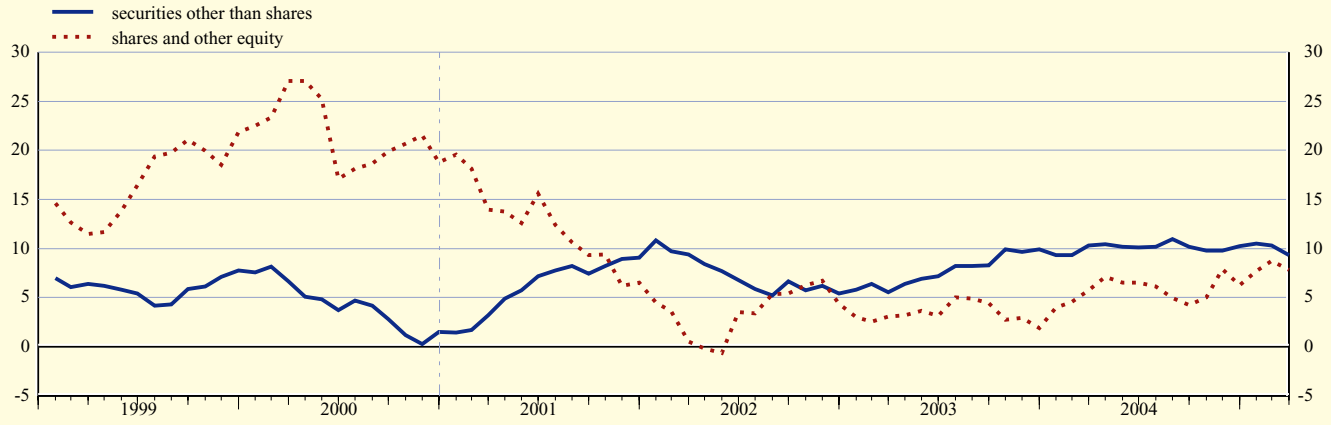
2.6 MFI holdings of securities, breakdown [1]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2002	3,228.2	1,122.2	48.2	1,119.5	15.5	349.5	16.7	556.6	1,004.9	263.3	564.3	177.3
2003	3,576.3	1,216.2	57.4	1,227.1	15.6	409.1	18.6	632.3	1,071.4	279.7	615.3	176.4
2004 Q1	3,767.6	1,280.9	60.9	1,283.8	17.8	416.2	18.0	690.0	1,115.8	285.7	640.7	189.5
Q2	3,854.8	1,296.7	62.8	1,329.5	17.6	429.0	18.1	701.2	1,154.7	294.7	654.0	206.0
Q3	3,912.6	1,323.0	62.9	1,330.0	15.9	430.0	17.5	733.4	1,127.2	286.6	634.0	206.6
Q4	3,939.5	1,362.6	59.9	1,284.1	15.8	449.1	16.3	751.7	1,158.3	286.5	656.6	215.2
2005 Jan.	4,032.4	1,363.6	65.6	1,321.0	18.9	451.7	16.5	795.2	1,190.0	293.0	668.7	228.3
Feb.	4,069.7	1,377.2	64.7	1,349.9	17.9	462.3	16.0	781.7	1,211.6	293.5	672.0	246.1
Mar. [p]	4,095.4	1,389.8	66.4	1,342.2	15.8	464.7	16.1	800.5	1,224.1	297.7	677.6	248.7
	Transactions											
2002	167.0	47.2	-0.5	38.6	-0.8	25.9	3.2	53.4	42.7	14.0	7.0	21.8
2003	324.6	90.8	4.1	79.0	0.8	52.3	1.7	95.9	18.8	7.2	19.3	-7.8
2004 Q1	156.6	61.5	1.4	44.8	1.4	5.2	-1.1	43.4	41.9	6.0	24.7	11.2
Q2	88.1	15.3	1.7	43.9	0.0	13.7	0.1	13.5	26.3	6.4	8.4	11.5
Q3	67.5	30.9	1.5	-1.0	-1.2	-2.3	-0.2	39.8	-26.3	-8.2	-19.5	1.4
Q4	56.2	39.2	0.4	-47.4	1.1	19.4	-0.1	43.6	25.4	-2.1	20.9	6.6
2005 Jan.	78.3	4.7	3.9	32.5	2.5	2.9	-0.4	32.2	30.7	6.0	11.3	13.4
Feb.	44.0	13.5	-0.4	29.5	-0.7	11.0	-0.3	-8.5	18.4	-0.2	1.3	17.3
Mar. [p]	16.4	11.7	1.0	-8.8	-2.3	2.5	-0.1	12.3	13.8	4.8	5.8	3.3
	Growth rates											
2002 Dec.	5.4	4.4	-1.8	3.7	-4.3	8.1	21.9	10.1	4.4	5.5	1.3	13.6
2003 Dec.	9.9	8.1	8.7	6.9	5.0	14.8	8.2	17.2	1.9	2.7	3.4	-4.2
2004 Mar.	10.3	9.6	5.4	7.1	5.1	10.9	3.8	18.7	5.8	6.2	7.5	-0.2
June	10.1	9.5	6.7	8.5	9.7	10.2	1.5	15.1	6.5	6.4	5.3	11.1
Sep.	10.2	10.7	12.6	6.1	-0.4	8.1	-4.2	19.4	4.2	2.6	3.2	9.9
Dec.	10.2	12.1	8.5	3.3	7.7	8.7	-7.3	22.0	6.3	0.8	5.6	17.2
2005 Jan.	10.5	11.2	10.8	4.6	23.7	9.5	-3.2	20.9	7.7	1.5	6.2	22.4
Feb.	10.3	10.4	16.3	5.4	18.7	11.0	-7.2	18.8	8.7	1.6	6.0	28.6
Mar. [p]	9.3	9.0	13.9	3.8	-3.9	11.3	-5.8	19.7	7.8	2.4	4.4	27.6

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 [1]

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.9	-	-	-	-1.0	-	-	-	-5.3	-	-	-
2003	-2.7	-1.1	-0.5	-1.1	-3.2	-0.3	-0.1	-2.8	-7.4	-2.8	-0.3	-4.3
2004 Q1	-1.3	-0.5	-0.2	-0.6	-1.3	-0.1	0.0	-1.1	-2.5	-1.0	-0.1	-1.4
Q2	-0.5	-0.2	-0.1	-0.2	-0.6	0.0	0.0	-0.5	-1.0	-0.4	0.0	-0.7
Q3	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.2	0.0	-0.6
Q4	-1.0	-0.5	-0.2	-0.4	-1.1	-0.1	0.0	-1.0	-2.3	-0.8	-0.1	-1.4
2005 Jan.	-0.6	-0.3	-0.1	-0.2	-0.6	-0.1	0.0	-0.5	-1.2	-0.5	-0.1	-0.6
Feb.	-0.4	-0.2	-0.1	-0.1	-0.4	0.0	0.0	-0.4	-0.8	-0.4	0.0	-0.4
Mar. (p)	-0.3	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.8	-0.2	0.0	-0.5

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	-17.7	-8.8	-1.3	-7.6	-1.1	-0.3	-0.7
2004 Q1	-6.2	-3.3	-0.6	-2.3	-1.0	-0.4	-0.6
Q2	-2.9	-2.0	0.2	-1.1	-0.1	0.0	-0.1
Q3	-1.7	-0.9	-0.2	-0.7	-0.1	-0.1	-0.1
Q4	-5.3	-2.6	-0.3	-2.4	-0.4	0.0	-0.4
2005 Jan.	-2.6	-1.3	-0.3	-1.0	-0.2	0.0	-0.1
Feb.	-1.2	-0.6	-0.2	-0.5	-0.1	0.0	-0.1
Mar. (p)	-1.3	-0.7	-0.2	-0.4	0.0	0.0	0.0

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2002	39.6	9.9	0.6	13.2	-0.1	5.8	0.2	9.9	-12.3	-5.0	-1.5	-5.8
2003	-1.2	-0.8	-0.3	3.0	0.0	-1.1	-0.1	-1.9	19.4	8.0	5.0	6.4
2004 Q1	16.7	2.4	0.2	11.3	0.1	1.1	0.0	1.5	2.5	-0.2	1.0	1.7
Q2	-7.2	-0.8	0.0	-4.7	-0.1	-0.5	0.0	-1.2	-0.2	-0.8	0.0	0.6
Q3	2.4	-0.7	-0.1	1.5	0.0	1.0	0.0	0.6	-1.4	0.1	-0.6	-0.9
Q4	1.6	0.6	-0.2	2.5	-0.2	-0.8	-0.1	-0.3	7.6	2.2	3.3	2.1
2005 Jan.	5.7	0.0	0.1	4.4	0.1	-0.2	0.1	1.3	3.2	0.5	1.3	1.4
Feb.	-1.9	0.3	0.0	-1.4	0.0	-0.3	0.0	-0.4	3.1	0.6	2.0	0.5
Mar. (p)	2.4	0.7	0.0	1.1	0.0	-0.2	0.0	0.7	-1.4	-0.5	-0.2	-0.7

Source: ECB.

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

2) Including non-profit institutions serving households.

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

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

1. Deposits

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	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	4,364.9	91.3	8.7	5.4	0.5	1.5	0.9	6,409.8	97.3	2.7	1.7	0.3	0.1	0.3
2004 Q1	4,412.5	90.4	9.6	5.7	0.5	1.5	1.2	6,451.0	97.1	2.9	1.7	0.3	0.1	0.4
Q2	4,522.7	90.3	9.7	5.7	0.5	1.5	1.3	6,565.2	97.1	2.9	1.8	0.3	0.1	0.4
Q3	4,586.6	90.5	9.5	5.7	0.5	1.5	1.3	6,587.6	97.1	2.9	1.8	0.3	0.1	0.4
Q4 (p)	4,708.3	91.4	8.6	5.1	0.4	1.4	1.1	6,779.3	97.2	2.8	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	664.3	51.0	49.0	32.1	2.1	2.2	9.6
2004 Q1	1,742.7	46.3	53.7	35.1	2.0	3.3	10.4	701.5	53.2	46.8	30.0	2.1	1.8	9.7
Q2	1,788.9	45.1	54.9	36.8	1.7	3.3	10.4	682.6	52.5	47.5	30.5	1.9	2.0	9.9
Q3	1,764.8	46.7	53.3	35.5	1.8	3.1	9.7	687.4	53.1	46.9	29.8	1.8	2.0	9.8
Q4 (p)	1,747.4	46.8	53.2	35.3	2.0	3.3	9.8	682.3	55.1	44.9	29.1	1.5	2.1	9.4

2. Debt securities issued by euro area MFIs

	All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2002	3,138.7	85.4	14.6	7.7	1.8	1.6	2.3
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004 Q1	3,458.0	84.6	15.4	7.7	1.7	2.0	2.6
Q2	3,533.8	84.0	16.0	8.2	1.7	2.0	2.6
Q3	3,597.2	84.2	15.8	8.0	1.8	2.0	2.6
Q4 (p)	3,653.9	84.6	15.4	7.8	1.6	1.9	2.6

Source: ECB.

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

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

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

3. Loans

	MFIs [2]							Non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2002	4,017.8	-	-	-	-	-	-	7,593.6	96.2	3.8	1.8	0.5	1.1	0.3
2003	4,193.8	-	-	-	-	-	-	7,920.9	96.5	3.5	1.6	0.3	1.2	0.3
2004 Q1	4,224.9	-	-	-	-	-	-	7,993.4	96.4	3.6	1.6	0.3	1.2	0.4
Q2	4,296.3	-	-	-	-	-	-	8,138.0	96.4	3.6	1.6	0.2	1.3	0.4
Q3	4,356.4	-	-	-	-	-	-	8,213.5	96.5	3.5	1.5	0.2	1.3	0.4
Q4 (p)	4,456.8	-	-	-	-	-	-	8,369.6	96.6	3.4	1.4	0.2	1.3	0.4
	To non-euro area residents													
2002	1,146.2	48.3	51.7	32.4	4.5	2.6	9.1	583.9	36.2	63.8	47.6	2.3	4.7	5.6
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	580.6	38.7	61.3	43.9	2.4	4.6	7.0
2004 Q1	1,308.6	49.1	50.9	30.4	4.7	2.7	9.4	646.9	40.0	60.0	41.9	2.5	4.4	8.0
Q2	1,322.6	49.2	50.8	30.8	4.7	2.4	9.2	642.6	38.6	61.4	42.6	2.4	4.4	8.8
Q3	1,317.3	51.2	48.8	30.0	3.7	2.2	9.0	648.6	40.2	59.8	42.2	2.5	4.4	7.4
Q4 (p)	1,336.6	51.3	48.7	30.1	3.6	2.2	8.6	641.8	42.2	57.8	40.5	2.5	4.3	7.0

4. Holdings of securities other than shares

	Issued by MFIs [2]							Issued by non-MFIs						
	All currencies outstanding amount	Euro [3]	Non-euro currencies					All currencies outstanding amount	Euro [3]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
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	1,273.6	95.5	4.5	1.7	0.3	0.9	1.3	1,670.3	98.0	2.0	1.0	0.5	0.3	0.2
2004 Q1	1,341.8	95.5	4.5	1.6	0.3	0.9	1.4	1,735.8	97.9	2.1	1.0	0.5	0.2	0.2
Q2	1,359.4	95.4	4.6	2.2	0.4	0.4	1.4	1,794.2	98.0	2.0	1.1	0.5	0.1	0.2
Q3	1,385.9	95.5	4.5	2.1	0.3	0.5	1.3	1,793.3	98.1	1.9	1.0	0.5	0.1	0.2
Q4 (p)	1,422.5	95.8	4.2	1.8	0.3	0.5	1.3	1,765.2	98.2	1.8	0.9	0.4	0.1	0.3
	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	276.9	45.1	54.9	30.6	1.2	4.9	15.4	355.5	45.8	54.2	31.1	5.8	5.8	6.4
2004 Q1	309.2	44.7	55.3	29.6	1.2	5.0	16.6	380.8	44.4	55.6	31.1	6.1	5.4	7.1
Q2	312.7	46.3	53.7	32.8	1.1	0.6	16.8	388.4	45.2	54.8	33.6	6.7	1.0	7.4
Q3	322.3	47.7	52.3	32.2	1.0	0.5	16.2	411.1	44.2	55.8	32.3	7.6	0.8	8.4
Q4 (p)	344.1	49.9	50.1	28.9	1.0	0.6	17.1	405.7	44.9	55.1	30.5	8.1	0.8	9.3

Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2003 Q3	3,085.0	248.2	1,404.9	65.3	1,339.6	932.2	234.6	126.3	138.8
Q4	3,174.3	235.1	1,389.0	67.4	1,321.6	1,033.6	243.9	133.7	139.1
2004 Q1	3,356.2	266.5	1,434.5	70.4	1,364.1	1,103.9	263.2	136.9	151.2
Q2	3,373.2	244.9	1,430.8	69.4	1,361.5	1,121.1	278.5	140.3	157.6
Q3	3,392.8	246.7	1,472.9	72.1	1,400.8	1,095.2	281.0	144.4	152.6
Q4 [p]	3,510.7	240.3	1,497.8	72.0	1,425.9	1,157.4	293.7	147.0	174.5

2. Liabilities

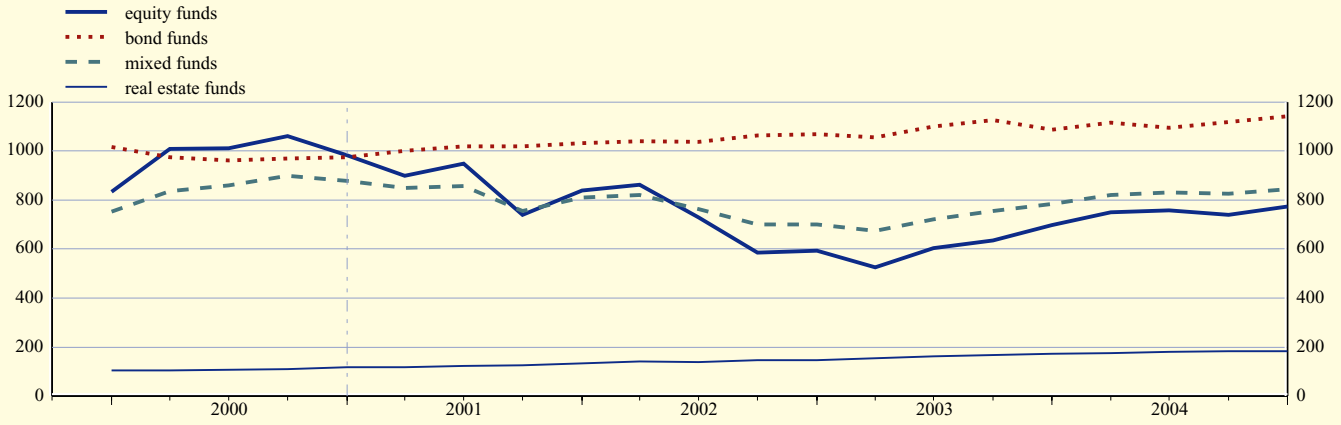
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2003 Q3	3,085.0	43.2	2,917.0	124.8
Q4	3,174.3	44.2	3,011.0	119.1
2004 Q1	3,356.2	49.6	3,173.8	132.9
Q2	3,373.2	50.4	3,196.2	126.6
Q3	3,392.8	49.5	3,216.6	126.7
Q4 [p]	3,510.7	48.6	3,322.5	139.6

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2003 Q3	3,085.0	635.4	1,126.7	753.8	167.7	401.4	2,248.5	836.5
Q4	3,174.3	697.8	1,086.3	783.0	171.7	435.5	2,317.7	856.6
2004 Q1	3,356.2	750.4	1,116.3	820.6	176.2	492.8	2,469.8	886.4
Q2	3,373.2	756.5	1,094.2	830.0	179.7	512.7	2,479.5	893.7
Q3	3,392.8	740.1	1,119.0	825.8	182.4	525.5	2,495.4	897.4
Q4 [p]	3,510.7	772.0	1,142.4	844.6	182.7	569.0	2,594.1	916.6

C12 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2003 Q3	635.4	29.5	27.8	2.4	25.4	536.4	19.5	-	22.1
Q4	697.8	29.3	31.3	2.9	28.4	593.6	21.1	-	22.5
2004 Q1	750.4	32.8	32.2	3.0	29.2	635.6	23.4	-	26.5
Q2	756.5	31.5	31.6	3.2	28.3	642.8	25.3	-	25.3
Q3	740.1	31.5	33.1	3.7	29.4	625.2	25.1	-	25.1
Q4 (p)	772.0	28.5	34.1	3.7	30.4	652.8	28.0	-	28.6
	Bond funds								
2003 Q3	1,126.7	93.6	934.5	30.7	903.8	29.1	21.7	-	47.9
Q4	1,086.3	82.5	905.7	31.6	874.1	31.0	21.6	-	45.5
2004 Q1	1,116.3	97.3	918.4	35.3	883.1	32.6	21.4	-	46.6
Q2	1,094.2	79.1	910.0	36.3	873.7	33.0	21.8	-	50.3
Q3	1,119.0	80.8	932.4	38.8	893.6	31.9	23.4	-	50.5
Q4 (p)	1,142.4	77.5	943.7	39.9	903.8	36.9	23.4	-	60.9
	Mixed funds								
2003 Q3	753.8	50.4	323.8	22.2	301.6	248.3	95.4	0.3	35.6
Q4	783.0	49.4	323.8	22.1	301.7	272.3	100.5	0.3	36.7
2004 Q1	820.6	52.9	333.7	21.2	312.5	286.6	107.2	0.3	39.9
Q2	830.0	52.3	340.1	22.3	317.7	278.9	114.9	0.3	43.5
Q3	825.8	52.3	347.8	22.0	325.9	270.5	115.6	0.3	39.4
Q4 (p)	844.6	50.4	346.9	20.1	326.8	281.9	121.3	0.2	43.9
	Real estate funds								
2003 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	176.2	14.7	9.1	0.6	8.5	0.7	7.7	135.9	8.0
Q2	179.7	15.0	8.6	0.6	7.9	0.7	7.7	139.2	8.7
Q3	182.4	14.4	8.5	0.6	7.9	0.7	7.5	143.1	8.0
Q4 (p)	182.7	14.7	7.1	0.7	6.4	0.9	6.9	144.9	8.1

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2003 Q3	2,248.5	198.9	927.3	736.4	176.6	108.9	100.4
Q4	2,317.7	191.6	913.2	815.7	183.8	115.5	98.0
2004 Q1	2,469.8	219.2	948.7	877.3	198.8	117.8	107.9
Q2	2,479.5	202.1	945.8	890.2	211.0	120.5	109.8
Q3	2,495.4	205.7	974.5	872.5	213.2	124.0	105.5
Q4 (p)	2,594.1	201.5	997.2	927.2	222.8	127.5	117.9
	Special investors' funds						
2003 Q3	836.5	49.3	477.6	195.8	58.0	17.4	38.4
Q4	856.6	43.4	475.8	217.9	60.0	18.3	41.2
2004 Q1	886.4	47.3	485.8	226.5	64.4	19.1	43.3
Q2	893.7	42.8	485.0	230.8	67.5	19.8	47.8
Q3	897.4	41.0	498.4	222.7	67.7	20.4	47.2
Q4 (p)	916.6	38.7	500.6	230.2	70.9	19.5	56.7

Source: ECB.

3 FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Total	Currency and deposits									Memo: deposits of non-banks with banks outside the euro area
		Total	Currency	Deposits of non-financial sectors other than central government with euro area MFIs					Deposits of central government with euro area MFIs	Deposits with non-MFIs [1]	
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos			
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2003 Q2	15,049.9	5,758.1	311.9	5,029.4	1,918.4	1,560.2	1,456.1	94.7	200.3	216.5	329.9
Q3	15,150.5	5,762.9	322.7	5,070.8	1,956.6	1,555.8	1,469.0	89.3	183.9	185.5	345.3
Q4	15,553.7	5,881.9	352.4	5,183.1	2,027.4	1,559.2	1,511.4	85.2	153.6	192.8	348.0
2004 Q1	15,751.2	5,915.3	350.8	5,180.6	2,020.6	1,545.0	1,533.9	81.2	183.8	200.1	394.6
Q2	16,024.9	6,052.5	372.0	5,264.1	2,101.2	1,529.7	1,553.9	79.4	223.7	192.7	396.0
Q3	16,079.5	6,077.1	383.5	5,284.4	2,104.2	1,532.3	1,565.1	82.8	204.1	205.1	390.8
	Transactions										
2003 Q2	207.9	131.4	21.3	85.7	83.8	-8.8	22.2	-11.4	24.1	0.3	11.8
Q3	130.7	12.4	11.4	12.0	6.8	-3.8	12.9	-3.9	-13.7	2.7	17.1
Q4	151.4	124.6	29.7	117.9	78.9	7.9	36.3	-5.2	-30.3	7.3	10.9
2004 Q1	129.3	31.0	-1.6	-4.9	-7.5	-15.8	22.4	-3.9	30.2	7.3	41.9
Q2	287.0	136.4	21.2	83.1	78.9	-14.5	20.7	-1.9	39.4	-7.4	0.8
Q3	108.8	28.9	11.5	24.7	4.6	5.4	11.3	3.4	-19.7	12.4	-1.2
	Growth rates										
2003 Q2	4.5	6.4	27.6	4.5	7.6	-1.0	8.9	-19.0	22.3	13.6	23.2
Q3	4.7	6.5	23.9	4.7	8.2	-0.7	9.1	-23.5	22.8	13.3	24.9
Q4	4.4	5.5	21.2	4.3	7.6	-1.0	8.1	-23.4	9.5	9.0	24.9
2004 Q1	4.3	5.3	20.9	4.3	8.8	-1.3	6.5	-23.0	5.9	7.7	25.2
Q2	4.6	5.3	19.5	4.1	8.2	-1.7	6.3	-15.7	12.8	4.6	21.4
Q3	4.5	5.6	18.8	4.4	7.9	-1.1	6.2	-8.5	10.7	10.6	15.2

	Securities other than shares			Shares [2]				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									
2003 Q2	1,936.3	165.6	1,770.7	3,587.9	1,751.5	1,836.4	404.6	3,767.6	3,399.5	368.1
Q3	1,927.6	166.6	1,760.9	3,624.6	1,764.0	1,860.6	408.7	3,835.5	3,464.2	371.3
Q4	1,900.4	178.6	1,721.8	3,887.2	2,006.9	1,880.2	406.5	3,884.2	3,509.4	374.8
2004 Q1	1,915.2	179.7	1,735.5	3,976.2	2,047.5	1,928.7	420.8	3,944.5	3,562.0	382.5
Q2	1,954.7	197.5	1,757.2	4,024.9	2,109.3	1,915.6	424.1	3,992.8	3,607.7	385.1
Q3	1,958.7	191.9	1,766.8	3,995.0	2,087.6	1,907.4	424.2	4,048.8	3,660.8	388.0
	Transactions									
2003 Q2	-40.4	-18.3	-22.2	54.9	17.1	37.8	3.8	62.0	57.4	4.5
Q3	10.1	0.0	10.1	47.7	29.9	17.8	2.7	60.4	57.1	3.3
Q4	7.1	8.6	-1.5	-24.6	-24.2	-0.4	-10.2	44.4	41.5	2.8
2004 Q1	11.3	0.7	10.7	22.0	-3.5	25.5	15.0	65.0	60.7	4.3
Q2	43.8	16.3	27.5	54.6	56.2	-1.6	-0.7	52.2	48.5	3.7
Q3	0.3	-5.8	6.1	19.4	18.0	1.4	-2.2	60.1	56.2	3.9
	Growth rates									
2003 Q2	-2.5	-15.7	-1.0	3.4	0.5	7.1	13.6	6.4	6.7	3.7
Q3	-3.5	-25.3	-0.9	4.5	2.0	6.9	9.3	6.6	6.9	3.5
Q4	-2.4	-16.1	-0.7	4.0	1.1	6.9	8.5	6.7	6.9	4.8
2004 Q1	-0.6	-4.7	-0.2	3.1	1.3	4.6	2.8	6.3	6.5	4.1
Q2	3.7	15.4	2.6	2.8	3.3	2.3	1.7	5.9	6.1	3.8
Q3	3.2	11.9	2.4	2.0	2.6	1.3	0.5	5.8	6.0	4.0

Source: ECB.

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

2) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Total	Loans taken from euro area MFIs and other financial corporations by											Memo: loans taken from banks outside the euro area by non-banks
		Total		General government			Non-financial corporations			Households [1]			
			Taken from euro area MFIs	Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2003 Q2	16,188.4	8,243.6	7,236.1	877.7	70.0	807.7	3,651.8	1,213.2	2,438.6	3,714.1	291.4	3,422.6	253.9
Q3	16,257.4	8,328.4	7,293.7	886.5	71.1	815.4	3,657.6	1,184.8	2,472.9	3,784.2	286.0	3,498.2	275.5
Q4	16,586.9	8,469.3	7,397.3	957.2	81.0	876.2	3,660.9	1,167.5	2,493.4	3,851.2	287.4	3,563.8	266.4
2004 Q1	16,930.8	8,522.1	7,466.3	961.7	85.0	876.8	3,655.4	1,162.9	2,492.5	3,905.0	281.7	3,623.3	305.5
Q2	17,147.5	8,670.1	7,597.2	954.2	90.4	863.8	3,699.4	1,171.2	2,528.2	4,016.4	293.9	3,722.6	304.4
Q3	17,224.5	8,748.1	7,674.7	949.8	89.1	860.7	3,701.7	1,152.9	2,548.9	4,096.6	290.6	3,806.0	279.8
	Transactions												
2003 Q2	238.7	116.3	84.1	-4.6	3.3	-7.9	51.5	24.2	27.3	69.4	5.3	64.2	2.5
Q3	137.4	81.9	58.8	8.9	1.1	7.8	1.9	-25.9	27.8	71.1	-4.7	75.8	22.8
Q4	119.0	112.9	118.4	22.3	9.9	12.4	17.0	-16.1	33.2	73.6	4.6	69.0	-1.4
2004 Q1	199.0	49.9	76.1	6.0	4.0	2.0	-14.0	-7.5	-6.5	57.9	-4.2	62.1	34.5
Q2	264.7	153.5	134.6	-9.2	5.4	-14.6	67.6	14.3	53.3	95.0	8.9	86.1	-1.3
Q3	136.3	82.7	85.9	-4.1	-1.4	-2.7	4.1	-15.7	19.8	82.7	-2.8	85.4	-21.4
	Growth rates												
2003 Q2	4.9	4.9	4.0	0.9	34.4	-1.3	4.2	1.4	5.7	6.5	-1.5	7.3	3.6
Q3	5.2	5.4	4.3	2.8	33.1	0.8	4.4	1.0	6.1	7.1	-1.4	7.9	16.1
Q4	4.8	5.0	4.6	3.6	36.4	1.2	3.2	0.1	4.7	7.1	-0.8	7.8	12.9
2004 Q1	4.4	4.4	4.7	3.7	26.5	1.8	1.6	-2.1	3.4	7.5	0.3	8.1	22.8
Q2	4.4	4.8	5.4	3.2	29.1	0.9	2.0	-2.9	4.4	8.0	1.6	8.6	21.5
Q3	4.4	4.8	5.7	1.7	25.1	-0.3	2.0	-2.1	4.0	8.2	2.3	8.7	3.8

	Securities other than shares issued by							Quoted shares issued by non-financial corporations	Deposit liabilities of central government	Pension fund reserves of non-financial corporations
	Total	General government			Non-financial corporations					
		Total	Short-term	Long-term	Total	Short-term	Long-term			
	14	15	16	17	18	19	20	21	22	23
	Outstanding amounts									
2003 Q2	5,003.8	4,415.4	564.2	3,851.2	588.4	166.4	422.0	2,449.8	205.7	285.6
Q3	4,991.9	4,407.3	558.3	3,849.0	584.6	165.2	419.4	2,473.0	174.3	289.8
Q4	4,919.2	4,328.2	539.7	3,788.5	591.0	164.3	426.7	2,726.3	181.7	290.4
2004 Q1	5,091.1	4,494.8	577.2	3,917.6	596.3	180.7	415.6	2,834.2	189.0	294.4
Q2	5,153.9	4,544.0	594.5	3,949.5	609.9	192.3	417.6	2,843.0	181.9	298.7
Q3	5,216.0	4,602.6	588.4	4,014.1	613.4	188.2	425.2	2,763.5	194.0	302.9
	Transactions									
2003 Q2	103.8	88.0	34.1	53.9	15.9	-0.6	16.5	14.9	-0.6	4.2
Q3	45.0	42.6	-5.7	48.3	2.4	-0.9	3.4	3.9	2.4	4.2
Q4	-5.5	-13.5	-18.3	4.8	8.0	-0.8	8.8	0.0	7.4	4.1
2004 Q1	135.7	136.6	36.1	100.5	-0.8	16.2	-17.0	2.1	7.3	4.0
Q2	109.7	94.4	17.1	77.3	15.3	11.7	3.6	4.5	-7.1	4.3
Q3	31.8	26.2	-5.7	31.9	5.6	-3.9	9.5	5.4	12.1	4.3
	Growth rates									
2003 Q2	7.3	6.7	15.6	5.5	11.8	27.7	6.4	0.6	13.4	5.8
Q3	6.7	6.3	14.6	5.2	9.8	20.0	6.2	0.7	13.2	5.8
Q4	6.2	5.7	12.5	4.8	10.4	13.7	9.1	0.8	8.9	6.0
2004 Q1	5.7	5.9	8.7	5.5	4.5	8.3	2.9	1.0	7.5	5.9
Q2	5.7	5.9	5.2	6.0	4.2	15.7	-0.3	0.4	4.8	5.8
Q3	5.4	5.5	5.2	5.6	4.8	14.1	1.2	0.5	11.3	5.8

Source: ECB.

1) Including non-profit institutions serving households.

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

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

	Main financial assets											
	Total	Deposits with euro area MFIs					Loans			Securities other than shares		
		Total	Overnight	With agreed maturity	Redeemable at notice	Repos	Total	Short-term	Long-term	Total	Short-term	Long-term
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2003 Q2	3,460.3	538.1	63.8	450.5	1.6	22.3	337.5	65.1	272.4	1,398.3	55.8	1,342.4
Q3	3,513.8	533.3	57.5	455.3	1.8	18.7	339.5	65.8	273.6	1,419.8	58.7	1,361.2
Q4	3,623.6	542.4	58.9	462.3	2.1	19.1	328.2	66.7	261.5	1,447.7	59.9	1,387.8
2004 Q1	3,772.7	557.3	64.7	468.3	2.3	22.0	338.3	69.4	268.9	1,516.2	57.7	1,458.5
Q2	3,798.3	565.4	59.9	482.0	2.3	21.2	335.5	71.0	264.5	1,523.3	54.1	1,469.2
Q3	3,860.4	573.6	61.5	489.8	2.3	20.0	338.0	71.7	266.3	1,579.8	62.9	1,516.8
	Transactions											
2003 Q2	43.2	2.3	2.2	-3.9	0.0	3.9	4.4	1.4	3.0	18.9	-2.2	21.1
Q3	34.1	-6.2	-6.4	3.8	0.3	-3.8	2.0	0.7	1.2	22.8	2.8	19.9
Q4	60.5	10.2	1.5	7.9	0.3	0.5	-11.3	0.9	-12.2	37.4	1.2	36.2
2004 Q1	95.5	14.6	5.7	5.9	0.2	2.8	10.0	2.7	7.3	44.0	-1.8	45.8
Q2	31.1	7.2	-4.9	13.7	-0.6	-0.9	-2.8	1.6	-4.4	25.1	-3.6	28.7
Q3	51.1	8.2	1.6	7.8	-0.1	-1.1	2.5	0.7	1.8	37.9	8.8	29.1
	Growth rates											
2003 Q2	6.7	6.8	28.9	3.9	-1.6	17.4	-0.6	-11.9	2.6	11.7	40.3	10.8
Q3	6.5	5.0	11.7	3.6	-1.6	28.2	0.8	-11.6	4.4	10.0	21.3	9.6
Q4	6.2	3.6	2.9	3.5	17.9	6.1	-4.0	-4.7	-3.8	10.0	17.4	9.7
2004 Q1	7.0	3.9	5.0	3.0	38.5	18.7	1.5	9.0	-0.2	9.0	0.1	9.4
Q2	6.4	4.8	-6.4	6.9	6.5	-6.3	-0.6	9.1	-3.0	9.2	-2.5	9.7
Q3	6.8	7.5	6.8	7.7	-12.8	6.7	-0.5	8.9	-2.7	10.2	7.8	10.3

	Main financial assets					Main liabilities							
	Shares [1]				Prepayments of insurance premiums and reserves for outstanding claims	Total	Loans taken from euro area MFIs and other financial corporations		Securities other than shares	Quoted shares	Insurance technical reserves		
	Total	Quoted shares	Mutual fund shares	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	14	15	16	17	18	19	20	21	22	23	24	25
	Outstanding amounts												
2003 Q2	1,072.7	473.0	599.7	64.4	113.8	3,734.0	60.6	44.8	18.4	163.4	3,491.6	2,970.8	520.8
Q3	1,106.0	490.4	615.6	60.6	115.2	3,801.3	62.7	44.3	19.0	164.8	3,554.9	3,029.2	525.7
Q4	1,188.8	542.0	646.8	64.1	116.5	3,862.7	51.9	35.4	20.9	189.9	3,600.0	3,069.7	530.3
2004 Q1	1,241.1	558.7	682.4	63.5	119.8	3,930.3	61.6	46.3	21.7	190.9	3,656.1	3,115.0	541.1
Q2	1,253.4	556.4	697.0	63.8	120.7	3,983.5	69.6	53.7	22.1	193.3	3,698.6	3,154.3	544.2
Q3	1,246.5	547.3	699.2	63.4	122.6	4,025.2	69.5	52.5	20.5	185.7	3,749.5	3,200.9	548.6
	Transactions												
2003 Q2	15.6	3.9	11.6	4.6	2.1	62.1	-0.3	2.3	0.1	4.5	57.8	51.1	6.6
Q3	14.1	4.9	9.2	-4.2	1.4	58.2	2.0	-0.5	0.5	0.0	55.7	50.9	4.8
Q4	22.8	7.0	15.8	4.2	1.5	33.9	-10.8	-8.9	1.8	5.0	37.9	33.9	4.0
2004 Q1	23.6	2.0	21.7	-0.6	3.2	76.8	9.6	10.8	0.4	0.8	66.0	54.1	11.9
Q2	0.8	-8.5	9.2	0.1	0.9	54.8	7.6	7.0	0.5	0.1	46.6	42.4	4.2
Q3	0.6	2.4	-1.7	-0.3	1.9	56.2	-0.1	-1.1	-1.2	2.1	55.4	50.0	5.4
	Growth rates												
2003 Q2	3.5	-0.5	7.1	23.0	5.8	5.9	0.8	4.5	-0.8	1.5	6.4	6.9	4.0
Q3	4.9	0.1	8.7	18.1	4.6	6.3	6.7	9.4	2.8	2.8	6.5	7.0	3.6
Q4	5.8	2.6	8.3	11.6	6.9	6.7	12.9	12.7	12.6	6.2	6.6	6.9	4.9
2004 Q1	7.8	4.3	10.3	6.5	7.3	6.4	0.9	8.5	15.4	8.3	6.4	6.5	5.3
Q2	5.7	1.1	9.3	-1.0	6.2	6.0	14.0	18.8	17.6	3.5	5.9	6.1	4.8
Q3	4.3	0.6	7.3	5.4	6.5	5.8	10.2	17.5	8.1	4.8	5.8	6.0	4.8

Source: ECB.

1) Excluding unquoted shares.

3.4 Annual saving, investment and financing

(EUR billions, unless otherwise indicated)

1. All sectors in the euro area

	Net acquisition of non-financial assets					Net acquisition of financial assets							
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Changes in inventories [1]	Non-produced assets	Total	Monetary gold and SDRs	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves	Other investment (net) [3]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1997	350.5	1,137.7	-797.1	9.9	0.0	1,938.9	-0.2	390.9	330.7	464.6	491.4	224.1	37.4
1998	411.5	1,201.7	-823.6	33.2	0.2	2,412.5	11.0	419.6	360.1	515.3	845.0	213.7	47.9
1999	448.6	1,290.5	-863.7	21.6	0.2	3,113.7	1.3	559.2	429.1	878.8	942.2	259.2	43.8
2000	485.7	1,389.6	-913.1	25.9	-16.7	2,911.6	1.3	350.9	264.6	829.9	1,189.1	251.3	24.4
2001	459.8	1,441.3	-973.6	-10.0	2.0	2,597.0	-0.5	579.0	449.1	731.2	602.3	248.8	-12.9
2002	389.0	1,428.1	-1,021.9	-18.3	1.1	2,311.3	0.9	656.6	279.7	632.8	468.4	220.8	52.1
2003	391.8	1,440.3	-1,054.6	5.6	0.5	2,423.7	1.7	678.6	426.8	578.8	456.6	240.7	40.5

	Changes in net worth [4]				Net incurrence of liabilities					
	Total	Gross saving	Consumption of fixed capital (-)	Net capital transfers receivable	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Insurance technical reserves
	14	15	16	17	18	19	20	21	22	23
1997	455.7	1,241.8	-797.1	11.0	1,833.7	509.7	318.0	393.1	382.5	230.3
1998	486.5	1,299.1	-823.6	11.1	2,337.4	648.8	323.2	484.6	659.8	221.0
1999	498.0	1,352.0	-863.7	9.7	3,064.3	934.9	503.4	765.2	597.1	263.7
2000	515.1	1,419.4	-913.1	8.8	2,882.2	539.5	416.9	882.9	788.7	254.1
2001	486.0	1,449.4	-973.6	10.2	2,570.8	668.9	489.9	634.3	521.6	256.0
2002	466.5	1,478.6	-1,021.9	9.9	2,233.7	572.9	442.0	618.0	376.2	224.7
2003	422.8	1,472.3	-1,054.6	5.1	2,392.7	676.2	514.0	539.3	420.3	242.8

2. Non-financial corporations

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities			
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Loans	Shares and other equity	Total	Gross saving	Total	Securities other than shares [2]	Loans	Shares and other equity
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	150.3	591.9	-453.2	272.3	26.0	-12.1	65.8	100.8	104.8	521.3	317.8	12.1	175.9	120.1
1998	193.7	635.1	-470.6	439.8	45.7	-11.5	110.9	204.5	147.6	569.1	485.9	22.8	257.2	194.9
1999	212.0	683.1	-490.7	654.0	24.5	93.6	186.0	336.3	106.7	547.6	759.3	47.5	434.1	261.1
2000	306.1	751.6	-522.4	921.0	74.2	87.4	230.4	511.4	79.9	554.9	1,147.2	61.0	597.1	480.7
2001	215.7	778.9	-558.8	638.2	101.6	44.6	169.2	232.1	91.3	590.5	762.6	99.7	355.5	295.9
2002	172.0	757.6	-580.9	515.7	31.8	-55.7	174.2	253.1	108.7	633.2	579.0	21.0	352.0	190.8
2003	156.7	746.2	-597.5	356.5	69.3	-57.9	107.6	191.3	76.1	645.9	437.1	55.0	174.1	194.9

3. Households [5]

	Net acquisition of non-financial assets			Net acquisition of financial assets					Changes in net worth [4]		Net incurrence of liabilities		Memo:	
	Total	Gross fixed capital formation	Consumption of fixed capital (-)	Total	Currency and deposits	Securities other than shares [2]	Shares and other equity	Insurance technical reserves	Total	Gross saving	Total	Loans	Disposable income	Gross saving ratio [6]
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	164.9	376.0	-211.5	429.4	69.3	-20.8	192.5	217.6	424.6	615.6	169.7	168.3	3,818.3	16.1
1998	176.8	388.0	-216.2	446.3	92.9	-119.0	287.4	209.3	408.4	593.5	214.6	213.3	3,924.7	15.1
1999	188.1	417.6	-231.5	475.0	122.6	-28.5	195.8	245.2	394.7	580.0	268.4	266.9	4,086.0	14.2
2000	197.9	438.1	-241.6	434.8	66.2	35.3	122.6	245.9	406.2	607.7	226.4	224.7	4,290.6	14.2
2001	184.5	445.7	-259.0	415.6	180.7	82.7	45.4	229.1	423.9	649.7	176.2	174.3	4,576.4	14.2
2002	161.1	454.2	-279.5	482.7	220.6	83.1	-1.0	211.3	430.5	671.8	213.2	211.1	4,712.2	14.3
2003	166.8	461.7	-291.1	531.7	224.2	16.6	83.6	229.8	438.3	695.7	260.2	257.9	4,855.5	14.3

Source: ECB.

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

4 FINANCIAL MARKETS

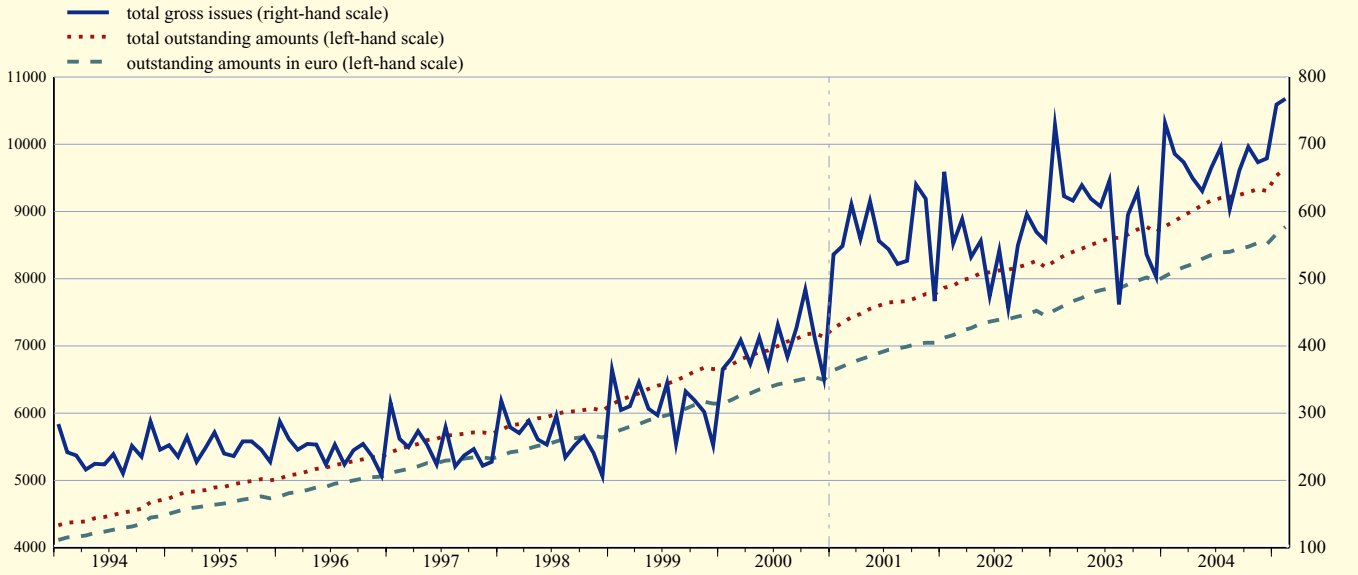
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]				By euro area residents							
					Total				Of which in euro			
	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts	Gross issues	Redemptions	Net issues	Outstanding amounts (%)	Gross issues (%)	Redemptions (%)	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2004 Feb.	9,346.8	698.5	622.8	75.7	8,859.2	685.6	605.7	79.9	91.6	94.6	94.2	77.6
Mar.	9,454.3	717.7	610.0	107.8	8,943.8	673.0	598.2	74.8	91.3	92.7	95.3	53.9
Apr.	9,481.0	649.4	624.5	25.0	9,012.4	649.3	586.8	62.5	91.2	93.2	95.0	47.8
May	9,580.9	649.1	549.4	99.7	9,095.0	630.8	543.4	87.4	91.2	93.9	94.9	76.5
June	9,690.3	711.1	600.6	110.5	9,163.2	664.6	596.5	68.1	91.2	94.3	94.7	61.6
July	9,709.9	707.8	686.3	21.5	9,204.5	695.1	653.9	41.3	91.1	94.1	94.6	35.5
Aug.	9,739.6	619.7	590.0	29.7	9,215.8	603.6	589.7	13.9	91.2	94.7	94.8	13.1
Sep.	9,850.2	725.0	614.5	110.5	9,247.8	661.1	619.7	41.4	91.3	94.9	94.5	42.0
Oct.	9,873.5	711.9	689.9	21.9	9,283.3	696.6	655.8	40.8	91.3	93.7	94.9	30.5
Nov.	9,963.2	703.2	618.1	85.1	9,334.3	673.4	614.9	58.6	91.4	94.3	94.3	55.7
Dec.	9,969.3	705.5	699.0	6.5	9,305.3	679.2	700.2	-21.0	91.5	95.2	95.2	-19.8
2005 Jan.	.	.	.	.	9,534.6	759.3	675.5	83.8	90.8	93.8	95.6	66.3
Feb.	.	.	.	.	9,649.1	768.1	654.0	114.0	90.9	94.5	95.0	104.1
	Long-term											
2004 Feb.	8,484.4	193.5	109.3	84.2	7,991.1	182.7	98.9	83.8	91.7	92.2	88.0	81.5
Mar.	8,545.2	213.5	152.0	61.5	8,055.6	189.6	133.8	55.8	91.4	86.8	94.1	38.5
Apr.	8,586.8	163.8	123.9	39.8	8,106.6	155.6	110.0	45.5	91.3	88.5	94.7	33.5
May	8,689.0	174.8	71.9	102.8	8,191.0	156.6	67.6	89.0	91.3	89.3	90.8	78.4
June	8,776.4	204.2	118.9	85.3	8,264.6	181.1	111.2	70.0	91.3	92.9	92.1	65.8
July	8,812.0	190.3	153.1	37.2	8,300.0	173.4	139.0	34.4	91.2	91.8	93.7	28.9
Aug.	8,838.1	87.2	61.5	25.6	8,314.4	75.3	59.5	15.8	91.2	86.9	91.6	11.0
Sep.	8,930.7	191.4	100.1	91.3	8,361.9	156.7	102.8	53.9	91.3	91.6	88.9	52.2
Oct.	8,965.1	173.8	139.8	34.0	8,380.7	158.1	131.9	26.2	91.3	88.0	93.7	15.6
Nov.	9,038.6	168.3	97.9	70.4	8,431.8	154.7	95.2	59.5	91.4	89.1	92.2	50.1
Dec.	9,065.1	147.5	121.0	26.5	8,440.4	134.9	117.2	17.8	91.5	91.5	90.2	17.8
2005 Jan.	.	.	.	.	8,597.7	195.0	130.5	64.5	91.1	89.7	93.8	52.4
Feb.	.	.	.	.	8,701.5	198.5	95.6	102.9	91.2	90.4	88.9	94.5

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 sector of the issuer and instrument type

(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	8,691	3,288	673	589	3,923	219	91.6	85.5	87.7	88.3	97.7	95.4
2004	9,305	3,592	757	593	4,114	250	91.5	84.9	90.7	87.6	97.7	95.6
2004 Q1	8,944	3,403	676	587	4,045	232	91.3	85.2	87.6	87.6	97.4	95.5
Q2	9,163	3,477	705	604	4,139	239	91.2	84.7	88.5	87.4	97.4	95.5
Q3	9,248	3,533	710	601	4,163	242	91.3	84.7	89.3	87.3	97.6	95.7
Q4	9,305	3,592	757	593	4,114	250	91.5	84.9	90.7	87.6	97.7	95.6
2004 Nov.	9,334	3,578	736	604	4,167	249	91.4	84.8	90.3	87.6	97.6	95.7
Dec.	9,305	3,592	757	593	4,114	250	91.5	84.9	90.7	87.6	97.7	95.6
2005 Jan.	9,535	3,743	757	601	4,178	256	90.8	83.6	90.5	87.6	97.6	95.6
Feb.	9,649	3,800	761	607	4,223	258	90.9	83.6	90.8	87.7	97.6	95.7
	Short-term											
2003	831	360	6	94	367	3	91.2	81.8	100.0	94.1	99.6	87.6
2004	865	400	7	90	362	5	91.7	83.8	94.1	95.5	99.5	86.8
2004 Q1	888	374	5	102	403	4	90.7	81.4	100.0	94.7	98.3	83.7
Q2	899	379	5	108	402	5	90.3	80.5	100.0	95.2	98.2	83.2
Q3	886	369	6	100	405	6	91.2	82.1	96.2	95.5	98.5	85.2
Q4	865	400	7	90	362	5	91.7	83.8	94.1	95.5	99.5	86.8
2004 Nov.	903	392	6	99	400	6	92.1	84.2	95.2	95.2	99.0	91.4
Dec.	865	400	7	90	362	5	91.7	83.8	94.1	95.5	99.5	86.8
2005 Jan.	937	453	7	99	373	5	88.1	77.2	95.2	96.2	99.1	85.6
Feb.	948	456	8	106	372	5	88.2	77.5	96.8	96.4	98.8	86.6
	Total long-term [1]											
2003	7,860	2,927	667	495	3,556	216	91.6	86.0	87.5	87.2	97.5	95.5
2004	8,440	3,192	749	503	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2004 Q1	8,056	3,029	671	485	3,643	228	91.4	85.7	87.5	86.2	97.3	95.7
Q2	8,265	3,098	700	495	3,737	234	91.3	85.2	88.4	85.7	97.3	95.8
Q3	8,362	3,164	703	500	3,758	236	91.3	85.0	89.3	85.7	97.5	95.9
Q4	8,440	3,192	749	503	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2004 Nov.	8,432	3,187	730	505	3,767	243	91.4	84.9	90.2	86.1	97.5	95.8
Dec.	8,440	3,192	749	503	3,751	245	91.5	85.0	90.7	86.2	97.6	95.8
2005 Jan.	8,598	3,290	750	502	3,805	250	91.1	84.5	90.5	85.9	97.4	95.8
Feb.	8,701	3,344	754	500	3,852	252	91.2	84.4	90.8	85.8	97.5	95.9
	Of which long-term fixed rate											
2003	6,116	1,885	407	419	3,240	165	91.8	85.4	80.4	86.7	97.4	95.4
2004	6,378	1,929	423	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2004 Q1	6,246	1,926	412	411	3,324	173	91.5	84.9	80.4	85.6	97.3	95.5
Q2	6,363	1,943	418	416	3,409	177	91.5	84.6	81.3	84.9	97.3	95.6
Q3	6,390	1,951	414	414	3,431	180	91.6	84.1	82.5	85.2	97.4	95.8
Q4	6,378	1,929	423	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2004 Nov.	6,390	1,937	422	415	3,432	184	91.6	83.9	83.7	85.6	97.4	95.5
Dec.	6,378	1,929	423	411	3,430	185	91.7	84.0	84.2	85.5	97.5	95.5
2005 Jan.	6,441	1,943	425	410	3,472	191	91.5	83.6	83.9	85.1	97.4	95.6
Feb.	6,495	1,958	425	407	3,513	193	91.6	83.6	84.3	85.0	97.4	95.8
	Of which long-term variable rate											
2003	1,587	959	257	59	262	51	91.3	87.5	98.7	89.5	97.5	95.8
2004	1,881	1,146	323	78	275	59	91.0	86.9	99.1	89.0	97.7	96.6
2004 Q1	1,646	1,008	256	62	265	55	91.2	87.5	98.7	89.2	97.5	96.0
Q2	1,725	1,048	278	66	277	57	90.8	86.7	98.9	89.7	97.5	96.2
Q3	1,783	1,100	287	73	268	56	90.6	86.7	99.0	87.6	97.5	96.3
Q4	1,881	1,146	323	78	275	59	91.0	86.9	99.1	89.0	97.7	96.6
2004 Nov.	1,850	1,135	305	76	276	59	90.8	86.7	99.1	88.3	97.6	96.5
Dec.	1,881	1,146	323	78	275	59	91.0	86.9	99.1	89.0	97.7	96.6
2005 Jan.	1,890	1,148	322	79	282	59	90.8	86.6	99.0	89.1	97.7	96.5
Feb.	1,931	1,180	326	79	286	59	90.7	86.5	99.0	89.0	97.7	96.5

Source: ECB.

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

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

(EUR billions unless otherwise indicated; nominal values)

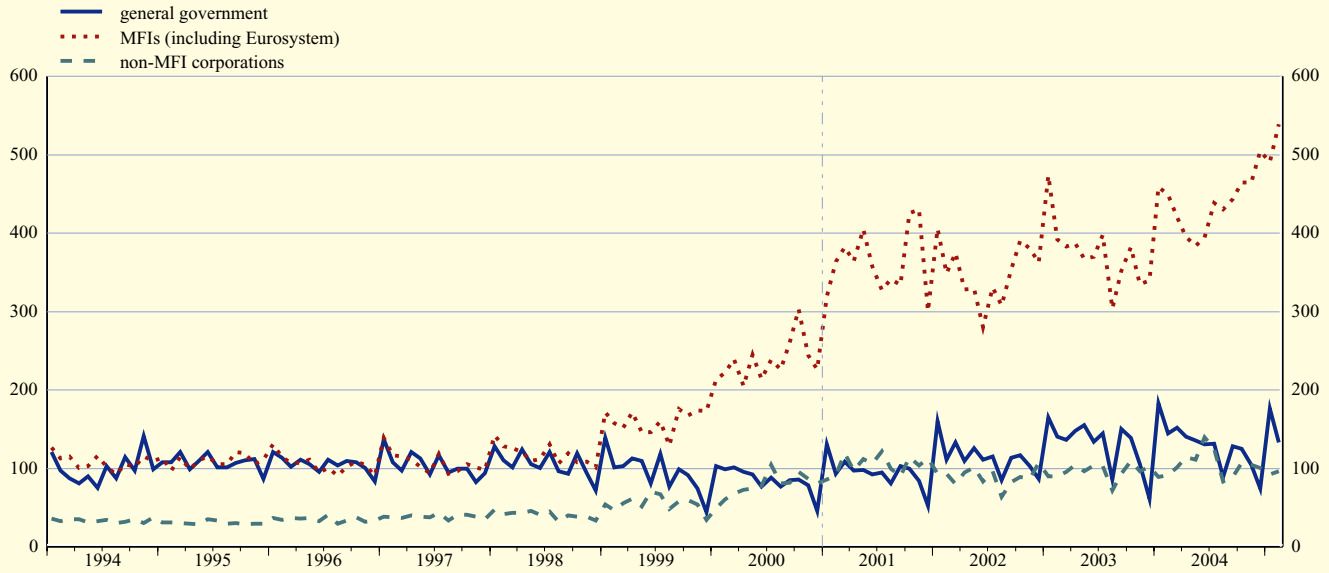
2. Gross issues

(transactions during the period)

	Total						Long-term [1]					
	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						Long-term fixed rate					
2003	7,205.5	4,485.6	244.7	909.7	1,478.8	86.6	1,284.8	414.3	113.7	89.0	626.4	41.4
2004	8,043.5	5,249.7	227.7	1,027.9	1,457.1	81.2	1,192.1	406.7	75.5	60.4	614.0	35.5
2004 Q1	2,089.8	1,329.0	38.1	243.5	453.0	26.2	377.1	135.9	16.8	11.7	199.7	13.2
Q2	1,944.7	1,173.3	64.0	300.5	387.5	19.3	307.8	91.3	21.8	19.7	166.8	8.1
Q3	1,959.8	1,313.3	41.7	255.5	333.2	16.0	248.1	86.5	10.3	14.3	130.9	6.1
Q4	2,049.3	1,434.1	83.9	228.4	283.4	19.6	259.1	92.9	26.7	14.7	116.6	8.1
2004 Nov.	673.4	464.4	30.3	74.7	95.4	8.8	94.5	33.2	13.4	3.2	40.3	4.3
Dec.	679.2	504.9	32.5	67.7	68.9	5.2	70.9	31.6	6.8	3.3	27.3	1.9
2005 Jan.	759.3	490.9	9.8	82.2	166.2	10.2	141.9	44.4	4.0	3.6	82.9	6.9
Feb.	768.1	538.9	15.0	81.1	125.8	7.4	127.6	51.1	5.1	3.3	63.6	4.6
	Of which short-term						Long-term variable rate					
2003	5,331.9	3,698.2	41.3	796.1	767.6	28.6	507.7	336.7	89.5	11.7	53.3	16.5
2004	6,145.9	4,383.4	43.9	930.9	755.6	32.1	615.6	402.4	108.2	31.8	59.7	13.5
2004 Q1	1,538.7	1,072.1	10.0	224.7	223.7	8.1	146.6	105.6	11.3	6.6	18.4	4.9
Q2	1,451.4	969.5	11.1	271.1	191.3	8.5	159.7	96.9	31.1	7.8	21.1	2.7
Q3	1,554.4	1,118.9	10.8	230.4	185.9	8.4	136.0	95.2	20.6	10.0	8.6	1.6
Q4	1,601.5	1,222.9	12.0	204.7	154.7	7.1	173.3	104.6	45.2	7.4	11.7	4.4
2004 Nov.	518.7	393.2	4.3	68.2	50.4	2.7	55.9	34.4	12.5	2.6	4.7	1.7
Dec.	544.2	435.9	3.5	61.4	41.2	2.3	57.7	31.6	22.2	2.9	0.0	1.0
2005 Jan.	564.4	408.3	4.2	77.3	72.1	2.4	45.0	33.7	1.6	1.2	7.5	0.9
Feb.	569.5	429.4	4.6	76.7	56.1	2.7	64.2	53.6	5.3	0.7	4.5	0.1

C14 Gross issues of securities, other than shares, by sector

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



Source: ECB.

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

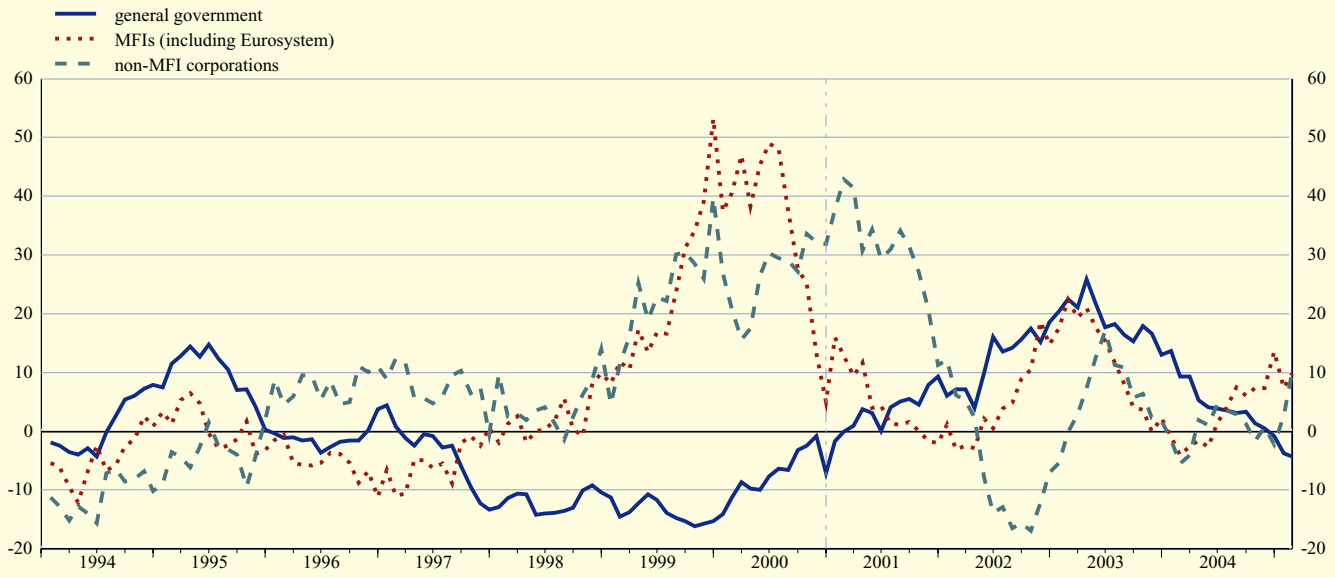
4.3 Annual growth rates of securities, other than shares, issued by euro area residents [1)]

(percentage changes)

	Total						Short-term					
	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
	In all currencies combined											
2003	6.8	5.1	25.8	8.6	4.5	26.0	14.1	12.1	1.1	5.7	19.2	-2.0
2004	7.0	8.0	15.1	3.7	4.9	17.5	3.3	2.4	-9.6	0.9	4.9	28.7
2004 Q1	6.9	6.3	20.5	5.9	4.8	21.4	3.5	-1.8	-17.9	-1.8	11.4	6.8
Q2	7.0	8.0	15.5	2.2	5.0	18.5	1.7	-1.6	-16.6	2.1	5.2	15.4
Q3	7.3	8.7	13.3	3.6	5.2	16.4	4.1	5.0	-10.7	4.0	3.1	30.6
Q4	6.9	9.0	11.8	3.0	4.6	14.4	3.8	8.2	8.9	-1.0	0.5	66.6
2004 Sep.	7.1	9.1	11.1	3.7	4.9	15.4	4.2	6.0	6.2	1.0	2.8	65.4
Oct.	6.8	8.9	11.1	3.2	4.4	14.2	3.5	7.4	4.5	-2.0	0.9	63.5
Nov.	6.9	8.7	12.4	3.3	4.5	14.3	3.4	7.3	7.7	0.3	-0.2	78.5
Dec.	7.3	9.6	13.0	1.6	4.9	14.2	5.1	13.5	22.3	-3.9	-1.3	50.3
2005 Jan.	7.2	8.9	12.9	3.1	5.0	14.8	1.7	7.3	23.3	1.4	-4.1	31.4
Feb.	7.5	9.5	12.2	3.4	5.3	12.7	3.4	9.8	45.7	8.2	-4.6	27.6
	In euro											
2003	6.4	3.9	31.4	9.4	4.4	25.0	15.7	15.8	0.9	4.8	19.3	-8.0
2004	6.7	6.7	18.8	2.8	5.0	17.3	3.1	1.7	-11.1	0.9	4.8	28.1
2004 Q1	6.7	5.3	24.5	5.9	4.9	20.6	4.3	-1.0	-17.9	-2.5	11.3	7.4
Q2	6.6	6.7	19.1	1.4	5.0	18.1	1.5	-2.5	-15.5	1.7	5.0	12.8
Q3	6.9	7.1	17.2	2.4	5.3	16.3	3.0	2.6	-13.3	4.4	3.0	26.6
Q4	6.5	7.7	15.3	1.9	4.6	14.5	3.6	8.0	3.9	0.0	0.6	72.6
2004 Sep.	6.7	7.8	14.6	2.4	5.0	15.5	3.5	4.2	2.2	2.0	2.8	65.9
Oct.	6.4	7.7	14.4	2.1	4.4	14.4	3.2	6.8	0.3	-1.2	1.1	68.5
Nov.	6.4	7.4	16.0	2.1	4.5	14.2	3.3	7.7	2.6	1.3	-0.1	92.7
Dec.	6.9	8.5	16.4	0.4	4.8	14.4	5.2	15.3	15.1	-2.5	-1.4	48.5
2005 Jan.	6.7	7.5	16.3	2.4	4.8	14.9	1.9	8.3	17.4	3.3	-4.0	26.9
Feb.	7.0	7.9	15.5	2.8	5.2	12.8	3.6	10.9	41.2	10.5	-4.5	24.1

C15 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(percentage changes)



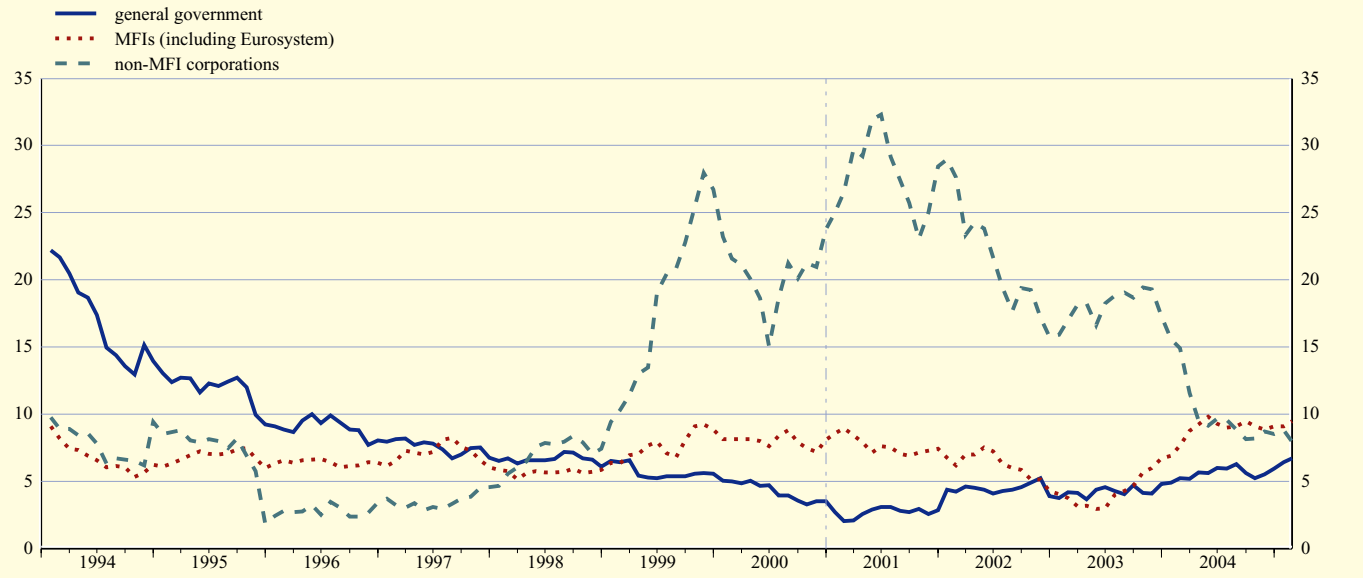
Source: ECB.

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

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

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government			Non-monetary financial corporations	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2003	5.2	2.1	15.3	11.9	4.4	22.6	8.8	8.3	53.3	-13.4	-9.2	43.4
2004	5.0	3.1	7.6	3.1	5.7	14.7	16.5	18.3	29.6	8.3	0.3	26.5
2004 Q1	5.6	3.1	12.6	8.5	5.3	18.4	13.8	15.2	37.7	-8.8	-4.4	33.6
Q2	5.4	3.8	9.5	2.5	5.8	15.2	16.1	18.8	27.8	-2.3	0.8	30.2
Q3	4.9	3.0	4.9	1.1	6.1	13.5	17.8	19.0	29.6	18.4	3.0	25.2
Q4	4.3	2.3	4.2	0.7	5.6	12.2	18.0	20.1	24.8	29.5	2.0	18.8
2004 Sep.	4.7	3.2	3.4	1.2	5.7	13.1	17.2	19.6	24.8	25.0	0.3	20.0
Oct.	4.2	2.3	3.5	1.7	5.4	12.0	17.6	20.4	24.2	26.9	0.1	18.6
Nov.	4.1	1.8	5.0	0.4	5.5	11.7	18.6	20.4	24.9	32.6	3.5	19.1
Dec.	4.5	2.6	4.8	-1.1	5.9	12.6	18.3	19.1	25.9	33.1	4.8	17.2
2005 Jan.	4.8	3.0	5.3	-0.8	6.0	14.7	18.3	18.5	24.7	30.1	9.1	14.3
Feb.	4.9	2.8	4.2	-1.7	6.7	12.7	18.6	20.1	24.2	28.1	6.7	11.8
	In euro											
2003	4.6	0.1	20.6	12.2	4.2	21.3	8.9	7.7	53.3	-8.9	-9.3	43.8
2004	4.8	1.3	11.9	1.8	5.8	14.7	16.0	17.6	29.7	8.6	0.3	25.4
2004 Q1	5.4	1.6	17.1	8.1	5.4	17.7	13.4	14.4	37.4	-6.0	-4.6	32.1
Q2	5.1	2.0	13.9	1.0	5.8	15.0	15.7	18.1	27.9	-0.3	0.8	28.9
Q3	4.7	1.2	9.2	-0.5	6.2	13.8	17.2	18.1	29.8	16.0	3.0	24.1
Q4	4.0	0.4	8.3	-0.9	5.6	12.4	17.4	19.4	25.2	27.0	2.0	18.1
2004 Sep.	4.4	1.3	7.5	-0.6	5.9	13.5	16.7	19.2	25.1	22.3	0.2	18.9
Oct.	3.9	0.3	7.2	0.3	5.5	12.4	17.0	19.9	24.5	24.1	0.1	17.8
Nov.	3.7	-0.3	9.4	-1.2	5.4	11.7	18.0	19.7	25.3	29.9	3.6	18.2
Dec.	4.2	0.7	8.9	-3.0	5.8	12.7	17.7	18.2	26.2	32.1	4.8	18.0
2005 Jan.	4.4	0.8	9.7	-2.3	5.9	14.7	17.7	17.4	25.0	29.3	9.2	15.0
Feb.	4.5	0.4	8.2	-3.4	6.6	12.7	17.7	18.7	24.5	27.4	6.7	12.3

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



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

4.4 Quoted shares issued by euro area residents [1)]

(EUR billions, unless otherwise indicated; market values)

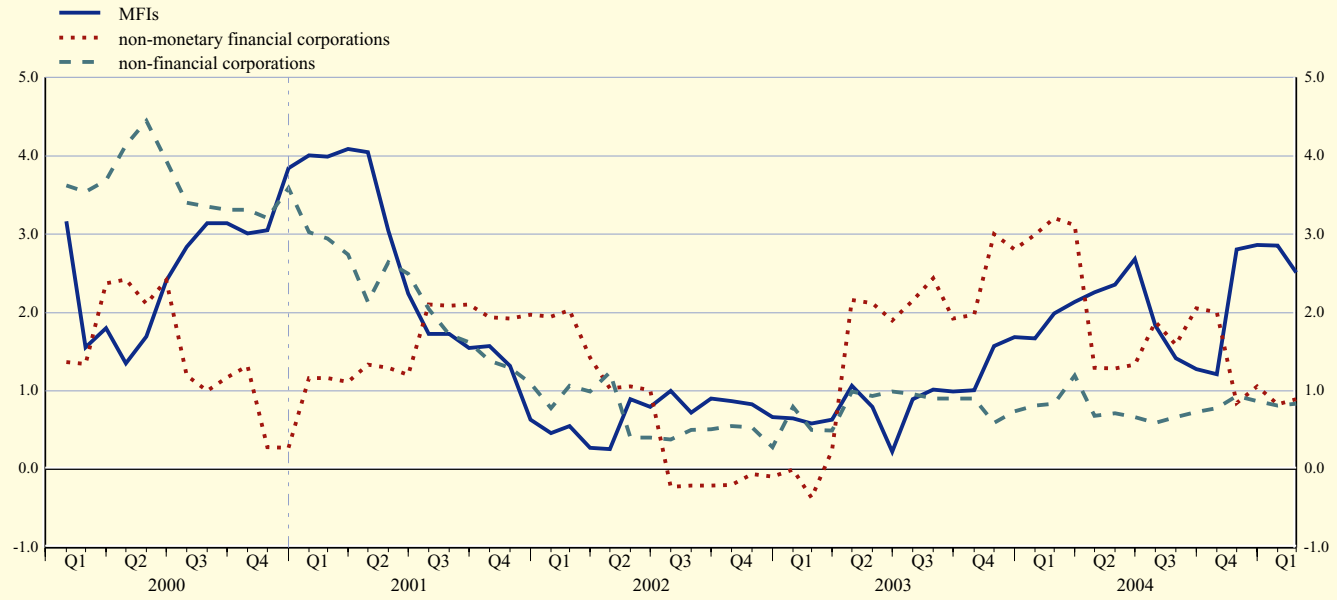
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		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
2003 Feb.	2,885.0	100.3	0.4	425.3	0.6	270.8	-0.4	2,189.0	0.5
Mar.	2,763.5	100.3	0.5	413.0	0.6	236.2	0.2	2,114.3	0.5
Apr.	3,113.0	100.9	1.1	471.4	1.1	291.8	2.2	2,349.8	1.0
May	3,145.7	100.9	1.0	476.7	0.8	291.3	2.1	2,377.7	0.9
June	3,256.2	100.9	0.9	504.2	0.2	300.6	1.9	2,451.4	1.0
July	3,366.5	101.1	1.1	528.0	0.9	330.9	2.1	2,507.6	1.0
Aug.	3,413.4	101.1	1.1	506.5	1.0	325.5	2.4	2,581.5	0.9
Sep.	3,276.7	101.1	1.0	494.8	1.0	307.1	1.9	2,474.7	0.9
Oct.	3,484.0	101.2	1.0	535.2	1.0	333.2	2.0	2,615.6	0.9
Nov.	3,546.9	101.3	1.0	549.5	1.6	337.9	3.0	2,659.6	0.6
Dec.	3,647.4	101.4	1.1	569.5	1.7	348.6	2.8	2,729.3	0.7
2004 Jan.	3,788.6	101.4	1.1	584.1	1.7	372.3	3.0	2,832.2	0.8
Feb.	3,852.1	101.5	1.2	587.9	2.0	374.3	3.2	2,889.9	0.8
Mar.	3,766.5	101.8	1.5	571.9	2.1	355.0	3.1	2,839.6	1.2
Apr.	3,748.5	101.9	1.0	579.4	2.3	361.1	1.3	2,808.0	0.7
May	3,687.9	101.9	1.0	568.1	2.4	350.6	1.3	2,769.2	0.7
June	3,790.1	102.0	1.0	582.5	2.7	362.0	1.3	2,845.7	0.7
July	3,679.8	102.0	0.9	562.3	1.8	354.0	1.9	2,763.5	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	353.1	1.6	2,705.6	0.7
Sep.	3,707.9	102.1	0.9	579.6	1.3	362.3	2.1	2,766.1	0.7
Oct.	3,787.6	102.2	1.0	598.0	1.2	372.6	2.0	2,817.0	0.8
Nov.	3,906.5	102.5	1.2	623.9	2.8	386.5	0.8	2,896.2	0.9
Dec.	4,034.6	102.6	1.2	643.7	2.9	405.6	1.1	2,985.3	0.9
2005 Jan.	4,139.3	102.6	1.1	662.6	2.9	412.2	0.8	3,064.5	0.8
Feb.	4,255.7	102.6	1.1	681.1	2.5	431.8	0.9	3,142.7	0.8

C17 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents [1]

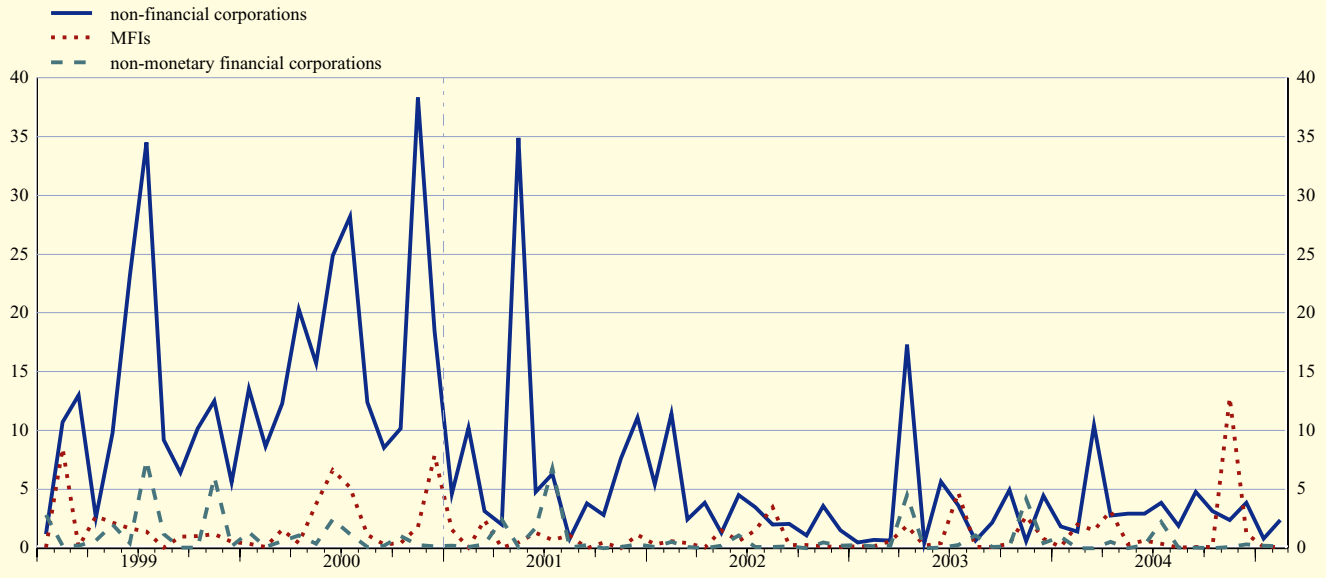
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			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
2003 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.	1.4	1.5	-0.1	0.6	0.1	0.5	0.2	0.0	0.1	0.6	1.3	-0.7
Apr.	23.7	4.9	18.8	1.9	0.1	1.7	4.5	0.0	4.5	17.3	4.8	12.5
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	2.0	6.6	4.7	0.2	4.5	0.2	0.0	0.2	3.6	1.8	1.8
Aug.	1.8	1.4	0.4	0.1	0.0	0.1	1.1	0.1	1.0	0.6	1.3	-0.7
Sep.	2.3	2.1	0.3	0.1	0.1	0.0	0.1	1.6	-1.5	2.2	0.4	1.8
Oct.	5.4	3.9	1.6	0.4	0.0	0.4	0.2	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	1.6	4.0	0.8	0.1	0.8	0.4	0.9	-0.5	4.4	0.6	3.8
2004 Jan.	2.9	1.0	1.9	0.1	0.0	0.1	0.9	0.0	0.9	1.8	1.0	0.8
Feb.	3.5	0.7	2.8	2.0	0.0	2.0	0.0	0.2	-0.2	1.4	0.5	1.0
Mar.	12.0	1.3	10.7	1.5	0.0	1.5	0.0	0.1	-0.1	10.5	1.1	9.3
Apr.	6.4	0.6	5.8	3.1	0.1	3.1	0.5	0.1	0.4	2.8	0.5	2.3
May	3.3	3.6	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	2.9	3.6	-0.6
June	3.8	2.2	1.6	0.7	1.6	-1.0	0.3	0.0	0.2	2.9	0.5	2.4
July	6.4	3.6	2.8	0.4	0.0	0.4	2.2	0.0	2.2	3.8	3.6	0.2
Aug.	2.0	2.9	-0.9	0.1	2.2	-2.2	0.0	0.0	0.0	1.9	0.7	1.2
Sep.	4.9	2.2	2.7	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.2	0.5	2.7	0.1	0.0	0.1	0.0	0.0	0.0	3.1	0.5	2.7
Nov.	15.2	3.3	11.9	12.8	0.3	12.4	0.1	0.0	0.1	2.4	3.0	-0.6
Dec.	5.4	1.6	3.9	1.2	0.0	1.2	0.3	0.1	0.2	3.9	1.4	2.4
2005 Jan.	1.1	1.8	-0.7	0.1	0.0	0.1	0.2	0.0	0.2	0.8	1.8	-1.0
Feb.	2.6	0.6	2.0	0.1	0.0	0.1	0.1	0.1	0.1	2.4	0.5	1.9

C18 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [1]	With agreed maturity			Redeemable at notice [1),2)]		Overnight [1]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2004 Mar.	0.71	1.91	2.13	2.31	1.94	2.60	0.87	1.96	2.16	3.35	1.97
Apr.	0.70	1.96	2.13	2.41	1.96	2.57	0.87	1.97	2.04	3.46	1.95
May	0.71	1.86	2.15	2.43	1.94	2.56	0.86	1.96	2.06	3.74	1.95
June	0.70	1.87	2.21	2.42	1.96	2.55	0.87	1.99	2.27	3.76	1.97
July	0.70	1.90	2.21	2.54	1.94	2.55	0.86	1.99	2.59	4.00	1.98
Aug.	0.72	1.91	2.18	2.67	1.95	2.53	0.87	1.98	2.36	3.99	1.98
Sep.	0.72	1.90	2.20	2.48	2.00	2.52	0.90	2.00	2.31	3.68	1.99
Oct.	0.72	1.92	2.29	2.48	2.00	2.52	0.89	2.04	2.32	3.56	2.00
Nov.	0.73	1.94	2.20	2.50	2.01	2.51	0.90	2.04	2.22	3.39	2.02
Dec.	0.73	1.95	2.19	2.31	2.00	2.52	0.90	2.08	2.68	3.52	2.02
2005 Jan.	0.73	1.95	2.29	2.53	1.98	2.49	0.92	2.04	2.25	3.26	2.05
Feb.	0.74	1.94	2.19	2.32	1.97	2.49	0.92	2.04	2.25	3.52	2.03

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

	Bank overdraft [1]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [3]	By initial rate fixation				Annual percentage rate of charge [3]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 Mar.	9.86	6.91	6.90	8.37	7.97	3.47	4.14	4.87	4.71	4.28	3.96	5.06	4.96
Apr.	9.91	6.92	6.64	8.30	7.77	3.42	4.06	4.77	4.69	4.24	3.89	4.97	4.95
May	9.81	6.82	6.77	8.27	7.87	3.40	4.05	4.75	4.61	4.17	4.14	4.87	4.94
June	9.79	6.58	6.74	8.42	7.87	3.42	4.12	4.82	4.69	4.17	3.93	4.97	5.01
July	9.79	6.63	6.86	8.52	7.97	3.47	4.16	4.81	4.69	4.20	4.04	4.94	5.01
Aug.	9.86	7.07	6.89	8.58	8.15	3.50	4.19	4.87	4.65	4.29	3.91	5.07	5.02
Sep.	9.60	6.91	6.96	8.45	8.07	3.49	4.14	4.82	4.66	4.24	3.90	4.98	5.00
Oct.	9.53	6.79	6.87	8.34	7.87	3.50	4.12	4.77	4.64	4.18	4.08	4.87	4.92
Nov.	9.48	6.88	6.85	8.23	7.85	3.45	4.07	4.66	4.58	4.09	3.96	4.89	4.82
Dec.	9.52	6.73	6.60	7.67	7.59	3.43	3.95	4.49	4.41	4.07	3.82	4.59	4.65
2005 Jan.	9.61	6.97	6.81	8.32	8.01	3.44	3.97	4.43	4.45	4.07	3.96	4.64	4.62
Feb.	9.66	6.20	6.84	8.19	7.77	3.40	3.94	4.39	4.33	3.98	3.99	4.73	4.49

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

	Bank overdraft [1]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2004 Mar.	5.48	3.95	4.81	4.73	2.95	3.28	4.37
Apr.	5.44	3.88	4.75	4.70	3.00	3.28	4.21
May	5.41	4.00	4.62	4.59	3.00	3.30	4.21
June	5.40	3.97	4.81	4.71	2.99	3.26	4.08
July	5.42	4.02	4.85	4.65	3.02	3.28	4.27
Aug.	5.44	4.06	4.89	4.73	2.99	3.12	4.30
Sep.	5.37	4.00	4.85	4.68	2.99	3.37	4.46
Oct.	5.39	4.02	4.87	4.64	2.98	3.30	4.27
Nov.	5.37	4.02	4.79	4.55	2.95	3.35	4.31
Dec.	5.26	3.97	4.67	4.46	3.05	3.55	4.10
2005 Jan.	5.40	3.97	4.69	4.47	3.02	3.30	4.08
Feb.	5.32	3.91	4.77	4.36	3.02	3.34	3.82

Source: ECB.

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

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

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

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

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

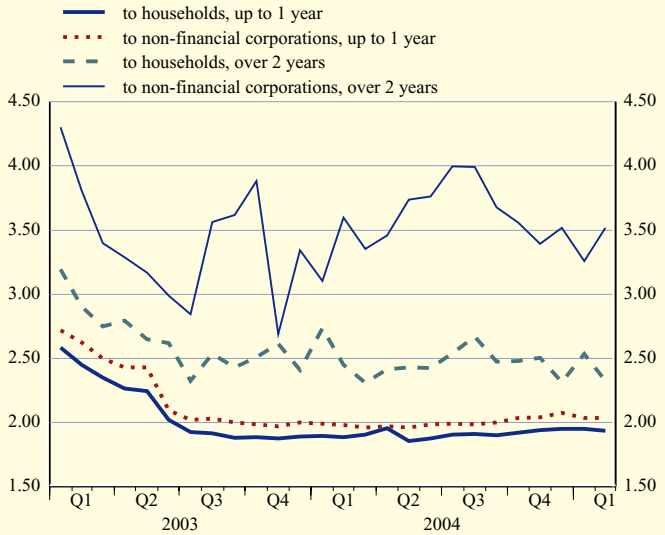
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1,2]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2004 Mar.	0.71	1.92	3.32	1.94	2.60	0.87	2.08	4.08	1.96
Apr.	0.70	1.90	3.31	1.96	2.57	0.87	2.07	4.03	1.94
May	0.71	1.89	3.27	1.94	2.56	0.86	2.07	4.04	1.95
June	0.70	1.88	3.28	1.96	2.55	0.87	2.09	4.03	1.96
July	0.70	1.89	3.26	1.94	2.55	0.86	2.09	4.03	1.97
Aug.	0.72	1.90	3.24	1.95	2.53	0.87	2.10	3.99	1.98
Sep.	0.72	1.90	3.22	2.00	2.52	0.90	2.12	3.97	1.97
Oct.	0.72	1.90	3.27	2.00	2.52	0.89	2.10	3.89	1.98
Nov.	0.73	1.90	3.26	2.01	2.51	0.90	2.12	3.86	2.00
Dec.	0.73	1.92	3.24	2.00	2.52	0.90	2.16	3.78	2.02
2005 Jan.	0.73	1.90	3.23	1.98	2.49	0.92	2.13	3.68	2.01
Feb.	0.74	1.91	3.25	1.97	2.49	0.92	2.13	3.67	2.00

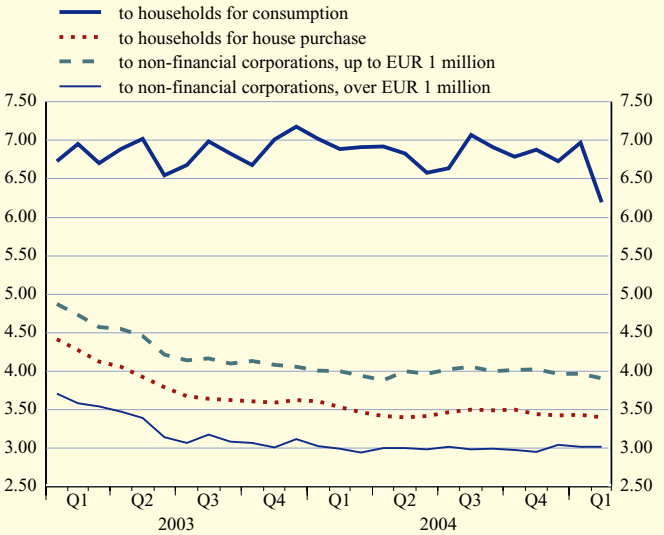
5. Interest rates on loans (outstanding amounts)

	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
2004 Mar.	4.92	4.79	5.05	8.26	7.25	5.91	4.45	4.05	4.61
Apr.	4.86	4.75	5.02	8.27	7.20	5.87	4.43	4.02	4.58
May	4.87	4.73	4.99	8.22	7.15	5.83	4.41	3.99	4.54
June	4.84	4.71	4.97	8.13	7.15	5.90	4.44	4.00	4.54
July	4.84	4.64	4.94	8.16	7.11	5.85	4.44	4.00	4.52
Aug.	4.81	4.60	4.91	8.17	7.07	5.86	4.43	3.97	4.51
Sep.	4.82	4.58	4.90	8.05	7.14	5.85	4.46	3.99	4.52
Oct.	4.69	4.53	4.88	8.04	7.08	5.80	4.42	3.97	4.48
Nov.	4.67	4.52	4.86	7.93	6.99	5.82	4.41	3.96	4.48
Dec.	4.72	4.49	4.83	7.94	7.02	5.80	4.35	3.97	4.44
2005 Jan.	4.66	4.45	4.79	8.07	6.97	5.77	4.42	3.90	4.41
Feb.	4.62	4.45	4.76	8.06	7.02	5.76	4.40	3.92	4.46

C19 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)



C20 New loans at floating rate and up to 1 year initial rate fixation (percentages per annum excluding charges; period averages)



Source: ECB.

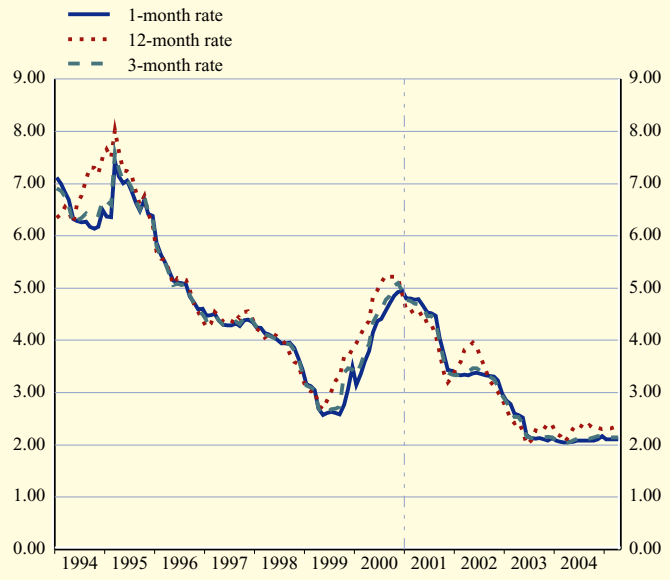
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
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
2004	2.05	2.08	2.11	2.15	2.27	1.62	0.05
2004 Q1	2.02	2.06	2.06	2.07	2.15	1.12	0.05
Q2	2.04	2.06	2.08	2.13	2.29	1.30	0.05
Q3	2.05	2.08	2.12	2.19	2.35	1.75	0.05
Q4	2.08	2.12	2.16	2.20	2.32	2.30	0.05
2005 Q1	2.06	2.11	2.14	2.19	2.32	2.84	0.05
2004 Apr.	2.08	2.05	2.05	2.06	2.16	1.15	0.05
May	2.02	2.06	2.09	2.14	2.30	1.25	0.05
June	2.03	2.08	2.11	2.19	2.40	1.50	0.05
July	2.07	2.08	2.12	2.19	2.36	1.63	0.05
Aug.	2.04	2.08	2.11	2.17	2.30	1.73	0.05
Sep.	2.05	2.08	2.12	2.20	2.38	1.90	0.05
Oct.	2.11	2.09	2.15	2.19	2.32	2.08	0.05
Nov.	2.09	2.11	2.17	2.22	2.33	2.31	0.05
Dec.	2.05	2.17	2.17	2.21	2.30	2.50	0.05
2005 Jan.	2.08	2.11	2.15	2.19	2.31	2.66	0.05
Feb.	2.06	2.10	2.14	2.18	2.31	2.82	0.05
Mar.	2.06	2.10	2.14	2.19	2.34	3.03	0.05
Apr.	2.08	2.10	2.14	2.17	2.27	3.15	0.05

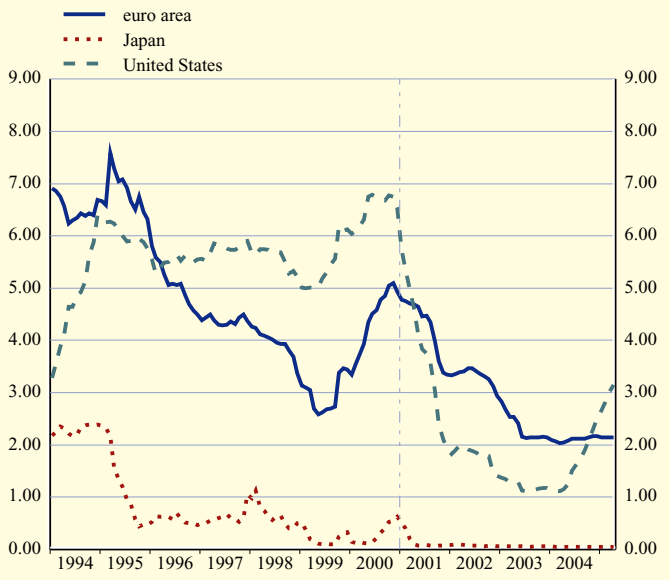
C21 Euro area money market rates

(monthly; percentages per annum)



C22 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

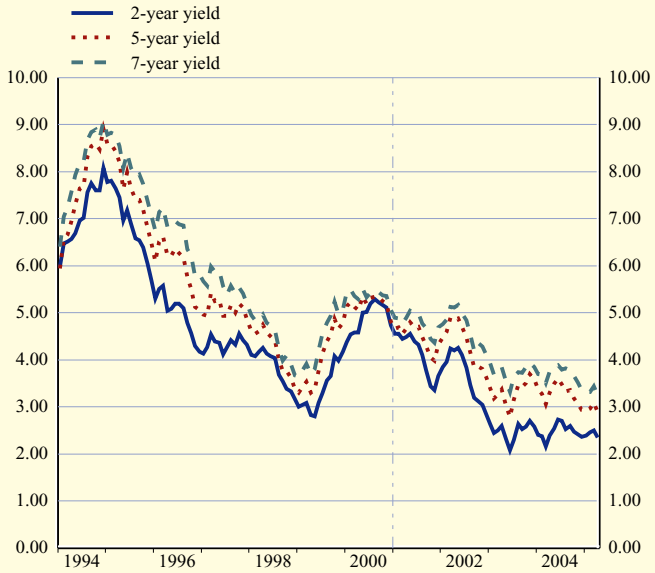
4.7 Government bond yields

(percentages per annum; period averages)

	Euro area [1]					United States	Japan
	2 years	3 years	5 years	7 years	10 years	10 years	10 years
	1	2	3	4	5	6	7
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
2004	2.47	2.77	3.29	3.70	4.14	4.26	1.50
2004 Q1	2.31	2.63	3.23	3.63	4.15	4.00	1.31
Q2	2.56	2.92	3.47	3.84	4.36	4.58	1.59
Q3	2.61	2.89	3.39	3.80	4.21	4.29	1.64
Q4	2.41	2.62	3.06	3.51	3.84	4.17	1.45
2005 Q1	2.45	2.66	2.99	3.36	3.67	4.30	1.41
2004 Apr.	2.39	2.75	3.31	3.75	4.24	4.32	1.51
May	2.55	2.94	3.50	3.87	4.39	4.70	1.49
June	2.74	3.06	3.60	3.89	4.44	4.73	1.77
July	2.70	2.97	3.49	3.80	4.34	4.48	1.79
Aug.	2.53	2.83	3.33	3.82	4.17	4.27	1.63
Sep.	2.60	2.87	3.35	3.79	4.11	4.13	1.50
Oct.	2.47	2.71	3.18	3.66	3.98	4.08	1.49
Nov.	2.41	2.62	3.08	3.53	3.87	4.19	1.46
Dec.	2.36	2.53	2.93	3.35	3.69	4.23	1.40
2005 Jan.	2.39	2.57	2.92	3.31	3.63	4.21	1.37
Feb.	2.45	2.67	2.97	3.32	3.62	4.16	1.40
Mar.	2.49	2.74	3.08	3.44	3.76	4.49	1.45
Apr.	2.34	2.55	2.89	3.25	3.57	4.34	1.32

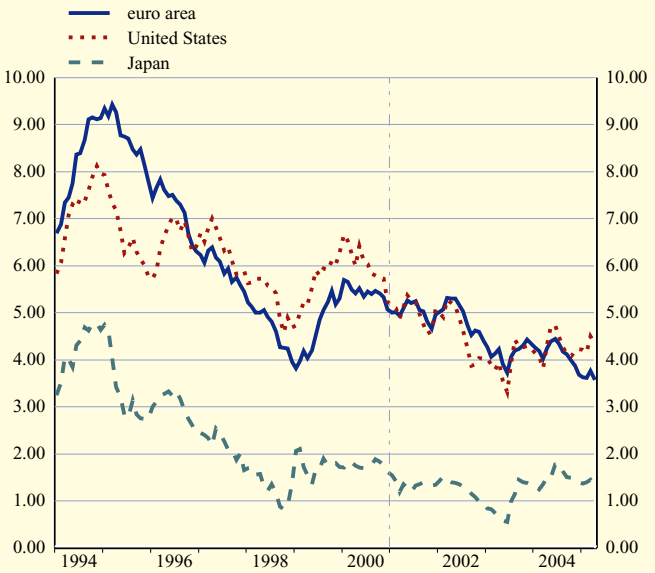
C23 Euro area government bond yields

(monthly; percentages per annum)



C24 10-year government bond yields

(monthly; percentages per annum)



Source: ECB.

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

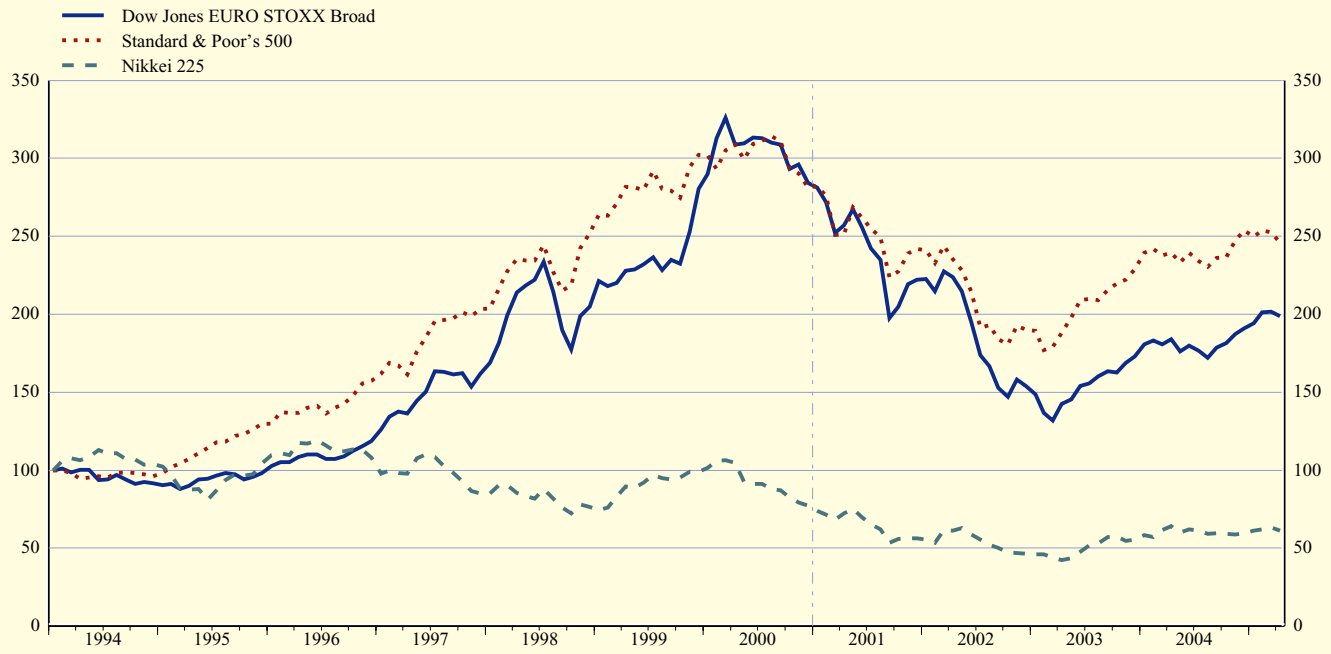
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	260.0	3,052.5	267.5	194.8	239.0	309.0	243.4	252.4	345.2	255.5	349.2	411.9	995.3	10,119.3
2003	213.3	2,422.7	212.5	144.9	193.8	259.5	199.3	213.5	275.2	210.7	337.5	304.5	964.9	9,312.9
2004	251.1	2,804.8	251.4	163.4	219.9	300.5	238.2	258.6	298.3	266.3	399.2	395.9	1,131.1	11,180.9
2004 Q1	251.6	2,846.5	245.0	166.9	222.1	279.9	240.5	257.1	353.0	248.7	405.3	366.6	1,132.7	10,996.9
Q2	249.8	2,794.7	244.7	164.7	226.3	300.9	234.6	256.1	299.4	262.1	388.3	394.9	1,123.6	11,550.0
Q3	244.0	2,708.7	246.8	159.3	216.4	305.0	228.7	253.1	259.9	266.8	379.8	402.6	1,104.4	11,152.3
Q4	259.2	2,869.7	268.9	162.7	215.0	315.7	249.1	268.0	281.8	287.3	423.5	419.1	1,163.7	11,027.1
2005 Q1	276.2	3,025.3	290.4	177.0	227.9	335.8	269.0	290.9	274.8	309.6	446.5	427.0	1,191.7	11,594.1
2004 Apr.	255.0	2,860.9	247.6	168.3	227.8	300.2	241.0	262.6	321.3	264.7	402.0	389.3	1,133.4	11,962.8
May	244.4	2,728.0	240.2	160.8	223.0	297.7	228.7	250.9	284.8	256.6	378.0	395.3	1,103.6	11,141.0
June	249.8	2,792.2	246.1	164.9	227.9	304.7	233.9	254.5	291.4	264.9	384.3	400.0	1,132.9	11,527.7
July	245.2	2,730.4	245.5	162.1	221.6	302.8	227.8	251.4	272.3	267.5	382.1	397.7	1,106.7	11,390.8
Aug.	238.9	2,646.9	243.7	155.7	212.5	300.2	223.9	248.1	245.3	262.6	372.8	396.4	1,088.9	10,989.3
Sep.	248.0	2,748.6	251.1	160.0	215.1	311.8	234.6	259.9	261.9	270.1	384.4	413.7	1,117.5	11,076.8
Oct.	252.1	2,794.4	259.1	157.4	211.5	315.5	240.4	262.5	273.3	278.8	401.2	415.1	1,118.1	11,028.9
Nov.	260.0	2,882.7	269.5	163.8	215.6	317.3	249.4	267.7	290.3	287.4	421.1	422.3	1,169.5	10,963.5
Dec.	264.8	2,926.0	277.2	166.5	217.7	314.4	256.8	273.2	281.3	295.0	446.2	419.6	1,199.7	11,086.3
2005 Jan.	269.4	2,957.0	277.0	172.0	221.6	318.1	262.8	284.2	270.4	302.9	450.6	423.8	1,181.6	11,401.2
Feb.	279.0	3,050.4	294.2	179.5	230.0	338.5	270.1	295.1	277.4	317.5	453.8	428.7	1,199.7	11,545.7
Mar.	279.8	3,065.8	299.4	179.3	232.0	349.5	273.7	293.5	276.5	308.7	436.3	428.6	1,193.9	11,812.5
Apr.	275.9	3,013.7	290.0	176.7	227.9	345.5	269.0	287.6	268.5	314.2	426.1	443.1	1,164.4	11,377.2

C25 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

5 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

	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 [1]	100.0	100.0	59.0	41.0	100.0	12.0	7.6	30.8	8.6	41.0
	1	2	3	4	5	6	7	8	9	10
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	-	-	-	-	-	-
2004	115.7	2.1	1.8	2.6	-	-	-	-	-	-
2004 Q1	114.4	1.7	1.1	2.6	0.6	1.0	-0.5	0.3	1.2	0.7
Q2	115.8	2.3	2.1	2.6	0.7	1.1	-0.2	0.2	3.3	0.6
Q3	115.9	2.2	2.0	2.6	0.5	0.3	-0.2	0.1	1.9	0.7
Q4	116.6	2.3	2.1	2.7	0.5	0.3	0.2	0.1	1.8	0.6
2005 Q1	116.7	2.0	1.8	2.4	0.3	0.6	0.7	-0.1	0.3	0.5
2004 Nov.	116.4	2.2	2.0	2.7	0.0	-0.1	0.2	0.0	-1.2	0.2
Dec.	116.9	2.4	2.0	2.7	0.1	1.1	0.6	0.0	-1.8	0.2
2005 Jan.	116.2	1.9	1.6	2.4	0.0	-0.1	-0.4	-0.1	0.3	0.1
Feb.	116.6	2.1	1.8	2.4	0.2	-0.1	0.7	-0.1	1.4	0.2
Mar.	117.4	2.1	1.9	2.5	0.4	0.1	0.6	0.1	2.4	0.3
Apr. [2]	.	2.1	.	.	.	.	.	.	.	.

	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 [1]	19.6	12.0	7.6	39.4	30.8	8.6	10.4	6.4	6.4	2.8	14.8	6.6
	11	12	13	14	15	16	17	18	19	20	21	22
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
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2004 Q1	3.0	3.5	2.2	0.2	0.7	-1.5	2.3	1.9	2.5	-1.0	2.4	4.9
Q2	2.9	3.9	1.5	1.7	0.9	4.8	2.3	1.8	3.0	-1.9	2.4	4.9
Q3	2.0	3.6	-0.3	2.0	0.8	6.3	2.5	2.0	2.8	-2.6	2.5	5.3
Q4	1.4	2.8	-0.7	2.4	0.8	8.5	2.6	2.1	3.0	-2.6	2.4	5.3
2005 Q1	1.6	2.3	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.4
2004 Nov.	1.0	2.3	-1.0	2.5	0.8	8.7	2.6	2.1	2.8	-2.6	2.4	5.4
Dec.	2.0	3.2	0.0	2.0	0.8	6.9	2.7	2.1	3.3	-2.6	2.4	5.4
2005 Jan.	1.5	2.8	-0.6	1.7	0.5	6.2	2.6	2.1	3.2	-2.4	2.3	3.5
Feb.	1.9	2.6	0.7	1.8	0.2	7.7	2.5	2.0	2.9	-1.8	2.3	3.5
Mar.	1.5	1.6	1.3	2.1	0.4	8.8	2.6	2.1	3.1	-1.5	2.5	3.4

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2005.

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

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 [1]		Oil prices [2] (EUR per barrel)
	Industry excluding construction									Construction [3]	Manufacturing			
	Total (index 2000 = 100)	Total	Industry excluding construction and energy						Energy			Total		
			Total	Intermediate goods	Capital goods	Consumer goods							Total excluding energy	
						Total	Durable	Non-durable						
% of total [4]	100.0	100.0	82.5	31.6	21.3	29.5	4.0	25.5	17.5		89.5	100.0	32.8	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	102.0	2.0	1.7	1.2	0.9	3.0	1.9	3.1	2.6	2.4	1.2	-8.3	-8.1	27.8
2002	101.9	-0.1	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.8	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	2.2	0.9	-4.0	-4.5	25.1
2004	105.7	2.3	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.7	2.5	18.4	10.8	30.5
2004 Q1	103.9	0.2	0.9	1.0	0.3	1.2	0.4	1.3	-2.6	1.8	0.2	-2.5	9.8	25.0
Q2	105.3	2.0	1.7	2.8	0.6	1.5	0.6	1.7	3.7	2.1	2.5	28.8	20.9	29.3
Q3	106.4	3.1	2.5	4.7	0.9	1.4	0.8	1.5	6.1	2.8	3.5	26.9	11.9	33.3
Q4	107.2	3.8	2.8	5.4	1.1	1.2	1.1	1.2	8.5	3.7	4.0	22.9	1.3	34.5
2005 Q1	108.2	4.1	2.8	5.0	1.6	1.2	1.4	1.1	10.0	.	3.8	22.9	1.9	36.6
2004 Nov.	107.3	3.7	2.7	5.5	1.1	1.0	1.2	0.9	8.3	-	3.9	21.0	0.4	34.5
Dec.	107.0	3.5	2.9	5.4	1.3	1.5	1.1	1.5	7.0	-	3.8	12.8	-0.2	30.0
2005 Jan.	107.7	3.9	2.9	5.5	1.6	1.3	1.3	1.3	8.4	-	3.7	20.7	3.1	33.6
Feb.	108.1	4.2	2.9	5.1	1.6	1.3	1.5	1.2	10.0	-	3.9	23.7	3.1	35.2
Mar.	108.8	4.2	2.5	4.5	1.7	0.9	1.4	0.8	11.5	-	3.8	24.1	-0.4	40.4
Apr.	.	.	.	.	.	.	.	.	.	-	.	22.2	-1.9	41.4

3. Hourly labour costs [5]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo item: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
	1	2	3	4	5	6	7	8
2001	103.6	3.7	3.9	3.0	3.5	4.0	3.3	2.6
2002	107.1	3.4	3.4	3.4	3.4	3.7	3.2	2.7
2003	110.2	2.7	2.6	3.2	2.6	3.4	2.9	2.4
2004	112.7	2.3	2.4	2.2	2.6	2.4	2.2	2.2
2003 Q4	111.1	2.1	2.0	2.6	1.9	2.5	2.5	2.2
2004 Q1	111.8	3.0	3.1	2.6	3.5	2.8	2.6	2.3
Q2	112.4	2.2	2.3	1.9	2.4	2.0	2.2	2.3
Q3	113.0	1.9	1.9	1.7	1.9	2.3	1.9	2.0
Q4	113.6	2.4	2.3	2.5	2.7	2.5	2.1	2.2

Sources: Eurostat, HWWA (columns 12 and 13), Thomson Financial Datastream (column 14), ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and column 7 in Table 3 in Section 5.1) and ECB calculations (column 8 in Table 3 in Section 5.1).

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

5.1 HICP, other prices and costs

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

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

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2001	102.5	2.5	3.9	2.4	3.2	0.8	3.4	2.7
2002	104.8	2.2	0.1	0.7	2.6	1.8	3.8	2.4
2003	106.9	2.0	3.9	1.1	3.8	1.9	1.4	3.0
2004	107.9	0.9	-5.9	-1.6	2.6	0.3	2.5	2.2
2003 Q4	107.2	1.6	1.4	0.0	3.7	2.0	1.6	2.3
2004 Q1	107.5	1.2	-6.0	-0.4	2.1	1.0	2.2	2.7
Q2	107.9	0.8	-7.7	-2.9	1.6	-0.5	2.2	3.2
Q3	107.9	0.5	-4.6	-2.7	4.0	0.5	3.2	1.0
Q4	108.4	1.1	-5.3	-0.2	2.6	0.0	2.3	1.8
	Compensation per employee							
2001	102.9	2.9	1.9	2.7	3.0	2.8	2.5	3.1
2002	105.5	2.6	3.0	2.5	2.9	2.6	2.1	2.8
2003	108.0	2.4	3.1	3.2	3.2	2.1	1.6	2.4
2004	110.4	2.2	0.2	2.3	2.7	1.9	1.1	3.1
2003 Q4	108.7	2.2	2.4	3.0	3.2	1.8	1.5	2.3
2004 Q1	109.7	2.5	-1.3	3.3	3.2	2.0	1.0	3.3
Q2	110.4	2.5	-0.8	2.3	2.2	1.5	1.1	4.4
Q3	110.5	1.8	2.8	1.6	2.9	2.1	1.5	2.0
Q4	111.0	2.0	0.0	1.9	2.4	1.9	0.9	2.9
	Labour productivity [2]							
2001	100.3	0.3	-1.9	0.3	-0.2	1.9	-0.9	0.4
2002	100.6	0.3	2.9	1.7	0.3	0.8	-1.6	0.4
2003	101.0	0.4	-0.8	2.1	-0.6	0.2	0.1	-0.6
2004	102.3	1.3	6.5	3.9	0.1	1.6	-1.3	0.9
2003 Q4	101.5	0.6	0.9	3.0	-0.5	-0.2	-0.1	0.0
2004 Q1	102.1	1.3	5.1	3.8	1.0	1.0	-1.2	0.6
Q2	102.3	1.7	7.4	5.4	0.7	2.0	-1.1	1.1
Q3	102.4	1.3	7.8	4.5	-1.0	1.6	-1.6	1.0
Q4	102.4	0.9	5.6	2.1	-0.2	1.9	-1.3	1.0

5. Gross Domestic Product deflators

	Total (index 2000 = 100)	Total	Domestic demand				Exports [3]	Imports [3]
			Total	Private consumption	Government consumption	Gross fixed capital formation		
	1	2	3	4	5	6	7	8
2001	102.4	2.4	2.2	2.3	2.4	2.0	1.4	0.8
2002	105.0	2.5	2.2	2.2	2.1	1.8	-0.4	-1.6
2003	107.2	2.1	1.9	2.0	2.2	1.3	-0.6	-1.3
2004	109.3	1.9	2.1	2.0	1.5	2.8	0.9	1.3
2003 Q4	108.0	2.0	1.7	1.9	1.7	1.3	-0.8	-1.9
2004 Q1	108.5	2.0	1.7	1.7	1.8	1.9	-1.1	-2.2
Q2	109.2	2.2	2.4	2.1	2.2	2.7	0.9	1.2
Q3	109.5	1.8	2.1	2.1	0.6	3.3	1.8	2.8
Q4	109.9	1.8	2.3	2.0	1.6	3.2	2.0	3.5

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 [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2001	6,850.3	6,728.2	3,927.5	1,373.4	1,442.1	-14.7	122.1	2,559.6	2,437.5
2002	7,086.0	6,897.9	4,041.8	1,445.8	1,431.0	-20.7	188.1	2,598.2	2,410.2
2003	7,272.2	7,111.1	4,166.0	1,500.7	1,442.9	1.5	161.1	2,594.4	2,433.3
2004	7,546.5	7,388.1	4,294.1	1,548.4	1,507.0	38.6	158.5	2,771.2	2,612.7
2003 Q4	1,841.1	1,798.0	1,050.0	379.0	366.4	2.6	43.1	656.6	613.6
2004 Q1	1,863.4	1,816.7	1,062.6	382.3	369.2	2.6	46.8	665.4	618.6
Q2	1,884.5	1,839.7	1,068.8	387.5	374.9	8.5	44.9	692.4	647.5
Q3	1,894.2	1,859.8	1,076.4	388.1	379.6	15.7	34.4	704.0	669.7
Q4	1,904.4	1,871.9	1,086.3	390.5	383.3	11.9	32.5	709.3	676.9
	percentage of GDP								
2004	100.0	97.9	56.9	20.5	20.0	0.5	2.1	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2003 Q4	0.4	0.9	0.0	0.5	1.2	-	-	0.7	2.0
2004 Q1	0.7	0.3	0.7	0.2	-0.2	-	-	1.4	0.3
Q2	0.5	0.3	0.0	0.3	0.5	-	-	3.1	2.9
Q3	0.3	0.9	0.1	0.6	0.5	-	-	1.0	2.6
Q4	0.2	0.3	0.6	0.2	0.6	-	-	0.3	0.7
	annual percentage changes								
2001	1.6	0.9	1.9	2.5	-0.3	-	-	3.3	1.6
2002	0.9	0.3	0.6	3.1	-2.6	-	-	1.9	0.4
2003	0.5	1.2	1.1	1.6	-0.4	-	-	0.4	2.2
2004	2.1	2.0	1.2	1.6	2.1	-	-	6.3	6.5
2003 Q4	0.8	1.5	0.6	1.5	0.4	-	-	0.5	2.3
2004 Q1	1.5	1.2	1.1	1.8	1.1	-	-	3.4	2.7
Q2	2.2	1.6	1.0	1.6	2.0	-	-	7.8	6.6
Q3	1.8	2.4	0.8	1.6	2.0	-	-	6.3	8.0
Q4	1.6	1.8	1.4	1.4	1.4	-	-	5.9	6.6
	contributions to annual percentage changes of GDP in percentage points								
2001	1.6	0.9	1.1	0.5	-0.1	-0.5	0.7	-	-
2002	0.9	0.3	0.4	0.6	-0.6	-0.1	0.6	-	-
2003	0.5	1.1	0.6	0.3	-0.1	0.3	-0.6	-	-
2004	2.1	2.0	0.7	0.3	0.4	0.5	0.1	-	-
2003 Q4	0.8	1.4	0.3	0.3	0.1	0.7	-0.6	-	-
2004 Q1	1.5	1.2	0.6	0.4	0.2	0.0	0.3	-	-
Q2	2.2	1.5	0.6	0.3	0.4	0.2	0.6	-	-
Q3	1.8	2.3	0.5	0.3	0.4	1.1	-0.5	-	-
Q4	1.6	1.7	0.8	0.3	0.3	0.4	-0.1	-	-

Source: Eurostat.
1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Table 1 in Section 7.3.
2) Including acquisitions less disposals of valuables.

2. Value added by economic activity

	Gross value added (basic prices)							Intermediate consumption of FISIM [1]	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
	Current prices (EUR billions, seasonally adjusted)								
2001	6,345.1	150.4	1,407.1	351.6	1,349.8	1,720.8	1,365.4	212.2	717.4
2002	6,565.8	147.8	1,431.4	364.5	1,391.0	1,796.3	1,434.9	222.7	742.9
2003	6,736.4	151.5	1,438.4	374.8	1,419.3	1,868.4	1,484.1	231.5	767.3
2004	6,990.2	151.9	1,494.2	393.7	1,457.5	1,957.8	1,535.1	243.4	799.7
2003 Q4	1,704.8	38.6	363.6	95.4	358.1	474.5	374.7	58.2	194.5
2004 Q1	1,725.0	38.2	367.1	96.5	360.9	481.4	380.9	59.8	198.2
Q2	1,747.8	38.2	374.2	98.3	364.3	487.9	384.9	61.3	198.1
Q3	1,754.1	37.6	376.5	98.6	365.9	492.3	383.2	60.5	200.6
Q4	1,763.4	38.0	376.3	100.3	366.4	496.3	386.1	61.7	202.7
	percentage of value added								
2004	100.0	2.2	21.4	5.6	20.9	28.0	22.0	-	-
	Constant prices (ECU billions at 1995 prices, seasonally adjusted)								
	quarter-on-quarter percentage changes								
2003 Q4	0.4	1.8	0.9	0.0	0.0	0.1	0.5	0.0	0.3
2004 Q1	0.7	3.7	0.8	0.5	1.0	0.3	0.6	1.0	0.7
Q2	0.7	1.2	1.0	0.3	0.9	0.7	0.4	1.1	-2.0
Q3	0.1	0.2	0.0	-0.6	0.4	-0.1	0.2	-0.5	1.6
Q4	0.2	0.3	-0.4	0.3	0.1	0.3	0.6	0.8	0.2
	annual percentage changes								
2001	1.9	-2.5	0.6	0.0	3.2	2.9	1.7	4.7	0.1
2002	1.0	0.6	0.3	-0.5	1.2	0.8	2.2	0.7	-0.4
2003	0.5	-3.3	0.0	-0.6	0.6	1.5	0.6	2.1	1.0
2004	2.2	5.5	2.9	0.9	2.7	1.5	1.8	2.1	0.5
2003 Q4	0.8	-1.2	0.9	-0.4	0.6	1.4	0.8	1.1	1.0
2004 Q1	1.5	3.1	1.3	0.7	1.7	1.3	1.5	1.6	2.2
Q2	2.5	6.0	3.7	0.7	2.7	1.8	1.8	2.8	-0.6
Q3	2.0	7.1	2.8	0.2	2.3	1.1	1.7	1.7	0.6
Q4	1.8	5.5	1.5	0.4	2.5	1.3	1.8	2.4	0.4
	contributions to annual percentage changes of value added in percentage points								
2001	1.9	-0.1	0.1	0.0	0.7	0.8	0.4	-	-
2002	1.0	0.0	0.1	0.0	0.3	0.2	0.5	-	-
2003	0.5	-0.1	0.0	0.0	0.1	0.4	0.1	-	-
2004	2.2	0.1	0.7	0.0	0.6	0.4	0.4	-	-
2003 Q4	0.8	0.0	0.2	0.0	0.1	0.4	0.2	-	-
2004 Q1	1.5	0.1	0.3	0.0	0.4	0.4	0.3	-	-
Q2	2.5	0.1	0.8	0.0	0.6	0.5	0.4	-	-
Q3	2.0	0.2	0.6	0.0	0.5	0.3	0.4	-	-
Q4	1.8	0.1	0.3	0.0	0.5	0.4	0.4	-	-

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 [1]	100.0	82.9	82.9	74.0	30.0	22.4	21.5	3.6	17.9	8.9	17.1	75.0
	1	2	3	4	5	6	7	8	9	10	11	12
2002	-0.3	99.9	-0.5	-0.7	-0.1	-1.7	-0.3	-5.5	0.7	1.1	0.7	-0.8
2003	0.2	100.1	0.3	-0.1	0.2	-0.1	-0.5	-4.6	0.2	3.0	0.0	0.0
2004	2.2	102.1	1.9	1.9	1.9	2.9	0.6	-0.1	0.7	2.4	0.2	2.0
2004 Q1	1.4	101.3	1.1	1.1	0.8	0.7	0.5	1.0	0.5	2.1	1.4	1.0
Q2	3.2	102.2	3.0	3.2	2.7	4.6	1.5	3.0	1.3	2.8	-0.1	3.3
Q3	2.9	102.5	2.8	2.9	2.9	5.0	0.4	-0.5	0.5	2.5	-0.1	3.0
Q4	1.1	102.2	1.0	0.5	1.1	1.5	-0.2	-3.5	0.4	2.3	-0.2	0.7
2004 Sep.	3.3	102.8	3.6	3.6	3.3	6.3	0.7	-1.3	1.1	4.5	-0.4	3.7
Oct.	1.3	102.3	1.2	1.1	1.3	4.5	-0.8	-2.4	-0.5	-1.0	-1.5	1.2
Nov.	-0.5	102.0	0.7	-0.2	0.8	0.7	-0.6	-4.3	0.1	3.5	-1.1	0.1
Dec.	2.7	102.3	1.1	0.6	1.2	-0.8	1.1	-3.8	1.9	4.3	2.3	0.7
2005 Jan.	.	102.7	2.0	2.6	3.3	2.7	1.5	-2.5	2.2	0.0	.	2.6
Feb.	.	102.1	0.5	0.0	0.1	0.9	-0.1	-4.3	0.7	2.2	.	0.1
	month-on-month percentage changes (s.a.)											
2004 Sep.	0.1	-	0.8	0.6	0.4	1.0	0.2	0.7	0.2	0.1	0.4	0.6
Oct.	-0.4	-	-0.6	-0.6	-0.3	0.0	-0.4	-0.4	-0.4	-1.4	-0.7	-0.7
Nov.	-0.8	-	-0.3	-0.6	0.0	-1.8	-0.2	-1.3	-0.1	0.5	0.3	-0.5
Dec.	1.6	-	0.3	0.5	0.5	-0.6	1.1	0.1	1.3	1.5	3.7	0.5
2005 Jan.	.	-	0.3	0.8	0.9	1.2	0.2	0.7	0.1	-2.3	.	0.6
Feb.	.	-	-0.5	-1.1	-1.5	-0.8	-0.8	-0.6	-0.8	4.1	.	-1.1

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a.) thousands [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	98.0	-0.5	101.4	-0.6	1.9	101.7	0.1	0.9	-0.5	-1.7	-1.9	925	-4.4
2003	98.2	0.3	101.0	-0.3	1.8	102.1	0.3	1.1	-0.3	-2.8	0.2	911	-1.5
2004	106.1	8.4	105.9	4.9	1.0	102.2	0.1	-0.2	0.2	-0.3	1.7	921	1.0
2004 Q2	107.4	12.0	106.0	6.3	1.1	102.2	-0.1	-0.4	0.2	-0.3	2.3	927	3.0
Q3	105.4	7.6	106.5	5.7	0.9	102.1	0.0	-0.8	0.6	0.7	1.8	903	-3.5
Q4	110.3	10.1	107.1	5.2	0.9	102.2	0.1	0.1	-0.1	0.2	0.7	942	3.6
2005 Q1	.	.	.	.	.	.	.	.	.	.	.	919	0.4
2004 Oct.	106.3	0.3	104.6	1.6	0.1	102.2	-0.6	-1.0	-0.4	-1.7	0.7	947	3.9
Nov.	108.1	13.3	108.3	8.4	1.3	102.2	0.6	0.4	0.5	2.5	0.9	953	4.8
Dec.	116.6	17.0	108.6	5.7	1.1	102.2	0.5	0.8	0.0	0.3	1.1	925	1.8
2005 Jan.	108.6	6.8	106.1	5.1	0.7	102.6	-0.7	-0.9	0.1	-1.9	-1.4	920	1.4
Feb.	106.0	3.3	107.1	3.6	1.9	102.7	0.8	1.5	0.5	-0.9	0.6	908	-2.2
Mar.	.	.	.	.	.	.	.	.	.	.	.	928	1.7
	month-on-month percentage changes (s.a.)												
2004 Oct.	-	0.1	-	-3.3	0.2	-	0.4	0.4	0.2	1.3	-0.1	-	2.2
Nov.	-	1.6	-	3.5	0.5	-	0.0	0.5	-0.3	-0.1	-0.6	-	0.6
Dec.	-	7.9	-	0.3	-0.2	-	0.0	0.0	0.1	-0.5	0.5	-	-2.9
2005 Jan.	-	-6.9	-	-2.3	0.5	-	0.4	-0.1	0.9	0.9	-0.2	-	-0.6
Feb.	-	-2.3	-	1.0	0.2	-	0.2	0.5	-0.4	-0.8	0.7	-	-1.3
Mar.	-	.	-	.	.	-	.	.	.	.	.	-	2.2

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).

1) In 2000.

2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator [3]				
		Industrial confidence indicator				Capacity utilisation [4] (percentages)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2001	100.9	-9	-15	13	1	82.8	-5	2	-9	14	2
2002	94.4	-11	-25	11	3	81.3	-11	-1	-12	26	-3
2003	93.5	-10	-25	10	3	81.1	-18	-5	-21	38	-9
2004	100.0	-5	-15	8	10	81.7	-14	-4	-14	30	-8
2004 Q1	98.6	-7	-21	10	10	81.1	-14	-4	-13	30	-9
Q2	99.9	-5	-17	8	10	81.6	-14	-3	-15	32	-8
Q3	100.6	-4	-12	7	9	82.1	-14	-4	-14	29	-8
Q4	100.9	-3	-12	8	10	82.0	-13	-3	-13	29	-6
2005 Q1	99.0	-6	-15	11	6	81.4	-13	-3	-13	29	-8
2004 Nov.	100.9	-3	-12	8	10	-	-13	-4	-14	29	-5
Dec.	100.2	-4	-12	9	9	-	-13	-3	-13	29	-6
2005 Jan.	100.8	-5	-11	9	7	81.9	-13	-3	-13	28	-7
Feb.	98.8	-6	-15	10	6	-	-13	-2	-13	30	-8
Mar.	97.5	-8	-17	12	6	-	-14	-3	-13	31	-9
Apr.	96.5	-9	-19	13	5	80.9	-13	-3	-14	29	-8

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2001	-10	-16	-4	-8	-5	17	-1	15	16	8	20
2002	-19	-26	-11	-16	-20	18	-12	1	-4	-6	13
2003	-20	-27	-13	-11	-15	17	-2	2	-6	1	12
2004	-16	-24	-8	-8	-12	14	2	12	7	10	18
2004 Q1	-19	-28	-9	-8	-12	15	1	11	8	6	20
Q2	-16	-23	-9	-8	-10	15	2	11	6	12	17
Q3	-15	-24	-7	-8	-10	14	0	12	8	11	17
Q4	-14	-21	-6	-8	-14	13	3	11	8	9	16
2005 Q1	-13	-18	-9	-8	-12	12	1	11	6	7	18
2004 Nov.	-14	-20	-7	-10	-17	12	-1	11	8	8	17
Dec.	-13	-21	-6	-7	-12	12	2	10	8	8	14
2005 Jan.	-13	-19	-7	-6	-8	11	1	13	12	9	18
Feb.	-14	-18	-10	-8	-14	13	2	10	6	5	18
Mar.	-13	-17	-9	-10	-15	13	-1	9	1	7	19
Apr.	-14	-20	-7	-8	-11	14	1	8	1	6	17

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period from January 1985.
3) Owing to changes in the questionnaire used for the French survey, euro area results from January 2004 onwards are not fully comparable with previous results.
4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
5) The confidence indicators are calculated as simple averages of the components shown; the assessment of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing, and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	84.3	15.7	4.6	18.4	7.1	25.1	14.9	30.1
	1	2	3	4	5	6	7	8	9	10
2001	133.570	1.3	1.6	0.2	-0.4	0.3	0.5	1.4	3.8	1.4
2002	134.350	0.6	0.7	-0.1	-2.0	-1.4	-0.6	0.4	2.5	1.8
2003	134.589	0.2	0.2	0.1	-2.3	-1.9	0.0	0.5	1.3	1.2
2004	135.292	0.5	0.3	1.5	-0.7	-1.6	1.1	0.6	2.8	0.7
2003 Q4	134.552	0.2	0.1	0.4	-1.8	-2.1	-0.1	0.9	1.2	0.9
2004 Q1	134.681	0.3	0.2	0.8	-1.8	-2.4	-0.4	0.8	2.7	0.8
Q2	135.024	0.5	0.3	1.5	-1.1	-1.7	0.1	0.7	3.1	0.6
Q3	135.266	0.6	0.3	2.0	-0.2	-1.7	2.2	0.4	2.8	0.7
Q4	135.472	0.8	0.7	1.6	0.4	-0.6	2.6	0.5	2.6	0.8
	quarter-on-quarter changes (s.a.)									
2003 Q4	0.012	0.0	0.0	0.1	-0.5	-0.6	0.1	0.1	0.5	0.2
2004 Q1	0.129	0.1	0.2	-0.5	-0.5	-0.7	-0.2	0.0	1.2	0.3
Q2	0.343	0.3	0.1	0.9	0.0	0.2	0.5	0.3	0.5	0.2
Q3	0.242	0.2	0.0	1.4	0.4	-0.5	0.9	0.3	0.6	0.1
Q4	0.206	0.2	0.2	0.0	0.0	0.4	-0.5	0.0	0.4	0.2

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		75.7		24.3		47.8		52.2	
	1	2	3	4	5	6	7	8	9	10
2001	10.955	7.8	8.057	6.6	2.898	16.1	5.005	6.3	5.950	9.9
2002	11.661	8.2	8.675	7.0	2.986	16.7	5.465	6.8	6.195	10.1
2003	12.400	8.7	9.324	7.4	3.076	17.6	5.901	7.3	6.499	10.4
2004	12.706	8.8	9.622	7.6	3.084	17.9	6.078	7.5	6.628	10.5
2004 Q1	12.691	8.8	9.545	7.6	3.146	18.1	6.054	7.5	6.637	10.6
Q2	12.733	8.9	9.600	7.6	3.133	18.1	6.064	7.5	6.669	10.6
Q3	12.715	8.8	9.658	7.6	3.057	17.8	6.041	7.5	6.674	10.6
Q4	12.691	8.8	9.684	7.6	3.007	17.7	6.164	7.6	6.527	10.3
2005 Q1	12.769	8.8	9.519	7.5	3.250	18.9	6.112	7.5	6.657	10.5
2004 Oct.	12.780	8.8	9.752	7.7	3.029	17.8	6.229	7.7	6.552	10.4
Nov.	12.636	8.8	9.711	7.6	2.925	17.3	6.212	7.7	6.424	10.2
Dec.	12.656	8.8	9.589	7.5	3.067	17.9	6.051	7.5	6.605	10.4
2005 Jan.	12.722	8.8	9.501	7.5	3.221	18.7	6.148	7.6	6.574	10.4
Feb.	12.782	8.8	9.573	7.5	3.209	18.6	6.054	7.5	6.729	10.6
Mar.	12.803	8.9	9.484	7.5	3.319	19.2	6.134	7.6	6.669	10.5

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

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2004.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			Direct taxes			Indirect taxes		Social contributions			Sales		Capital taxes	
				Households	Corporations		Received by EU institutions		Employers	Employees				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	47.3	46.9	11.8	9.1	2.3	13.3	0.8	17.4	8.6	5.5	2.4	0.4	0.3	42.8
1997	47.6	47.1	12.0	9.1	2.6	13.5	0.7	17.4	8.6	5.5	2.4	0.5	0.4	43.2
1998	47.1	46.8	12.3	9.6	2.3	14.1	0.7	16.3	8.4	4.9	2.3	0.3	0.3	43.0
1999	47.6	47.3	12.7	9.8	2.6	14.3	0.6	16.3	8.4	4.9	2.3	0.3	0.3	43.6
2000	47.3	47.0	12.9	9.9	2.7	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.4
2001	46.6	46.3	12.5	9.7	2.5	13.8	0.6	15.9	8.3	4.8	2.2	0.3	0.3	42.5
2002	46.0	45.7	12.1	9.5	2.3	13.8	0.4	15.9	8.3	4.7	2.3	0.3	0.3	42.1
2003	46.2	45.4	11.7	9.3	2.1	13.8	0.4	16.1	8.4	4.8	2.3	0.7	0.6	42.2
2004	45.7	45.2	11.6	9.0	2.3	13.9	0.4	15.9	8.3	4.7	2.2	0.5	0.4	41.9

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	51.6	47.8	11.1	4.8	5.7	26.1	23.0	2.2	0.6	3.8	2.6	1.3	0.0	45.9
1997	50.2	46.6	11.0	4.8	5.1	25.8	22.9	2.1	0.6	3.6	2.4	1.2	0.1	45.1
1998	49.4	45.6	10.7	4.7	4.7	25.5	22.5	2.1	0.5	3.8	2.4	1.3	0.1	44.6
1999	48.9	45.0	10.6	4.8	4.1	25.4	22.4	2.0	0.5	3.9	2.5	1.4	0.1	44.7
2000	48.3	44.4	10.5	4.8	4.0	25.1	22.1	1.9	0.5	3.8	2.5	1.3	0.1	44.3
2001	48.4	44.4	10.5	4.8	3.9	25.2	22.2	1.9	0.5	4.0	2.6	1.4	0.0	44.5
2002	48.5	44.6	10.6	4.9	3.6	25.5	22.6	1.9	0.5	3.9	2.5	1.4	0.0	44.9
2003	49.0	45.0	10.7	5.0	3.4	25.9	23.1	1.8	0.5	4.0	2.6	1.4	0.1	45.6
2004	48.5	44.5	10.6	4.9	3.3	25.7	22.9	1.8	0.5	4.0	2.6	1.4	0.1	45.2

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	-4.3	-3.7	-0.4	0.0	-0.1	1.4	20.4	11.1	4.8	5.0	1.9	2.4	8.6	11.8
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.2	11.0	4.8	5.0	1.8	2.4	8.5	11.7
1998	-2.3	-2.2	-0.2	0.1	0.1	2.4	19.9	10.7	4.7	5.0	1.8	2.3	8.3	11.6
1999	-1.3	-1.7	-0.1	0.1	0.4	2.8	19.9	10.6	4.8	5.0	1.8	2.3	8.3	11.6
2000	-1.0	-1.4	-0.1	0.1	0.5	3.1	19.9	10.5	4.8	5.0	1.8	2.3	8.3	11.6
2001	-1.8	-1.6	-0.4	0.0	0.3	2.1	20.0	10.5	4.8	5.1	1.8	2.2	8.3	11.8
2002	-2.5	-2.0	-0.5	-0.2	0.2	1.1	20.4	10.6	4.9	5.3	1.8	2.3	8.4	12.0
2003	-2.9	-2.3	-0.4	-0.1	0.0	0.6	20.7	10.7	5.0	5.4	1.8	2.3	8.4	12.2
2004	-2.7	-2.3	-0.4	-0.2	0.2	0.5	20.5	10.6	4.9	5.3	1.8	2.2	8.3	12.2

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

	BE	DE	GR	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11	12
2001	0.6	-2.8	-3.6	-0.5	-1.5	0.9	-3.0	6.2	-0.1	0.3	-4.4	5.2
2002	0.1	-3.7	-4.1	-0.3	-3.2	-0.4	-2.6	2.3	-1.9	-0.2	-2.7	4.3
2003	0.4	-3.8	-5.2	0.3	-4.2	0.2	-2.9	0.5	-3.2	-1.1	-2.9	2.5
2004	0.1	-3.7	-6.1	-0.3	-3.7	1.3	-3.0	-1.1	-2.5	-1.3	-2.9	2.1

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

1) Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.1% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.

2) The fiscal burden comprises taxes and social contributions.

3) Comprises total expenditure minus interest expenditure.

4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.

5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1995	74.5	2.8	17.7	8.0	46.0	58.9	30.9	10.8	17.2	15.5
1996	75.8	2.8	17.2	8.0	47.8	59.4	30.6	12.6	16.2	16.4
1997	74.9	2.8	16.2	6.6	49.4	57.1	28.9	14.1	14.1	17.9
1998	73.4	2.7	15.0	5.7	49.9	53.5	26.9	15.0	11.5	19.9
1999	72.5	2.9	14.2	4.3	51.2	49.5	26.4	11.4	11.7	23.1
2000	70.2	2.7	13.2	3.7	50.7	45.0	23.4	10.3	11.3	25.3
2001	69.2	2.7	12.5	3.9	50.1	42.9	22.0	9.7	11.2	26.2
2002	69.1	2.7	11.8	4.6	50.0	40.4	20.5	8.7	11.3	28.7
2003	70.5	2.0	12.4	5.0	51.1	39.9	21.0	9.4	9.6	30.5
2004	70.9	2.1	11.9	4.8	52.0	39.4	20.2	9.6	9.5	31.6

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1995	74.5	62.2	5.6	5.9	0.8	13.0	61.5	6.2	18.7	26.8	28.9	72.2	2.2
1996	75.8	63.5	5.9	5.8	0.5	12.4	63.4	5.9	20.2	26.2	29.4	73.6	2.2
1997	74.9	62.8	6.1	5.4	0.6	11.1	63.9	5.5	19.5	26.0	29.4	72.7	2.2
1998	73.4	61.6	6.1	5.3	0.4	9.3	64.1	5.8	16.8	27.1	29.5	71.3	2.1
1999	72.5	61.0	6.1	5.2	0.3	9.1	63.4	4.0	15.2	28.0	29.4	70.6	2.0
2000	70.2	59.0	6.0	5.0	0.3	8.2	62.1	3.5	15.1	28.5	26.6	68.5	1.8
2001	69.2	57.9	6.2	4.8	0.3	8.6	60.6	2.1	15.7	26.7	26.8	67.7	1.5
2002	69.1	57.6	6.4	4.8	0.3	8.9	60.2	1.9	16.6	25.5	27.1	67.8	1.4
2003	70.5	58.0	6.7	5.2	0.6	8.9	61.5	1.8	15.4	26.6	28.4	69.4	1.0
2004	70.9	58.4	6.8	5.3	0.4	9.9	61.1	0.8	15.6	27.3	28.1	70.0	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
2001	108.0	59.4	114.8	57.8	57.0	35.8	110.7	7.2	52.9	67.1	55.9	43.8
2002	105.4	60.9	112.2	55.0	59.0	32.6	108.0	7.5	52.6	66.7	58.5	42.5
2003	100.0	64.2	109.3	51.4	63.9	32.0	106.3	7.1	54.3	65.4	60.1	45.3
2004	95.6	66.0	110.5	48.9	65.6	29.9	105.8	7.5	55.7	65.2	61.9	45.1

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

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

6.3 Change in debt [1]

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Aggregation effect [5]	Coins and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6]	MFIs	Other financial corporations	Other creditors [7]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1996	3.9	4.4	-0.2	0.0	-0.4	0.1	0.1	0.2	3.4	2.5	0.7	2.1	1.4
1997	2.0	2.4	0.2	-0.4	-0.2	0.0	-0.3	-1.1	3.4	-0.1	-0.6	1.9	2.1
1998	1.7	2.0	-0.2	0.0	-0.1	0.1	-0.5	-0.6	2.7	-1.1	-0.7	1.6	2.8
1999	1.9	1.5	0.4	0.0	-0.1	0.2	-0.3	-1.2	3.2	-2.0	0.5	-3.1	3.9
2000	1.1	1.0	0.1	0.0	0.0	0.0	-0.3	-0.4	1.9	-2.2	-1.8	-0.5	3.3
2001	1.8	1.7	0.0	0.1	0.0	0.1	-0.1	0.4	1.4	-0.2	-0.5	-0.2	2.0
2002	2.2	2.5	-0.4	0.1	0.0	0.1	-0.2	0.8	1.6	-1.1	-0.8	-0.7	3.3
2003	3.1	3.2	-0.1	0.0	0.0	-0.6	0.9	0.5	2.3	0.5	1.0	0.9	2.5
2004	3.1	3.3	0.0	-0.1	0.0	0.3	0.0	0.1	2.8	1.0	0.0	0.6	2.2

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8]	Deficit-debt adjustment [9]											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other [10]
				Total	Currency and deposits	Securities [11]	Loans	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1996	3.9	-4.3	-0.4	-0.1	0.0	0.0	-0.1	-0.1	-0.2	0.2	-0.2	-0.2	0.0	-0.2
1997	2.0	-2.6	-0.6	-0.5	0.1	-0.1	0.0	-0.5	-0.7	0.2	0.2	0.2	-0.4	0.0
1998	1.7	-2.3	-0.6	-0.5	0.1	0.0	-0.1	-0.6	-0.8	0.3	-0.2	0.0	0.0	0.0
1999	1.9	-1.3	0.6	-0.1	0.5	0.0	0.1	-0.7	-0.8	0.1	0.4	0.3	0.0	0.3
2000	1.1	0.1	1.2	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.1	0.1	0.0	0.0
2001	1.8	-1.7	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.2	0.0	0.0	0.1	0.4
2002	2.2	-2.5	-0.3	0.0	0.0	0.0	0.0	0.0	-0.4	0.2	-0.4	0.0	0.1	0.0
2003	3.1	-2.9	0.2	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.1	-0.1	0.0	0.3
2004	3.1	-2.7	0.4	0.2	0.2	0.1	0.0	-0.1	-0.2	0.1	0.0	0.0	-0.1	0.4

Source: ECB.

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

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
1999 Q1	44.1	43.6	10.8	13.3	16.0	2.0	0.7	0.5	0.3	40.3
Q2	48.3	47.8	13.7	13.6	16.2	2.2	1.3	0.5	0.3	43.7
Q3	45.2	44.7	11.9	13.1	16.1	2.1	0.7	0.5	0.3	41.3
Q4	52.1	51.4	14.5	14.9	17.1	3.1	0.8	0.7	0.3	46.8
2000 Q1	44.0	43.5	11.2	13.2	15.7	1.9	0.7	0.5	0.3	40.4
Q2	48.3	47.7	14.1	13.6	16.0	2.1	1.1	0.6	0.3	44.0
Q3	44.9	44.5	12.1	12.8	16.0	2.0	0.8	0.4	0.3	41.1
Q4	51.3	50.7	14.3	14.5	17.0	3.1	0.9	0.5	0.3	46.1
2001 Q1	43.0	42.6	10.7	12.9	15.5	1.8	0.8	0.4	0.2	39.4
Q2	47.7	47.2	13.8	13.2	15.9	2.0	1.5	0.4	0.2	43.0
Q3	44.4	43.9	11.9	12.5	15.8	1.9	0.8	0.4	0.3	40.6
Q4	50.7	50.1	13.9	14.3	16.8	3.2	0.9	0.6	0.3	45.3
2002 Q1	42.7	42.2	10.4	13.0	15.7	1.7	0.7	0.4	0.2	39.3
Q2	46.4	45.8	12.8	12.9	15.8	2.0	1.5	0.6	0.4	41.9
Q3	44.4	44.0	11.5	13.0	15.8	2.0	0.7	0.4	0.3	40.5
Q4	50.7	50.1	13.8	14.6	16.7	3.2	0.8	0.6	0.3	45.5
2003 Q1	42.7	42.2	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	1.3	42.8
Q3	43.9	43.4	11.1	12.9	15.9	2.0	0.6	0.5	0.3	40.2
Q4	51.2	50.0	13.5	14.8	16.7	3.1	0.8	1.2	0.4	45.4
2004 Q1	42.6	42.1	9.8	13.2	15.7	1.7	0.6	0.5	0.3	39.0
Q2	46.2	45.3	12.4	13.2	15.7	2.1	0.9	0.9	0.7	42.0
Q3	43.8	43.4	10.9	12.9	15.7	2.0	0.6	0.5	0.3	39.9
Q4	51.4	50.3	13.4	15.0	16.7	3.1	0.7	1.1	0.5	45.7

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999 Q1	47.8	44.5	10.5	4.3	4.7	25.0	21.8	1.3	3.3	1.9	1.3	-3.6	1.0
Q2	47.9	44.3	10.6	4.5	4.3	24.8	21.6	1.5	3.6	2.4	1.2	0.4	4.7
Q3	47.7	44.1	10.3	4.5	4.2	25.1	21.6	1.6	3.7	2.5	1.1	-2.5	1.6
Q4	51.7	46.9	11.2	5.3	3.9	26.5	22.9	1.7	4.8	3.1	1.7	0.3	4.2
2000 Q1	46.6	43.3	10.3	4.4	4.3	24.2	21.2	1.2	3.3	2.0	1.4	-2.6	1.7
Q2	47.1	43.6	10.5	4.6	4.0	24.5	21.3	1.4	3.4	2.4	1.1	1.2	5.3
Q3	43.7	43.4	10.2	4.5	4.1	24.5	21.4	1.5	0.3	2.5	1.1	1.2	5.3
Q4	50.8	46.9	11.2	5.3	3.9	26.5	22.7	1.6	3.9	3.2	1.5	0.4	4.3
2001 Q1	46.0	42.6	10.2	4.1	4.1	24.1	21.2	1.2	3.4	2.0	1.5	-2.9	1.2
Q2	47.2	43.6	10.5	4.7	4.0	24.5	21.3	1.4	3.5	2.4	1.1	0.5	4.5
Q3	47.1	43.3	10.1	4.6	4.0	24.6	21.4	1.5	3.8	2.5	1.2	-2.7	1.3
Q4	52.5	47.4	11.3	5.6	3.8	26.7	23.0	1.6	5.1	3.2	1.8	-1.8	1.9
2002 Q1	46.5	43.1	10.5	4.2	3.8	24.6	21.6	1.2	3.5	2.0	1.5	-3.9	0.0
Q2	47.5	44.1	10.5	4.9	3.7	24.9	21.7	1.3	3.5	2.4	1.1	-1.1	2.6
Q3	47.7	44.0	10.2	4.7	3.7	25.4	21.9	1.4	3.8	2.6	1.2	-3.3	0.4
Q4	52.4	47.8	11.4	5.7	3.5	27.2	23.6	1.5	4.6	2.9	1.6	-1.7	1.9
2003 Q1	47.1	43.6	10.5	4.3	3.7	25.1	22.0	1.1	3.5	2.0	1.5	-4.4	-0.8
Q2	48.4	44.8	10.7	4.8	3.6	25.9	22.4	1.4	3.6	2.4	1.2	-1.3	2.3
Q3	48.0	44.3	10.4	4.7	3.4	25.7	22.2	1.4	3.7	2.6	1.1	-4.1	-0.7
Q4	52.9	47.9	11.3	5.8	3.3	27.6	23.8	1.5	4.9	3.3	1.6	-1.7	1.6
2004 Q1	47.2	43.8	10.5	4.4	3.4	25.5	22.0	1.0	3.4	2.0	1.4	-4.6	-1.2
Q2	47.9	44.5	10.6	4.8	3.3	25.7	22.1	1.3	3.4	2.4	1.0	-1.7	1.6
Q3	47.3	43.9	10.1	4.5	3.3	25.8	22.2	1.3	3.5	2.5	0.9	-3.5	-0.2
Q4	52.7	47.5	11.2	5.8	3.2	27.4	23.6	1.4	5.2	3.2	1.9	-1.3	1.9

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.

7 EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments

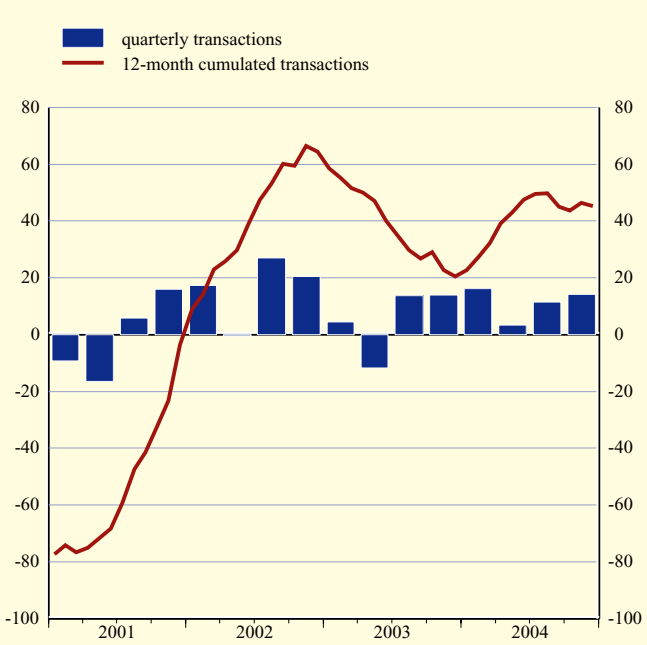
(EUR billions; net transactions)

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
2002	64.5	128.5	16.4	-31.9	-48.6	10.2	74.6	-43.9	0.6	127.8	-11.0	-159.1	-2.3	-30.7
2003	20.4	102.7	19.7	-45.8	-56.1	13.1	33.5	-5.9	5.4	43.4	-12.2	-72.5	30.0	-27.6
2004	45.2	103.4	27.2	-29.8	-55.6	17.2	62.5	24.5	-47.9	68.6	-2.0	-6.6	12.4	-86.9
2003 Q4	14.0	28.8	6.0	-8.0	-12.7	7.5	21.5	-3.9	-8.0	12.9	-3.6	-18.9	13.6	-17.6
2004 Q1	16.2	27.7	1.8	-6.4	-7.0	3.4	19.6	5.5	-23.0	11.3	5.3	2.6	9.3	-25.1
Q2	3.4	31.4	10.4	-21.7	-16.7	4.0	7.4	11.3	-12.1	27.0	-1.2	0.4	-2.8	-18.6
Q3	11.4	23.5	8.8	-3.0	-18.0	4.1	15.5	3.1	1.1	7.2	-1.0	-7.7	3.5	-18.6
Q4	14.3	20.8	6.2	1.2	-13.9	5.7	20.0	4.6	-14.0	23.1	-5.1	-2.0	2.5	-24.6
2004 Feb.	6.0	9.5	1.1	0.1	-4.7	2.1	8.1	22.4	8.9	15.8	1.3	-12.2	8.6	-30.5
Mar.	7.9	13.4	1.4	-2.9	-4.0	1.1	9.1	-3.5	-22.4	-1.0	2.3	13.9	3.7	-5.6
Apr.	-1.8	9.7	2.2	-9.6	-4.1	0.8	-1.0	-15.6	-2.0	-5.8	-2.7	-2.4	-2.6	16.6
May	0.5	10.2	4.2	-7.9	-6.0	2.3	2.9	15.7	0.0	1.2	-0.3	14.2	0.7	-18.6
June	4.7	11.5	3.9	-4.2	-6.6	0.9	5.5	11.1	-10.1	31.6	1.8	-11.3	-0.8	-16.7
July	8.3	13.5	3.7	-2.5	-6.4	1.3	9.6	-17.6	-7.2	-40.6	0.6	29.4	0.2	8.0
Aug.	3.3	5.2	2.6	0.8	-5.3	1.6	4.9	6.3	5.1	2.5	-4.2	-0.9	3.8	-11.2
Sep.	-0.1	4.9	2.5	-1.2	-6.3	1.1	1.0	14.4	3.3	45.3	2.5	-36.2	-0.5	-15.4
Oct.	3.5	8.9	3.8	-3.6	-5.6	0.6	4.2	-30.1	-12.6	-2.2	-4.1	-12.1	0.9	25.9
Nov.	5.3	4.6	1.6	3.5	-4.4	1.0	6.3	25.2	-6.4	-13.0	1.4	43.2	-0.1	-31.5
Dec.	5.5	7.3	0.8	1.4	-4.0	4.1	9.6	9.4	5.1	38.3	-2.4	-33.1	1.6	-19.0
2005 Jan.	-7.2	0.2	0.5	-4.7	-3.2	-0.8	-8.0	25.9	-11.4	-17.1	-3.8	59.7	-1.6	-17.8
Feb.	8.0	6.1	0.6	3.4	-2.2	1.1	9.1	21.6	-4.6	22.6	-0.4	-1.0	5.0	-30.7
	12-month cumulated transactions													
2005 Feb.	37.8	95.6	27.9	-27.7	-58.0	15.2	53.0	62.9	-63.3	61.8	-9.3	63.3	10.3	-115.9

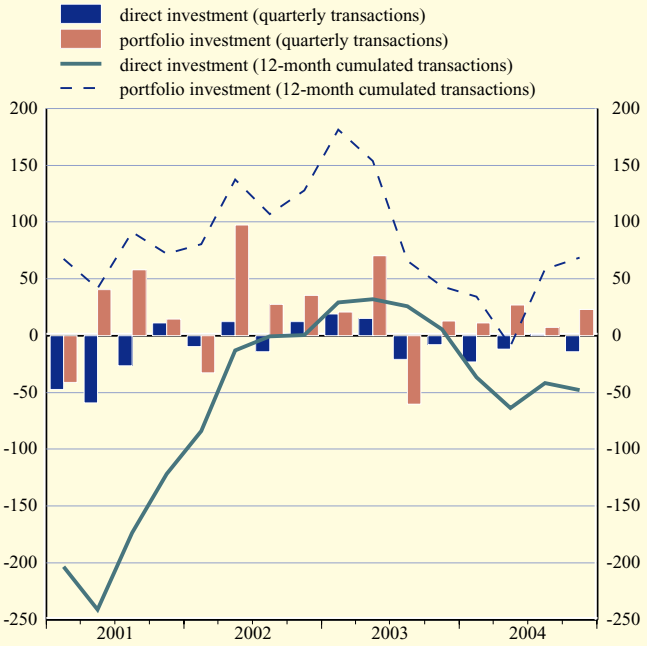
C26 B.o.p. current account balance

(EUR billions)



C27 B.o.p. net direct and portfolio investment

(EUR billions)



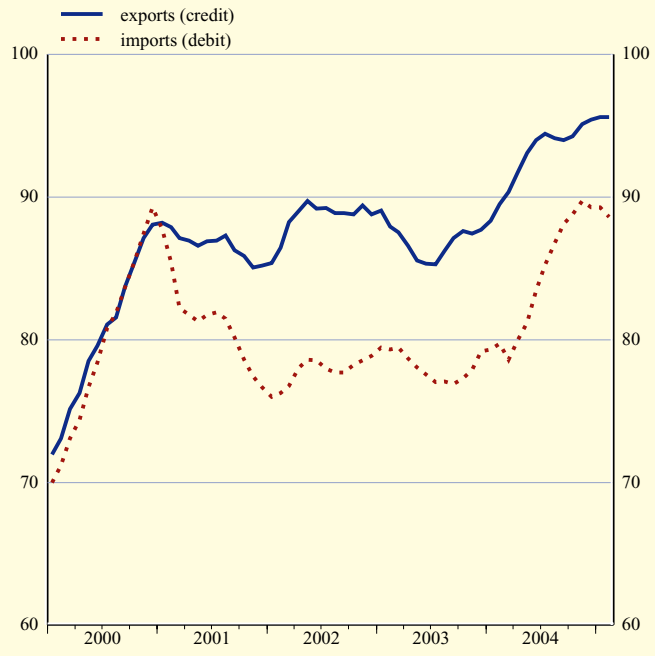
Source: ECB.

7.1 Balance of payments
(EUR billions; transactions)

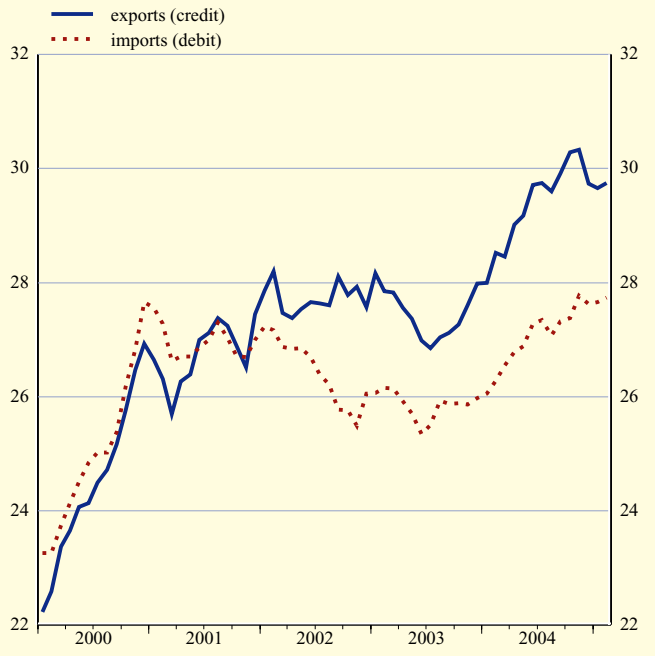
2. Current and capital accounts

	Current account											Capital account	
	Total			Goods		Services		Income		Current transfers			
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13
2002	1,726.9	1,662.4	64.5	1,062.1	933.6	332.1	315.7	247.3	279.2	85.4	133.9	19.2	9.0
2003	1,675.4	1,655.0	20.4	1,039.7	937.0	329.3	309.6	225.6	271.5	80.8	137.0	23.3	10.1
2004	1,818.1	1,772.8	45.2	1,130.0	1,026.6	355.1	327.9	252.8	282.6	80.2	135.8	23.3	6.1
2003 Q4	436.0	422.0	14.0	272.2	243.3	85.9	79.9	58.8	66.8	19.2	31.9	9.3	1.9
2004 Q1	431.0	414.8	16.2	266.1	238.4	77.2	75.4	56.1	62.5	31.5	38.5	5.0	1.6
Q2	455.9	452.5	3.4	285.0	253.6	89.8	79.4	66.0	87.7	15.0	31.7	5.3	1.3
Q3	451.7	440.3	11.4	279.6	256.1	96.4	87.5	60.3	63.3	15.4	33.4	5.6	1.6
Q4	479.5	465.2	14.3	299.2	278.4	91.7	85.6	70.3	69.1	18.2	32.2	7.3	1.6
2004 Dec.	163.6	158.1	5.5	97.8	90.5	31.6	30.8	25.9	24.5	8.3	12.3	4.9	0.8
2005 Jan.	150.2	157.5	-7.2	87.3	87.0	26.5	26.0	18.9	23.6	17.6	20.8	1.6	2.4
Feb.	147.4	139.4	8.0	91.0	84.9	25.7	25.1	22.9	19.5	7.7	9.9	1.5	0.4
	Seasonally adjusted												
2003 Q4	425.1	417.1	8.0	263.2	237.6	84.0	77.9	56.8	68.9	21.2	32.7	.	.
2004 Q1	435.5	421.1	14.4	271.1	235.8	85.4	79.6	59.4	69.9	19.7	35.8	.	.
Q2	452.4	435.7	16.7	281.9	250.3	89.1	81.8	61.4	71.2	20.0	32.4	.	.
Q3	454.6	450.7	3.9	282.0	264.4	89.7	82.0	63.3	69.5	19.6	34.9	.	.
Q4	463.4	456.2	7.2	286.3	267.9	89.2	82.9	68.0	71.7	19.9	33.7	.	.
2004 June	151.4	147.6	3.8	94.0	84.6	29.6	27.5	20.7	23.8	7.0	11.6	.	.
July	151.0	148.5	2.5	94.8	87.5	29.4	27.2	20.7	22.5	6.0	11.3	.	.
Aug.	151.0	149.8	1.2	93.4	88.2	29.8	26.6	20.9	22.9	6.9	12.1	.	.
Sep.	152.6	152.3	0.3	93.7	88.6	30.6	28.2	21.7	24.0	6.6	11.5	.	.
Oct.	154.8	151.0	3.8	95.6	89.5	30.5	27.4	22.1	23.6	6.5	10.6	.	.
Nov.	156.6	154.1	2.5	95.9	91.1	29.9	27.7	24.1	24.3	6.6	11.0	.	.
Dec.	152.0	151.0	0.9	94.7	87.3	28.8	27.8	21.7	23.8	6.8	12.1	.	.
2005 Jan.	155.6	157.3	-1.8	96.2	89.4	30.3	27.5	22.2	26.0	6.9	14.4	.	.
Feb.	156.9	151.8	5.1	96.0	89.0	30.2	28.0	23.9	24.0	6.9	10.9	.	.

C28 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



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



Source: ECB.

7.1 Balance of payments
(EUR billions)

3. Income account
(transactions)

	Compensation of employees		Investment income											
			Total		Direct investment				Portfolio investment				Other investment	
					Equity		Debt		Equity		Debt			
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	14.9	6.2	232.4	273.0	56.4	51.8	7.6	7.1	19.8	52.3	65.6	71.0	83.0	90.8
2003	14.5	6.3	211.1	265.2	47.9	53.7	10.3	9.6	19.0	50.0	64.6	76.7	69.3	75.2
2004	15.1	6.3	237.8	276.3	65.7	57.4	11.8	11.4	23.8	56.6	73.9	79.3	62.6	71.6
2003 Q4	3.8	1.6	54.9	65.2	14.8	13.3	3.0	2.6	4.7	9.7	16.5	20.8	15.9	18.8
2004 Q1	3.7	1.3	52.5	61.2	11.7	13.3	3.2	2.5	4.6	9.3	17.8	18.7	15.1	17.3
Q2	3.7	1.6	62.4	86.1	18.2	17.0	3.0	2.7	8.1	26.0	17.6	22.8	15.4	17.6
Q3	3.8	1.8	56.6	61.5	14.0	13.8	2.4	2.6	5.7	11.1	19.0	16.5	15.4	17.6
Q4	4.0	1.6	66.4	67.5	21.8	13.3	3.1	3.5	5.4	10.2	19.4	21.3	16.7	19.2

4. Direct investment
(net transactions)

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs		Total	MFIs excluding Eurosystem	Non-MFIs	Total	MFIs excluding Eurosystem	Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2002	-179.9	-179.3	-22.3	-157.0	-0.6	0.0	-0.7	180.6	124.9	1.9	123.0	55.6	0.5	55.2
2003	-136.0	-112.7	-1.7	-111.0	-23.3	-0.1	-23.3	141.4	124.2	3.0	121.2	17.2	0.1	17.1
2004	-116.9	-124.1	-18.2	-105.9	7.2	0.1	7.1	69.0	69.7	2.4	67.3	-0.7	0.8	-1.5
2003 Q4	-35.8	-23.5	-2.1	-21.5	-12.3	0.2	-12.5	27.9	38.6	0.6	38.1	-10.8	0.5	-11.3
2004 Q1	-28.4	-22.5	-4.9	-17.6	-5.9	-0.1	-5.8	5.4	13.5	-0.7	14.2	-8.1	-0.3	-7.8
Q2	-27.9	-24.8	-3.6	-21.2	-3.1	0.0	-3.1	15.8	10.6	0.6	10.0	5.2	0.8	4.5
Q3	-16.4	-27.5	-1.1	-26.4	11.1	0.0	11.1	17.6	17.7	1.5	16.3	-0.1	0.4	-0.6
Q4	-44.2	-49.2	-8.5	-40.7	5.0	0.1	5.0	30.2	27.9	1.0	26.8	2.3	-0.1	2.4
2004 Feb.	-6.8	-4.3	-1.1	-3.2	-2.5	0.0	-2.4	15.7	5.4	0.3	5.1	10.3	-0.1	10.4
Mar.	-11.3	-13.0	-4.1	-8.9	1.8	0.0	1.8	-11.1	1.5	-1.2	2.7	-12.6	-0.1	-12.5
Apr.	-15.4	-7.6	-0.4	-7.2	-7.8	0.1	-7.9	13.4	8.6	0.2	8.4	4.8	0.0	4.8
May	-2.8	-5.6	0.0	-5.6	2.8	0.0	2.8	2.9	3.1	0.3	2.8	-0.3	0.3	-0.6
June	-9.7	-11.6	-3.2	-8.5	2.0	0.0	2.0	-0.5	-1.1	0.0	-1.2	0.7	0.4	0.3
July	-18.7	-16.4	0.1	-16.4	-2.3	0.0	-2.3	11.4	11.4	0.2	11.2	0.0	-0.1	0.1
Aug.	9.1	-7.3	0.2	-7.5	16.4	0.0	16.4	-4.0	-1.9	0.3	-2.3	-2.1	0.0	-2.0
Sep.	-6.8	-3.9	-1.3	-2.5	-3.0	0.0	-3.0	10.2	8.3	0.9	7.3	1.9	0.5	1.4
Oct.	-29.6	-22.6	0.0	-22.5	-7.0	0.0	-7.0	16.9	9.3	0.2	9.0	7.7	0.0	7.7
Nov.	-21.5	-20.3	-13.3	-7.0	-1.3	0.1	-1.4	15.1	8.0	0.3	7.7	7.1	0.0	7.1
Dec.	6.9	-6.4	4.8	-11.2	13.4	0.0	13.3	-1.8	10.6	0.5	10.1	-12.4	0.0	-12.4
2005 Jan.	-11.2	-7.0	-0.9	-6.1	-4.2	0.0	-4.2	-0.2	3.4	0.2	3.2	-3.6	0.0	-3.6
Feb.	-6.3	-3.8	-1.5	-2.3	-2.5	0.0	-2.5	1.7	2.9	0.2	2.8	-1.2	-0.1	-1.2

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity					Debt instruments										
						Bonds and notes					Money market instruments					
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
				General gov.					General gov.					General gov.	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2002	-0.4	-7.4	-31.0	-4.4	86.2	-0.7	-17.4	-70.6	-0.9	157.9	2.0	-31.9	-18.8	-1.1	59.8
2003	-0.3	-12.8	-53.8	-2.6	117.2	-2.4	-45.1	-134.8	-0.2	170.4	0.2	-41.3	13.7	0.6	32.4
2004	0.0	-21.8	-51.8	-2.1	121.6	1.2	-80.7	-70.1	-1.1	211.3	-0.1	-43.1	-15.8	0.2	18.0
2003 Q4	0.0	-3.6	-21.7	-0.4	45.1	-0.4	-7.3	-19.2	-0.1	30.9	-0.2	-13.1	1.2	1.3	1.2
2004 Q1	0.0	-6.0	-24.6	-0.9	20.6	-0.4	-26.3	-17.5	-0.5	54.1	-0.1	-10.6	-10.1	-1.0	32.3
Q2	0.0	-12.4	-3.8	-0.7	-4.1	0.3	-10.7	-17.6	-0.1	85.4	0.1	-5.0	-3.5	-2.4	-1.7
Q3	0.0	-2.5	-3.9	-0.6	38.5	0.7	-23.0	-15.0	-0.1	39.9	0.0	-14.7	-5.8	-0.7	-6.9
Q4	0.0	-0.9	-19.4	0.1	66.6	0.6	-20.6	-20.0	-0.3	31.9	-0.1	-12.8	3.5	4.3	-5.6
2004 Feb.	0.1	-3.1	-6.8	-	17.2	0.0	-1.6	-0.2	-	14.3	-0.2	-5.5	-2.9	-	4.8
Mar.	0.0	0.5	-11.0	-	1.9	-0.4	-11.6	-11.0	-	9.8	0.0	10.4	-3.6	-	14.1
Apr.	0.0	-1.0	2.6	-	-19.8	0.2	-2.8	-5.3	-	38.8	0.0	-15.3	-3.7	-	0.6
May	0.0	-1.8	0.4	-	1.2	0.1	-7.3	-7.3	-	17.6	-0.2	2.6	0.6	-	-4.7
June	0.0	-9.7	-6.8	-	14.5	0.0	-0.5	-5.0	-	29.1	0.3	7.6	-0.3	-	2.4
July	0.0	-8.9	-0.5	-	10.2	-0.3	-12.9	0.7	-	-9.1	0.3	-19.1	1.4	-	-2.4
Aug.	0.0	-4.2	-7.5	-	15.8	0.4	-12.0	-0.7	-	9.8	-0.1	-3.5	-2.2	-	6.8
Sep.	0.0	10.6	4.0	-	12.6	0.6	1.9	-15.0	-	39.2	-0.1	7.9	-5.0	-	-11.3
Oct.	0.0	-3.7	-10.5	-	14.8	0.3	-13.7	-4.4	-	11.9	-0.1	0.6	-0.5	-	3.2
Nov.	0.0	-9.1	-5.5	-	23.0	0.4	-6.0	-9.6	-	5.9	0.2	-14.7	4.9	-	-2.5
Dec.	0.0	11.9	-3.5	-	28.8	-0.1	-1.0	-6.0	-	14.2	-0.1	1.3	-0.8	-	-6.3
2005 Jan.	0.0	-7.1	-8.8	-	10.0	-0.4	-26.0	-2.8	-	5.5	0.2	-3.1	-5.0	-	20.5
Feb.	0.0	-16.3	-3.2	-	5.2	-0.2	-3.7	-16.1	-	39.4	0.1	17.1	-2.0	-	2.4

6. Other investment by sector

	Total		Eurosystem		General government			MFIs (excluding Eurosystem)						Other sectors	
								Total		Long-term		Short-term			
	Assets	Liabilities	Assets	Liabilities	Assets		Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
						Currency and deposits								Currency and deposits	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2002	-225.1	66.0	-0.9	19.3	0.1	-	-8.3	-168.0	25.8	-35.0	52.1	-133.0	-26.3	-56.3	-	29.2
2003	-240.1	167.6	-0.8	10.0	-0.6	-	-3.9	-154.7	136.2	-59.9	64.4	-94.9	71.8	-84.0	-	25.3
2004	-289.6	283.0	0.4	7.3	-1.8	-1.9	-2.8	-259.9	246.5	-19.8	0.6	-240.0	245.9	-28.3	-5.8	31.9
2003 Q4	-78.9	59.9	-0.7	-0.9	3.2	-	-4.6	-71.3	52.3	-16.5	16.7	-54.8	35.7	-10.0	-	13.1
2004 Q1	-178.9	181.5	-0.6	-1.3	-0.6	-0.5	-6.3	-156.0	158.4	-10.4	0.3	-145.6	158.1	-21.7	-16.0	30.7
Q2	-18.6	19.0	0.9	1.7	-4.9	-4.9	3.1	-5.3	22.2	-2.3	6.7	-3.0	15.5	-9.3	10.1	-7.9
Q3	-17.9	10.2	-1.5	3.2	0.2	-0.2	2.2	-24.2	6.5	-7.8	-5.7	-16.5	12.2	7.6	-7.4	-1.7
Q4	-74.1	72.2	1.7	3.7	3.4	3.7	-1.7	-74.3	59.3	0.7	-0.8	-75.0	60.0	-5.0	7.4	10.9
2004 Feb.	-27.5	15.3	-0.4	-4.3	0.5	0.3	-0.2	-23.8	16.6	-5.5	-0.6	-18.3	17.2	-3.8	-3.6	3.2
Mar.	-83.5	97.4	0.2	0.4	-0.7	-0.5	-1.5	-69.7	65.5	-3.7	-3.2	-65.9	68.8	-13.3	-9.5	33.0
Apr.	-51.1	48.7	0.6	0.6	-1.5	-1.2	-0.3	-50.4	54.3	-6.3	0.5	-44.1	53.8	0.2	5.0	-6.0
May	12.2	2.0	-0.1	-0.2	-0.2	-0.1	0.5	17.6	10.3	3.6	3.5	14.0	6.8	-5.1	6.3	-8.6
June	20.3	-31.6	0.5	1.3	-3.3	-3.6	2.9	27.4	-42.4	0.4	2.7	27.1	-45.2	-4.4	-1.2	6.7
July	57.3	-27.8	-0.3	1.5	-0.3	-0.5	-0.4	46.1	-12.7	3.1	-7.8	43.0	-4.9	11.8	2.7	-16.2
Aug.	-31.8	30.9	-0.2	0.2	-0.2	-0.3	0.1	-31.3	18.8	-5.7	2.3	-25.5	16.5	-0.1	-1.2	11.8
Sep.	-43.4	7.2	-1.0	1.5	0.7	0.7	2.6	-39.0	0.4	-5.2	-0.2	-33.9	0.6	-4.0	-8.9	2.7
Oct.	-15.7	3.6	0.1	1.3	2.0	2.2	0.2	-9.8	-0.2	8.3	5.3	-18.1	-5.5	-8.1	-0.7	2.4
Nov.	-67.1	110.3	0.5	2.0	-0.4	-0.8	1.0	-60.1	97.2	-0.3	3.3	-59.7	93.9	-7.1	-1.8	10.0
Dec.	8.7	-41.7	1.1	0.4	1.8	2.2	-2.9	-4.4	-37.7	-7.3	-9.4	2.9	-28.3	10.2	9.9	-1.6
2005 Jan.	-50.9	110.5	0.7	3.9	-1.3	-1.0	2.6	-33.9	97.7	-15.1	16.6	-18.8	81.1	-16.4	-13.4	6.3
Feb.	-60.2	59.2	0.2	-3.5	-1.5	0.6	-4.2	-58.0	60.0	-10.2	2.7	-47.8	57.2	-1.0	4.9	6.9

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

7. Other investment by sector and 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
2002	-0.9	0.0	19.3	0.0	1.5	-0.4	-	-	-1.0	0.0	-8.0	-0.3
2003	-0.8	0.0	10.0	0.0	-0.1	0.4	-	-	-0.9	0.0	-4.2	0.3
2004	0.4	0.0	7.1	0.2	0.0	0.1	2.0	-1.9	-1.9	0.0	-2.7	0.0
2003 Q4	-0.7	0.0	-0.9	0.0	0.0	3.1	-	-	0.1	0.0	-4.2	-0.4
2004 Q1	-0.6	0.0	-1.3	0.0	0.0	0.2	0.7	-0.5	-0.8	0.0	-6.0	-0.3
Q2	0.9	0.0	1.5	0.2	0.0	-4.5	0.4	-4.9	-0.4	0.0	2.8	0.2
Q3	-1.5	0.0	3.3	-0.1	0.0	0.5	0.7	-0.2	-0.3	0.0	2.1	0.1
Q4	1.7	0.0	3.5	0.2	0.0	3.9	0.2	3.7	-0.4	0.0	-1.6	-0.1

	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
2002	-163.0	-5.0	27.9	-2.1	-1.9	-50.7	-	-	-3.7	-3.7	26.2	6.6
2003	-154.2	-0.5	136.3	-0.1	0.2	-81.2	-	-	-3.0	3.4	22.7	-0.7
2004	-256.8	-3.1	243.6	2.9	-4.8	-18.3	-12.5	-5.8	-5.2	8.8	22.7	0.4
2003 Q4	-70.7	-0.6	52.1	0.2	-1.0	-8.3	-	-	-0.7	2.4	11.7	-1.1
2004 Q1	-153.5	-2.6	156.8	1.6	-2.8	-17.2	-1.2	-16.0	-1.6	4.8	25.3	0.5
Q2	-4.7	-0.6	22.2	0.0	-3.2	-5.1	-15.3	10.1	-1.0	1.6	-7.4	-2.1
Q3	-22.5	-1.7	5.0	1.5	1.9	6.6	14.0	-7.4	-0.9	-0.2	-4.1	2.7
Q4	-76.1	1.8	59.6	-0.3	-0.7	-2.6	-10.0	7.4	-1.7	2.7	8.9	-0.7

8. 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
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	30.0	1.7	0.0	-1.6	29.9	-1.8	1.6	0.0	23.2	6.9	0.1	0.0
2004	12.4	1.2	0.5	4.0	6.8	-3.8	3.7	0.5	17.8	-11.4	0.0	0.0
2003 Q4	13.6	0.6	0.0	1.8	11.2	-1.0	-1.9	0.0	13.0	1.1	0.0	0.0
2004 Q1	9.3	-0.1	-0.1	0.7	8.7	0.8	1.8	0.5	8.1	-2.4	-0.1	0.0
Q2	-2.8	0.5	0.1	0.6	-4.0	-3.3	2.2	0.0	5.4	-8.4	0.1	0.0
Q3	3.5	0.0	-0.1	1.5	2.1	2.6	-3.6	0.0	1.0	2.1	0.0	0.0
Q4	2.5	0.8	0.5	1.1	0.0	-3.9	3.4	0.0	3.3	-2.8	0.0	0.0

Source: ECB.

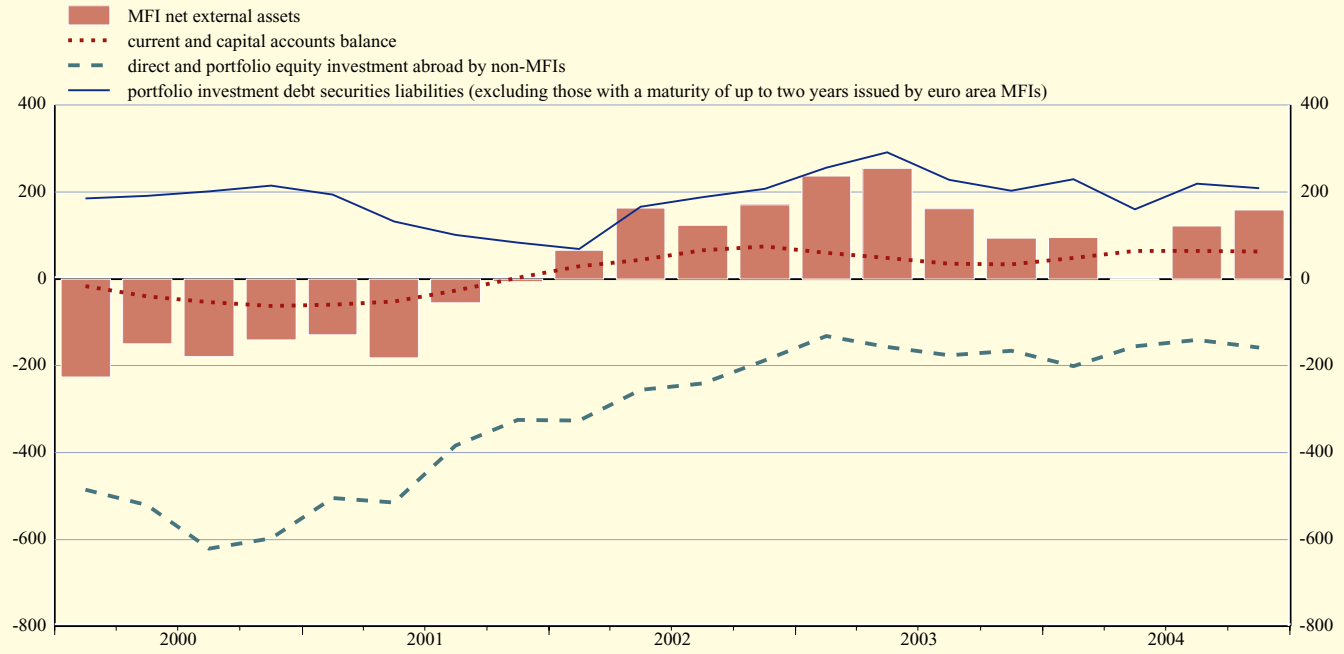
7.2 Monetary presentation of the balance of payments

(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [1]	Debt instruments [2]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2002	74.6	-157.7	180.1	-120.5	49.9	208.0	-56.2	20.9	-11.0	-30.7	157.5	170.7
2003	33.5	-134.2	141.3	-174.9	121.5	203.1	-84.6	21.5	-12.2	-27.6	87.4	94.0
2004	62.5	-98.8	68.2	-137.7	111.5	209.4	-30.1	29.2	-2.0	-86.9	125.1	158.6
2003 Q4	21.5	-33.9	27.3	-39.7	41.5	23.5	-6.9	8.5	-3.6	-17.6	20.6	20.5
2004 Q1	19.6	-23.4	5.7	-52.1	4.3	79.1	-22.2	24.3	5.3	-25.1	15.4	36.4
Q2	7.4	-24.3	15.0	-24.9	-4.3	72.7	-14.2	-4.9	-1.2	-18.6	2.8	0.0
Q3	15.5	-15.4	17.2	-24.8	37.6	44.6	7.9	0.5	-1.0	-18.6	63.4	64.7
Q4	20.0	-35.7	30.3	-35.9	74.0	12.9	-1.5	9.2	-5.1	-24.6	43.5	57.4
2004 Feb.	8.1	-5.7	15.8	-9.9	17.2	14.7	-3.4	3.0	1.3	-30.5	10.7	9.0
Mar.	9.1	-7.1	-11.0	-25.5	-6.4	23.8	-14.0	31.5	2.3	-5.6	-3.1	6.7
Apr.	-1.0	-15.1	13.3	-6.4	-22.7	32.2	-1.3	-6.3	-2.7	16.6	6.8	7.1
May	2.9	-2.7	2.5	-6.4	4.5	10.1	-5.3	-8.2	-0.3	-18.6	-21.5	-21.2
June	5.5	-6.5	-0.8	-12.1	13.9	30.4	-7.7	9.6	1.8	-16.7	17.5	14.2
July	9.6	-18.8	11.5	1.6	5.9	-10.3	11.4	-16.6	0.6	8.0	3.0	-0.5
Aug.	4.9	8.9	-4.0	-10.3	15.5	17.9	-0.3	11.9	-4.2	-11.2	29.1	30.3
Sep.	1.0	-5.5	9.7	-16.0	16.1	37.0	-3.3	5.3	2.5	-15.4	31.3	34.9
Oct.	4.2	-29.5	17.0	-15.4	13.4	12.3	-6.1	2.6	-4.1	25.9	20.2	20.4
Nov.	6.3	-8.3	15.2	-10.2	27.0	0.7	-7.4	11.0	1.4	-31.5	4.1	10.1
Dec.	9.6	2.2	-1.8	-10.3	33.6	0.0	12.0	-4.4	-2.4	-19.0	19.2	26.9
2005 Jan.	-8.0	-10.3	-0.2	-16.7	7.1	20.9	-17.6	8.9	-3.8	-17.8	-37.6	-22.3
Feb.	9.1	-4.8	1.8	-21.3	12.3	38.3	-2.5	2.7	-0.4	-30.7	4.5	14.0
	12-month cumulated transactions											
2005 Feb.	53.0	-97.6	53.0	-149.1	120.2	213.2	-42.0	47.9	-9.3	-115.9	73.5	120.6

C30 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 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

1. Balance of payments: current and capital accounts

(Cumulated transactions)

2004 Q1 to 2004 Q4	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
	1	2	3	4	5	6	7	8	9	10	11	12
	Credits											
Current account	1,818.1	673.0	35.9	59.1	366.6	154.1	57.3	24.0	48.2	125.5	311.8	635.7
Goods	1,130.0	395.5	25.1	41.3	202.5	126.2	0.3	14.6	33.0	64.6	171.9	450.4
Services	355.1	130.5	7.3	10.0	92.6	16.5	4.1	4.6	10.2	35.8	73.3	100.7
Income	252.8	88.0	3.1	7.3	62.3	10.1	5.3	4.2	4.7	18.9	59.6	77.4
of which: investment income	237.8	83.2	3.0	7.1	60.8	9.9	2.4	4.2	4.6	12.7	57.9	75.2
Current transfers	80.2	59.0	0.4	0.5	9.2	1.3	47.6	0.6	0.3	6.3	7.0	7.1
Capital account	23.3	20.9	0.0	0.0	0.6	0.1	20.2	0.0	0.0	0.3	1.2	0.9
	Debits											
Current account	1,772.8	597.3	34.3	57.0	293.4	130.4	82.2	18.3	84.3	119.8	265.2	688.0
Goods	1,026.6	309.9	24.3	38.5	141.9	105.3	0.0	8.6	52.2	52.3	111.4	492.1
Services	327.9	101.6	6.1	7.7	68.5	19.1	0.2	4.8	6.8	30.2	74.4	110.0
Income	282.6	96.8	3.5	10.0	75.1	4.3	3.8	3.3	24.9	32.0	69.2	56.5
of which: investment income	276.3	93.6	3.5	9.9	74.1	2.3	3.8	3.2	24.7	31.5	68.4	55.0
Current transfers	135.8	89.0	0.3	0.8	7.9	1.6	78.3	1.7	0.4	5.3	10.1	29.5
Capital account	6.1	0.9	0.0	0.0	0.3	0.2	0.4	0.1	0.0	0.2	0.4	4.5
	Net											
Current account	45.2	75.7	1.6	2.1	73.2	23.7	-24.9	5.7	-36.1	5.7	46.6	-52.3
Goods	103.4	85.5	0.8	2.8	60.7	20.9	0.3	6.0	-19.2	12.3	60.5	-41.6
Services	27.2	28.9	1.2	2.3	24.1	-2.6	4.0	-0.2	3.3	5.5	-1.2	-9.2
Income	-29.8	-8.8	-0.5	-2.8	-12.8	5.7	1.5	1.0	-20.2	-13.1	-9.6	20.9
of which: investment income	-38.6	-10.3	-0.5	-2.8	-13.3	7.7	-1.4	1.0	-20.1	-18.8	-10.6	20.3
Current transfers	-55.6	-30.0	0.1	-0.3	1.3	-0.4	-30.7	-1.1	-0.1	1.0	-3.1	-22.3
Capital account	17.2	20.0	0.0	0.0	0.3	-0.1	19.8	0.0	0.0	0.1	0.8	-3.6

2. Balance of payments: direct investment

(Cumulated transactions)

2004 Q1 to 2004 Q4	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-47.9	-20.4	2.9	-3.1	-18.3	-2.0	0.1	-0.2	-10.0	10.6	20.3	-23.2	-24.9
Abroad	-116.9	-56.3	1.4	-6.2	-43.7	-7.8	0.0	1.8	-14.0	3.6	6.3	-28.1	-30.2
Equity/reinvested earnings	-124.1	-54.3	-0.9	-6.2	-33.4	-13.7	0.0	1.9	-11.4	1.0	-18.1	-21.8	-21.5
Other capital	7.2	-2.0	2.4	0.0	-10.3	5.9	0.0	-0.2	-2.7	2.6	24.4	-6.3	-8.7
In the euro area	69.0	35.8	1.4	3.1	25.4	5.8	0.1	-1.9	4.0	7.0	14.0	4.9	5.2
Equity/reinvested earnings	69.7	40.7	1.1	2.5	36.0	1.0	0.1	-2.4	1.8	3.9	15.9	8.5	1.2
Other capital	-0.7	-4.8	0.3	0.6	-10.5	4.8	0.0	0.5	2.2	3.0	-1.9	-3.6	4.0

Source: ECB.

7.3 Geographical breakdown of the balance of payments and international investment position

(EUR billions)

3. Balance of payments: portfolio investment assets by instrument

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions						
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-282.2	-108.8	0.9	-8.2	-81.6	-14.6	-5.2	-4.6	-42.9	1.5	-55.0	-34.5	-37.8
Equity	-73.6	-8.6	3.1	-0.5	-9.9	-1.2	-0.1	-2.4	-17.4	2.0	-20.4	-13.7	-13.1
Debt securities	-208.6	-100.2	-2.3	-7.7	-71.8	-13.4	-5.1	-2.2	-25.6	-0.5	-34.6	-20.8	-24.7
Bonds and notes	-149.5	-76.1	-0.3	-6.6	-52.2	-11.4	-5.6	-2.5	-8.9	-0.9	-34.2	0.5	-27.3
Money market instruments	-59.1	-24.1	-1.9	-1.1	-19.6	-2.1	0.6	0.3	-16.7	0.4	-0.4	-21.3	2.7

4. Balance of payments: other investment by sector

(Cumulated transactions)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2004 Q1 to 2004 Q4	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	-6.6	-101.7	6.9	-18.3	-90.1	-5.2	5.0	-0.1	10.0	19.7	61.1	-26.7	5.1	26.0
Assets	-289.6	-247.4	3.5	-26.0	-206.3	-18.5	-0.2	-1.8	6.0	-5.1	-3.4	-25.7	-3.3	-8.8
General government	-1.8	-1.7	-1.0	0.0	-0.3	0.2	-0.6	0.0	0.0	0.0	0.0	0.0	-1.9	1.8
MFIs	-259.5	-224.8	5.1	-23.6	-189.2	-17.6	0.5	-0.8	5.4	-4.8	-5.5	-13.5	-1.2	-14.2
Other sectors	-28.3	-20.9	-0.5	-2.4	-16.9	-1.0	-0.1	-1.0	0.6	-0.3	2.0	-12.1	-0.2	3.7
Liabilities	283.0	145.7	3.4	7.7	116.2	13.3	5.2	1.7	4.0	24.8	64.6	-1.0	8.4	34.8
General government	-2.8	-1.7	0.0	0.1	1.0	0.0	-2.8	0.0	-0.6	-0.5	-0.5	0.0	0.2	0.5
MFIs	253.8	137.2	3.1	6.5	110.0	11.7	5.9	1.1	2.1	20.4	53.9	-3.5	8.5	33.9
Other sectors	31.9	10.2	0.2	1.1	5.2	1.6	2.0	0.5	2.5	4.9	11.2	2.5	-0.2	0.4

5. International investment position

(End-of-period outstanding amounts)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Offshore financial centres	Internat. organisations	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions							
2003	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	79.7	-250.1	1.8	-11.1	-346.3	105.6	-0.1	33.0	5.0	71.2	-3.3	-40.2	-0.1	264.2
Abroad	2,110.4	683.3	25.9	63.5	485.0	108.8	0.0	73.0	53.6	231.6	492.8	218.5	0.0	357.6
Equity/reinvested earnings	1,647.3	524.9	22.6	40.3	377.0	85.0	0.0	59.5	45.4	171.4	350.5	206.0	0.0	289.5
Other capital	463.1	158.3	3.4	23.2	107.9	23.8	0.0	13.5	8.2	60.1	142.3	12.5	0.0	68.0
In the euro area	2,030.7	933.4	24.2	74.6	831.2	3.2	0.1	39.9	48.7	160.4	496.2	258.7	0.1	93.4
Equity/reinvested earnings	1,474.4	732.2	18.9	60.2	650.8	2.3	0.0	37.5	38.4	109.7	347.0	135.1	0.1	74.2
Other capital	556.4	201.1	5.2	14.4	180.5	1.0	0.1	2.4	10.2	50.7	149.1	123.6	0.0	19.1
Portfolio investment assets	2,607.4	799.4	48.3	91.7	568.3	45.0	46.1	57.0	117.5	84.7	960.3	284.5	27.8	276.2
Equity	1,054.6	267.4	8.3	26.0	223.5	9.6	0.0	6.8	80.7	75.7	441.6	74.9	0.5	107.0
Debt securities	1,552.8	532.0	40.0	65.7	344.8	35.5	46.1	50.2	36.8	9.0	518.7	209.6	27.3	169.2
Bonds and notes	1,317.0	433.8	37.5	53.6	262.3	34.9	45.5	49.0	35.2	7.9	423.6	197.0	26.2	144.2
Money market instruments	235.8	98.2	2.5	12.0	82.4	0.6	0.6	1.2	1.6	1.2	95.0	12.5	1.1	25.0
Other investment	-314.8	-76.5	33.5	18.1	23.4	12.2	-163.8	2.1	14.1	-52.5	-71.8	-239.6	-6.8	116.1
Assets	2,587.3	1,240.7	49.9	49.1	1,064.8	72.5	4.5	14.2	86.4	170.6	368.4	229.7	38.9	438.4
General government	92.7	9.4	0.0	0.0	4.2	2.4	2.8	0.0	0.3	0.1	2.8	1.1	33.2	45.8
MFIs	1,768.1	961.8	42.2	33.1	834.2	51.7	0.7	6.8	70.3	109.0	233.9	153.0	5.1	228.1
Other sectors	726.4	269.5	7.7	16.0	226.4	18.4	1.0	7.3	15.8	61.5	131.7	75.6	0.5	164.5
Liabilities	2,902.1	1,317.2	16.3	31.0	1,041.4	60.3	168.2	12.1	72.3	223.1	440.1	469.3	45.6	322.3
General government	43.5	25.6	0.0	0.1	4.1	0.2	21.1	0.0	1.6	0.3	5.2	0.3	3.0	7.6
MFIs	2,333.1	1,012.1	13.2	15.5	816.6	48.3	118.5	6.7	50.6	192.0	350.7	436.2	41.3	243.5
Other sectors	525.5	279.5	3.2	15.3	220.7	11.8	28.6	5.4	20.1	30.8	84.3	32.8	1.4	71.2

Source: ECB.

7.4 International investment position (including international reserves)

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

1. Summary international investment position

	Total	Total as a % of GDP	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets
	1	2	3	4	5	6	7
	Net international investment position						
2001	-398.8	-5.8	410.2	-820.8	2.5	-383.4	392.7
2002	-618.0	-8.7	204.2	-879.0	-12.0	-297.2	366.1
2003	-759.6	-10.5	79.7	-823.5	-7.5	-314.8	306.5
2004 Q1	-693.6	-9.2	130.3	-858.1	-9.0	-265.2	308.4
Q2	-706.4	-9.3	134.4	-842.3	-10.2	-290.5	302.2
Q3	-714.1	-9.4	112.1	-865.8	-6.5	-252.4	298.5
Q4	-815.8	-10.8	74.2	-910.6	-13.6	-246.4	280.6
	Outstanding assets						
2001	7,628.1	111.4	1,951.4	2,515.0	129.9	2,639.2	392.7
2002	7,260.6	102.5	1,877.4	2,302.6	135.9	2,578.6	366.1
2003	7,768.2	106.9	2,110.4	2,607.4	156.6	2,587.3	306.5
2004 Q1	8,285.6	109.6	2,158.1	2,796.4	170.0	2,852.7	308.4
Q2	8,317.6	110.0	2,188.7	2,821.9	150.6	2,854.2	302.2
Q3	8,429.8	111.5	2,202.0	2,869.5	167.7	2,892.0	298.5
Q4	8,461.1	111.9	2,199.5	2,931.5	165.7	2,883.8	280.6
	Outstanding liabilities						
2001	8,026.9	117.2	1,541.2	3,335.8	127.4	3,022.6	-
2002	7,878.6	111.3	1,673.2	3,181.6	147.9	2,875.9	-
2003	8,527.8	117.3	2,030.7	3,430.9	164.1	2,902.1	-
2004 Q1	8,979.2	118.8	2,027.8	3,654.5	179.0	3,117.9	-
Q2	9,024.0	119.4	2,054.3	3,664.2	160.8	3,144.7	-
Q3	9,143.9	120.9	2,090.0	3,735.3	174.2	3,144.4	-
Q4	9,276.9	122.7	2,125.3	3,842.1	179.3	3,130.2	-

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
2001	1,555.8	124.6	1,431.2	395.6	0.8	394.8	1,175.1	32.5	1,142.6	366.1	2.8	363.3
2002	1,544.1	127.7	1,416.4	333.3	0.3	333.0	1,264.6	37.1	1,227.5	408.6	2.9	405.7
2003	1,647.3	114.8	1,532.5	463.1	0.4	462.7	1,474.4	47.6	1,426.8	556.4	2.9	553.5
2004 Q1	1,683.3	123.6	1,559.8	474.7	1.7	473.0	1,479.0	37.6	1,441.4	548.8	2.8	546.0
Q2	1,709.1	124.9	1,584.1	479.6	1.5	478.1	1,494.5	38.3	1,456.3	559.8	3.6	556.2
Q3	1,757.4	124.3	1,633.1	444.6	1.5	443.1	1,515.4	42.1	1,473.2	574.6	4.0	570.7
Q4	1,764.3	128.5	1,635.8	435.2	1.7	433.5	1,550.0	41.3	1,508.7	575.3	3.8	571.5

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
						Bonds and notes					Money market instruments				
	Assets				Liabilities	Assets				Liabilities	Assets				Liabilities
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		
			General gov.	Other sectors				General gov.	Other sectors				General gov.	Other sectors	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2001	0.6	38.5	6.7	1,070.9	1,640.5	2.0	424.8	8.2	783.6	1,514.8	2.8	135.1	0.2	41.6	180.5
2002	0.7	43.8	8.3	800.5	1,366.1	6.4	404.8	8.0	787.2	1,628.8	1.2	193.8	1.3	46.7	186.7
2003	1.8	52.6	11.5	988.8	1,516.2	8.3	463.7	8.0	837.1	1,701.3	1.1	184.8	0.6	49.2	213.4
2004 Q1	1.9	60.7	13.2	1,073.1	1,643.1	7.6	513.2	8.5	869.9	1,783.0	1.2	195.0	1.7	50.6	228.4
Q2	1.8	73.7	14.1	1,075.5	1,620.0	6.9	515.8	8.5	866.4	1,819.2	1.1	198.4	4.0	55.7	225.1
Q3	1.8	75.3	14.4	1,063.8	1,632.3	6.5	539.6	8.6	884.1	1,891.1	0.9	212.0	4.7	57.8	211.9
Q4	1.8	76.3	14.6	1,105.3	1,754.2	6.1	547.6	8.9	896.1	1,893.5	1.0	217.1	0.4	56.4	194.3

Source: ECB.

7.4 International investment position (including international reserves)

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

4. 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	3.0	0.1	40.5	0.2	3.1	68.6	-	-	55.8	0.2	44.8	12.3
2002	3.4	0.1	57.2	0.2	1.3	58.7	-	-	54.4	0.1	42.8	13.5
2003	4.2	0.6	65.3	0.2	1.4	53.2	49.1	4.1	38.1	0.0	39.7	3.8
2004 Q1	5.4	0.6	64.6	0.2	1.4	56.0	50.5	5.5	39.0	0.0	36.0	2.8
Q2	4.3	0.6	66.0	0.2	1.4	60.6	50.2	10.5	39.5	0.0	39.0	3.5
Q3	5.6	0.6	69.5	0.2	1.4	60.1	49.4	10.7	38.9	0.0	40.8	3.3
Q4	4.5	0.6	71.3	0.2	1.4	61.1	53.7	7.4	38.9	0.0	41.0	3.5

	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	1,666.6	48.8	2,364.6	49.3	176.3	515.8	-	-	101.2	109.6	360.2	40.9
2002	1,631.3	55.3	2,197.7	42.9	183.6	496.7	-	-	93.9	102.6	369.3	49.6
2003	1,731.1	32.3	2,238.8	28.8	176.4	470.4	148.7	321.6	79.6	103.0	377.6	44.9
2004 Q1	1,938.3	27.7	2,429.4	34.7	165.8	519.8	190.4	329.5	98.8	108.5	393.2	48.4
Q2	1,943.5	25.1	2,458.8	32.8	169.9	509.0	189.2	319.8	100.4	111.0	385.7	47.5
Q3	1,946.2	29.1	2,437.5	38.3	169.7	538.3	198.9	339.4	102.1	111.4	393.4	50.0
Q4	1,955.4	27.6	2,426.9	37.3	165.4	526.3	199.6	326.7	102.7	107.5	395.5	47.0

5. International reserves

	Reserve assets														Memo	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Eurosystem															
2002	366.1	130.4	399.022	4.8	25.0	205.8	10.3	35.3	159.8	1.0	120.2	38.5	0.4	0.0	22.4	-26.3
2003	306.5	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.8	0.9	80.5	26.5	0.7	0.0	20.3	-16.3
2004 Q3	298.5	131.4	392.200	4.6	20.5	142.1	8.4	31.2	102.5	0.4	66.2	35.9	0.1	0.0	19.1	-8.5
Q4	280.6	125.4	389.998	3.9	18.6	132.7	12.5	25.5	94.6	0.4	58.2	35.9	0.1	0.0	19.1	-12.8
2005 Jan.	289.0	126.1	389.435	4.0	18.8	140.1	10.2	30.1	99.8	-	-	-	0.0	0.0	19.9	-14.4
Feb.	283.2	127.6	388.411	4.0	18.3	133.4	9.2	26.7	97.4	-	-	-	0.0	0.0	20.5	-11.5
Mar.	284.9	127.7	387.359	4.0	17.4	135.7	7.6	27.8	100.3	-	-	-	-0.1	0.0	21.4	-15.1
	of which held by the European Central Bank															
2002	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	36.9	8.1	24.656	0.2	0.0	28.6	1.4	5.0	22.2	0.0	14.9	7.3	0.0	0.0	2.8	-1.5
2004 Q3	38.0	8.2	24.656	0.2	0.0	29.6	0.9	6.8	21.9	0.0	11.0	10.9	0.0	0.0	2.0	-1.0
Q4	35.1	7.9	24.656	0.2	0.0	27.0	2.7	3.3	21.1	0.0	9.7	11.3	0.0	0.0	2.6	-1.3
2005 Jan.	36.3	8.0	24.656	0.2	0.0	28.2	2.0	4.8	21.5	-	-	-	0.0	0.0	2.7	-1.3
Feb.	34.9	8.1	24.656	0.2	0.0	26.6	1.6	3.7	21.3	-	-	-	0.0	0.0	2.8	-0.4
Mar.	36.2	8.1	24.656	0.2	0.0	27.9	1.1	4.2	22.6	-	-	-	0.0	0.0	2.7	-0.9

Source: ECB.

7.5 Trade in goods

(seasonally adjusted, unless otherwise indicated)

1. Values, volumes and unit values by product group

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2001	6.1	-0.7	1,062.6	506.0	234.9	289.3	932.6	1,014.6	579.1	178.8	228.5	741.1	107.7
2002	2.0	-3.0	1,084.0	512.5	227.9	309.5	949.6	984.8	559.5	163.2	234.2	717.5	105.2
2003	-2.2	0.5	1,058.7	501.1	222.8	300.3	924.6	988.0	554.2	164.2	240.9	715.5	109.1
2004	8.5	8.7	1,145.5	539.3	241.6	309.5	988.5	1,072.3	595.1	177.7	252.0	759.8	128.0
2003 Q3	-2.2	-1.0	265.4	125.8	56.5	75.4	232.8	243.1	135.5	39.6	60.3	176.5	26.8
Q4	-0.4	1.5	269.5	125.8	57.5	76.3	233.2	249.7	138.8	42.1	61.5	180.5	27.0
2004 Q1	4.7	-0.2	277.8	130.6	58.8	75.9	241.6	251.6	137.8	42.0	62.2	182.6	26.2
Q2	11.8	8.9	286.8	134.7	59.7	78.8	246.0	263.4	145.7	44.6	62.2	186.4	29.3
Q3	8.8	14.4	289.1	136.9	61.2	78.4	249.6	277.2	156.3	44.9	64.0	194.0	36.2
Q4	8.7	12.1	291.8	137.0	62.0	76.5	251.2	280.0	155.3	46.2	63.5	196.8	36.3
2004 Sep.	6.4	14.3	96.3	45.2	20.4	26.1	83.3	92.5	52.1	15.2	21.2	64.9	12.8
Oct.	3.1	7.2	96.3	45.2	20.7	25.4	82.9	93.5	50.9	15.3	21.4	65.0	12.9
Nov.	14.4	18.2	98.1	45.9	20.6	25.9	84.1	94.2	52.7	15.7	21.3	66.6	12.1
Dec.	9.3	11.2	97.4	45.8	20.7	25.1	84.2	92.3	51.7	15.2	20.8	65.2	11.2
2005 Jan.	6.8	11.1	97.3	45.8	20.1	25.5	85.3	92.3	49.6	14.7	20.7	65.8	11.2
Feb.	4.2	9.4	96.8	45.5	20.4	25.7	83.4	91.8	49.7	14.4	20.9	65.1	10.6
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2001	5.1	-0.8	105.0	102.1	108.5	107.8	105.5	98.8	99.3	96.3	100.6	98.0	99.3
2002	2.9	-0.7	108.0	105.0	106.2	114.9	108.3	98.3	98.9	89.5	104.1	96.4	101.4
2003	1.0	3.7	109.0	105.9	107.9	114.8	109.2	101.7	100.5	95.2	110.4	100.1	104.9
2004	8.4	6.0	117.8	113.6	118.2	118.3	117.2	107.6	102.2	104.7	116.5	106.0	104.6
2003 Q3	0.8	2.4	109.8	106.8	110.3	115.5	110.4	101.0	99.7	92.5	111.0	99.4	109.5
Q4	3.0	5.5	111.9	107.3	112.0	117.1	111.2	103.9	101.8	98.2	113.7	101.9	106.7
2004 Q1	7.6	4.7	115.9	112.0	115.9	117.0	115.8	105.3	101.2	99.3	116.0	103.5	101.2
Q2	11.3	5.7	117.9	113.7	116.4	119.9	116.6	106.6	101.7	104.3	115.4	104.2	100.1
Q3	7.5	8.3	118.0	114.4	118.8	119.3	117.7	109.0	104.2	105.0	117.5	107.2	113.1
Q4	7.3	5.4	119.6	114.1	121.5	116.9	118.7	109.6	101.9	110.0	117.3	109.3	103.8
2004 Sep.	5.5	8.8	118.1	113.7	118.8	119.2	117.8	108.9	103.8	107.5	117.2	107.9	118.0
Oct.	2.1	0.0	118.6	113.5	121.0	116.8	117.8	109.1	99.2	109.0	119.0	108.3	106.4
Nov.	12.0	10.8	119.9	113.7	120.9	118.5	118.7	110.0	103.1	112.2	118.0	110.8	102.5
Dec.	8.2	5.7	120.1	115.0	122.7	115.3	119.7	109.6	103.4	109.0	114.8	108.7	102.5
2005 Jan.	5.0	6.6	119.5	114.5	117.6	116.8	120.6	111.1	101.8	106.6	114.6	110.1	110.1
Feb.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2001	1.1	0.3	101.0	100.7	100.1	102.1	100.9	100.2	98.7	101.4	102.9	101.7	88.6
2002	-0.9	-2.3	100.1	99.1	99.2	102.4	100.1	97.8	95.8	99.6	101.9	100.0	84.6
2003	-3.2	-3.1	96.9	96.1	95.4	99.5	96.6	94.8	93.3	94.2	98.8	96.1	85.0
2004	0.1	2.5	97.0	96.4	94.5	99.5	96.3	97.2	98.5	92.7	97.9	96.3	99.4
2003 Q3	-3.0	-3.3	96.5	95.6	94.6	99.3	96.2	94.0	92.0	93.6	98.4	95.5	79.8
Q4	-3.2	-3.7	96.1	95.3	94.9	99.0	95.7	93.8	92.2	93.7	98.1	95.2	82.4
2004 Q1	-2.7	-4.6	95.7	94.8	93.7	98.6	95.3	93.3	92.2	92.4	97.1	94.8	84.4
Q2	0.4	3.0	97.1	96.2	94.7	100.0	96.3	96.5	97.0	93.3	97.7	96.2	95.3
Q3	1.3	5.7	97.7	97.2	95.2	99.9	96.9	99.3	101.5	93.6	98.8	97.3	104.1
Q4	1.4	6.4	97.4	97.5	94.3	99.6	96.6	99.8	103.2	91.7	98.1	96.8	113.9
2004 Sep.	0.8	5.1	97.6	97.0	95.1	99.8	96.9	99.5	102.0	92.4	98.2	96.9	105.8
Oct.	0.9	7.2	97.2	97.1	94.7	99.3	96.4	100.4	104.3	91.8	97.6	96.7	118.8
Nov.	2.1	6.7	98.0	98.5	94.4	99.8	97.0	100.3	103.7	92.0	98.2	97.0	115.9
Dec.	1.0	5.1	97.1	97.1	93.6	99.5	96.4	98.7	101.5	91.3	98.4	96.7	106.9
2005 Jan.	1.7	4.3	97.4	97.5	94.6	99.6	96.9	97.3	99.0	90.2	98.2	96.4	99.6
Feb.	.	.	.	.	.	.	.	.	.	.	.	.	.

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

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

2. Geographical breakdown

	Total	European Union (outside the euro area)				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan	Other Asian countries			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2001	1,062.6	24.4	37.0	202.5	105.8	24.7	66.4	17.9	180.2	25.2	34.5	140.3	60.5	49.9	93.2
2002	1,084.0	25.3	37.1	205.8	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.6	43.4	100.5
2003	1,058.7	24.9	38.7	194.9	117.7	29.2	63.4	24.9	166.4	35.3	31.3	135.4	59.6	37.9	99.2
2004	1,145.5	25.5	41.7	203.0	126.7	35.5	66.1	31.8	173.5	40.2	33.0	149.5	63.4	40.2	115.6
2003 Q3	265.4	6.3	9.7	48.1	30.4	7.6	15.3	6.5	41.6	9.2	7.8	34.2	15.1	9.1	24.5
Q4	269.5	6.1	9.8	49.6	29.6	7.4	15.9	6.7	41.4	9.0	8.1	34.2	15.1	8.9	27.6
2004 Q1	277.8	6.1	10.1	49.4	31.2	8.0	15.5	7.9	42.5	9.8	8.4	36.7	15.2	9.6	27.5
Q2	286.8	6.3	10.4	50.5	31.6	9.0	16.3	8.2	43.9	10.4	8.0	36.9	15.7	9.9	29.7
Q3	289.1	6.4	10.5	51.7	31.2	9.3	17.2	8.0	43.3	9.9	8.4	38.7	16.7	10.3	27.5
Q4	291.8	6.6	10.7	51.4	32.7	9.1	17.1	7.7	43.8	10.1	8.1	37.3	15.8	10.4	30.9
2004 Sep.	96.3	2.2	3.5	17.3	10.6	3.1	5.7	2.7	14.3	3.3	2.8	12.4	5.5	3.5	9.4
Oct.	96.3	2.2	3.6	17.3	11.0	2.9	5.5	2.6	14.3	3.4	2.6	12.3	5.4	3.3	9.8
Nov.	98.1	2.2	3.6	17.7	10.9	3.1	5.7	2.5	14.7	3.3	2.7	12.3	5.1	3.7	10.7
Dec.	97.4	2.2	3.6	16.4	10.7	3.2	5.8	2.6	14.8	3.4	2.8	12.7	5.3	3.4	10.5
2005 Jan.	97.3	2.2	3.5	16.6	11.6	3.2	5.9	2.7	14.7	3.4	2.8	13.7	5.5	3.7	7.8
Feb.	96.8	2.2	3.4	17.3	10.7	3.2	5.6	2.5	14.5	3.4	2.8	12.4	5.5	3.7	9.7
	% share of total exports														
2004	100.0	2.2	3.6	17.7	11.1	3.1	5.8	2.8	15.1	3.5	2.9	13.1	5.5	3.5	10.1
	Imports (c.i.f.)														
2001	1,014.6	22.0	35.6	154.6	88.9	42.8	52.9	16.7	138.7	57.6	58.6	150.5	74.0	41.0	80.7
2002	984.8	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.8	52.7	142.7	67.9	39.4	81.0
2003	988.0	23.7	36.9	138.9	102.1	47.4	50.4	19.3	110.4	74.3	52.2	141.5	68.9	39.8	82.1
2004	1,072.3	24.3	39.4	141.7	107.7	56.0	53.4	22.7	113.4	91.6	53.4	162.8	71.9	44.7	89.2
2003 Q3	243.1	5.8	9.1	33.6	25.4	11.7	12.3	4.8	27.3	18.6	12.6	34.4	17.0	9.7	20.7
Q4	249.7	5.9	9.4	34.5	26.8	11.9	12.3	5.0	26.6	20.0	12.9	35.9	16.5	10.6	21.4
2004 Q1	251.6	6.0	9.4	33.8	26.9	12.3	12.8	5.1	26.1	20.7	13.4	35.4	16.5	10.7	22.4
Q2	263.4	5.8	9.8	34.6	26.3	13.6	13.2	5.5	29.9	22.2	12.8	41.1	17.0	10.8	20.7
Q3	277.2	6.2	10.1	37.3	26.9	14.3	13.7	6.0	28.9	23.7	13.7	43.2	18.9	11.5	22.9
Q4	280.0	6.2	10.1	36.0	27.6	15.8	13.7	6.1	28.5	25.0	13.4	43.1	19.5	11.7	23.2
2004 Sep.	92.5	2.1	3.4	12.3	9.1	5.2	4.6	2.1	9.5	8.0	4.5	14.2	6.3	3.9	7.3
Oct.	93.5	2.2	3.3	12.3	9.1	5.1	4.6	2.0	9.5	8.2	4.3	13.1	6.6	3.8	9.4
Nov.	94.2	2.2	3.4	12.2	9.2	5.5	4.6	2.0	9.5	8.5	4.6	14.7	6.8	3.9	7.0
Dec.	92.3	1.9	3.3	11.4	9.3	5.2	4.5	2.0	9.6	8.3	4.4	15.3	6.2	3.9	6.7
2005 Jan.	92.3	2.0	3.3	11.8	9.3	4.8	4.5	2.1	9.5	8.5	4.4	12.7	6.3	4.0	8.9
Feb.	91.8	2.0	3.3	12.2	9.1	5.5	4.4	2.0	9.5	8.6	4.3	13.5	6.5	4.0	6.8
	% share of total imports														
2004	100.0	2.3	3.7	13.2	10.1	5.2	5.0	2.1	10.6	8.5	5.0	15.2	6.7	4.2	8.3
	Balance														
2001	48.0	2.3	1.4	47.9	17.0	-18.1	13.5	1.2	41.5	-32.3	-24.0	-10.2	-13.6	8.9	12.5
2002	99.2	2.3	1.5	56.1	18.6	-15.0	12.0	3.8	58.5	-31.9	-19.7	-2.3	-8.3	4.0	19.6
2003	70.7	1.1	1.8	56.0	15.6	-18.2	13.0	5.5	56.1	-39.1	-20.9	-6.0	-9.4	-1.8	17.1
2004	73.3	1.2	2.3	61.3	18.9	-20.5	12.7	9.1	60.1	-51.4	-20.4	-13.3	-8.5	-4.6	26.4
2003 Q3	22.3	0.5	0.6	14.5	5.0	-4.0	2.9	1.7	14.3	-9.5	-4.8	-0.2	-1.9	-0.6	3.7
Q4	19.7	0.2	0.4	15.0	2.8	-4.6	3.6	1.8	14.8	-11.0	-4.8	-1.6	-1.4	-1.6	6.2
2004 Q1	26.3	0.1	0.7	15.6	4.2	-4.2	2.8	2.8	16.4	-10.9	-5.0	1.3	-1.4	-1.1	5.0
Q2	23.4	0.4	0.6	15.9	5.3	-4.6	3.0	2.7	14.0	-11.8	-4.8	-4.2	-1.2	-1.0	9.0
Q3	11.8	0.2	0.4	14.4	4.4	-5.0	3.5	2.0	14.4	-13.7	-5.3	-4.6	-2.2	-1.3	4.6
Q4	11.8	0.4	0.6	15.4	5.1	-6.7	3.3	1.6	15.3	-14.9	-5.2	-5.8	-3.7	-1.2	7.7
2004 Sep.	3.9	0.1	0.2	5.0	1.5	-2.1	1.0	0.6	4.8	-4.6	-1.7	-1.8	-0.8	-0.4	2.1
Oct.	2.8	0.0	0.2	5.0	1.9	-2.2	1.0	0.6	4.8	-4.8	-1.7	-0.7	-1.2	-0.5	0.3
Nov.	3.9	0.0	0.2	5.4	1.7	-2.4	1.1	0.4	5.2	-5.2	-1.9	-2.4	-1.6	-0.2	3.7
Dec.	5.1	0.3	0.2	5.0	1.4	-2.1	1.3	0.6	5.2	-4.9	-1.6	-2.7	-0.8	-0.5	3.7
2005 Jan.	5.0	0.1	0.2	4.9	2.2	-1.6	1.4	0.6	5.1	-5.1	-1.6	1.0	-0.8	-0.3	-1.2
Feb.	5.1	0.2	0.1	5.1	1.7	-2.3	1.2	0.5	4.9	-5.2	-1.6	-1.1	-1.0	-0.3	2.9

Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

8 EXCHANGE RATES

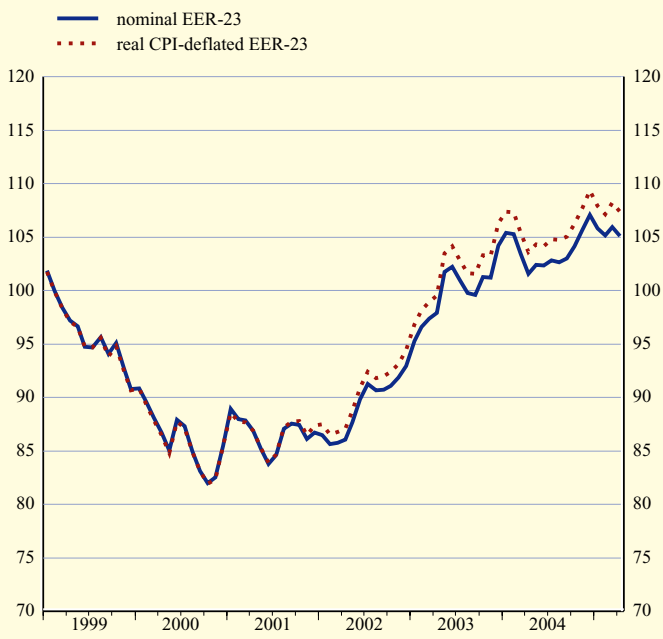
8.1 Effective exchange rates [1]

(period averages; index 1999 Q1=100)

	EER-23						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2002	89.2	90.3	91.9	90.3	87.9	88.4	94.8	90.8
2003	99.9	101.7	102.2	101.5	99.1	99.5	106.6	101.6
2004	103.8	105.8	105.3	105.9	102.8	102.9	111.0	105.4
2004 Q1	104.7	106.7	106.4	106.5	104.3	104.3	111.6	106.1
Q2	102.1	104.1	103.7	104.3	101.3	101.3	109.2	103.7
Q3	102.8	104.9	104.4	104.9	101.6	101.7	110.1	104.5
Q4	105.7	107.8	106.8	107.7	104.2	104.2	113.0	107.1
2005 Q1	105.7	107.8	107.2	.	.	.	112.6	106.5
2004 Apr.	101.6	103.6	103.3	-	-	-	108.3	103.0
May	102.4	104.4	103.9	-	-	-	109.5	104.1
June	102.3	104.2	103.7	-	-	-	109.6	104.0
July	102.8	104.8	104.4	-	-	-	110.1	104.5
Aug.	102.7	104.7	104.3	-	-	-	109.9	104.4
Sep.	103.0	105.1	104.5	-	-	-	110.3	104.6
Oct.	104.2	106.3	105.3	-	-	-	111.5	105.8
Nov.	105.6	107.7	106.5	-	-	-	113.1	107.1
Dec.	107.1	109.3	108.4	-	-	-	114.4	108.5
2005 Jan.	105.8	107.9	107.2	-	-	-	112.9	106.8
Feb.	105.1	107.1	106.6	-	-	-	111.9	105.8
Mar.	106.0	108.2	107.7	-	-	-	112.9	106.9
Apr.	105.1	107.4	106.9	-	-	-	111.9	105.9
	% change versus previous month							
2005 Apr.	-0.8	-0.8	-0.7	-	-	-	-0.9	-0.9
	% change versus previous year							
2005 Apr.	3.4	3.6	3.5	-	-	-	3.3	2.9

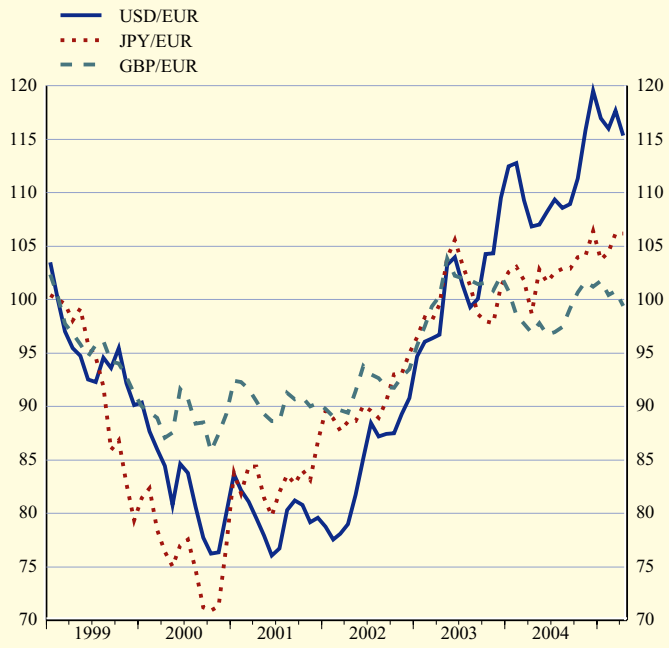
C31 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C32 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2002	7.4305	9.1611	0.62883	0.9456	118.06	1.4670	1,175.50	7.3750	1.6912	1.4838	7.5086	1.7376
2003	7.4307	9.1242	0.69199	1.1312	130.97	1.5212	1,346.90	8.8079	1.9703	1.5817	8.0033	1.7379
2004	7.4399	9.1243	0.67866	1.2439	134.44	1.5438	1,422.62	9.6881	2.1016	1.6167	8.3697	1.6905
2004 Q3	7.4367	9.1581	0.67216	1.2220	134.38	1.5363	1,411.03	9.5310	2.0867	1.5998	8.3890	1.7226
Q4	7.4343	9.0128	0.69507	1.2977	137.11	1.5335	1,415.11	10.0964	2.1481	1.5835	8.1987	1.7132
2005 Q1	7.4433	9.0736	0.69362	1.3113	137.01	1.5488	1,340.74	10.2257	2.1452	1.6083	8.2388	1.6878
2004 Oct.	7.4379	9.0620	0.69144	1.2490	135.97	1.5426	1,426.19	9.7284	2.0947	1.5600	8.2349	1.7049
Nov.	7.4313	8.9981	0.69862	1.2991	136.09	1.5216	1,411.15	10.1028	2.1446	1.5540	8.1412	1.6867
Dec.	7.4338	8.9819	0.69500	1.3408	139.14	1.5364	1,408.77	10.4264	2.2002	1.6333	8.2207	1.7462
2005 Jan.	7.4405	9.0476	0.69867	1.3119	135.63	1.5469	1,362.01	10.2269	2.1501	1.6060	8.2125	1.7147
Feb.	7.4427	9.0852	0.68968	1.3014	136.55	1.5501	1,330.26	10.1507	2.1327	1.6128	8.3199	1.6670
Mar.	7.4466	9.0884	0.69233	1.3201	138.83	1.5494	1,329.44	10.2960	2.1522	1.6064	8.1880	1.6806
Apr.	7.4499	9.1670	0.68293	1.2938	138.84	1.5475	1,306.82	10.0899	2.1375	1.5991	8.1763	1.6738
	% change versus previous month											
2005 Apr.	0.0	0.9	-1.4	-2.0	0.0	-0.1	-1.7	-2.0	-0.7	-0.5	-0.1	-0.4
	% change versus previous year											
2005 Apr.	0.1	0.0	2.6	8.0	7.6	-0.5	-5.4	8.0	5.9	-0.5	-1.5	3.7

	Czech koruna	Estonian kroon	Cyprus pound	Latvian lats	Lithuanian litas	Hungarian forint	Maltese lira	Polish zloty	Slovenian tolar	Slovak koruna	Bulgarian lev	Romanian leu
	13	14	15	16	17	18	19	20	21	22	23	24
2002	30.804	15.6466	0.57530	0.5810	3.4594	242.96	0.4089	3.8574	225.98	42.694	1.9492	31,270
2003	31.846	15.6466	0.58409	0.6407	3.4527	253.62	0.4261	4.3996	233.85	41.489	1.9490	37,551
2004	31.891	15.6466	0.58185	0.6652	3.4529	251.66	0.4280	4.5268	239.09	40.022	1.9533	40,510
2004 Q3	31.593	15.6466	0.57902	0.6597	3.4528	248.80	0.4266	4.4236	239.95	40.020	1.9559	40,994
Q4	31.125	15.6466	0.57769	0.6801	3.4528	245.94	0.4314	4.2342	239.83	39.454	1.9559	39,839
2005 Q1	30.012	15.6466	0.58267	0.6962	3.4528	245.01	0.4316	4.0267	239.74	38.294	1.9559	37,069
2004 Oct.	31.491	15.6466	0.57595	0.6690	3.4528	246.69	0.4297	4.3182	239.91	39.997	1.9559	41,082
Nov.	31.286	15.6466	0.57789	0.6803	3.4528	245.36	0.4319	4.2573	239.79	39.546	1.9559	39,848
Dec.	30.636	15.6466	0.57909	0.6900	3.4528	245.80	0.4325	4.1354	239.80	38.872	1.9559	38,696
2005 Jan.	30.304	15.6466	0.58170	0.6963	3.4528	246.48	0.4322	4.0794	239.77	38.573	1.9559	38,168
Feb.	29.957	15.6466	0.58315	0.6961	3.4528	243.69	0.4309	3.9867	239.74	38.044	1.9559	36,733
Mar.	29.771	15.6466	0.58319	0.6961	3.4528	244.81	0.4317	4.0123	239.70	38.253	1.9559	36,292
Apr.	30.134	15.6466	0.58282	0.6961	3.4528	248.19	0.4299	4.1559	239.65	39.232	1.9553	36,277
	% change versus previous month											
2005 Apr.	1.2	0.0	-0.1	0.0	0.0	1.4	-0.4	3.6	0.0	2.6	0.0	0.0
	% change versus previous year											
2005 Apr.	-7.3	0.0	-0.6	7.1	0.0	-0.9	1.1	-12.7	0.5	-2.3	0.5	-10.8

	Chinese yuan renminbi [1]	Croatian kuna [1]	Icelandic krona	Indonesian rupiah [1]	Malaysian ringgit [1]	New Zealand dollar	Philippine peso [1]	Russian rouble [1]	South African rand	Thai baht [1]	New Turkish lira [2]
	25	26	27	28	29	30	31	32	33	34	35
2002	7.8265	7.4130	86.18	8,785.12	3.5933	2.0366	48.837	29.7028	9.9072	40.637	1,439,680
2003	9.3626	7.5688	86.65	9,685.54	4.2983	1.9438	61.336	34.6699	8.5317	46.923	1,694,851
2004	10.2967	7.4967	87.14	11,127.34	4.7273	1.8731	69.727	35.8192	8.0092	50.077	1,777,052
2004 Q3	10.1195	7.3950	87.48	11,190.20	4.6440	1.8701	68.442	35.6546	7.7869	50.478	1,807,510
Q4	10.7423	7.5528	86.19	11,840.69	4.9324	1.8526	73.035	36.9618	7.8379	52.191	1,871,592
2005 Q1	10.8536	7.5081	80.67	12,165.35	4.9835	1.8299	72.084	36.5154	7.8793	50.622	1.7412
2004 Oct.	10.3423	7.5367	87.58	11,370.40	4.7481	1.8280	70.405	36.3001	7.9861	51.596	1,860,247
Nov.	10.7536	7.5619	87.15	11,723.41	4.9374	1.8540	73.138	37.1185	7.8566	52.357	1,883,365
Dec.	11.0967	7.5589	83.99	12,382.27	5.0960	1.8737	75.336	37.4162	7.6847	52.576	1,870,690
2005 Jan.	10.8588	7.5494	82.12	12,073.27	4.9861	1.8620	73.068	36.6704	7.8386	50.855	1.7784
Feb.	10.7719	7.5176	80.74	12,039.68	4.9458	1.8192	71.305	36.3910	7.8337	50.078	1.7104
Mar.	10.9262	7.4577	79.15	12,377.13	5.0167	1.8081	71.842	36.4789	7.9635	50.908	1.7333
Apr.	10.7080	7.3908	80.71	12,362.94	4.9163	1.7967	70.435	35.9794	7.9649	51.165	1.7645
	% change versus previous month										
2005 Apr.	-2.0	-0.9	2.0	-0.1	-2.0	-0.6	-2.0	-1.4	0.0	0.5	1.8
	% change versus previous year										
2005 Apr.	8.0	-1.7	-7.9	19.6	7.9	-4.1	5.1	4.5	1.0	8.2	-

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.

2) Data prior to January 2005 refer to the Turkish lira; 1,000,000 Turkish liras are equivalent to 1 new Turkish lira.

9 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												
2003	-0.1	2.0	1.4	4.0	2.9	-1.1	4.7	1.9	0.7	5.7	8.5	2.3	1.4
2004	2.6	0.9	3.0	1.9	6.2	1.1	6.8	2.7	3.6	3.6	7.4	1.0	1.3
2004 Q3	3.0	1.0	3.9	2.5	7.4	2.3	7.0	3.0	4.7	3.6	7.2	1.2	1.2
Q4	2.7	1.2	4.4	2.8	7.2	3.0	5.9	2.2	4.5	3.5	6.0	1.1	1.4
2005 Q1	1.4	1.0	4.5	2.5	6.7	3.1	3.5	2.3	3.5	2.8	2.6	0.7	1.7
2004 Nov.	2.6	1.0	4.4	2.6	7.2	2.9	5.7	1.9	4.5	3.8	6.0	1.1	1.5
Dec.	2.5	1.0	4.8	3.9	7.4	2.8	5.5	1.9	4.4	3.3	5.8	0.9	1.6
2005 Jan.	1.5	0.8	4.2	2.8	6.7	2.8	3.9	1.9	3.8	2.3	3.1	0.5	1.6
Feb.	1.4	1.0	4.6	2.4	7.0	3.2	3.4	2.5	3.5	2.8	2.6	1.2	1.6
Mar.	1.2	1.3	4.8	2.4	6.6	3.3	3.3	2.6	3.2	3.3	2.3	0.5	1.9
	General government deficit (-)/surplus (+) as a % of GDP												
2002	-6.8	1.7	1.4	-4.5	-2.7	-1.5	-8.5	-5.9	-3.6	-2.4	-5.7	-0.3	-1.7
2003	-11.7	1.2	3.1	-6.3	-1.5	-1.9	-6.2	-10.5	-4.5	-2.0	-3.7	0.2	-3.4
2004	-3.0	2.8	1.8	-4.2	-0.8	-2.5	-4.5	-5.2	-4.8	-1.9	-3.3	1.4	-3.2
	General government gross debt as a % of GDP												
2002	30.7	47.2	5.3	65.2	14.1	22.4	55.5	62.7	41.2	29.5	43.3	52.4	38.3
2003	38.3	44.7	5.3	69.8	14.4	21.4	56.9	71.8	45.4	29.4	42.6	52.0	39.7
2004	37.4	42.7	4.9	71.9	14.4	19.7	57.6	75.0	43.6	29.4	43.6	51.2	41.6
	Long-term government bond yield as a % per annum, period average												
2004 Oct.	4.82	4.23	-	6.58	4.63	4.38	8.23	4.71	6.80	4.47	5.08	4.25	4.81
Nov.	4.55	4.09	-	6.45	4.58	4.25	7.64	4.70	6.45	4.31	4.92	4.13	4.74
Dec.	4.05	3.86	-	6.26	4.58	3.95	7.17	4.70	6.00	4.07	4.58	3.90	4.58
2005 Jan.	3.84	3.74	-	6.13	4.29	3.85	7.21	4.71	5.97	3.87	4.04	3.84	4.60
Feb.	3.55	3.64	-	6.06	4.03	3.80	6.84	4.72	5.73	3.92	3.80	3.76	4.66
Mar.	3.62	3.82	-	5.89	3.94	3.73	6.83	4.72	5.55	3.89	3.60	3.86	4.87
	3-month interest rate as a % per annum, period average												
2004 Oct.	2.67	2.21	2.41	5.15	4.20	2.69	11.09	2.96	6.89	4.10	4.26	2.21	4.90
Nov.	2.61	2.21	2.41	5.13	4.49	2.70	9.57	2.95	6.81	4.06	4.22	2.20	4.88
Dec.	2.57	2.20	2.41	5.16	4.39	2.65	-	2.96	6.72	4.05	3.74	2.18	4.87
2005 Jan.	2.53	2.20	2.40	5.16	3.99	2.62	-	2.97	6.63	4.05	3.66	2.15	4.87
Feb.	2.25	2.19	2.40	5.13	3.97	2.59	8.45	2.97	6.54	4.05	2.90	2.12	4.89
Mar.	2.08	2.19	2.40	4.96	3.26	2.49	-	2.98	6.15	4.05	2.29	2.11	4.99
	Real GDP												
2003	3.7	0.7	5.1	2.0	7.5	9.7	3.0	-1.8	3.8	2.5	4.5	1.5	2.2
2004	4.0	2.4	6.2	3.7	8.5	6.7	4.0	1.5	5.3	4.6	5.5	3.5	3.1
2004 Q3	4.0	2.5	5.9	4.1	9.1	6.0	3.9	1.9	4.8	4.5	5.3	3.3	3.1
Q4	4.3	2.9	5.9	3.0	8.6	6.1	3.9	2.3	3.9	3.4	5.8	2.6	2.9
2005 Q1	.	.	.	.	.	5.6	.	.	.	.	.	.	.
	Current and capital accounts balance as a % of GDP												
2003	-6.3	3.3	-12.7	-3.3	-7.6	-6.5	-8.7	-5.6	-2.2	-1.0	-0.5	7.0	-1.6
2004	-5.7	2.4	-11.8	-5.0	-11.3	-5.9	-8.5	-9.0	-1.1	-1.6	-3.4	8.1	-2.0
2004 Q2	-5.3	3.7	-17.9	-4.4	-18.3	-9.5	-10.9	-3.1	-3.2	-3.2	-7.5	8.7	-2.6
Q3	-7.5	2.5	-4.5	5.1	-11.6	-5.0	-8.2	-7.7	-0.7	-0.7	-3.4	8.5	-2.9
Q4	-7.8	0.5	-13.0	-12.7	-7.1	-2.5	-7.2	-19.0	0.5	-2.6	-3.6	7.0	-1.3
	Unit labour costs												
2003	3.3	2.0	4.6	-	5.2	1.5	7.0	-	.	4.8	3.5	0.6	3.1
2004	.	1.0	4.9	-	8.7	.	.	-	.	.	2.1	.	.
2004 Q2	.	0.6	4.8	-	-	.	-	-	.	-	5.1	.	1.7
Q3	.	1.1	5.2	-	-	.	-	-	.	-	3.5	.	1.1
Q4	.	0.4	4.7	-	-	.	-	-	.	-	5.1	.	.
	Standardised unemployment rate as a % of labour force (s.a.)												
2003	7.8	5.6	10.2	4.5	10.4	12.7	5.7	8.0	19.2	6.5	17.5	5.6	5.0
2004	8.3	5.4	9.2	5.0	9.8	10.7	5.9	7.3	18.8	6.0	18.0	6.4	4.6
2004 Q3	8.3	5.3	9.1	5.0	9.7	10.6	5.8	7.1	18.7	5.9	17.8	6.4	4.5
Q4	8.3	5.2	8.4	5.3	9.7	9.6	6.1	7.0	18.4	5.8	17.1	6.4	4.6
2005 Q1	8.3	5.0	8.0	5.4	9.5	8.8	6.3	.	18.1	5.8	16.2	6.3	.
2004 Nov.	8.3	5.2	8.3	5.2	9.7	9.5	6.1	7.0	18.4	5.8	17.1	6.4	4.6
Dec.	8.3	5.1	8.2	5.5	9.6	9.3	6.2	7.0	18.3	5.8	16.8	6.4	4.6
2005 Jan.	8.3	5.0	8.1	5.5	9.6	9.0	6.3	6.9	18.2	5.8	16.5	6.2	4.7
Feb.	8.3	5.0	8.0	5.6	9.5	8.8	6.3	6.8	18.1	5.8	16.1	6.5	.
Mar.	8.3	5.0	7.9	5.1	9.4	8.6	6.3	.	18.1	5.8	15.9	6.3	.

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

9.2 In the United States and Japan

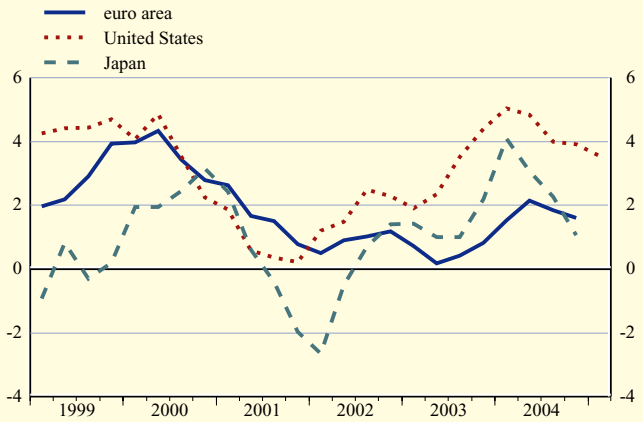
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1] (manufacturing)	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3] as a % per annum	10-year government bond yield [3] as a % per annum	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
	United States										
2001	2.8	0.2	0.8	-4.1	4.8	11.4	3.78	5.01	0.8956	-0.4	42.9
2002	1.6	-0.8	1.9	-0.1	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	3.3	3.0	0.0	6.0	6.4	1.22	4.00	1.1312	-4.6	47.8
2004	2.7	-0.8	4.4	4.9	5.5	5.2	1.62	4.26	1.2439	-4.3	48.7
2004 Q1	1.8	-0.7	5.0	3.2	5.7	4.6	1.12	4.00	1.2497	-4.5	48.5
Q2	2.9	-1.7	4.8	5.6	5.6	5.7	1.30	4.58	1.2046	-4.4	48.2
Q3	2.7	-0.1	4.0	5.5	5.4	4.8	1.75	4.29	1.2220	-4.4	48.3
Q4	3.3	-0.5	3.9	5.1	5.4	5.8	2.30	4.17	1.2977	-3.9	48.7
2005 Q1	3.0	.	3.6	4.5	5.3	5.5	2.84	4.30	1.3113	.	.
2004 Dec.	3.3	-	-	5.1	5.4	6.3	2.50	4.23	1.3408	-	-
2005 Jan.	3.0	-	-	5.0	5.2	6.1	2.66	4.21	1.3119	-	-
Feb.	3.0	-	-	4.4	5.4	5.6	2.82	4.16	1.3014	-	-
Mar.	3.1	-	-	4.0	5.2	4.9	3.03	4.49	1.3201	-	-
Apr.	.	-	-	.	.	.	3.15	4.34	1.2938	-	-
	Japan										
2001	-0.7	4.4	0.1	-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	141.5
2003	-0.3	-3.8	1.4	3.2	5.2	1.7	0.06	0.99	130.97	-7.7	149.2
2004	0.0	-5.3	2.6	5.5	4.7	1.9	0.05	1.50	134.44	.	.
2004 Q1	-0.1	-6.5	4.1	6.9	4.9	1.7	0.05	1.31	133.97	.	.
Q2	-0.3	-6.7	3.1	7.2	4.6	1.9	0.05	1.59	132.20	.	.
Q3	-0.1	-5.9	2.3	6.4	4.8	1.8	0.05	1.64	134.38	.	.
Q4	0.5	-1.9	0.8	1.8	4.6	2.0	0.05	1.45	137.11	.	.
2005 Q1	-0.2	.	.	1.3	.	2.0	0.05	1.41	137.01	.	.
2004 Dec.	0.2	-2.0	-	1.9	4.4	2.0	0.05	1.40	139.14	-	-
2005 Jan.	-0.1	.	-	2.0	4.5	2.0	0.05	1.37	135.63	-	-
Feb.	-0.3	.	-	1.0	4.6	1.9	0.05	1.40	136.55	-	-
Mar.	-0.2	.	-	1.1	.	2.2	0.05	1.45	138.83	-	-
Apr.	.	.	-	.	.	.	0.05	1.32	138.84	-	-

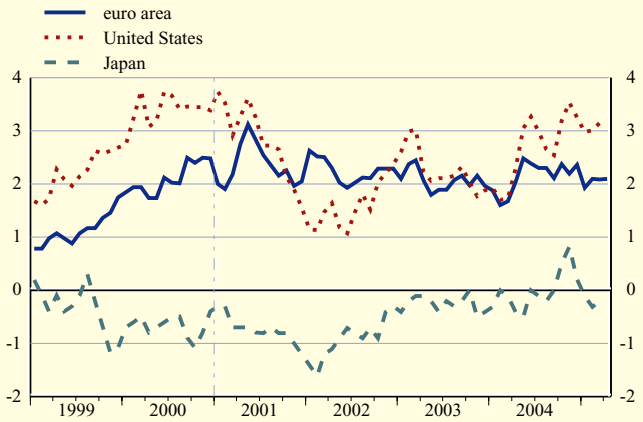
C33 Real gross domestic product

(annual percentage changes; quarterly)



C34 Consumer price indices

(annual percentage changes; monthly)



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

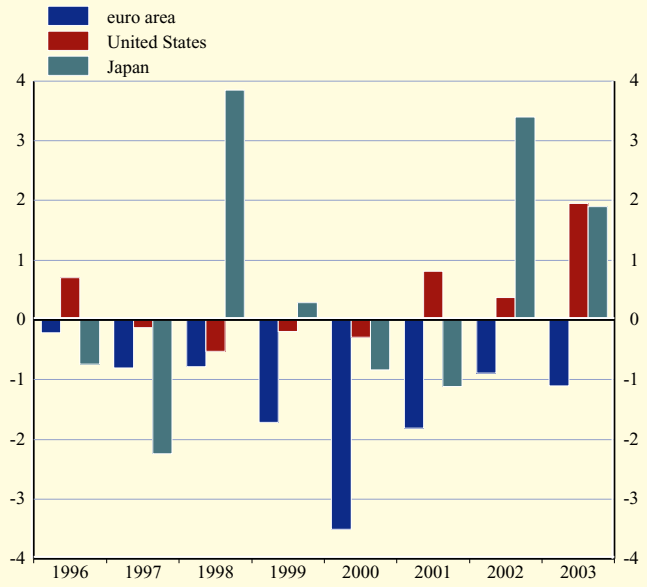
1) Data for the United States are seasonally adjusted.
2) Average-of-period values; M3 for US, M2+CDs for Japan.
3) For more information, see Sections 4.6 and 4.7.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).

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

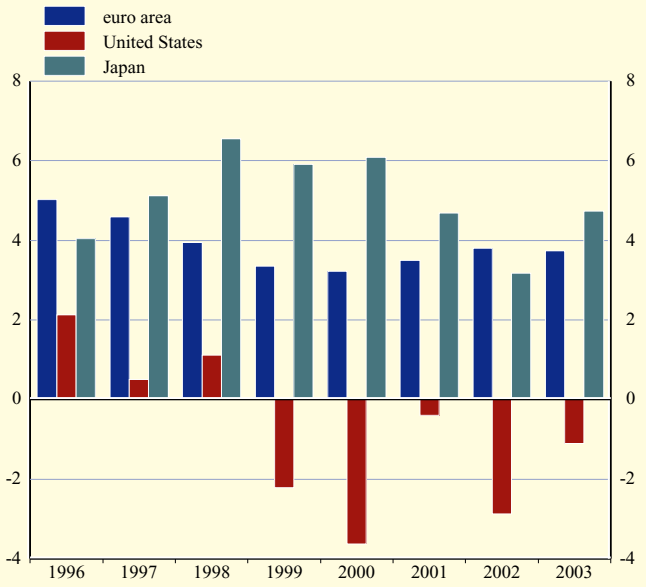
2. Saving, investment and financing

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households [1]			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expend-itures [2]	Net acquisition of financial assets	Gross saving [3]	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
	United States												
2001	16.4	19.1	-3.7	7.9	8.3	1.8	7.6	0.9	1.7	12.8	5.3	10.8	5.7
2002	14.2	18.4	-4.4	7.3	7.3	1.4	8.0	1.1	-0.1	12.9	3.7	11.1	6.6
2003	13.5	18.4	-4.7	7.0	7.1	4.4	8.5	2.5	0.8	13.2	6.9	10.6	8.0
2004	13.7	19.7	-5.5	7.7	7.4	4.5	8.7	3.0	0.3	13.4	6.6	10.4	9.5
2003 Q1	12.8	18.2	-5.0	7.0	7.0	3.6	7.8	2.4	0.8	12.9	6.1	10.2	8.8
Q2	13.2	18.1	-4.8	6.8	7.0	5.3	8.5	3.3	2.1	13.1	9.3	10.5	11.7
Q3	13.7	18.6	-4.6	7.0	7.1	3.6	8.7	1.4	0.3	13.4	9.3	11.2	7.4
Q4	14.4	18.8	-4.3	7.2	7.2	5.3	9.1	2.8	0.1	13.4	3.0	10.7	4.3
2004 Q1	13.7	19.1	-4.9	7.4	7.2	6.2	8.9	4.2	1.0	13.1	7.2	10.2	10.2
Q2	13.9	19.8	-5.4	7.7	7.3	4.3	8.8	2.5	-0.6	13.4	5.9	10.3	8.5
Q3	13.8	19.7	-5.4	7.6	7.4	4.2	9.1	2.6	0.3	13.5	6.9	10.4	9.3
Q4	13.4	20.1	-6.2	8.0	7.6	3.2	8.2	2.8	0.3	13.4	6.4	10.7	9.7
	Japan												
2001	26.4	25.8	2.0	15.3	15.3	-2.8	14.3	-6.3	0.2	4.9	2.8	8.6	0.2
2002	25.6	24.2	2.8	13.8	14.1	-1.7	15.3	-7.4	-0.8	4.8	-0.2	9.0	-2.1
2003	26.3	23.9	3.1	14.3	14.4	2.3	16.0	-5.3	0.7	.	0.3	9.2	-0.6
2004	.	23.9	.	.	.	4.8	.	0.9	0.7	.	1.9	.	-0.7
2003 Q1	28.0	23.4	2.9	.	.	17.5	.	-1.8	1.7	.	-13.2	.	2.9
Q2	23.6	23.3	2.9	.	.	-26.1	.	-20.6	-0.9	.	4.2	.	-5.7
Q3	25.7	24.0	3.7	.	.	9.2	.	-5.6	-0.6	.	-3.7	.	1.4
Q4	27.8	24.8	2.9	.	.	10.5	.	5.5	1.2	.	9.5	.	-1.4
2004 Q1	30.7	24.0	3.9	.	.	12.5	.	-1.9	-0.5	.	-7.2	.	2.6
Q2	.	23.0	.	.	.	-13.7	.	-11.2	1.0	.	7.9	.	-6.2
Q3	.	23.8	.	.	.	7.1	.	0.7	-0.2	.	-2.1	.	1.5
Q4	.	24.6	.	.	.	13.0	.	15.2	2.2	.	8.3	.	-0.4

C35 Net lending of non-financial corporations
(as a percentage of GDP)



C36 Net lending of households [1]
(as a percentage of GDP)



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

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TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS[1]

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

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

RELATING TO SECTIONS 3.1 TO 3.3

CALCULATION OF GROWTH RATES

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

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

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

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of adjusted outstanding amounts. If N_t^M represents the

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

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

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

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

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

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

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

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

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

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

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

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

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

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

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S74). The raw data for goods and services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and current transfers, the working-day adjustment is corrected for national public holidays. Data on

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

service credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. Current transfers debits are not pre-adjusted. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council. For this issue, the cut-off date was 3 May 2005.

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

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

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

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

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

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

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

OVERVIEW

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

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter. Until December 2003, the maintenance periods started on the 24th calendar day of a month and ran to the 23rd of the following month. On 23 January 2003 the ECB announced changes to the operational

framework, which were implemented on 10 March 2004. As a result of these changes, maintenance periods start on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled. A transitional maintenance period was defined to cover the period from 24 January to 9 March 2004.

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

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

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

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

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

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

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

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

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

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

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

FINANCIAL MARKETS

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

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are further broken down into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically refixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. 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 changes 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 (i.e. debt securities) issued by euro area 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 issuers resident in the euro area which is in line with the ESA 95[3]. The ECB is included in the Eurosystem.

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in Section 4.1, column 5. The outstanding amounts for total and long-term debt securities issued by MFIs in Table 4.2.1, column 2, are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in Table 2 of Section 2.1, column 8.

The total gross issues for total debt securities in column 1 of Table 2 in Section 4.2 correspond to the data on total gross issues by euro area residents in Section 4.1, column 6. The residual difference between long-term debt securities in Section 4.1, column 6, and total fixed and variable rate long-term debt securities in Table 2 of Section 4.2, column 7 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows annual growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The annual growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. Annual percentage changes for monthly data refer to the end of the month, whereas for quarterly and yearly data, those percentage changes refer to the annual change in the period average. See the technical notes for details.

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

3 The code numbers in the ESA 95 for the sectors shown in tables in the Monthly Bulletin are: MFIs (including the Eurosystem), which comprises the ECB, the NCBs of the euro area countries (S.121) and other monetary financial institutions (S.122); non-monetary financial corporations, which comprises other financial intermediaries (S.123), financial auxiliaries (S.124) and insurance corporations and pension funds (S.125); non-financial corporations (S.11); central government (S.1311); and other general government, which comprises state government (S.1312), local government (S.1313) and social security funds (S.1314).

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. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999 column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999 interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 presents government bond yields for the euro area, the United States and Japan. Until December 1998, two-, three-, five- and seven-year euro area yields were end-of-period values and ten-year yields period averages. Thereafter, all yields are period averages. Until December 1998, euro area yields were calculated on the basis of harmonised national government bond yields weighted by GDP; thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band. For the United States and Japan, ten-year yields are period averages.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the Classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure on final consumption by households on the economic territory of the euro area. The table includes seasonally adjusted HICP data which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[4]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial

4 OJ L 162, 5.6.1998, p. 1.

Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

World market prices of raw materials (Table 2 in Section 5.1) measures price changes of euro-denominated euro area imports compared with the base period.

The Labour Cost Indices (Table 3 in Section 5.1) measure the average labour cost per hour worked. They do not, however, cover agriculture, fishing, public administration, education, health and services not elsewhere classified. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised national definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 5 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade excluding sales of motor vehicles and motorcycles, and except repairs. New passenger car registrations covers registrations of both private and commercial passenger cars.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organisation (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.4 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB from harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Section 6.4 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000 6 amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the

5 OJ L 86, 27.3.2001, p. 11.
6 OJ L 172, 12.7.2000, p. 3.

individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in the Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002[7] on quarterly non-financial accounts for general government.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[8], 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 2004), and in the following task force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), which can be downloaded from the ECB's website. In addition, the report of the ECB/Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The first annual quality report on the euro area b.o.p./i.i.p. (January 2005), which is based on the Task Force's recommendations, is available on 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 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 5 provides a sectoral breakdown of euro area purchasers of securities issued by non-residents of the euro area. It is not yet possible to show a sectoral breakdown of euro area issuers of securities acquired by non-residents. In Tables 6 and 7 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 to 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.

7 OJ L 179, 9.7.2002, p. 1.
8 OJ L 354, 30.11.2004, p. 34.

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 portfolio investment liabilities (columns 5 and 6), the b.o.p. transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, apart from shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area 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 presents a geographical breakdown of the euro area b.o.p. (Tables 1 to 4) and i.i.p. (Table 5) vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and for some purposes also offshore centres and international organisations. Tables 1 to 4 show cumulative b.o.p. transactions in the latest four quarters; Table 5 shows a geographical breakdown of the i.i.p. for the latest end-year. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area i.i.p. in Section 7.4 are based on positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin). 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 quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions and asset prices and foreign exchange developments.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.4, Table 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 Table 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.

Section 7.5 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 1 in Section 7.5 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 (Table 2 in Section 7.5) shows main

trading partners individually or in regional groups. Mainland China excludes Hong Kong.

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 to 7.3). The difference for imports has been around 5% in 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).

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-23 group of trading partners is composed of the 13 non-euro area EU Member States, Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes, in addition to the EER-23, the following countries: Algeria, Argentina, Brazil, Bulgaria, Croatia, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Romania, Russia, South Africa, Taiwan, Thailand and Turkey. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 10 entitled "Update of the overall trade weights for the effective exchange rates of the euro and computation of a new set of euro indicators" in the September 2004 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Section 9.2 are obtained from national sources.

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

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 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.

1 The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2002 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, on pages 219 to 220 of the ECB's Annual Report 2001 and on pages 234 to 235 of the ECB's Annual Report 2002 respectively.

It also announces the results of its evaluation of the ECB's monetary policy strategy. This strategy, which was announced on 13 October 1998, consists of three main elements: a quantitative definition of price stability, a prominent role for money in the assessment of risks to price stability, and a broadly based assessment of the outlook for price developments.

The Governing Council confirms the definition of price stability formulated in October 1998, namely that "price stability is defined as a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%. Price stability is to be maintained over the medium term". At the same time, the Governing Council agrees that in the pursuit of price stability it will aim to maintain inflation rates close to 2% over the medium term.

The Governing Council confirms that its monetary policy decisions will continue to be based on a comprehensive analysis of the risks to price stability. At the same time, the Governing Council decides to clarify in its communication the respective roles played by economic and monetary analysis in the process of coming to the Council's overall assessment of risks to price stability.

To underscore the longer-term nature of the reference value for monetary growth as a benchmark for the assessment of monetary developments, the Governing Council also decides that it will no longer conduct a review of the reference value on an annual basis. However, it will continue to assess the underlying conditions and assumptions.

5 JUNE 2003

The Governing Council of the ECB decides to lower the minimum bid rate on the main refinancing operations by 0.50 percentage point to 2.0%, starting from the operation to be settled on 9 June 2003. It also decides to lower the interest rates on both the marginal lending facility and the deposit facility by 0.50 percentage point, to 3.0% and 1.0% respectively, both with effect from 6 June 2003.

10 JULY, 31 JULY, 4 SEPTEMBER, 2 OCTOBER, 6 NOVEMBER, 4 DECEMBER 2003 AND 8 JANUARY 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

12 JANUARY 2004

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2004 from €15 billion to €25 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated for the year 2004. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2005.

5 FEBRUARY, 4 MARCH 2004

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.0%, 3.0% and 1.0% respectively.

10 MARCH 2004

In accordance with the Governing Council's decision of 23 January 2003, the maturity of the Eurosystem's main refinancing operations is reduced from two weeks to one week and the maintenance period for the Eurosystem's required reserve system is redefined to start on the settlement day of the main refinancing operation following the Governing Council meeting at which the monthly assessment of the monetary policy stance is pre-scheduled, rather than on the 24th day of the month.

1 APRIL, 6 MAY, 3 JUNE, 1 JULY, 5 AUGUST, 2 SEPTEMBER, 7 OCTOBER, 4 NOVEMBER , 2 DECEMBER 2004 AND 13 JANUARY 2005

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.

14 JANUARY 2005

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 2005 from €25 billion to €30 billion. This increased amount takes into consideration the higher liquidity needs of the euro area banking system anticipated in 2005. 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 2006.

3 FEBRUARY, 3 MARCH, 7 APRIL AND 4 MAY 2005

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.

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CONVERGENCE REPORT

"Convergence Report 2004", October 2004.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.int/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Bank lending survey: a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Central parity: the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

Debt (general government): the total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) at a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

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 for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-23 (comprising the 13 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-23 and 19 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction,

retail and services sectors, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is to be found in the fact that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Gross monthly earnings: gross monthly wages and salaries of employees, including employees' social security contributions.

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (as well as bonuses of all kinds), employers' social security contributions and other labour costs (such as vocational training costs, recruitment costs and employment-related taxes), net of subsidies, per hour actually worked. Hourly costs are obtained by dividing the sum total of these costs for all employees by the sum total of 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: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has 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 total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from a national central bank at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including the general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the 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 that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to GDP at constant prices per person employed.

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Yield curve: a curve describing the relationship between the interest rate or yield and the maturity at a given point in time for debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates at two selected maturities.