



EUROPEAN CENTRAL BANK

MONTHLY BULLETIN 08 | 2006

01 | 2006

02 | 2006

03 | 2006

04 | 2006

05 | 2006

06 | 2006

07 | 2006

08 | 2006

09 | 2006

10 | 2006

11 | 2006

12 | 2006

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CONTENTS

EDITORIAL 5

ECONOMIC AND MONETARY DEVELOPMENTS 9

The external environment of the euro area 9

Monetary and financial developments 14

Prices and costs 35

Output, demand and the labour market 44

Exchange rate and balance of payments developments 51

Boxes:

1 New euro area historical series on holdings of M3 deposits by sector 16

2 The results of the July 2006 bank lending survey for the euro area 20

3 Results of the ECB Survey of Professional Forecasters for the third quarter of 2006 39

4 Seasonal and calendar effects on euro area GDP 45

5 Adoption of the euro by Slovenia as from 1 January 2007 53

6 Effects of the rising trade integration of low-cost countries on euro area import prices 56

ARTICLES

Sectoral money holding: determinants and recent developments 59

The evolution of large-value payment systems in the euro area 73

EURO AREA STATISTICS 81

ANNEXES

Chronology of monetary policy measures of the Eurosystem I

Documents published by the European Central Bank since 2005 V

Glossary XIII

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 3 August 2006, the Governing Council decided to increase the minimum bid rate of the main refinancing operations of the Eurosystem by 25 basis points to 3.0%. The interest rates on the marginal lending facility and the deposit facility were also increased by 25 basis points to 4.0% and 2.0% respectively. This decision reflects the upside risks to price stability over the medium term that the Governing Council has identified through both its economic and monetary analyses. The decision will contribute to ensuring that medium to longer-term inflation expectations in the euro area remain solidly anchored at levels consistent with price stability. Such anchoring of inflation expectations is a prerequisite for monetary policy to make an ongoing contribution towards supporting economic growth and job creation in the euro area. Also after this increase, the key ECB interest rates remain low in both real and nominal terms, money and credit growth remain strong, and liquidity in the euro area is ample by all plausible measures. The ECB's monetary policy therefore continues to be accommodative. If the Governing Council's assumptions and baseline scenario are confirmed, a progressive withdrawal of monetary accommodation will be warranted. Against this background, the Governing Council will continue to monitor very closely all developments so as to ensure price stability over the medium and longer term.

The main indicators of economic activity that have become available since early July have tended to confirm the Governing Council's baseline scenario for economic growth in the euro area. Eurostat's second release verified that, in the first quarter of 2006, real GDP grew by 0.6% on a quarter-on-quarter basis. Economic activity is also becoming more broadly based on domestic demand. Moreover, the available information on economic activity in the second quarter – such as various confidence surveys and monthly indicators – supports the view that economic growth has continued at a sustained pace. The survey information so far available for the third quarter is also in line with the Governing Council's baseline scenario.

Looking further ahead, the conditions are in place for real GDP in the euro area to grow at around its potential rate, as projected by Eurosystem staff in June. Growth in the economies of the euro area's main trading partners is providing ongoing support for euro area exports. Investment growth is expected to continue benefiting from favourable financing conditions, corporate balance sheet restructuring, and improvements in earnings and business efficiency. Consumption growth should continue to strengthen gradually over time, in line with developments in employment growth and hence real disposable income. This generally favourable outlook for economic activity in the euro area is also reflected in forecasts by international organisations and private sector institutions.

Risks to the outlook for economic growth are broadly balanced over the shorter term, although recent geopolitical tensions and their impact on markets are a timely reminder of the uncertainties that are faced by the Governing Council. Medium to longer-term risks lie on the downside and relate in particular to the potential for further oil price rises, a disorderly unwinding of global imbalances and protectionist pressures, especially after the suspension of the Doha Round of trade talks.

Turning to price developments, according to Eurostat's flash estimate, annual HICP inflation was 2.5% in July 2006, unchanged from June and May. In the second half of 2006, and on average in 2007, inflation rates are likely to remain above 2%, the precise levels depending very much on future energy price developments. While the moderate evolution of labour costs in the euro area is expected to continue in 2007 – also reflecting ongoing global competitive pressures, particularly in the manufacturing sector – indirect effects of past oil price increases and already announced changes in indirect taxes are expected to exert a significant upward effect on inflation in the course of next year. Against this background, it is crucial that the social partners continue to meet their responsibilities.

Risks to the outlook for price developments have augmented and include further increases in oil prices, a stronger pass-through of past oil price rises into consumer prices than currently anticipated, additional increases in administered prices and indirect taxes, and – more fundamentally – stronger than expected wage and price developments owing to second-round effects of past oil price increases at a time of gradually improving labour markets.

Regarding prospects for inflation over medium to longer horizons, the Governing Council's assessment that upside risks to price stability prevail is confirmed by the monetary analysis. While the data for June 2006 show some moderation in the annual growth rate of M3, these latest developments remain consistent with a persistent upward trend in the underlying rate of monetary expansion since mid-2004. The stimulative impact of the low level of interest rates in the euro area has been an important factor behind the tendency for money and credit growth to strengthen over recent quarters.

Looking at the counterparts of M3, the expansion of credit to the private sector remains the main driver of monetary dynamics. On an annual basis, loans to the private sector as a whole have continued to increase at double-digit rates over recent months, with borrowing both by households and by non-financial corporations rising rapidly. Ongoing strong lending to households continues to be explained, in particular, by borrowing for house purchases. The dynamic growth of money and credit, in an environment of already ample liquidity, points to increased upside risks to price stability at medium to longer horizons. Monetary developments therefore require careful monitoring, particularly in the light of strong dynamics in housing markets.

To sum up, annual inflation rates are expected to remain elevated, at above 2% on average, in 2006 and 2007, with risks to this outlook on the upside. Given strong monetary and credit growth in a context of ample liquidity, a cross-

check of the outcome of the economic analysis with that of the monetary analysis confirms that upside risks to price stability prevail over the medium term. A further adjustment of interest rates was therefore warranted. By acting in a timely fashion, the Governing Council has helped to anchor medium and long-term inflation expectations at levels consistent with price stability, thereby making an ongoing contribution to sustainable economic growth and job creation. Looking ahead, given that the ECB's monetary policy continues to be accommodative, a progressive withdrawal of monetary accommodation will be warranted if the Governing Council's assumptions and baseline scenario are confirmed. The Governing Council will continue to monitor very closely all developments to ensure that risks to price stability do not materialise.

Concerning fiscal policies, given the outlook for economic growth, it is of crucial importance that euro area governments avoid pro-cyclical policies and step up the pace of fiscal consolidation. As budgetary targets for the current year are not particularly ambitious, a rigorous implementation of plans on the expenditure side is especially warranted, and any additional windfall revenues are best used for deficit reduction. Beyond the implementation of such prudent policies in the remainder of this year, the medium-term focus of fiscal policies should be on correcting the underlying sources of imbalances in public finances. Euro area governments, many of which are now finalising their budget plans for 2007, should take full advantage of the economic environment to bring forward the structural adjustment necessary for the durable correction of excessive deficits, so as to reach their medium-term budgetary objectives at an early stage and thereby prepare public finances for the acute demographic challenges they must cope with.

As regards structural reforms, it is essential, for Europe's future, to ensure that it has a fully operational Internal Market, allowing a free flow of labour and capital and free trade in goods and services. Removing the remaining

barriers within the EU will be a powerful means to promote the efficient allocation of factors of production as well as deeper economic and financial integration. This in turn would allow the EU to realise its substantial potential for stronger output and employment growth and to increase its resilience to shocks. Exploiting the opportunities of the Single Market will help to safeguard the prosperity of the citizens of Europe. For those Member States which have fulfilled the convergence criteria laid down by the Treaty and participate in the euro area, the considerable benefits of the Internal Market are further enhanced by the single currency, which offers them a credible framework for monetary policy and price stability in an environment characterised by the absence of exchange rate uncertainty within the euro area, low long-term interest rates, price and cost transparency, reduced transaction and information costs and stronger insurance against economic and financial instability.

In this respect, the further enlargement of the euro area on 1 January 2007 with the entry of Slovenia will be a new historical landmark. In order to fully reap the advantages of the euro and to allow adjustment mechanisms to operate efficiently within the enlarged currency area, it will be necessary to fully integrate Slovenia into Economic and Monetary Union, which calls for all remaining barriers to be removed, including those related to labour mobility. Indeed, open, competitive and flexible markets are of particular importance for the functioning of the euro area economy and the smooth conduct of the single monetary policy. For its part, the Governing Council has undertaken all the necessary preparations to make Banka Slovenije an integral part of the Eurosystem.

This issue of the Monthly Bulletin contains two articles. The first article describes recent developments in the sectoral contributions to aggregate monetary developments in the euro area and discusses how the motives underlying money demand may vary across the household, non-financial corporation and non-monetary financial institution sectors. The second article

describes the evolution of large-value payment systems in the euro area, which are of utmost importance for the proper functioning of financial markets and, more generally, for the stability of the currency.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continues to expand at a fairly robust pace. At the same time, consumer price inflation has remained heavily influenced by energy price changes that resulted in increasing pressure on input prices. Leading indicators signal some moderation in the global growth momentum, although overall growth remains at a pace above historical trends. Risks to the outlook mostly emanate from oil prices, owing to heightened geopolitical uncertainty in the context of high capacity utilisation levels. The persistence of global economic imbalances, associated with concerns related to a disorderly unwinding of these imbalances and protectionist pressures, also continues to pose a downside risk.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy continues to expand at a fairly robust pace. However, growth appears to have moderated somewhat in the second quarter. In particular, there is some evidence of a slowdown in the US economy, mainly as a result of lower private consumption and fixed investment spending. At the same time, the expansion in Asia remains strong, with the growth of the Chinese economy actually increasing in the second quarter. Annual growth in industrial production in the OECD countries (excluding the euro area) moderated slightly in April, to 4.3%, with survey evidence suggesting some further moderation thereafter (see Chart 1).

With regard to price developments, annual consumer price inflation has remained highly influenced by energy price changes. For the OECD countries, the annual rate of change in the CPI increased to 3.1% in May, from 2.7% in April. Survey evidence suggests that input price pressures in both the global manufacturing and services sectors have increased over recent months.

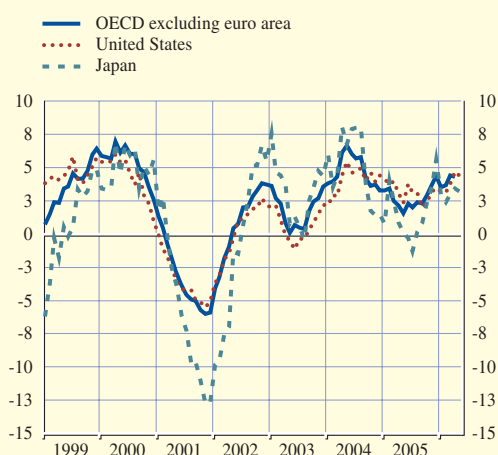
UNITED STATES

In the United States, advance estimates indicate that real GDP growth moderated to 2.5% on a quarterly annualised basis in the second quarter of 2006, from 5.6% in the first quarter. This deceleration reflected a drop in household spending on durable goods, which was only partly offset by stronger household demand for services. Lower fixed investment, given a sharp decline in residential investment and a decrease in equipment and software outlays, was the other major factor behind the weakening of real GDP growth.

Economic expansion is likely to be restrained in the second half of 2006. Household consumption is expected to moderate as a result of the ongoing slowdown in the housing market, a low savings rate and high energy costs. However, durable goods orders and business confidence continue to signal robust manufacturing activity when looking ahead. Moreover, strong profitability and sound corporate balance sheets should remain supportive of non-residential business investment spending in the second half of 2006.

Chart 1 Industrial production in OECD countries

(annual percentage changes; monthly data)



Source: OECD and ECB calculations.
Note: Last observation refers to May 2006 except for the OECD excluding euro area (April 2006).

Inflationary pressures increased markedly during the first half of 2006 in the US economy. In June, annual consumer price inflation was 4.3%, up from 4.2% in May. At the same time, consumer price inflation excluding food and energy edged up by 0.2 percentage point to 2.6% in June. As in past months, the index for shelter was responsible for about one-half of the annual rise in the CPI excluding food and energy. While inflation expectations remain anchored and wage increases continue to be moderate, there is evidence of a pass-through of the past acceleration in energy prices to prices of non-energy goods and services.

With regard to monetary policy, at its meeting on 28-29 June 2006, the US Federal Open Market Committee decided to raise its target for the federal funds rate by 25 basis points for the 17th consecutive time, bringing the policy rate to 5.25%.

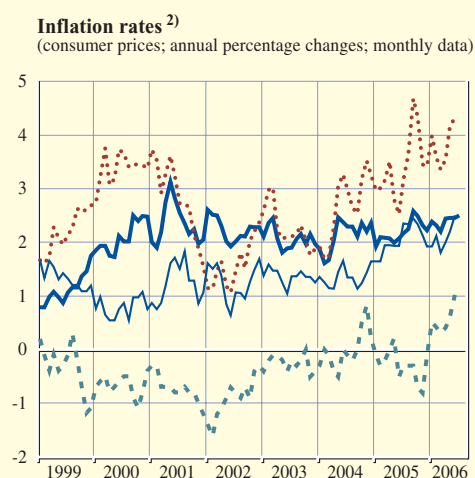
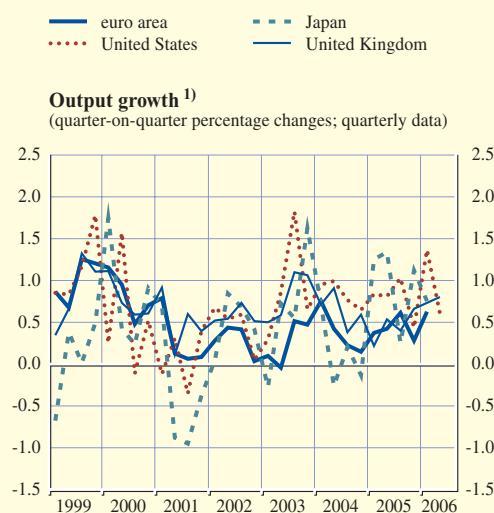
JAPAN

In Japan, economic activity continues to recover steadily. The results of the Bank of Japan's June 2006 Tankan survey show that, for the fiscal year 2006, business investment plans have been revised upward. In fact, surveyed enterprises expect their capital expenditure to grow at double-digit rates in 2006. In June 2006, industrial production rose by 1.9% on a monthly basis and by 4.8% year on year. Overall, recent data on industrial production and tertiary activity confirm that the recovery is broadening. Looking ahead, the outlook for the economy remains favourable.

As regards price developments, consumer prices continue to increase moderately, while the GDP deflator is still decreasing. In June 2006, the annual CPI excluding fresh food rose by 0.6%, posting its eighth consecutive month of increase. The overall CPI increased by 1.0% on an annual basis in June, after 0.6% in May, due to surges in fresh vegetable prices. By contrast, in the first quarter of 2006, the GDP deflator decreased by 1.3% on an annual basis.

At its meeting on 13-14 July, the Bank of Japan decided to change the guideline for money market operations, moving away from the zero interest rate policy. On 14 July, the Bank of Japan announced its decision to raise the target rate for benchmark overnight call loans from zero to 0.25%. The Bank of Japan also decided, for the first time since 2001, to raise the official discount rate from 0.1% to 0.4%.

Chart 2 Main developments in major industrialised economies



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

UNITED KINGDOM

According to the preliminary estimate, the quarterly growth rate of real GDP in the second quarter of 2006 increased to 0.8% (from 0.7% in the previous quarter), which was above its long-term trend. In the light of strong retail sales data for the period from April to June 2006, household consumption growth is estimated to have picked up in the second quarter of 2006. Business survey data indicate high foreign orders. This suggests a positive export performance in the coming months. The unemployment rate increased further to 5.4% in the three months up to May 2006. Looking ahead, the growth momentum is expected to be sustained in the second half of the year, given good export performance and quite robust private consumption and investment dynamics.

In recent months, annual HICP inflation was on an upward trend, reaching 2.5% in June 2006. This was mainly attributable to higher gas and electricity bills and also, more recently, to higher vegetables prices. So far, growth in average earnings has been fairly stable and contained. House price increases remained robust, although – according to the Halifax index – they moderated somewhat in June compared with the previous month.

At its meeting on 2-3 August 2006, the Bank of England's Monetary Policy Committee decided to raise the repo rate by 25 basis points to 4.75%.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, output growth remained strong in the first quarter of 2006, with domestic demand being the main driver in many countries. In many new EU Member States growth has been supported by strong export growth, largely related to past foreign direct investment. Average HICP inflation increased somewhat further in June – mainly on account of higher energy and food prices – although there were marked differences across countries. So far, second-round effects on wages from earlier increases in energy prices appear to have been contained in most countries, although it cannot be ruled out that these may arise in the future. In July Latvijas Banka, Magyar Nemzeti Bank and Národná banka Slovenska raised their official interest rates by 50 basis points, while Česká národní banka increased its policy rate by 25 basis points.

In Denmark, the quarterly rate of real GDP growth remained fairly subdued, at 0.2% in the first quarter of 2006, while it strengthened to 1.1% in Sweden. In both countries, the economic activity was fuelled by domestic demand and, in the case of Sweden, also by net exports. The outlook for growth remains favourable in both countries. HICP inflation was unchanged in both countries in June, at an annual rate of 2.1% in Denmark and 1.9% in Sweden. Whereas HICP inflation in Denmark has fluctuated around that rate since late 2005, it has been on a gradual upward path in Sweden.

In Poland, the Czech Republic and Hungary, favourable external and domestic demand continued to support output growth in the first quarter of 2006. In the Czech Republic and Hungary, real GDP growth remained unchanged compared with the previous quarter, at a quarterly rate of 2.0% and 1.0% respectively, whereas it declined slightly to 1.2% in Poland. Activity indicators suggest that economic growth is likely to remain strong in these countries, with domestic demand as a key driver. Annual HICP inflation remained unchanged in Hungary (at 2.9%) and Poland (at 1.5%) in June, while it moderated in the Czech Republic (to 2.3%). In all three countries, recent inflation has been largely influenced by energy and food prices.

In the other EU Member States, economic activity has remained robust, particularly in the Baltic States and Slovakia, where inflation is also the highest. Overall, the prospects for economic activity continue to be favourable.

EMERGING ASIA

In emerging Asia, most recent evidence confirms that the growth momentum generated in the second half of 2005 continued into the first half of 2006, supported by sustained growth in both domestic demand and exports. Inflation has picked up in certain countries of the region (e.g. India, Indonesia and Thailand), driven by higher energy prices and tighter economic slack.

In China, annual GDP growth increased from 10.3% in the first quarter of 2006 to 11.3% in the second quarter, supported by strong net exports and investment. The trade surplus rose to 5.4% of GDP in the first half of 2006, from 4.1% in the same period of 2005, while urban fixed asset investment rose by 31.3% in the period from January to June, as compared with the same period in 2005. Inflationary pressures remain broadly contained, with CPI inflation at 1.5% in June, except for some raw material and energy prices. The People's Bank of China announced a further 0.5% hike of banks' reserve requirements in August, in order to control excessive liquidity in the banking system, which was primarily driven by the strong increase in foreign exchange reserves recorded in the first half of this year.

In Korea, growth moderated to 5.3%, year on year, in the second quarter, due to sluggish construction activity and slower investment growth; annual CPI inflation was 2.6% in June.

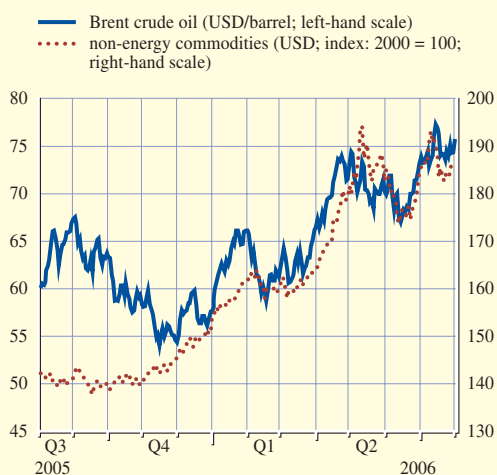
Overall, economic prospects continue to be favourable for emerging Asia. Higher energy prices and excess capacity in some sectors in China remain the principal downside risks to this outlook.

LATIN AMERICA

In Latin America, economic growth remained strong, with domestic demand a key driving force in the region. In Mexico, industrial production expanded by 5.7% in May, compared with a year earlier. At the same time, inflation interrupted its downward trend in June, increasing by 3.2%, year on year. In Brazil, industrial production increased by 4.8%, year on year, in May. Annual inflation continued to fall, reaching 4% in June, below the 2006 target of 4.5%. In Argentina, industrial production grew by 8.7%, year on year, in June, reflecting very strong growth in the automotive sector and cement production. However, inflation remains high in Argentina, at 11% in June, against the background of strong domestic demand. Looking ahead, prospects for the region remain positive in the near term.

1.2 COMMODITY MARKETS

Oil prices continued their upward trend in the course of July, reaching a new all-time high of USD 77.3 per barrel of Brent crude oil on 17 July. Oil prices have since eased somewhat, with the Brent crude oil price standing at USD 75.7 on 2 August. This latest surge seems to be mainly driven by supply-side concerns at a time when oil market fundamentals remain tight. A significant worsening of the geopolitical climate has been the main factor adding upward pressure on prices. Increasing tensions in the Middle East are raising concerns about possible repercussions for global oil supplies, thus keeping oil prices at elevated levels. Looking ahead, given the limited spare capacity all along the oil supply chain, unanticipated changes in the supply-demand balance and

Chart 3 Main developments in commodity markets

Sources: Bloomberg and HWWA.

the geopolitical environment are likely to keep oil prices both relatively high and volatile in the near term. Market participants currently expect oil prices to remain at elevated levels also in the medium term, with the December 2008 oil future contracts currently trading at USD 74.8.

Prices of non-energy commodities have also risen considerably in July. After having reached a peak in mid-May, prices experienced some downward correction, but started to increase again in mid-June. Expressed in US dollar terms, total non-energy commodity prices were approximately 34% higher in July than one year earlier. The general increase was mainly driven by metals prices, as prices for all major industrial metals continued to rise with the support of solid demand, limited production growth and low levels of inventories.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Overall, the outlook for the external environment, and thus for foreign demand for goods and services from the euro area, remains favourable. However, the six-month rate of change in the OECD's Composite Leading Indicator in May signals some moderation in the global growth momentum going forward, notably in the United States and Canada, while the rate of change in Japan has remained rather stable.

The risks to the outlook remain tilted to the downside. In particular, the risks emanating from oil prices have been brought into sharper focus again, due to the heightened geopolitical tensions in the Middle East. The recent increases in consumer prices in many OECD countries and the rise in input prices underline inflationary risks related to oil price increases in the context of high capacity utilisation levels. The persistence of global economic imbalances, associated with concerns related to a disorderly unwinding of these imbalances and protectionist pressures, also continues to pose a downside risk.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

In June 2006 annual M3 growth decreased to 8.5%, from 8.8% in the previous month, but nevertheless remained strong. Moreover, liquidity in the euro area remains ample by all plausible measures. The low level of interest rates continued to be a key factor driving underlying monetary and credit dynamics. Strong money and credit growth in a context of already ample liquidity point to continued upside risks to price stability over the medium to longer term, particularly in an environment of improved economic sentiment and robust housing market dynamics.

THE BROAD MONETARY AGGREGATE M3

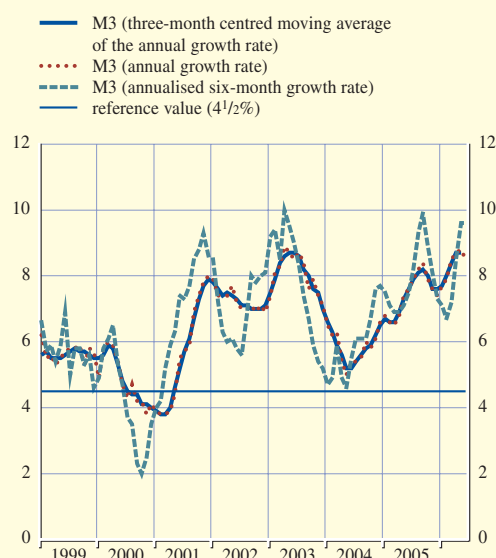
The annual growth rate of the broad monetary aggregate M3 decreased to 8.5% in June 2006, from 8.8% in May. This represents the first moderation in the annual growth rate of M3 since the turn of the year (see Chart 4). It was partly attributable to a base effect and partly to a deceleration in the month-on-month growth rate of M3. The latter brought the annualised three-month growth rate of M3 to 9.1% in June, down from 11.5% in the previous month. The annualised six-month growth rate of M3 remained unchanged at 9.6% in June.

The latest monetary data support the view that the prevailing low level of interest rates in the euro area continues to be a key factor driving M3 growth. The stimulative role played by low interest rates in the period since mid-2004 is reflected, on the components side, in the continued large contribution of the most liquid components to annual M3 growth and, on the counterparts side, in the ongoing strength of the annual growth rate of MFI loans to the private sector. As illustrated by Chart 5, since mid-2004 growth in M3 and growth in loans to the private sector have broadly strengthened in a fairly similar fashion. This contrasts with the previous period of strong M3 growth observed between 2001 and mid-2003, which was driven mainly by portfolio shifts into monetary assets during a period of heightened economic and financial uncertainty. At that time, the strengthening of M3 growth was accompanied by a modest annual growth of loans. Rather, the strength of M3 was attributable to large net inflows in the net external assets of the MFI sector associated with the repatriation of investments previously made abroad by euro area residents.

Given the robust growth in money and credit over the past few quarters, liquidity in the euro area remains ample by all plausible measures. Ongoing strong money and credit growth in a context of already ample liquidity points to continued upside risks to price stability over the medium to longer term, particularly in an environment of improved economic sentiment and robust housing market dynamics.

Chart 4 M3 growth and the reference value

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

MAIN COMPONENTS OF M3

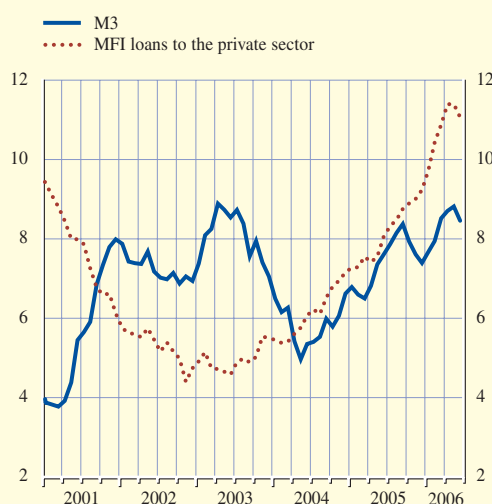
The decrease in the annual growth rate of M3 in June reflects a decline in the contributions stemming from both marketable instruments and the narrow aggregate M1. However, M1 remained the largest contributor to annual M3 growth overall. Looking at its sub-components, the moderation of annual M1 growth reflected lower annual growth rates of both currency in circulation and overnight deposits (see Table 1).

The annual rate of growth of short-term deposits other than overnight deposits increased in June as a result of a strengthening in the annual growth rates of deposits with an agreed maturity of up to two years (i.e. time deposits). This expansion may possibly be related to shifts of funds out of overnight deposits into deposits with a higher remuneration in the context of recent interest rate increases.

By contrast, the annual growth rate of marketable instruments included in M3 decreased in June. This was essentially due to a strong decrease in the annual growth rates of repurchase agreements and debt securities with a maturity of up to two years. The annual rate of change of money market fund shares/units – safe and liquid assets which are often held by households and firms to “park”

Chart 5 M3 and MFI loans to the private sector

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



Source: ECB.

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					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 May	2006 June
M1	48.3	11.2	10.9	10.3	9.9	10.2	9.3
Currency in circulation	7.4	16.0	14.8	13.4	11.9	11.9	11.0
Overnight deposits	40.9	10.4	10.2	9.8	9.5	9.9	9.0
M2 - M1 (= other short-term deposits)	37.7	5.5	5.9	6.8	8.4	8.1	8.8
Deposits with an agreed maturity of up to two years	16.5	4.5	6.5	9.8	15.2	14.6	17.3
Deposits redeemable at notice of up to three months	21.2	6.0	5.3	4.6	3.7	3.6	3.0
M2	86.0	8.4	8.5	8.6	9.2	9.2	9.1
M3 - M2 (= marketable instruments)	14.0	5.6	3.8	3.4	5.7	6.9	4.9
M3	100.0	8.0	7.8	7.9	8.7	8.8	8.5
Credit to euro area residents		7.0	7.9	8.7	9.4	9.4	9.1
Credit to general government		1.1	2.5	2.3	0.8	0.3	0.1
Loans to general government		-1.2	0.0	0.8	0.2	-0.5	-0.2
Credit to the private sector		8.6	9.4	10.4	11.7	11.8	11.5
Loans to the private sector		8.4	9.0	10.1	11.3	11.4	11.0
Longer-term financial liabilities (excluding capital and reserves)		10.1	9.5	8.8	8.8	9.1	8.2

Source: ECB.

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

liquidity at times of heightened uncertainty – was zero in June. Developments in the latter instruments have been subdued over the past few months. However, monthly outflows from money market fund shares/units – which were observed in particular between October 2005 and January 2006 and pointed to a resumption of the unwinding of past portfolio shifts in that period – have ceased over the past few months.

The annual growth rate of the private sector’s short-term deposits and repurchase agreements held with MFIs – which represent the broadest aggregation of M3 components for which information is available by holding sector – decreased in June. This decrease reflects, to a large extent, a decline in the contribution of non-monetary financial intermediaries (other than insurance corporations and pension funds) and non-financial corporations. Households’ demand for deposits remained broadly unchanged in June and continues to explain a substantial part of the high rate of growth observed in short-term deposits and repurchase agreements (see also Box 1 entitled “New euro area historical series on holdings of M3 deposits by sector”).

Box 1

NEW EURO AREA HISTORICAL SERIES ON HOLDINGS OF M3 DEPOSITS BY SECTOR

When extracting information from monetary developments relevant for the outlook for inflation over the medium to longer term, the ECB assesses headline M3 growth from various perspectives in an attempt to understand the factors determining monetary trends. As described in the article entitled “Sectoral money holdings: determinants and recent developments” in this issue of the Monthly Bulletin, one important aspect of this general approach is to analyse monetary developments in holdings by sector.

The broadest aggregation of M3 components for which euro area MFIs provide a detailed breakdown in holdings by sector consists of short-term deposits (overnight deposits, deposits with an agreed original maturity of up to and including two years, deposits redeemable at notice of up to and including three months) and repurchase agreements. This box aims to provide information on the new euro area quarterly historical series on holdings of M3 deposits by sector dating back to the first quarter of 1991. Holdings of such M3 deposits account for over 80% of the total stock of euro area M3.

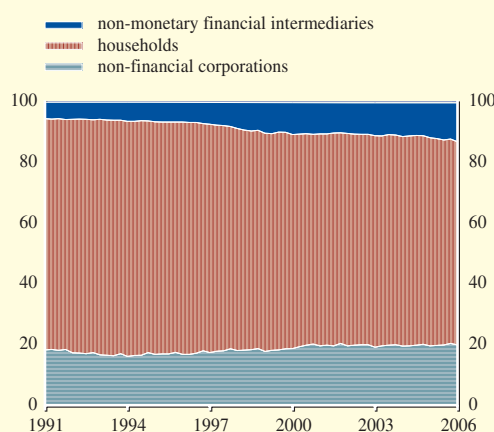
Construction of the time series on sectoral holdings of M3 deposits

In accordance with Regulation ECB/2001/13, MFIs resident in the euro area have reported a breakdown of their deposit liabilities by sector on a monthly basis since January 2003. For the period from September 1997 to December 2002, MFIs reported sectoral deposit data on a quarterly basis. However, owing to the reporting scheme in place at the time, it was not possible to distinguish time deposits (deposits with an agreed maturity) and savings deposits (deposits redeemable at a period of notice) included in M3 from those that, on the basis of their longer maturity, had not been included. In order to enhance the data available for monetary analysis, longer historical time series on sectoral deposit holdings in M3 have now been produced by the ECB.

To this end, the national central banks of the Eurosystem have made available an extensive dataset of existing national series for historical periods not covered by Regulation ECB/2001/13. The definitions of these national series were, in some cases, provided on the basis of instrument, maturity and sectoral breakdowns which were not exactly in line with those of series covered under the Regulation and thus did not correspond to the Eurosystem's definition of M3. The information provided was used to construct sectoral deposit aggregates for the euro area covering the period from the first quarter of 1991 to the fourth quarter of 2002, applying, as far as possible, the definitions and breakdowns laid down in Regulation ECB/2001/13 and having recourse to estimations and assumptions where necessary. Within the usual limitations of any such exercise, these euro area aggregates can be considered a reliable retrospective extension of the data series reported since 2003.¹

Chart A Breakdown by sector of M3 deposits

(in percentages of private sector holdings of M3 deposits)



Source: ECB estimates.

The decomposition of M3 deposits by sector

With approximately two-thirds of the outstanding amounts in the first quarter of 2006, the household sector constitutes the largest holder of private sector deposits included in M3. The newly available time series indicate that this share has declined somewhat since 1991 (see Chart A). The second largest deposit-holding sector is non-financial corporations. They currently hold slightly less than one-fifth of short-term deposits, and this share has been broadly stable since the early 1990s. Holdings of non-monetary financial intermediaries² accounted for 13% of private sector holdings of M3 deposits in the first quarter of 2006. Their share has increased gradually, but steadily, from around 5% in 1991. The rising share of non-monetary financial intermediaries' holdings in total M3 deposits has thus come at the expense of a lower share of the household sector, reflecting the growing importance of such intermediaries in households' asset management.

The breakdown of sectoral M3 deposits by component

Chart B shows the decomposition of sectoral M3 deposits by instrument. A number of points are noteworthy. First, comparing the composition of deposit holdings in 1991 with that in 2005

1 In addition to the monetary liabilities of MFIs, the broad monetary aggregate M3 comprises deposits of non-MFIs with central government entities (post office and Treasury). The sectoral breakdown used in this box refers to deposits included in M3 held with MFIs and central government entities (post office and Treasury). By contrast, Table 2.5 in the euro area statistics section of the Monthly Bulletin presents the sectoral breakdown of deposits held with MFIs (excluding the Eurosystem), as reported in accordance with Regulation ECB/2001/13.

2 Although the "other non-monetary financial intermediaries" sector and "insurance corporations and pension funds" sector comprise a large variety of entities with different business models, for the purpose of this box they are analysed together as "non-monetary financial intermediaries", as the entities are predominantly involved in asset management for households.

demonstrates that all sectors increased the share of overnight deposits in their respective holdings of M3 deposits, while the share of short-term time deposits (with an agreed original maturity up to and including two years) declined.

Second, only households hold sizeable amounts of their M3 deposits in the form of short-term savings deposits (redeemable at notice of up to and including three months), supporting the view that, for euro area households, money holdings are an important savings vehicle. The share of short-term savings deposits in households' holdings of M3 deposits changed little between 1991 and 2005. The shares of overnight deposits and short-term time deposits in households' M3 deposits are smaller than is the case for non-monetary financial intermediaries and non-financial corporations. Holdings of repurchase agreements account for only a very small part of the M3 deposits of households.

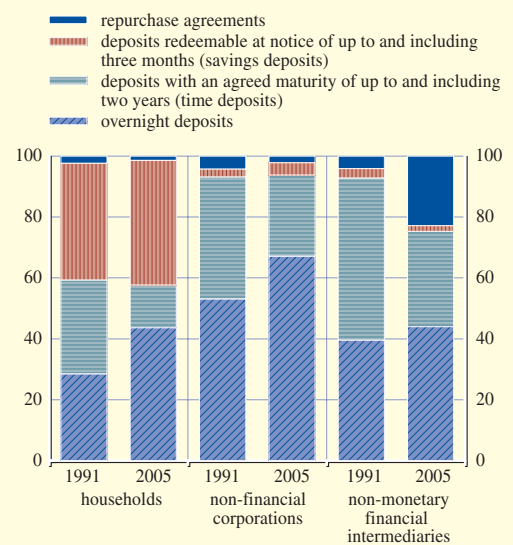
Third, non-financial corporations hold the largest part of their M3 deposits in the form of overnight deposits, which supports the view that the need to carry out transactions is an important motive for demand by this sector. The non-financial corporate sector also holds a fair share of its M3 deposits in the form of short-term time deposits, which, however, tend to be of a very liquid nature and are, in general, of a shorter maturity than the time deposits held by households.

Fourth, the structure of M3 deposits held by financial intermediaries takes an intermediate position between households and firms. In one respect, however, financial intermediaries differ from the other sectors. In 2005 they were the only sector to have held a sizeable share (around a quarter) of their M3 deposits in repurchase agreements. This share has risen significantly since 1991. Greater holdings of repurchase agreements can be seen as a reflection of the close link between non-monetary financial intermediaries and capital markets. Many strategies in modern financial engineering employed by institutional investors rely on repurchase agreements.

Overall, the new historical data on sectoral holdings of M3 deposits reveal significant differences in the evolution of money holding behaviour across the household, non-financial corporation and non-monetary financial intermediaries sectors, which can provide useful additional information with regard to the analysis and assessment of aggregate monetary trends.

Chart B Breakdown of deposit holdings by component

(in percentages of the sector's M3 deposits)



Source: ECB estimates.

MAIN COUNTERPARTS OF M3

On the counterparts side, the annual growth rate of MFI loans to the private sector decreased to 11.0% in June, from 11.4% in May, but nonetheless remained strong. The ongoing strong demand for loans reflects both the stimulative impact of the low level of interest rates and improved economic sentiment. At the same time, the moderation in aggregate loan dynamics in June masked different developments for households and non-financial corporations.

The annual rate of growth of loans to households declined slightly to 9.6% in June, from 9.8% in May. The overwhelming share of the ongoing strong lending activity to households continued to be attributable to borrowing for house purchases, which stood at an annual rate of 11.8% in June, after 12.1% in the previous month. Strong borrowing for house purchases reflects the low mortgage lending rates prevailing in the euro area as a whole and the robust housing market dynamics in many regions. The results of the July 2006 bank lending survey point to a slight net easing of credit standards applied to housing loans, reflecting, inter alia, a lower perception of risk with respect to housing market prospects (see also Box 2, entitled “The results of the July 2006 bank lending survey for the euro area”). The annual growth rate of consumer credit remained broadly unchanged at 8.3% in June (see Table 2).

By contrast with loans to households, the annual growth rate of MFI loans to non-financial corporations rose further in June, reaching 11.5% and thus continuing the upward trend observed since early 2004. The further strengthening in the annual growth rate was broadly-based across maturities, but mainly attributable to loans with maturities of over one year. The results of the July 2006 bank lending survey suggest that the ongoing strong demand for corporate loans mainly reflects financing needs for fixed investment, although demand related to debt restructuring and M&A activity also appears to have played a role.

Among the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) (LTFs) decreased to 8.2%, from 9.1% in May. This decrease mainly reflects a strong base effect, as the short-term dynamics of longer-term financial

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					
		2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 May	2006 June
Non-financial corporations	41.5	7.0	7.7	9.2	11.1	11.3	11.5
Up to one year	30.2	5.6	5.2	6.7	8.5	8.6	8.1
Over one and up to five years	17.9	6.6	8.5	11.5	15.9	16.2	17.9
Over five years	51.9	7.9	8.9	10.0	11.0	11.3	11.4
Households²⁾	49.9	8.5	9.0	9.6	9.8	9.8	9.6
Consumer credit ³⁾	13.1	6.9	7.8	8.2	8.2	8.4	8.3
Lending for house purchase ³⁾	70.3	10.7	11.1	11.8	12.1	12.1	11.8
Other lending	16.6	2.2	2.3	2.1	2.1	2.0	2.0
Insurance corporations and pension funds	1.0	16.5	29.3	32.9	41.2	39.8	32.7
Other non-monetary financial intermediaries	7.7	15.5	14.1	16.2	19.0	19.8	16.2

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.

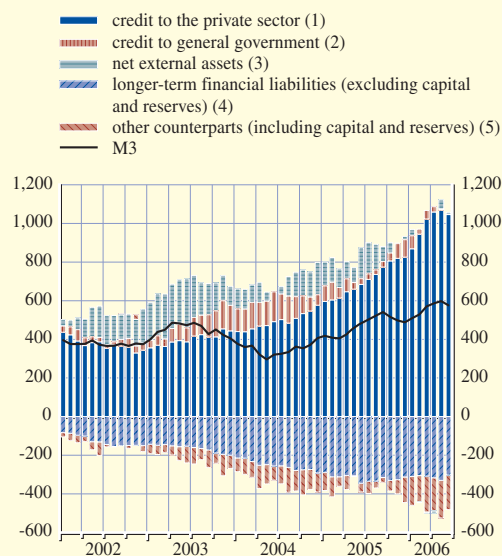
liabilities remained relatively vigorous. It would thus appear that there continues to be an inclination within the euro area money-holding sector to invest in longer-term euro area financial instruments.

The annual flow of MFIs in the net external asset position was €11 billion in the year to end-June, compared with €48 billion in the twelve-month period to the end of May, and thus had a less positive effect on annual M3 growth (at least in accounting terms) than in the previous month (see Chart 6). However, on a monthly basis, the inflow in June was €35 billion, after an inflow of €26 billion in May, suggesting that the outflows observed in the fourth quarter of last year, as euro area residents increased their investment abroad, appear to have ceased in the first half of this year. Recent developments in net external assets imply a stronger appetite on the part of both euro area residents and non-residents for euro area assets.

Summing up the information from the counterparts, the low level of interest rates continued to be the main driving force behind the strength of MFI loans to the private sector in June, which accounts for the still strong annual growth rate of M3. At the same time, developments in longer-term financial liabilities had a stimulative effect on annual M3 dynamics in June, although this was partly offset by the moderating impact of the declining annual flows in the net external asset position of the MFI sector.

Chart 6 Counterparts of M3

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



Source: ECB.

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

Box 2

THE RESULTS OF THE JULY 2006 BANK LENDING SURVEY FOR THE EURO AREA

This box describes the main results of the July 2006 bank lending survey for the euro area carried out by the Eurosystem.¹ In the second quarter of 2006, credit standards on loans to enterprises remained broadly unchanged in net terms² compared with the previous quarter. At the same time, banks continued to ease credit standards applied to both loans to households for house purchase and consumer credit and other loans. During the second quarter of 2006, net loan demand,³ as perceived by banks, continued to rise for loans to enterprises and loans to

1 A comprehensive assessment of the results of the July 2006 bank lending survey for the euro area was released on 4 August 2006 and can be found on the ECB's website.

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

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.

households for consumption and other purposes, whereas it decreased further for loans to households for house purchase, although remaining in positive territory.

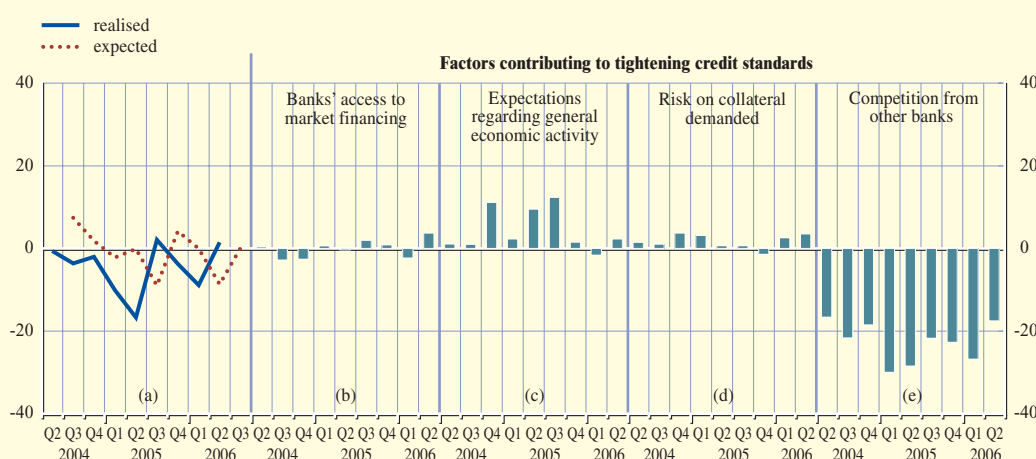
For the third quarter of 2006, banks expected credit standards applied to loans to enterprises and loans to households for house purchase to remain unchanged and forecast a further net easing for consumer credit and other lending to households. On the demand side, banks expected an increase in net demand for loans to both enterprises and households for the period from July to September 2006.

Loans or credit lines to enterprises

Credit standards: For the second quarter of 2006, banks reported broadly unchanged credit standards applied to loans or credit lines to enterprises (1%, from -9% in the previous quarter; see Chart A, panel a). The costs related to bank capital, banks' ability to access market financing and the increased perceived risks regarding the industry or firm-specific outlook contributed to a tightening of credit standards (see Chart A, panels b and d). At the same time, competition from other banks continued to militate in favour of an easing of credit standards (see Chart A, panel e), while expectations regarding general economic activity, as in previous quarters, affected credit standards in a neutral manner (see Chart A, panel c). As regards the terms and conditions of credit, there was a narrowing of margins on average loans and a lengthening of the maturity of loans or credit lines, while, as in previous quarters, a widening of the margins on riskier loans was observed corresponding to the perceived higher risks concerning the industry or firm-specific outlook.

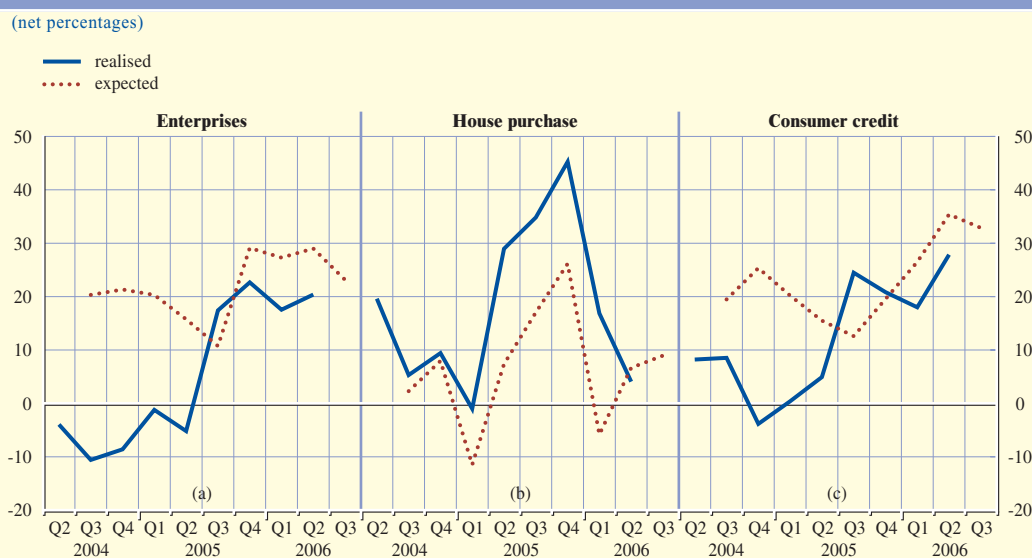
Chart A Changes in credit standards applied to the approval of loans or credit lines to enterprises

(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 third quarter of 2006 were reported by banks in the July 2006 survey.

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



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 third quarter of 2006 were reported by banks in the July 2006 survey.

In terms of the borrower’s size, credit standards applied both to small and medium-sized enterprises and to large enterprises remained broadly unchanged in the second quarter of 2006, compared with the previous quarter. As regards the maturity of loans, banks reported a net easing of credit standards applied to both short-term and long-term loans.

Loan demand: Net demand for loans to enterprises continued to be very strong (20% in July, compared with 18% in April; see Chart B, panel a). A similar pattern was recorded for loan demand by small and medium-sized enterprises, while the net loan demand of large corporations declined slightly.

According to the respondent banks, these developments were mainly related to increased financing needs for fixed investment, while financing for mergers and acquisitions and corporate restructuring, inventories and working capital, and debt restructuring continued to support loan demand as well. At the same time, the availability of other funding sources – such as internal financing and loans from other banks – helped to moderate net loan demand somewhat.

Expectations: For the third quarter of 2006, banks expect credit standards applied to loans or credit lines to enterprises (see Chart A, panel a) to remain unchanged, irrespective of the borrower’s size. As regards loan maturity, banks expect a net tightening of credit standards on long-term loans in the third quarter of 2006, while they expect a slight net easing of credit standards on short-term loans.

Loans to households for house purchase

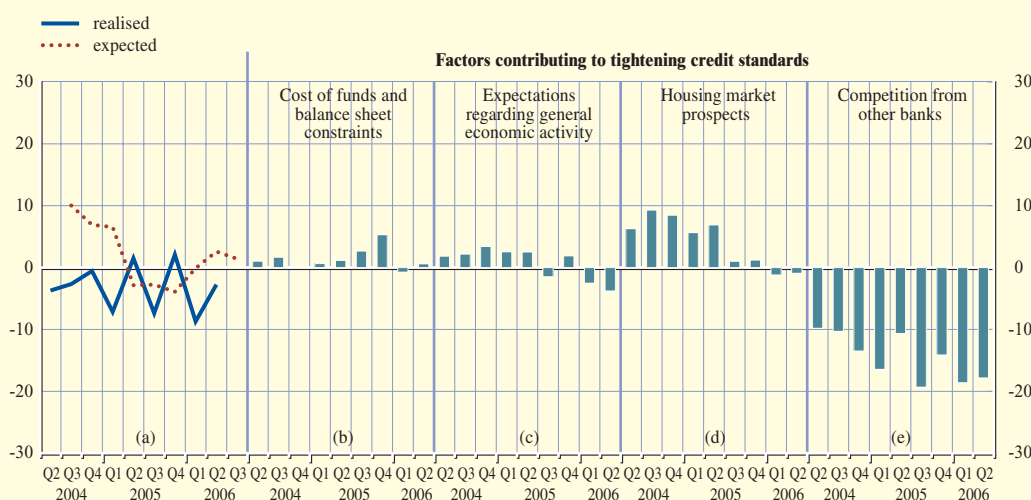
Credit standards: Banks continued to ease credit standards applied to housing loans in the second quarter of 2006 (-3% in July, from -9% in April; see Chart C, panel a). Competition from other banks continued to contribute to this net easing (see Chart C, panel e). A lower perception of risk in terms of both expectations regarding general economic activity and housing market prospects (see Chart C, panels c and d) also provided support for this development. The net easing for housing loans was mainly implemented by reducing the margins on average loans and lengthening loan maturities. At the same time, margins on riskier loans narrowed for the first time since the launch of the survey (-3% in the second quarter of 2006, from 9% in the previous quarter).

Loan demand: While still being reported as positive, net demand for housing loans stood at a much lower level in the second quarter of 2006 than in the previous quarter (4% in July, compared with 17% in April; see Chart B, panel b). This decrease was mainly the result of competition from other banks and, to a lesser extent, of non-housing-related consumption expenditure. At the same time, housing market prospects continued to support net loan demand.

Expectations: For the third quarter of 2006, respondent banks expect credit standards applied to loans to households for house purchase (see Chart C, panel a) to remain basically unchanged, whereas banks expect a slight increase in net demand over the same period (see Chart B, panel b).

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 third quarter of 2006 were reported by banks in the July 2006 survey.

Loans for consumer credit and other lending to households

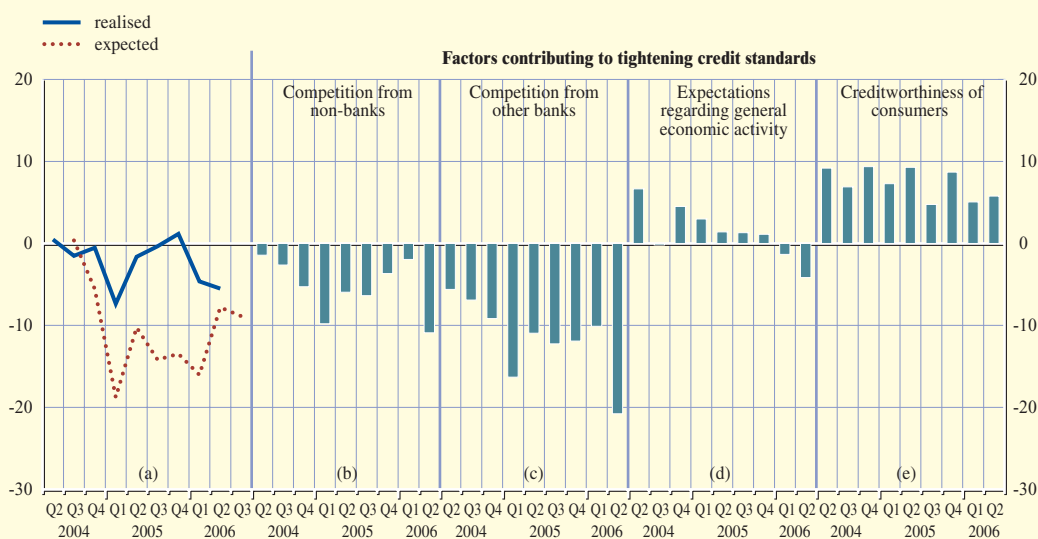
Credit standards: In the second quarter of 2006, credit standards applied to the approval of consumer credit and other lending to households continued to ease on a net basis (-6% in July, from -5% in April; see Chart D, panel a). According to the respondent banks, the net easing of credit standards was driven by competitive pressures from both other banks and non-banks (see Chart D, panels b and c). More favourable expectations regarding general economic activity also contributed to the net easing (see Chart D, panel d). With regard to terms and conditions, the easing of credit standards for consumer credit and other lending to households was mainly implemented by changing pricing conditions. In particular, margins on average loans were significantly eased, while margins on riskier loans tightened slightly. All other terms and conditions remained basically unchanged compared with the previous quarter.

Loan demand: Net demand for consumer credit and other lending to households continued to increase in the second quarter of 2006 (28%, from 18% in April 2006; see Chart B, panel c). This development was mainly related to spending on durable consumer goods and, to a somewhat lesser extent, a positive contribution from consumer confidence.

Expectations: For the third quarter of 2006, banks expect a continuation of the net easing of credit standards (see Chart D, panel a), as well as a further increase in net demand for these loans (see Chart B, panel c).

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

(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 third quarter of 2006 were reported by banks in the July 2006 survey.

Ad hoc question on loans to households secured by real estate

For the first time, the July 2006 bank lending survey includes an ad hoc question which aims to address some of the reasons behind the noticeable developments in loans for house purchase in a large number of countries. The question focuses on loans to households secured by real estate and used for purposes other than the acquisition of a principal residence. In particular, the question distinguishes between loans used for the purchase of second homes or homes for investment purposes (“buy to let”) and those used for other purposes, such as consumption, financial investment and redemption of debt. Since there is anecdotal evidence of a growing phenomenon in this respect, at least in a number of countries, this ad hoc question is aimed at gathering some qualitative and quantitative information directly from banks.

The ad hoc question is divided into two parts.⁴ The first part quantifies the phenomenon. Hence, banks are asked to quantify the volume of the outstanding amount of loans to households secured by real estate used for purposes other than the acquisition of a principal residence and to indicate this as a percentage of all mortgage loans. For this, two categories of purpose were provided: loans to households secured by real estate used for the purchase of second homes or for investment purposes, and such loans used for other purposes.⁵ The second part relates to recent developments: banks are asked to indicate whether the shares of these loans have changed over the past 12 months by comparison with the previous 12-month period. The majority of the banks were able to respond to the ad hoc question.

Almost 50% of the banks participating in the survey said that less than 10% of their mortgage loans were used for the purchase of second homes or homes for investment purposes. At the same time, 27% considered the share of such loans to be relatively significant (between 10% and 20%), while 12% said that the share was considerable (more than 20%). The indication given by banks is that the share of loans to households secured by real estate used for other purposes (such as consumption and financial investment) is relatively low. More specifically, 64% of banks indicated that the share of loans secured by real estate and used for other purposes was less than 10%.

With regard to the second part of the ad hoc question, banks reported an overall net increase over the past 12 months both in the share of loans to households secured by real estate to purchase second homes or for investment purposes and in the share of such loans used for other purposes (14% in both cases).

⁴ The specific formulation of the ad hoc question can be found in the report on the results of the July 2006 survey published on the ECB's website.

⁵ This category covers, for example, consumption, financial investment and redemption of debt, as well as borrowing for the purpose of transferring the funds to a son or daughter for a house purchase.

2.2 SECURITIES ISSUANCE

In May 2006 the annual growth rate of debt securities issued by euro area residents continued to be robust. Underlying this development was the relatively strong annual growth of debt securities issued by non-monetary financial corporations and, to a lesser extent, MFIs. At the same time, the annual growth rate of debt securities issued by non-financial corporations increased somewhat from the very low levels observed in previous months. The annual growth rate of quoted shares issued by euro area residents rose slightly but remained at a subdued level.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents increased to 7.8% in May 2006 (see Table 3). In terms of maturity, the annual growth rate of short-term debt securities increased significantly to 8.9%, which is relatively high in comparison with recent quarters. The growth rate of long-term debt securities increased slightly from the previous month to stand at 7.7% in May. The annual growth of long-term debt securities issuance was driven mostly by debt securities issued at variable rates (the annual growth rate of which stood at 17.4% in May), whereas the annual growth rate of issuance at a fixed rate remained subdued (standing at 4.3% in May).

Looking at issuance activity by sector, the annual growth rate of debt securities issued by non-financial corporations increased significantly to 4.1% in May (see Chart 7). While still at a modest level from a historical perspective, this increase may be seen in connection with the positive developments in economic activity in the euro area during the first half of 2006, which increased the financing needs of non-financial corporations for the purposes of financing both fixed investment and inventories. In addition, the strong growth of euro area mergers and acquisitions (M&As) may also have contributed to higher corporate debt issuance. It is worth noting in this respect that M&As by non-financial corporations in the euro area have increased considerably since the second half of 2004. In May the annual rate of change of short-term debt securities issuance by non-financial corporations was -7.9%, while for long-term debt securities it increased to 6.8%.

Table 3 Securities issued by euro area residents

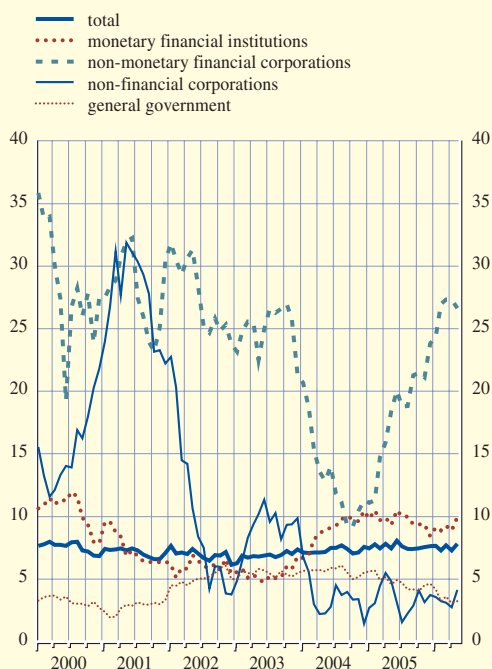
Issuing sector	Amount outstanding (EUR billions) 2006 May	Annual growth rates ¹⁾					
		2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Apr.	2006 May
Debt securities:	10,695	7.7	7.6	7.5	7.5	7.3	7.8
MFIs	4,352	9.8	10.0	9.2	8.9	8.9	9.9
Non-monetary financial corporations	1,002	17.3	19.4	21.7	25.6	27.3	26.6
Non-financial corporations	638	4.7	2.3	3.5	3.4	2.8	4.1
General government	4,703	4.9	4.5	4.3	3.8	3.1	3.2
<i>of which:</i>							
Central government	4,409	4.5	4.0	3.9	3.3	2.6	2.7
Other general government	293	12.0	12.2	12.3	11.8	10.2	12.1
Quoted shares:	5,368	1.0	1.1	1.2	1.2	1.1	1.2
MFIs	900	2.2	2.7	2.2	1.2	1.4	1.9
Non-monetary financial corporations	533	2.1	2.5	3.1	3.4	2.0	2.1
Non-financial corporations	3,934	0.6	0.6	0.7	0.9	0.9	1.0

Source: ECB.

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

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

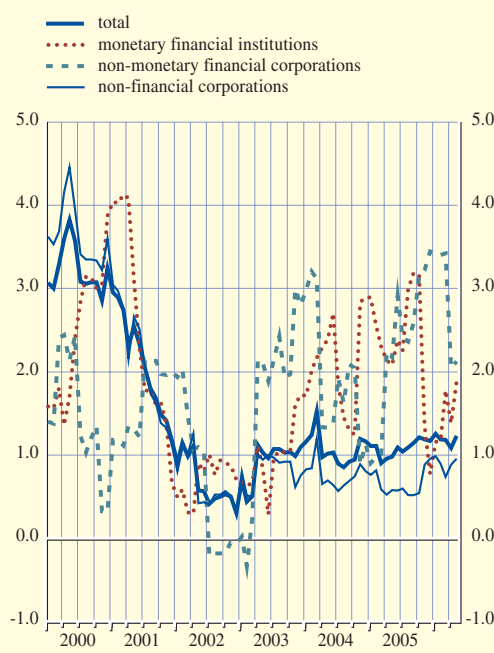
(annual growth rates)



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

Chart 8 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



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

In May 2006 the annual growth rate of debt securities issued by MFIs increased to 9.9%, from 8.9% in April. This development was mainly the result of continued strong issuance both of short-term debt securities and of long-term debt securities at variable rates. The strong growth of debt issuance by the banking sector may be related to its increased demand for funds as a result of the very strong demand for MFI loans on the part of households and non-financial corporations.

In May 2006 the annual growth rate of debt securities issued by non-monetary financial corporations remained very strong at 26.6%. To a large extent, this growth is related to non-financial corporations and MFIs securing external debt financing indirectly via non-monetary financial corporations through financial subsidiaries and special purpose vehicles. In this respect, the high level of issuance activity by non-monetary financial corporations partly reflects issuance activity by the MFI sector, which is increasingly using those corporations to securitise part of its loan portfolio by passing through certain loans to the financial markets in the form of marketable debt securities.

The annual growth rate of debt securities issued by the general government sector increased slightly to 3.2% in May, from 3.1% in April. This was mainly due to a strengthening in the growth rate of issuance by the other general government sector, which increased from 10.2% in April to 12.1% in May.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents increased slightly to 1.2% in May, from 1.1% in April. In terms of sectoral issuance, the annual growth rate of quoted shares issued by non-financial corporations, which account for around three-quarters of outstanding quoted shares, increased slightly from the previous month to stand at 1.0% in May (see Chart 8). The annual growth rate of quoted shares issued by MFIs increased to 1.9% in May, from 1.4% in April.

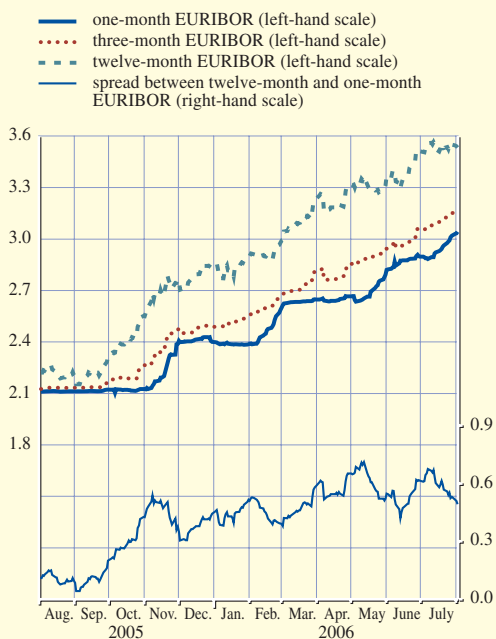
2.3 MONEY MARKET INTEREST RATES

In July 2006 money market interest rates increased across the whole maturity spectrum, with the largest increases being observed for shorter-term rates. As a result, the slope of the money market yield curve flattened somewhat over the month.

Over the period from the end of June to 2 August 2006, money market interest rates rose, with the largest rises observed at the short end of the maturity spectrum. Compared with end-June, money market interest rates at one, three, six and twelve-month maturities increased by 14, 12, 9 and 2 basis points respectively, to stand at 3.04%, 3.18%, 3.34% and 3.53% on 2 August. As a result, the slope of the money market yield curve flattened somewhat over the review period. The spread between the twelve-month and the one-month EURIBOR declined from 62 basis points at the end of June to 49 basis points on 2 August (see Chart 9).

Chart 9 Short-term money market interest rates

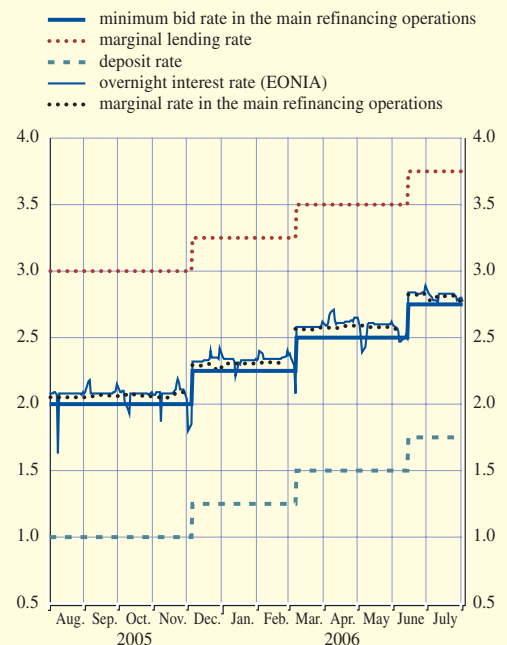
(percentages per annum; daily data)



Sources: ECB and Reuters.

Chart 10 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in December 2006, March 2007 and June 2007 stood at 3.56%, 3.65% and 3.71% respectively on 2 August. Compared with the levels observed at the end of June, this represented a decline of 5, 11 and 13 basis points respectively.

Having remained in the range of 2.83-2.84% for most of the reserve maintenance period which started on 16 June, the EONIA rose to 2.89% on 30 June, reflecting the usual end-of-month effect. In the following days (which constituted the last week of the maintenance period), the EONIA decreased to levels very close to the minimum bid rate on account of loose liquidity conditions. On 11 July (the last day of the maintenance period), the ECB launched a fine-tuning operation to absorb an estimated €8.5 billion of excess liquidity and restore neutral conditions. This operation achieved its goal, and the EONIA was set at 2.76%, i.e. only 1 basis point above the minimum bid rate in the Eurosystem's main refinancing operations. At the beginning of the following maintenance period the EONIA rose to 2.83% and stood at this level through most of the maintenance period, i.e. implying a spread of 8 basis points between the EONIA and the minimum bid rate. Towards the end of month, however, the EONIA began to decline amid comfortable liquidity conditions and expectations that these conditions would last through the end of the period. On 2 August, the EONIA reached a level of 2.77%, i.e. 2 basis points above the minimum bid rate (see Chart 10).

During the maintenance period starting on 12 July the marginal and average rates in the Eurosystem's main refinancing operations remained stable at 2.81% and 2.82% respectively in all operations except the last, conducted on 1 August, when they declined to 2.76% and 2.79% respectively. In the Eurosystem's longer-term refinancing operation conducted on 26 July, the sixth such operation with the higher allotment volume of €40 billion, the marginal and weighted average rates rose to 3.08% and 3.09% respectively, 8 basis points higher than the corresponding rates in the previous operation. Compared with the three-month EURIBOR prevailing on that date, tender rates were 6 and 5 basis points lower respectively.

2.4 BOND MARKETS

Long-term government bond yields declined slightly in the euro area and the United States between the end of June and early August. To some extent, these declines might be related to stronger demand for safe investments in the wake of heightened tensions in the Middle East.

Long-term government bond yields, which were relatively volatile in July, declined overall in the euro area and the United States between the end of June and early August (see Chart 11). Those declines can, in part, be attributed to portfolio shifts from stock to bond markets following heightened geopolitical tensions in the Middle East. Overall, ten-year government bond yields in the euro area fell by around 15 basis points between end-June and 2 August 2006 to stand at 4.0% on the latter date. In the United States, ten-year government bond yields declined by similar magnitudes, reaching a level of 5.0% on 2 August. As a result, the differential between US and euro area ten-year government bond yields changed little and stood at around 100 basis points on 2 August. At the end of the period under review ten-year government bond yields in Japan stood at 1.9%, which was broadly unchanged from the levels at end-June. As indicated by implied bond market volatility, market participants' uncertainty regarding short-term bond market developments decreased in July in both the United States and the euro area.

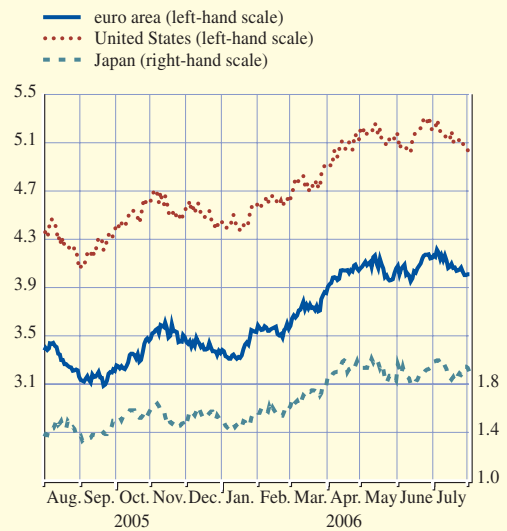
In the United States, long-term government bond yields fell slightly in July. The bulk of the decline stemmed from the lower real yields offered on index-linked bonds. In addition to “safe haven” flows undertaken by investors in the wake of the turbulence in the Middle East, revised US monetary policy expectations among market participants also played a role in this development. As regards the latter, the semi-annual congressional testimony by the Federal Reserve Chairman and the minutes of the June FOMC meeting led, overall, to lower market expectations regarding the future path of policy rates. In addition, macroeconomic data releases and business sentiment indicators were, on balance, slightly less favourable than had been anticipated by market participants. These outcomes probably gave rise to some concerns about future economic growth prospects, which resulted in lower bond yields. At the same time, data on producer prices and core CPI turned out to be somewhat higher than expected, thereby probably dampening the overall decline in US bond yields. Overall, market participants’ inflation expectations – as measured by break-even inflation rates – declined in the United States in the course of July, particularly at shorter horizons, and thereby remained resilient to recent price data releases (see Chart 12).

In the euro area, bond yields in July were also affected by global portfolio shifts resulting from the heightened geopolitical tensions in the Middle East. Ten-year government bond yields in the euro area thereby declined slightly over the review period as a whole. Bond yields might have received support from “hard data” releases on euro area economic activity and unemployment, which were, overall, somewhat better than had been expected by analysts, whereas “soft data”, i.e. survey-based business confidence indicators, turned out to be more mixed. All in all, the July releases seem to support the market view that economic growth continues to be sustained in the euro area, thereby supporting euro area bond yields. Longer-term break-even inflation rates in the euro area, an indicator of market participants’ long-term inflation expectations, did not change much in July (see Chart 12). The longer-term break-even inflation rate, as derived from the difference between the yields on French nominal and index-linked government bonds maturing in 2015, remained broadly unchanged in July and stood at 2.2% on 2 August.

The implied forward overnight interest rate curve remained broadly unchanged at shorter horizons over the period under review (see Chart 13). Over medium to long-term horizons, however, market participants revised downwards slightly their expectations for key ECB interest rates.

Chart 11 Long-term government bond yields

(percentages per annum; daily data)

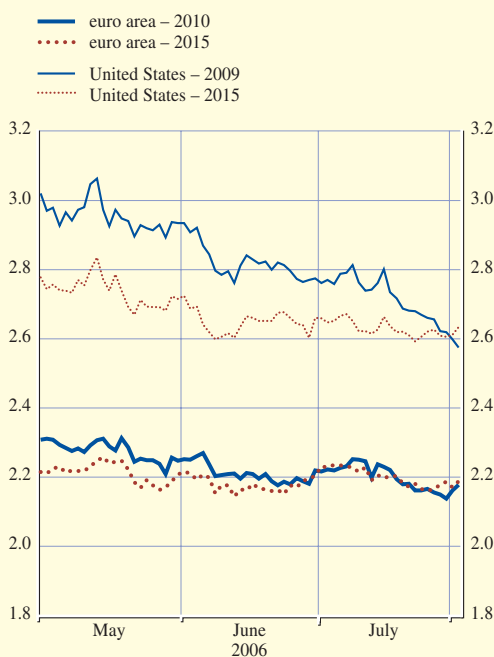


Sources: Bloomberg and Reuters.

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

Chart 12 Break-even inflation rates in the euro area and the United States

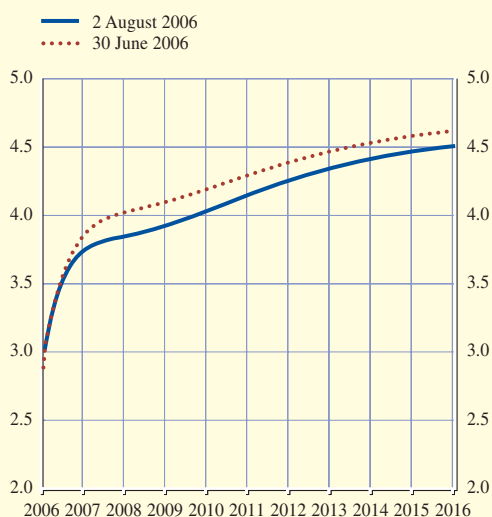
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.

Chart 13 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Sources: ECB estimates and Reuters.

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 Box 4 of the January 1999 issue of the Monthly Bulletin. The data used in the estimate are zero coupon swap rates.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

In May 2006 most MFI rates continued their upward trend while remaining at a relatively low level.

In May 2006 most short-term MFI interest rates for households and non-financial corporations increased compared with the previous month. These increases were smaller than those observed for the equivalent money market rates (see Table 4 and Chart 14). The main exceptions to this were the slight declines observed in the rate on bank overdrafts for non-financial corporations and the rate on loans to households for consumption with a floating rate and an initial rate fixation of up to one year.

From a somewhat longer-term perspective, most short-term MFI interest rates have risen in the wake of developments in money market rates, which have been increasing since September 2005. The main exception to this general increase in MFI short-term interest rates has been the rate on households' deposits redeemable at notice of up to three months, which has remained broadly unchanged for almost three years.

In May 2006 most long-term MFI interest rates increased, with the exception of the interest rate on non-financial corporations' deposits with an agreed maturity of over two years, which declined by 12 basis points compared with April (see Table 4). Short-term movements in this rate should,

Table 4 MFI interest rates on new business

(percentages per annum; basis points; weight-adjusted¹⁾)

							Change in basis points up to May 2006 ²⁾		
	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Apr.	2006 May	2005 Oct.	2006 Jan.	2006 Apr.
MFI interest rates on deposits									
Deposits from households									
with an agreed maturity of up to one year	1.94	1.96	2.14	2.36	2.40	2.45	48	25	5
with an agreed maturity of over two years	2.19	2.02	2.18	2.43	2.47	2.53	40	10	6
redeemable at notice of up to three months	2.11	1.98	1.97	1.98	2.00	2.00	3	1	0
redeemable at notice of over three months	2.38	2.29	2.30	2.37	2.42	2.47	20	16	5
Overnight deposits from non-financial corporations	0.95	0.97	1.03	1.14	1.16	1.18	22	13	2
Deposits from non-financial corporations									
with an agreed maturity of up to one year	2.01	2.04	2.26	2.48	2.52	2.58	54	31	6
with an agreed maturity of over two years	3.63	2.98	3.55	3.34	3.70	3.58	20	16	-12
MFI interest rates on loans									
Loans to households for consumption									
with a floating rate and an initial rate fixation of up to one year	6.62	6.97	6.73	6.77	7.15	7.12	38	5	-3
Loans to households for house purchase									
with a floating rate and an initial rate fixation of up to one year	3.35	3.32	3.48	3.74	3.82	3.91	58	34	9
with an initial rate fixation of over five and up to ten years	4.15	4.00	4.03	4.23	4.35	4.41	41	29	6
Bank overdrafts to non-financial corporations	5.11	5.13	5.14	5.30	5.41	5.36	24	13	-5
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.88	3.81	3.99	4.23	4.34	4.38	49	30	4
with an initial rate fixation of over five years	4.22	4.06	4.10	4.19	4.19	4.27	20	14	8
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.94	2.97	3.24	3.50	3.51	3.58	65	37	7
with an initial rate fixation of over five years	3.87	3.88	3.98	4.22	4.22	4.35	57	39	13
Memo items									
Three-month money market interest rate	2.11	2.14	2.47	2.72	2.79	2.89	69	38	10
Two-year government bond yield	2.07	2.21	2.80	3.22	3.37	3.38	93	52	1
Five-year government bond yield	2.58	2.60	3.07	3.47	3.71	3.74	89	64	3

Source: ECB.

1) The weight-adjusted MFI interest rates are calculated using country weights constructed from a 12-month moving average of new business volumes. 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. Quarterly data refer to the end of the quarter.

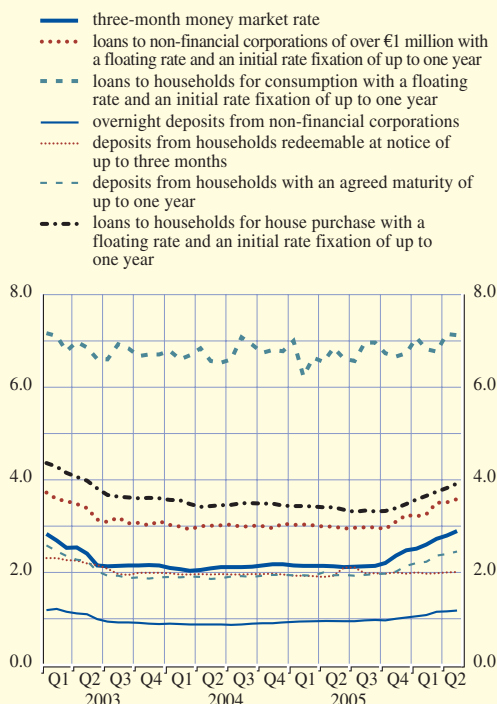
2) Figures may not add up due to rounding.

however, be interpreted with caution, as it has tended to be relatively volatile in recent years (see Chart 15).

The majority of long-term MFI interest rates have increased by a range of around 20 to 60 basis points in the period since long-term market interest rates began to increase in September 2005. The largest increases in deposit rates have been recorded for MFI interest rates on deposits by non-financial corporations and households with an agreed maturity of over two years, which have increased by around 60 and 50 basis points respectively since September 2005. Interest rates on loans to non-financial corporations of over €1 million with an initial rate fixation of over five years have risen by 47 basis points during this period. These developments have been consistent with the increases observed in equivalent long-term market rates over the same period, although significantly smaller in size. For instance, between September 2005 and May 2006 two and five-year government bond yields rose by 117 and 114 basis points respectively.

Chart 14 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business; weight-adjusted¹⁾)

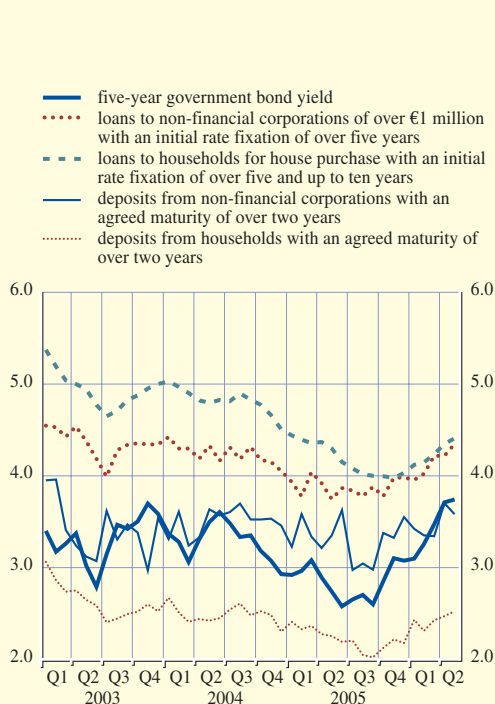


Source: ECB.

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 15 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business; weight-adjusted¹⁾)



Source: ECB.

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

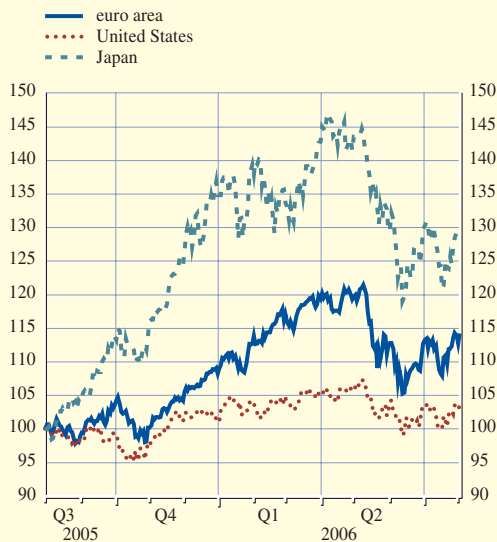
2.6 EQUITY MARKETS

Relatively large fluctuations were observed in global stock prices in July. The first few weeks of the review period were dominated by heightened risk aversion among investors on account of the tensions in the Middle East, which exerted downward pressure on stock prices. Stock prices rebounded subsequently, reflecting, among other things, the ongoing strength of actual and expected corporate profitability.

Relatively large fluctuations were observed in global equity prices in July, with sharp declines in stock prices early in the review period amid rising tensions in the Middle East, and a subsequent rebound partly driven by positive earnings developments in the corporate sector (see Chart 16). Euro area and US stock prices, as measured by the Dow Jones EURO STOXX index and the Standard & Poor's 500 index respectively, increased slightly overall between the end of June and 2 August. Stock prices in Japan, as measured by the Nikkei 225 index, remained broadly unchanged over the same period. At the same time, stock market uncertainty, as measured by the implied volatility extracted from stock options, remained at relatively high levels overall (see Chart 17).

Chart 16 Stock price indices

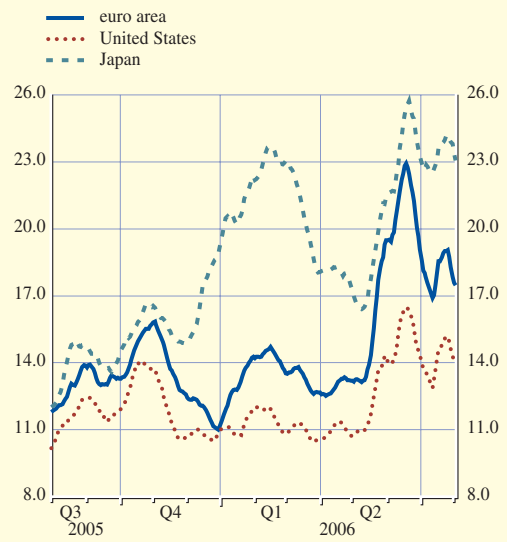
(index: 1 August 2005 = 100; daily data)



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

Chart 17 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.

A confluence of factors influenced US stock prices in July and early August, with some of these working in opposite directions. The upsurge in tensions in the Middle East probably had a negative impact on investors' risk appetite, leading to higher equity risk premia in July. In addition, high and volatile oil prices, coupled with heightened market concerns about economic growth in the near term, probably had a negative impact on US stock prices. At the same time, both actual and expected earnings remained fairly strong, probably exerting upward pressure on US stock prices. Further support for stock prices stemmed from the decline observed in real bond yields, as these act as a discount factor on future corporate earnings.

Euro area stock prices followed a similar pattern to those in the United States over the review period. All in all, geopolitical tensions and some survey-based data releases on business confidence exerted downward pressure on euro area stock prices. At the same time, data on economic activity and unemployment were perceived to be relatively favourable, partly offsetting the decline. In addition, both expected and actual profits remained strong in the euro area. As regards the latter, stock market analysts expected the annual growth of earnings per share for companies included in the Dow Jones EURO STOXX index to remain robust over the next 12 months.

As regards sectoral developments, the basic materials sector – a sector which can be characterised as less risky – outperformed the overall index in July, as did the oil and gas, financial and utilities sectors. The more volatile technology sector, on the other hand, ended the review period around 8% lower than at the end of June, which suggests that the appetite for risk among investors abated somewhat.

3 PRICES AND COSTS

Euro area inflation was estimated at 2.5% in July 2006, unchanged for the third consecutive month. Evidence on the emergence of indirect effects of higher commodity prices at the producer and the consumer level has become increasingly clear over recent months, and further gradual pass-through effects can be expected. As regards domestic cost pressures, recent labour cost indicators suggest that wage pressures remained moderate in the period up to the first quarter of 2006. Overall, inflation rates are likely to remain above 2% for the remainder of 2006, and on average in 2007, and risks have augmented.

3.1 CONSUMER PRICES

FLASH ESTIMATE FOR JULY 2006

According to Eurostat's flash estimate, HICP inflation was 2.5% in July, unchanged from May and June (see Table 5). However, there is uncertainty surrounding this estimate, given the preliminary nature of the data. A detailed breakdown of the HICP components will be available in mid-August.

HICP INFLATION UP TO JUNE 2006

Headline inflation remained unchanged at 2.5% in June. This however masked divergent movements among its components, with a fall in the annual rate of change in energy prices and increases in the rate of change for most of the other HICP components (see Chart 18).

Energy prices were largely stable on a month-on-month basis in June 2006, but fell in year-on-year terms to 11.0% as a result of the base effect from the rise in energy prices in June 2005. The annual rate of change in unprocessed food prices rose to 2.1% in June, following higher annual increases in meat and vegetable prices.

The annual rate of change in the HICP excluding unprocessed food and energy rose slightly to 1.5% in June from 1.4% in May. This largely reflected a rise in services price inflation to 2.0% in June. Services price inflation has been notably influenced recently by movements in two rather small items (in terms of weight): package holiday and accommodation prices. Both items are usually rather volatile and have been particularly affected by the timing of important public holidays (namely Easter and Pentecost), which fell later this year compared with 2005. Moreover,

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

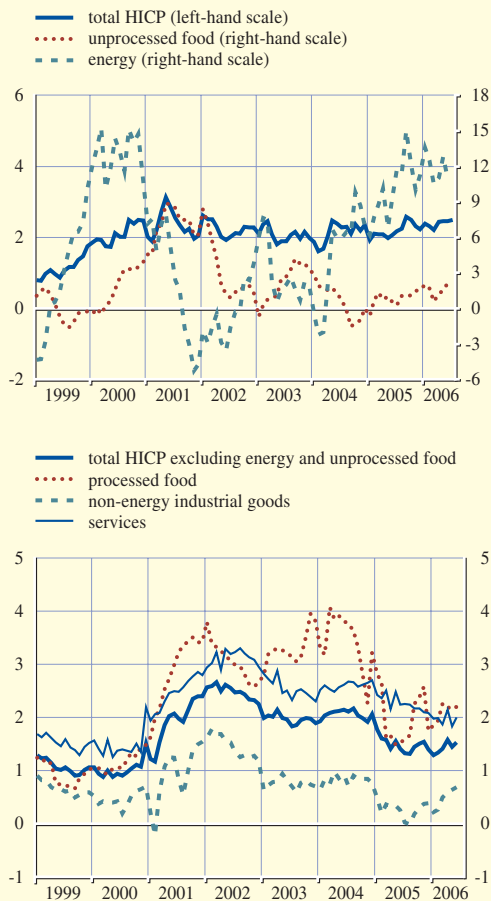
	2004	2005	2006 Feb.	2006 Mar.	2006 Apr.	2006 May	2006 June	2006 July
HICP and its components								
Overall index ¹⁾	2.1	2.2	2.3	2.2	2.4	2.5	2.5	2.5
Energy	4.5	10.1	12.5	10.5	11.0	12.9	11.0	.
Unprocessed food	0.6	0.8	1.7	0.6	1.2	1.5	2.1	.
Processed food	3.4	2.0	1.9	2.3	2.2	2.2	2.2	.
Non-energy industrial goods	0.8	0.3	0.3	0.5	0.6	0.6	0.7	.
Services	2.6	2.3	2.0	1.9	2.2	1.8	2.0	.
Other price indicators								
Industrial producer prices	2.3	4.1	5.4	5.1	5.5	6.1	5.8	.
Oil prices (EUR per barrel)	30.5	44.6	51.8	52.6	57.6	55.7	55.4	58.8
Non-energy commodity prices	10.8	9.4	25.5	20.0	25.4	31.5	22.0	26.7

Sources: Eurostat, HWWA and ECB calculations based on Thomson Financial Datastream.

1) HICP inflation in July 2006 refers to Eurostat's flash estimate.

Chart 18 Breakdown of HICP inflation: main components

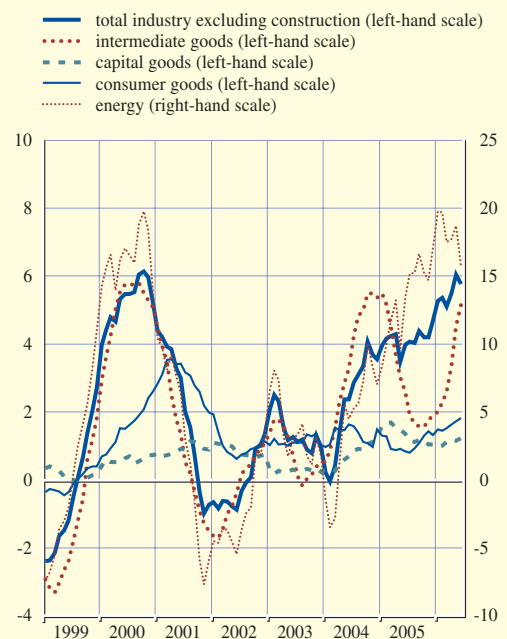
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 19 Breakdown of industrial producer prices

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

accommodation prices might have been subject to upward pressure reflecting strong demand during the Football World Cup in Germany. However, any impact of the latter on euro area inflation is likely to have been small. Looking through the short-term volatility, services price inflation has not significantly changed since the beginning of this year. As regards the other two

components of the HICP excluding unprocessed food and energy, the annual growth rate of non-energy industrial goods prices also increased slightly in June (to 0.7%). This seems to confirm the gradual emergence of indirect effects of higher commodity prices, particularly oil, at the consumer level. By contrast, the annual rate of change in processed food prices remained unchanged in June at 2.2%.

3.2 INDUSTRIAL PRODUCER PRICES

In June 2006 the annual rate of change in industrial producer prices (excluding construction) fell back slightly to 5.8%, from 6.1% in May, but remained at a high level. Moreover, as indicated by a rise in the annual rate of change in producer prices excluding construction and energy to 3.0% in June, up from 2.7% in May, there was a further increase in underlying price pressure in the manufacturing sector. The latter development reflects commodity and associated import price increases as well as the increasing pricing power of firms.

The latest decline in overall producer price inflation reflects to a large extent a fall in the annual growth rate of energy prices by 3.0 percentage points to 15.7% in June, which in turn was a result of a base effect. In month-on-month terms energy producer prices increased further in June, but at a less strong pace compared with previous months. All other main components of industrial producer prices registered further increases in their annual rates of change in June (see Chart 19). The annual growth rate of intermediate goods prices showed a significant further increase, reaching 5.2% in June, as compared with an average of 1.7% in the second half of 2005. This was largely related to the sustained price increases for both energy and non-energy commodities, as well as strong increases in import prices of intermediate goods.

The annual rate of change in consumer goods prices increased further in June, to 1.8%, compared with 1.7% in May. This was a result of an increase in the annual growth rate of non-durable goods prices, while that of durable goods prices registered a marginal decline. Nevertheless, the latest data are in line with the view that there is a continued gradual pass-through of higher input costs (including both higher commodity prices and, in turn, higher import prices) to later stages of the production chain. Finally, the annual rate of change in capital goods prices also rose somewhat in June.

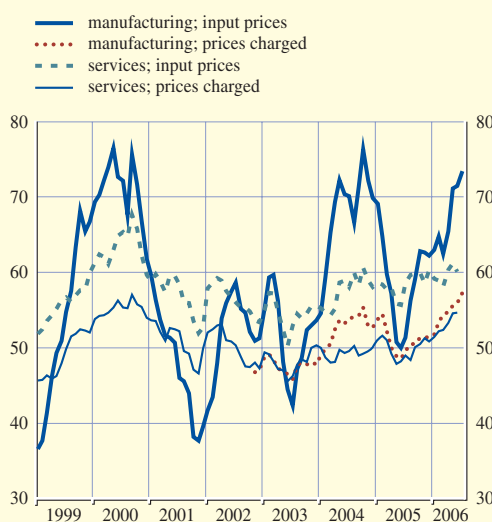
The most recent survey data are pointing towards a further strengthening of both input and output price pressures in the manufacturing sector. According to NTC Economics, the input price index for the manufacturing sector rose further, from 71.5 in June to 73.5 in July, the highest level observed since October 2004 and close to its historical maximum (see Chart 20). This was most likely a result of higher prices for energy and raw materials. The indicator for prices charged in the manufacturing sector also increased in July, to 57.3, thereby reaching a new historical high and well above the 50 threshold indicating an increase in selling prices. In a context of high demand and emerging production capacity limitations in the manufacturing sector, firms appear to be increasingly able to pass higher input costs on to customers. In the services sector, surveys also suggest high cost pressure and a significant pass-through of costs to selling prices, with the indexes both for input costs and prices charged at elevated levels in June.

3.3 LABOUR COST INDICATORS

The overall picture emerging from the latest developments in labour cost indicators for the euro area, now all available for the first quarter of 2006, is still in line with the assessment of moderate wage developments up to early 2006, at a level of around 2.0% (see Table 6).

Chart 20 Producer input and output price surveys

(diffusion indices; monthly data)

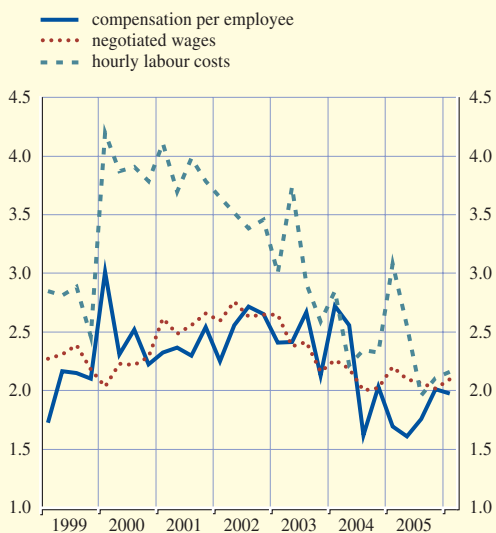


Source: NTC Economics.

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

Chart 21 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

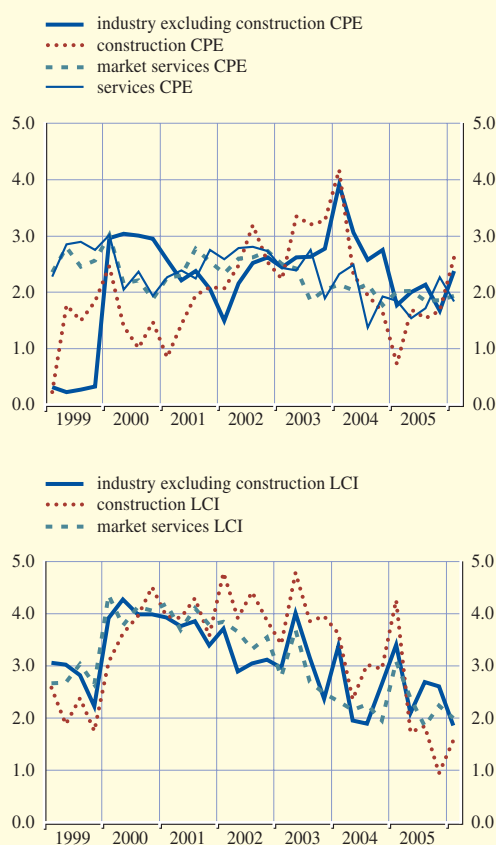
The annual growth rate of compensation per employee was 2.0% in the first quarter of 2006, unchanged from the last quarter of 2005 (the latter was revised slightly upwards from 1.9%). This evolution is consistent with recent developments in the rate of growth of negotiated wages, which increased only marginally in the first quarter of 2006, to 2.1%, from 2.0% in the previous quarter (see Chart 21). This suggests that so far, no significant second-round effects from higher energy prices have materialised at the euro area level. It is possible that strong international competition and high unemployment rates were the main factors having a mitigating effect on collectively agreed wage increases. The annual rate of change in hourly labour costs in the non-agricultural business sector also increased only slightly, to 2.2% in the first quarter of 2006 from 2.1% in the last quarter of 2005.

According to data available at the sectoral level, the annual growth rate of compensation per employee in the industry sector increased in the first quarter of 2006 (see Chart 22). In market-related services, the annual growth rate of compensation per employee was broadly stable in the first quarter of 2006. Overall, growth in compensation per employee is broadly comparable in the industry and services sectors, at around 2.0%.

In the first quarter of 2006, against a background of relatively stable growth in compensation per employee and labour productivity, the annual growth rate of unit labour costs remained broadly stable at 0.9%.

Chart 22 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Note: CPE is compensation per employee and LCI is hourly labour cost index.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2004	2005	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Negotiated wages	2.1	2.1	2.2	2.1	2.1	2.0	2.1
Total hourly labour costs	2.4	2.4	3.1	2.6	2.0	2.1	2.2
Compensation per employee	2.2	1.8	1.7	1.6	1.8	2.0	2.0
<i>Memo items:</i>							
Labour productivity	1.3	0.7	0.4	0.5	0.9	1.0	1.0
Unit labour costs	0.9	1.1	1.3	1.1	0.8	1.0	0.9

Sources: Eurostat, national data and ECB calculations.

Overall, inflationary pressures stemming from labour cost developments remained contained up to the first quarter of 2006.

3.4 THE OUTLOOK FOR INFLATION

Past and future developments in oil prices continue to be the most important factors shaping the inflation profile and this is likely to lead to some volatility in headline inflation in the short term. The impact of the planned VAT hike in Germany will also affect euro area inflation significantly at the beginning of 2007. Overall, the outlook for inflation remains broadly in line with the baseline scenario of the June 2006 ECB staff projections, and inflation rates are likely to remain above 2% for the remainder of 2006 and on average in 2007. This assessment is shared by private sector forecasters (see the box entitled “Results of the ECB Survey of Professional Forecasters for the third quarter of 2006”). From a more medium-term perspective and in terms of underlying developments, the recent evidence on the emergence of indirect effects of higher commodity prices at the consumer level would suggest that further upward pressure on inflation may be expected. However, labour cost developments have remained relatively contained up to now and are expected to remain moderate.

Risks to the inflation outlook have augmented and include further increases in oil prices, a stronger pass-through of past oil price rises to consumer prices than currently anticipated, and stronger than expected wage and price developments owing to second-round effects of past oil price increases at a time of gradually improving labour markets. Other upside risks may be associated with additional increases in administered prices and indirect taxes and – temporarily – with higher prices for unprocessed food due to hot and dry weather conditions across most parts of Europe.

Box 3

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE THIRD QUARTER OF 2006

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the third quarter of 2006, conducted between 17 and 22 July 2006. The SPF gathers information on expectations for euro area inflation, real GDP growth and the unemployment rate from experts affiliated to financial or non-financial institutions based in the European Union. 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.

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

(annual percentage changes, unless otherwise indicated)

	Survey horizon					
	2006	June 2007	2007	June 2008	2008	Longer term ²⁾
HICP inflation						
2006 Q3 SPF	2.3	2.1	2.1	1.9	1.9	1.9
<i>Previous SPF (2006 Q2)</i>	2.1	-	2.1	-	-	1.9
Consensus Economics (July 2006)	2.2	-	2.1	-	-	1.9
Euro Zone Barometer (July 2006)	2.2	-	2.1	-	1.9	1.9
Real GDP growth						
2006 Q3 SPF	2.2	2.0	1.8	1.9	2.0	2.1
<i>Previous SPF (2006 Q2)</i>	2.1	-	1.9	-	-	2.1
Consensus Economics (July 2006)	2.2	-	1.8	-	-	1.9
Euro Zone Barometer (July 2006)	2.2	-	1.8	-	1.9	1.9
Unemployment rate¹⁾						
2006 Q3 SPF	7.9	7.7	7.7	7.5	7.5	7.0
<i>Previous SPF (2006 Q2)</i>	8.1	-	7.9	-	-	7.2
Consensus Economics (July 2006)	8.0	-	7.7	-	-	-
Euro Zone Barometer (July 2006)	8.0	-	7.8	-	7.7	7.3

1) As a percentage of the labour force.

2) In the current SPF round longer-term expectations refer to 2011. In the previous SPF round and the Euro Zone Barometer, longer-term forecasts refer to the year 2010. The Consensus Economics projections refer to the period 2012-16 (data published in the April 2006 Consensus Economics Survey).

Inflation expectations for 2006, 2007 and 2008

Average annual HICP inflation is now expected to stand at 2.3% in 2006¹, which implies an upward revision by 0.2 percentage point compared with the previous SPF round conducted in April 2006 (see table). Inflation is then forecast to decelerate to 2.1% in 2007 (unchanged from the previous round) and further to 1.9% in 2008, as SPF participants assume ongoing moderate wage developments. This outlook is expected to be largely shaped by oil price developments and the planned increase in German VAT in January 2007. Oil prices are seen as a major source of upward risk, particularly in 2006 and 2007, also reflecting a potentially stronger pass-through to domestic prices. However, their impact might be partly offset by a firmer euro exchange rate and some slowdown in growth. Moreover, several respondents clearly stated in their qualitative explanations that they do not see a risk of second-round effects, and consider contained wage growth as having an offsetting impact on inflation. SPF inflation expectations are broadly in line with the most recent estimates from Consensus Economics and the Euro Zone Barometer.

SPF participants were 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 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 depicts the aggregate probability distributions for the average annual rate of HICP inflation in 2006 in the last three survey rounds, shows that, in line with the upward revision of the point estimate, the balance of risks clearly shifted towards higher outcomes in the latest SPF survey. On average, survey participants now believe that there is a probability of almost 90% that inflation

1 Additional data are available on the ECB's website at www.ecb.int/stats/prices/indic/forecast/html/index.en.html.

will be at or above 2% in 2006 on average, compared with 60% in the SPF round conducted in the first quarter of 2006. For 2007, the aggregate probability associated with inflation being at or above 2% also increased to around 70%, compared with somewhat above 50% in the first survey round of this year.

Indicators of longer-term inflation expectations

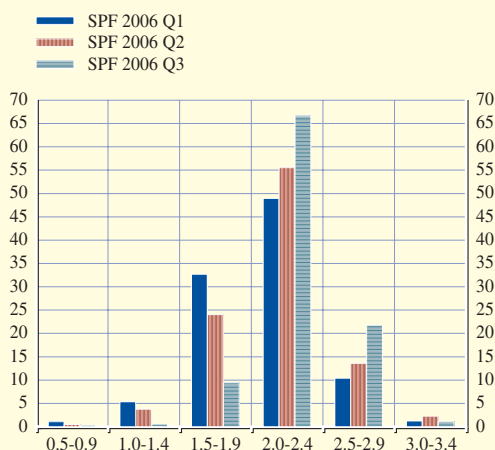
Inflation expectations five years ahead (for 2011) remained unchanged at 1.9% for the 19th consecutive SPF round. These expectations are in line with the most recent estimates from Consensus Economics for six to ten years ahead, and with those for 2010 published in the July 2006 Euro Zone Barometer.

Compared with the previous SPF round, the probability distribution assigned to longer-term inflation has shifted slightly back towards lower outcomes. In line with this, the probability that inflation may stand at 2% or above in the longer term fell back to 43.5%, after having risen to 47.3% in the previous round, suggesting some easing in the assessment of the perceived risks to longer-term inflation (see Chart B).

SPF survey results can also be compared with the break-even inflation rate, which is an indicator of longer-term inflation expectations among market participants calculated as the yield spread between nominal and inflation-linked bonds. As described in the article entitled “Measures of inflation expectations in the euro area” in the July 2006 issue of the Monthly Bulletin, the increasing offering of index-linked bonds in the euro area now allows the calculation of constant-maturity break-even inflation rates, which facilitates the comparison of break-even inflation rates and survey measures of longer-term inflation expectations. As shown in Chart C, the five-year forward break-even inflation rate five years ahead has remained broadly stable since April 2006. Similarly, the ten-year break-even inflation rates derived from the French

Chart A Probability distribution for average inflation in 2006 in the last three rounds of the SPF ¹⁾

(percentages)



Source: ECB.

1) Corresponds to the aggregation of each individual probability distribution provided by SPF forecasters.

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

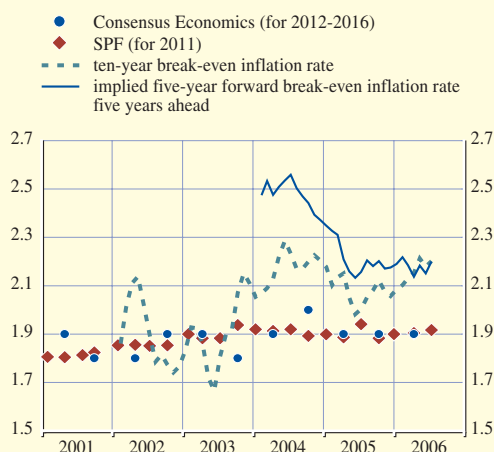
(percentages)



Source: ECB.

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

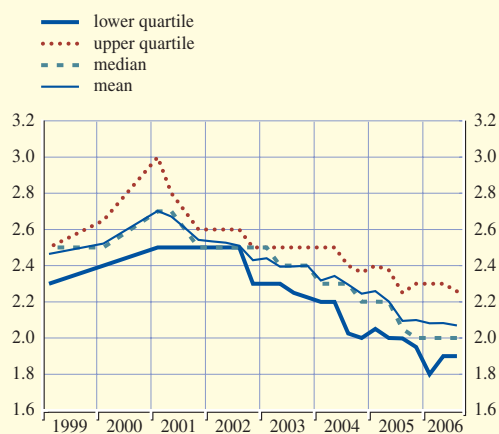
(annual percentage changes)



Sources: Consensus Economics, ECB, Reuters and ECB calculations.
 Note: Ten-year break-even inflation rate derived from 2012-maturity bonds until March 2005 and from 2015-maturity bonds thereafter.

Chart D Longer-term GDP growth expectations from the SPF – point estimates

(annual percentage changes)



Source: ECB.

government inflation-linked bonds (linked to the euro area HICP excluding tobacco) maturing in 2015 remained broadly unchanged over the same horizon. However, break-even inflation rates should not be interpreted as direct measures of inflation expectations as they may also incorporate various risk premia (such as inflation uncertainty and liquidity premia). Consequently, developments in break-even inflation rates may partly reflect varying uncertainty among investors about future inflation and a resulting willingness to pay a varying premium for a hedge.

Real GDP growth expectations

Expectations for real GDP growth have been revised upwards by 0.1 percentage point for 2006 compared with the previous SPF round, and now stand at 2.2%. This upward revision mainly reflects perceptions of a more positive external environment which should support exports and domestic demand, especially private consumption and investment. According to several respondents, private consumption growth should also benefit from improving labour market conditions, the effects of the Football World Cup and in part also from anticipated spending in the second half of 2006 ahead of the planned VAT hike in Germany in January 2007. Regarding the external environment, forecasters cited that the global economy is expected to remain robust in 2006 and to support euro area investment and exports. In 2007 and 2008 real GDP growth is then expected to decline slightly to 1.8% and 2.0% respectively, mainly reflecting high oil prices and a slowdown in the global economy. While in 2006 the balance of risks is assessed to be broadly neutral, in 2007 and 2008 survey participants perceive them to be more on the downside. SPF growth expectations for 2006, 2007 and 2008 are broadly in line with those from Consensus Economics and the Euro Zone Barometer.

Longer-term growth expectations (for 2011) remain unchanged at an average of 2.1%. According to most forecasters, longer-term growth prospects largely depend on further structural reforms in the labour markets and social security systems. They generally expect that more flexible and efficient markets will lead to higher labour productivity and higher growth. Looking at the evolution of the point estimates of longer-term real GDP growth provided by SPF forecasters and the variation in the estimates given by different respondents (see Chart D), longer-term growth expectations have not only declined gradually from levels at around 2.5% in 2001 but have also become more heterogeneous. However, the downward movement of both the 25th (lower quartile) and 75th percentiles (upper quartile) of the responses indicates that this more pessimistic assessment is relatively widespread. In addition, the median has been stable and somewhat lower than the mean in the last five SPF rounds, thereby suggesting that at the current juncture a large number of respondents have more pessimistic expectations about longer-term growth performance.

Expectations for the unemployment rate in the euro area

Unemployment rate expectations for 2006 and 2007 have been revised down from the previous round by 0.2 percentage point and now stand at 7.9% and 7.7% respectively. The downward revisions are mainly explained by improved economic conditions in 2006 and the positive impact of recent labour market reforms in both 2006 and 2007. However, some downward revisions to the back data may have also played a role. The unemployment rate is expected to continue to decline, to 7.5% in 2008 and 7.0% in 2011. Respondents continue to stress that the decline in the unemployment rate over the longer-term horizon is dependent on further labour market reforms, and that in the absence of such reforms the unemployment rate will be higher than forecast.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

The strengthening of euro area real GDP growth in the first quarter of 2006 was broadly based across sectors. Available survey indicators point to ongoing robust growth in both the industrial and services sectors in the second quarter of 2006 and at the start of the third quarter. Labour market conditions also appear to have continued to gradually improve over recent months. Overall, these data confirm that the recovery has continued to be sustained and is more broadly based. Looking ahead, the conditions remain in place for an ongoing economic expansion in the euro area, supported by both domestic and external forces. Risks to this outlook are broadly balanced over the shorter term. Medium to longer-term risks lie on the downside and relate mainly to potential further oil price increases, a disorderly unwinding of global imbalances and protectionist pressures.

4.1 OUTPUT AND DEMAND DEVELOPMENTS

REAL GDP AND EXPENDITURE COMPONENTS

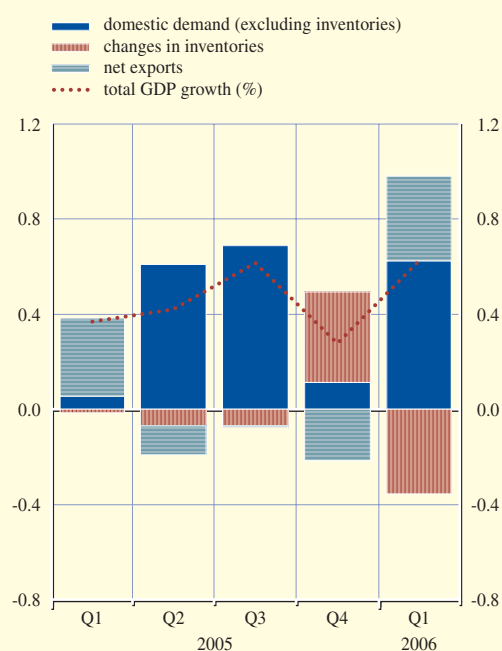
Eurostat's second release of national accounts data, published in July, confirmed that euro area real GDP expanded by 0.6% quarter on quarter in the first quarter of 2006, following growth of 0.3% in the fourth quarter of 2005 (see Chart 23). There were, however, some revisions to the expenditure components.

In terms of the composition of growth, the main changes in the second release concern the estimated growth in investment in the first quarter of 2006. This was revised upwards by 0.6 percentage point to 0.9% quarter on quarter. At the same time, the breakdown of investment for the first quarter of 2006 has become available. This shows that the contribution to total investment of construction as well as of metal products and machinery was positive (at 0.3 and 0.7 percentage point, respectively), while the contribution of investment in transport was negative (-0.1 percentage point). The largest contribution came from metal products and machinery, which – disregarding the drop in the fourth quarter of 2005 – has made a positive contribution since the beginning of 2005 to quarter-on-quarter investment growth.

There were also some slight revisions to the estimated growth in private and government consumption in the first quarter. Both components were revised downwards. However, the contribution of domestic demand excluding inventories to quarterly GDP growth remained unchanged at 0.6 percentage point. At the same time, the contribution of net exports was revised slightly upwards and inventory changes were revised downwards.

Chart 23 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

SECTORAL OUTPUT AND INDUSTRIAL PRODUCTION

The second estimate of euro area national accounts for the first quarter of 2006 confirmed that the stronger output growth observed is relatively broadly based across sectors. Quarter-on-quarter value added growth in both industry (excluding construction) and services increased in the first quarter. At the same time, value added in the construction sector declined as a result of the developments in this sector in Germany, probably reflecting unusually harsh winter weather conditions. Such non-regular effects in national accounts data are not corrected for by seasonal and calendar adjustments, as discussed in Box 4.

Overall, recent industrial production data, together with survey indicators, point to a further expansion of industrial activity in the second quarter of this year (see Chart 24). Industrial production (excluding construction) increased in May, by 1.6% month on month, following a decline in April. This increase was relatively broadly based across countries and sectors, except for the energy sector, where production declined. In terms of less volatile three-month centred moving averages, industrial production (excluding construction) increased by 0.9% in April, following an increase of 0.5% in March.

Industrial new orders also point to positive developments in the industrial sector. Growth in industrial new orders as a whole declined by 0.9% in May on a three-month moving average basis, following a decline of 0.3% in April. However, after excluding other transport equipment, including ships, railway and aerospace equipment, which is a particularly volatile component of the new orders data, it appears that the upward trend observed since March 2005 has continued.

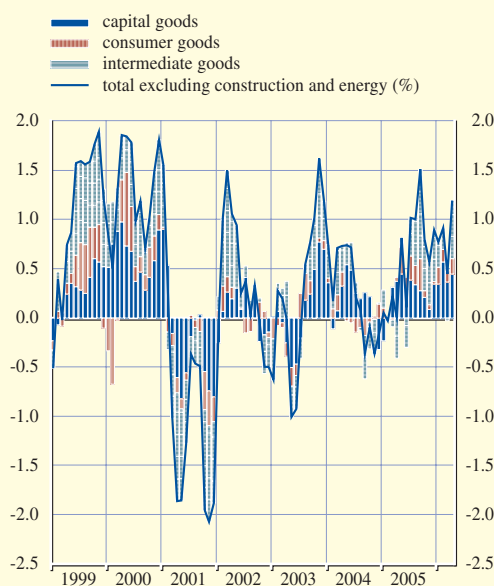
Box 4

SEASONAL AND CALENDAR EFFECTS ON EURO AREA GDP

Seasonal and calendar variations significantly affect quarterly GDP. It is necessary to adjust for these effects in order to assess the underlying economic developments. For example, the adjusted quarter-on-quarter growth of euro area real GDP reported for the first quarter of 2006 was 0.6%, whereas unadjusted growth pointed to a decrease of 2.5% over the same period. This box outlines the most important factors underlying seasonal and calendar variations and explains their impact by focusing on the volumes of euro area GDP and selected expenditure components as well as on GDP across the four largest euro area countries.

Chart 24 Industrial production growth and contributions

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

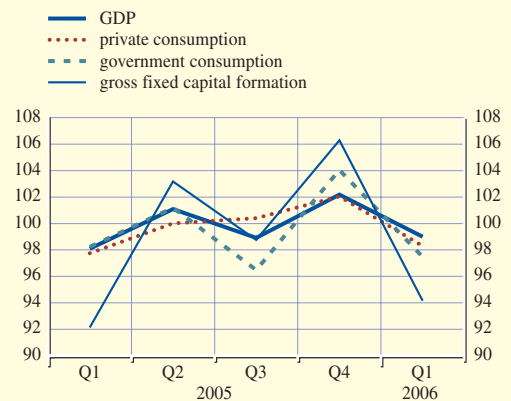


Sources: Eurostat and ECB calculations.
Note: Data shown are calculated as three-month centred moving averages against the corresponding average three months earlier.

Most unadjusted GDP series show regular seasonal profiles, which are caused in particular by weather conditions, socio-economic behaviour and habits, and administrative regulations and arrangements (e.g. extended shop opening hours before Christmas). In addition, the varying number of working and trading days¹ affects output, expenditure and income statistics, although to a lesser extent than seasonal effects.² However, in some quarters the variation in the number of working or trading days is greater, for example as a result of particular calendar occurrences, such as Christmas falling on a weekend or Easter occurring in the first or second quarter of the year. The pattern created by calendar variations is thus more complex than that created by seasonal effects, which reoccur in the same period every year. Cross-country differences in working-day variations and their impact can be traced back to different national public holiday practices. For quarterly GDP, the impact of one additional working day might vary between 0.1% and 0.4% across euro area countries.

Chart A Seasonal and calendar effects on euro area GDP and selected expenditure components

(index: 100 = zero impact)¹⁾



Sources: Eurostat and ECB calculations.

1) The impact is calculated as the ratio of unadjusted data to adjusted data.

Chart A illustrates the combined impact of seasonal and calendar corrections made for the volume of quarterly euro area GDP and of selected expenditure components since 2005 (changes in inventories, exports and imports are not shown). Values above (below) 100 indicate that seasonal and calendar variations in combination had an upward (downward) impact on the series, and the calendar and seasonal adjustment accordingly reduces (increases) the series level. The adjustments are estimated as average impacts of seasonality and calendar profiles over several years. For the latter, the estimated average impact of one additional working day is applied to the actual working-day pattern relevant for the reported time series value. Overall, seasonal and calendar adjustment corrects for the regular, average seasonal and calendar influences. However, it does not correct for non-regular influences, such as very cold or unusually long winter periods or exceptional leave patterns.

During 2005 unadjusted euro area real GDP varied quarter-on-quarter by $\pm 2\%$ solely as a result of seasonal and calendar effects. The first quarter shows a downward impact of seasonal influences on euro area GDP of about 2%. This is partly due to the pronounced seasonality of gross fixed capital formation. The subdued construction activity during the winter season reduces the series' value by 6% to 8%. In the fourth quarter, GDP shows an upward seasonal impact of about 2%. This partly reflects the seasonal peaks in gross fixed capital formation (6%) and in government consumption (4%). Private consumption, which accounts for more than half of total GDP, shows a fairly similar profile to that of GDP.

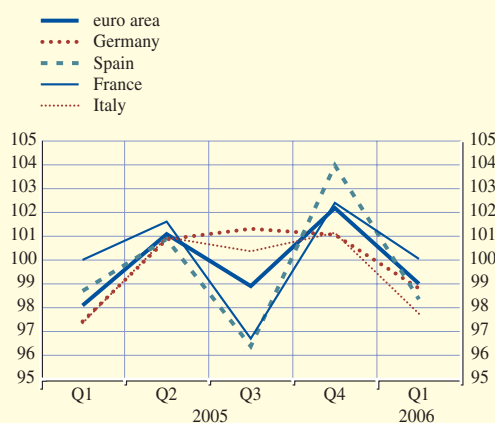
1 Working days are Mondays to Fridays excluding public holidays, whereas trading days also include Saturdays.

2 Working-day effects and their impact on GDP are described in the box entitled "The impact of the number of working days on euro area GDP in 2004" in the June 2004 issue of the Monthly Bulletin.

In terms of quarter-on-quarter rates of change, the largest upward impact is typically from the third to the fourth quarter, increasing quarter-on-quarter growth of the unadjusted euro area GDP by about 3 percentage points over recent years. This is followed by a downward impact on the growth rate from the fourth quarter to the first quarter of the following year, typically of between 3 and 3½ percentage points. In terms of year-on-year growth rates, calendar effects are the main cause of differences between adjusted and non-adjusted results.³ For example, while Easter fell in the first quarter in 2005, it fell in the second quarter in 2006. As a consequence, the combined downward impact on GDP volume of seasonal and calendar variations was about 2% in the first quarter of 2005, but was only about 1% in the first quarter of 2006, resulting in a downward correction of the year-on-year growth rate for the first quarter of 2006 from 2.9% in terms of unadjusted data to 2.0% in adjusted terms.

Chart B Seasonal and calendar effects on GDP in the four largest euro area countries

(index: 100 = zero impact)¹⁾



Sources: Eurostat and ECB calculations.

1) The impact is calculated as the ratio of unadjusted data to adjusted data.

Chart B compares the impact of seasonal and calendar variations on the volume of GDP for the four largest euro area countries. It reveals fairly similar effects in the second quarter only. The largest difference across the four countries occurs in the third quarter, with the impact varying by almost 5 percentage points.

The magnitude of and differences in seasonal profiles in GDP statistics call for an accurate and comparable adjustment for seasonal and calendar effects in euro area country data. This is a prerequisite for high-quality euro area results, since Eurostat compiles seasonally and calendar-adjusted GDP series by aggregating adjusted country GDP data. European standards have been developed and progressively implemented by national statistical institutes in the euro area and the EU. For the euro area results, a desirable improvement would be the release of calendar-adjusted series only, in order to make it possible to distinguish between adjustments made for seasonal effects and those made for calendar effects.

³ Furthermore, seasonal profiles and their impact on a time series might vary over time, which causes additional but small differences between adjusted and non-adjusted annual growth rates.

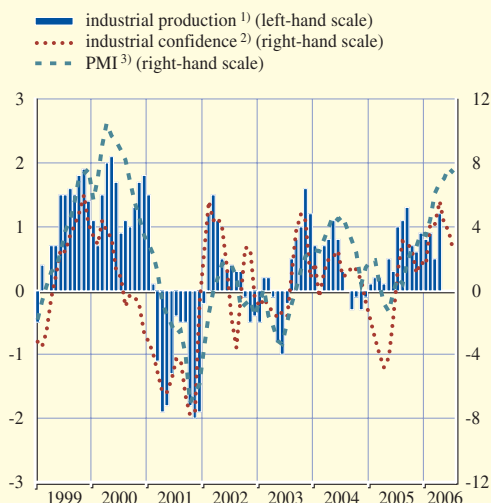
SURVEY DATA FOR THE INDUSTRIAL AND SERVICES SECTORS

Survey data available up to July 2006 continue to provide positive signals for economic activity at the beginning of the third quarter in both the industrial and the services sectors.

The European Commission's indicator of industrial confidence rose further in July 2006, continuing the upward trend observed since mid-2005. The Purchasing Managers' Index (PMI) for the manufacturing sector declined somewhat in July. This still points, however, to a strengthening in manufacturing activity, as the index remained above 50 (see Chart 25). The rise in the Commission's indicator of industrial confidence resulted mainly from improvements in order books and

Chart 25 Industrial production, industrial confidence and the PMI

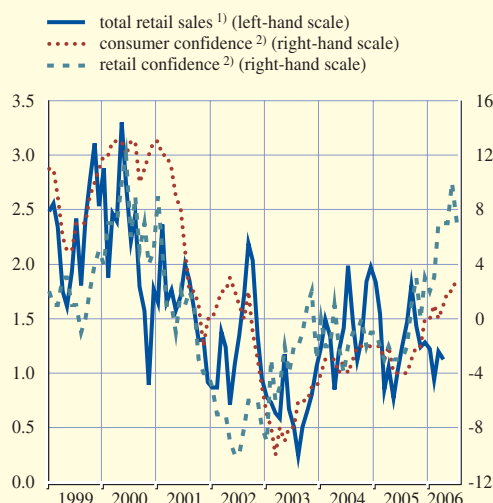
(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, NTC Economics 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 26 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.

production expectations, while the assessment of stocks of finished products remained unchanged. Regarding the main industrial groupings, the main improvements in confidence came from producers of intermediate goods, while confidence declined for producers of consumer goods and remained unchanged for capital goods producers. The European Commission's quarterly survey in the manufacturing sector also reports a further increase in capacity utilisation for all sub-sectors in the third quarter of 2006. Compared with the April survey, labour shortage and a lack of equipment appeared to be more of a constraint. Meanwhile, constraints associated with insufficient demand declined.

The European Commission's indicator for services confidence remained broadly unchanged in July and thereby remains slightly above its historical average, providing a positive signal for economic activity in this sector. Improvements in the assessment of the business climate, expected demand and employment in recent months were offset by a deterioration of employment expectations. Both the European Commission's indicator and the PMI for the service sector increased in the second quarter of 2006.

INDICATORS OF HOUSEHOLD SPENDING

Private consumption growth in the euro area was stronger in the first quarter of 2006 than in the previous quarter. It grew at a rate of 0.6% quarter on quarter in the first quarter of 2006. This was largely on account of the non-retail sales component of expenditure. The volume of retail sales fell by 0.3% month on month in May, following an increase of 0.9% in April. Thus, the three-month centred moving average of the volume of retail sales declined by 0.1% in April. New car registrations declined in June, after strongly increasing since the beginning of the year. However,

in terms of the centred three-month moving average, the growth pattern of new car registrations remains strong.

The European Commission's indicator of consumer confidence increased in July and thereby continued to be at a level which was slightly above its historical average (see Chart 26). This increase was due to improvements in the assessment of the expected general economic and financial situation as well as of future savings.

Overall, bearing in mind the strong volatility in month-on-month figures, the latest data on retail sales – taken together with new car registrations and other signals from surveys and labour market indicators – continue to provide a positive signal for consumption in the second quarter of 2006.

4.2 LABOUR MARKET

Available indicators for the labour market continue to point to a further improvement in euro area labour market conditions. In particular, the unemployment rate for the euro area has declined further and the continued improvement in employment expectations since the start of this year confirm this view.

UNEMPLOYMENT

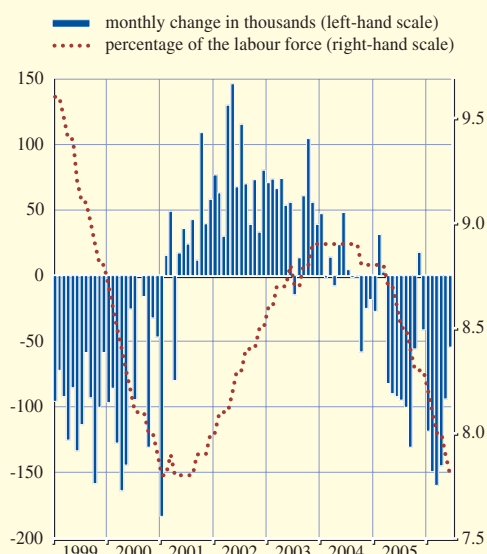
The euro area unemployment rate continued on its declining path observed since mid-2004 in June 2006, decreasing to 7.8% (see Chart 27). The number of unemployed persons in the euro area fell in June by about 55,000 but the decline was smaller than in the previous months. Overall, unemployment data point to further improvements in euro area labour market conditions. This is also confirmed by a downward revision of expectations for the unemployment rate according to the ECB Survey of Professional Forecasters (see Box 3 on the results of the ECB Survey of Professional Forecasters for the third quarter of 2006). However, the data need to be interpreted with caution as movements in unemployment are still affected by statistical factors.

EMPLOYMENT

As reported last month, employment increased by 0.3% in the first quarter of 2006, unchanged from the fourth quarter of 2005 (see Table 7). As regards the pattern of employment at the sectoral level, which has recently become available for the first quarter of 2006, employment grew in all sectors except agriculture, with the strongest increases recorded in the services sectors. Employment growth in industry (excluding construction) remained unchanged after declining continuously since 2001. Meanwhile, growth in construction employment, a series which is rather volatile, was lower than in the fourth quarter of 2005.

Chart 27 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Table 7 Employment growth

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

	Annual rates		Quarterly rates				
	2004	2005	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1
Whole economy	0.6	0.7	0.1	0.1	0.1	0.3	0.3
<i>of which:</i>							
Agriculture and fishing	-1.4	-1.0	-0.8	0.1	0.1	-0.3	-0.3
Industry	-0.8	-0.2	-0.1	-0.1	-0.1	0.1	0.2
Excluding construction	-1.7	-1.2	-0.5	-0.3	-0.1	-0.2	0.0
Construction	1.5	2.3	0.8	0.4	0.0	1.0	0.4
Services	1.2	1.1	0.3	0.2	0.2	0.4	0.4
Trade and transport	0.7	0.7	0.4	0.2	-0.1	0.2	0.3
Finance and business	1.7	1.8	0.3	0.2	0.6	0.9	0.6
Public administration	1.3	1.1	0.2	0.3	0.2	0.2	0.4

Sources: Eurostat and ECB calculations.

Labour productivity growth stood at 1.0% year on year in the first quarter of 2006, unchanged from the fourth quarter of 2005. Following the release of sectoral data for employment, a breakdown of productivity has become possible. While labour productivity in agriculture and the industrial sectors increased in the first quarter, contributing equally to overall productivity growth, labour productivity growth declined somewhat in the services sector, with non-market related services showing the strongest decrease.

According to the European Commission surveys, employment expectations signal a further improvement in labour market conditions in July. The indicator for employment expectations remained at the level observed in June for industry, while it slightly decreased for the services sector.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The assessment of recent developments in euro area activity provides further evidence that economic growth has become more broadly based and sustained in the first half of 2006. The latest data confirm the rather positive outlook of survey indicators observed over the last quarters. Improvements in labour market conditions as well as favourable employment expectations support the assessment of ongoing positive developments in private consumption. This is also in line with results from the ECB Survey of Professional Forecasters for real GDP growth, which has been revised upwards by 0.1 percentage point for 2006 compared with the previous SPF round (see Box 3 on the results of the ECB Survey of Professional Forecasters for the third quarter of 2006). Risks to this outlook are broadly balanced over the shorter term. Medium to longer-term risks lie on the downside and relate mainly to potential further oil price increases, a disorderly unwinding of global imbalances and protectionist pressures.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

The euro continued to trade within a narrow range in effective terms in July and early August, remaining overall unchanged from its level at the end of June.

US DOLLAR/EURO

In July and early August the euro remained almost unchanged against the US dollar, despite some fluctuations. In the first three weeks of July, the euro underwent a phase of depreciation against the US currency, but subsequently rebounded towards levels slightly above those prevailing at the end of June (see Chart 28). The euro's weakening in the first part of July was driven by market concerns over geopolitical risks, which appear to have supported the US currency. The subsequent appreciation of the euro seems instead to be related to the release of weaker than expected US economic data, especially a deceleration in the housing market and the advance GDP figures for the second quarter of 2006. At the same time, recent developments in market expectations for short-term interest rates in the two economic areas tended also to support the euro. Overall, on 2 August the euro stood at USD 1.28, i.e. 0.7% above its end-June level and 2.9% above its 2005 average.

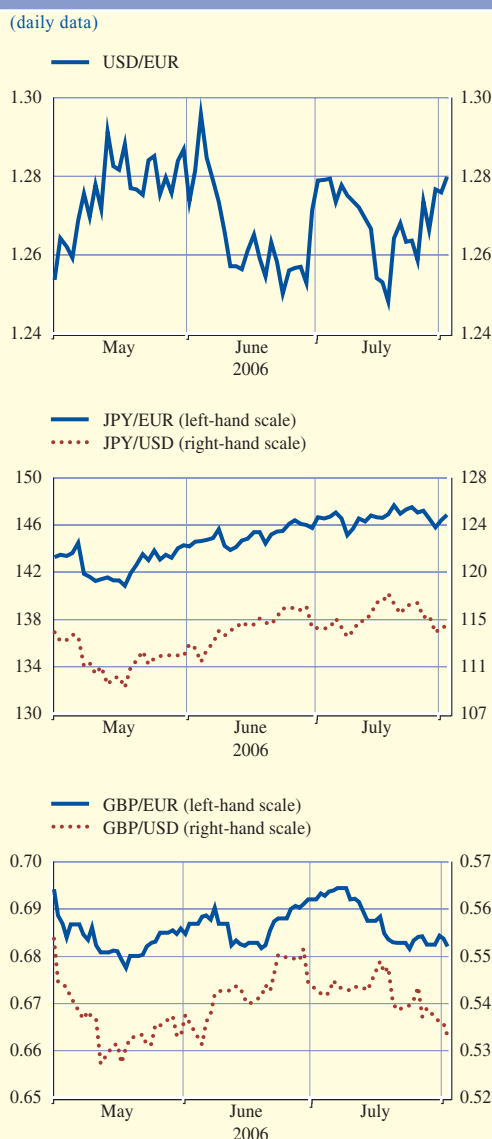
JAPANESE YEN/EURO

The euro appreciated against the Japanese yen in the first three weeks of July, reaching a historical high of JPY 147.68 on 20 July (see Chart 28). In the remainder of the month and in early August it fluctuated around a slightly lower level. The depreciation of the yen in the first part of July occurred despite positive developments in the outlook for the Japanese economy and the Bank of Japan's decision to raise its key monetary policy rate on 14 July from zero to 0.25%, its first move for five years. On 2 August the euro was quoted at JPY 146.9, i.e. 0.8% above its end-June level and 7.3% above its 2005 average.

EU MEMBER STATES' CURRENCIES

In July most currencies participating in ERM II remained stable and continued to trade at or close to their respective central rates (see Chart 29). The Slovak koruna continued to be subject to downward pressure in the first half of July, triggered primarily by market concerns over the new government's economic programme and the future stance of fiscal policy. Národná

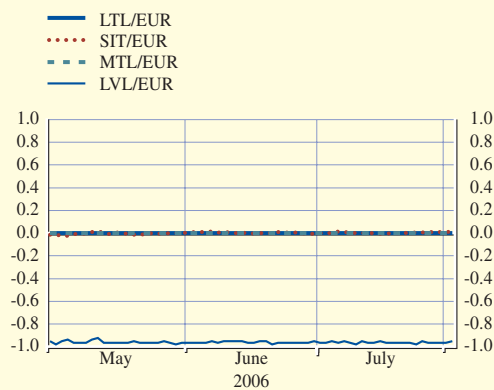
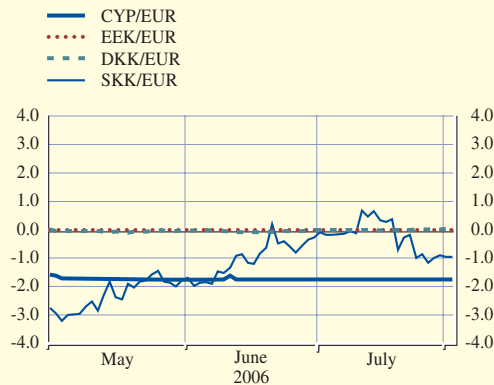
Chart 28 Patterns in exchange rates



Source: ECB.

Chart 29 Patterns in exchange rates in ERM II

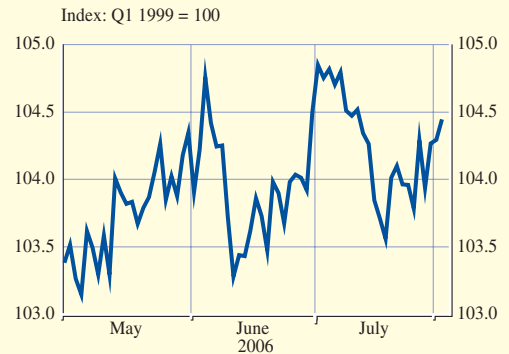
(daily data; deviation from the central parity in percentage points)



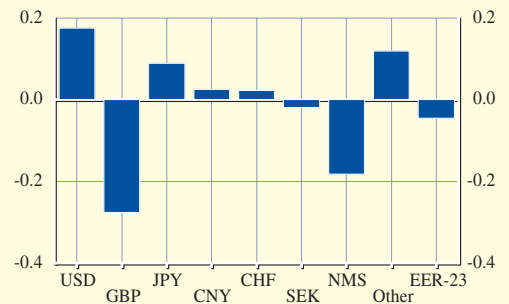
Source: ECB.
 Note: A positive (negative) deviation from the central parity against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is $\pm 2.25\%$; for all other currencies, the standard fluctuation band of $\pm 15\%$ applies.

Chart 30 Euro effective exchange rate and its decomposition ¹⁾

(daily data)



Contributions to EER changes ²⁾
 From 30 June to 2 August 2006
 (in percentage points)



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 that 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.

banka Slovenska intervened in foreign exchange markets in mid-July in support of the koruna and raised its two-week repo rate on 25 July by 50 basis points. On 2 August the Slovak koruna was trading 0.9% stronger than its ERM II central rate.

With regard to the currencies of other EU Member States, the euro depreciated against the pound sterling – being quoted on 2 August at GBP 0.68, 1.4% below its end-June level and approximately the same level as its 2005 average (see Chart 28) – while it remained stable against the Swedish krona and the Czech koruna. The euro weakened significantly against the currencies of Hungary and Poland: its depreciation against the Hungarian forint and the Polish zloty was 3.6% and 3.0% respectively, partly reverting the large appreciation recorded in June.

On 11 July the EU Council adopted a decision allowing Slovenia to join the euro area and adopt the euro as its currency from 1 January 2007. At the same time, the EU Council decided to maintain the current central rate of 239.640 Slovenian tolar to the euro as the conversion rate (see Box 5).

Box 5**ADOPTION OF THE EURO BY SLOVENIA AS FROM 1 JANUARY 2007**

Following the submission of requests by the national authorities of Slovenia and Lithuania for an examination of their progress in fulfilling the Maastricht Treaty (Article 122(2)) for the adoption of the euro, the ECB and the European Commission have prepared their respective Convergence Reports. These reports were published on 16 May 2006. On the basis of the examination therein, Slovenia was considered to have fulfilled the necessary conditions for the adoption of the single currency. In view of this, on 11 July 2006, the EU Council adopted a decision allowing Slovenia to join the euro area and adopt the euro as its currency as from 1 January 2007.

The EU Council also adopted a regulation fixing the irrevocable conversion rate between the Slovenian tolar and the euro. The conversion rate is set at 239.640 Slovenian tolar to the euro, which corresponds to the central rate agreed on 28 June 2004 when the Slovenian currency entered the Exchange Rate Mechanism II (ERM II). Within ERM II, the Slovenian currency's central rate against the euro has not been devalued and the tolar-euro exchange rate has stayed close to the central rate. The ECB supported the choice of the current central rate as the conversion rate upon euro adoption. Following the setting of the euro conversion rate of the Slovenian tolar, the ECB and Banka Slovenije will monitor developments in the market exchange rate of the Slovenian tolar against the euro in the context of the ERM II agreement until the end of 2006.

The enlargement of the euro area to include Slovenia will be a landmark. The admission of Slovenia will make it the first country to join the euro area out of the ten Member States that joined the European Union on 1 May 2004. With the adoption of the euro, Slovenia will be able to share the benefits of the single currency, which eliminates exchange rate uncertainty within the Monetary Union and offers a credible monetary policy framework for maintaining price stability in an environment of low long-term interest rates, full price and cost transparency, reduced transaction and information costs and a greater resilience to economic and financial shocks. In order to make the most of the benefits of adopting the euro, the EU Council has encouraged Slovenia to continue with appropriate policies, in particular as regards budgetary soundness, structural reform and maintaining the competitiveness of its economy. At the same time, in order to fully reap the advantages of the euro and to allow for adjustment mechanisms to operate efficiently within the enlarged currency area, it will be necessary to fully integrate Slovenia into EMU, which calls for all remaining barriers to be removed, including those related to labour mobility. Indeed, open, competitive and flexible markets are of particular importance for the functioning of the euro area economy and the smooth conduct of the single monetary policy.

OTHER CURRENCIES

Between the end of June and 2 August the euro depreciated against the Australian dollar (2.4%), while it appreciated against the Canadian dollar (2.2%) and most Asian currencies linked to the US dollar. It remained broadly stable against the Chinese renminbi and weakened slightly against the Norwegian krone (0.8%)

EFFECTIVE EXCHANGE RATE OF THE EURO

In view of these developments in the bilateral exchange rates of the euro, on 2 August the nominal effective exchange rate – as measured against the currencies of 23 of the euro area's important trading partners – was basically unchanged from its level at the end of June and 1.5% above its average level in 2005 (see Chart 30).

5.2 BALANCE OF PAYMENTS

The latest balance of payments data, for May 2006, show a slowdown in growth for both imports and exports on a three-month moving average basis. In May 2006, the 12-month cumulated current account registered a deficit, compared with a surplus a year earlier. This shift resulted mostly from a decline in the goods surplus, largely reflecting the rising cost of oil imports. In the financial account, the net inflows in 12-month cumulated combined direct and portfolio investment have been increasing since the beginning of the year, mostly reflecting increasing net inflows in portfolio investment.

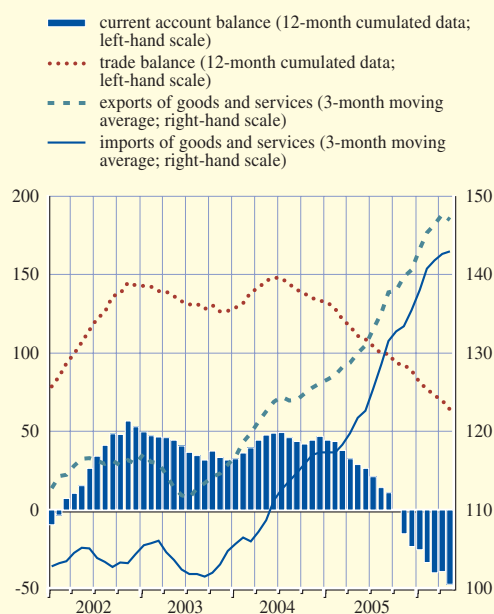
TRADE AND THE CURRENT ACCOUNT

The latest balance of payments data, for May 2006, show continued growth of extra-euro area imports and exports, but at a more moderate pace compared with previous months (see Chart 31). The three-month moving average of the value of exports of goods and services rose by 1.1% in May compared with the three-month moving average ending in February. Meanwhile, imports of goods and services registered a slightly higher increase (1.6%). Imports and exports of goods grew by around 2%. In the case of services, imports increased moderately while exports declined (see Table 8).

The breakdown into volumes and prices of extra-euro area trade in goods (available until April 2006) shows that export price growth has increased since the start of the year, partly reflecting rising costs for exporters amid higher oil and non-oil commodity prices. At the same time, export volumes also rose, supported by favourable conditions in global growth. The strong performance of exports of consumer and intermediate goods accounted for most of the

Chart 31 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Table 8 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2006		Three-month moving average figures ending				12-month cumulated figures ending	
	2006 Apr.	2006 May	2005 Aug.	2005 Nov.	2006 Feb.	2006 May	2005 May	2006 May
<i>EUR billions</i>								
Current account	0.9	-8.2	-2.1	-6.8	-2.9	-4.1	28.8	-47.6
Goods balance	1.5	-0.5	3.9	2.9	0.9	1.1	80.7	26.2
Exports	113.8	111.0	102.0	105.1	110.0	112.3	1,148.4	1,288.1
Imports	112.4	111.5	98.1	102.2	109.1	111.2	1,067.7	1,261.9
Services balance	3.4	2.3	2.7	3.4	3.7	2.9	30.4	38.0
Exports	34.7	35.3	33.2	34.6	35.4	34.7	371.7	413.4
Imports	31.3	33.0	30.5	31.2	31.6	31.8	341.3	375.4
Income balance	2.0	-4.7	-3.6	-7.2	-1.9	-2.1	-22.1	-44.3
Current transfers balance	-6.0	-5.2	-5.0	-5.9	-5.6	-6.0	-60.2	-67.5
Financial account¹⁾	4.9	36.5	5.0	7.5	1.6	36.0	68.3	150.2
Combined net direct and portfolio investment	-7.1	47.5	18.6	-10.6	-17.7	32.7	36.4	68.9
Net direct investment	-1.9	-1.1	-34.9	-4.1	-11.5	2.8	-47.3	-143.2
Net portfolio investment	-5.2	48.6	53.5	-6.5	-6.2	29.9	83.8	212.0
Equities	-12.2	5.0	54.3	-6.4	10.5	5.6	46.4	191.9
Debt instruments	7.0	43.6	-0.8	-0.2	-16.7	24.4	37.4	20.2
Bonds and notes	5.5	43.4	-1.4	-6.7	-16.7	26.9	28.1	6.3
Money market instruments	1.5	0.2	0.6	6.5	0.0	-2.5	9.3	13.9
<i>Percentage changes over previous period</i>								
Goods and services								
Exports	1.7	-1.5	3.9	3.4	4.1	1.1	8.1	11.9
Imports	2.2	0.6	5.7	3.7	5.5	1.6	11.8	16.2
Goods								
Exports	1.6	-2.5	3.9	3.1	4.6	2.1	7.8	12.2
Imports	2.4	-0.8	6.4	4.2	6.8	1.9	13.4	18.2
Services								
Exports	1.9	1.8	4.2	4.2	2.3	-2.0	9.0	11.2
Imports	1.1	5.4	3.5	2.2	1.5	0.4	7.2	10.0

Source: ECB.

Note: Figures may not add up due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

growth in export volumes, while exports of capital goods stabilised around the high levels recorded at the end of 2005. In terms of destinations, exports to Asia – especially China – and the new EU Member States were particularly robust, reflecting the continued strength of demand in these regions.

Turning to goods imports, developments in the international prices of energy and raw materials, and their direct impact on euro area import prices, partly explain the strong rise in import values since the start of the year. In addition, commodity price increases seem to be exerting upward pressure on the import prices of manufactured goods, offsetting the downward effect of rising import penetration from low-cost countries (see Box 6). In terms of manufacturing product categories, the import prices of intermediate products recorded the strongest increase, followed by capital goods, while consumer products showed the weakest increase.

Taking a longer-term view, the 12-month cumulated current account up to May 2006 registered a deficit of €47.6 billion (about 0.6% of GDP), compared with a surplus of €28.8 billion (or 0.4%

of GDP) a year earlier. This shift resulted mainly from a €54.5 billion decline in the goods surplus, largely reflecting the significant rise in the cost of oil imports. Indeed, the latest data (available up to April 2006) show that the euro area's 12-month cumulated oil trade deficit stood at €163.5 billion, i.e. €45.5 billion higher than a year earlier.

Box 6

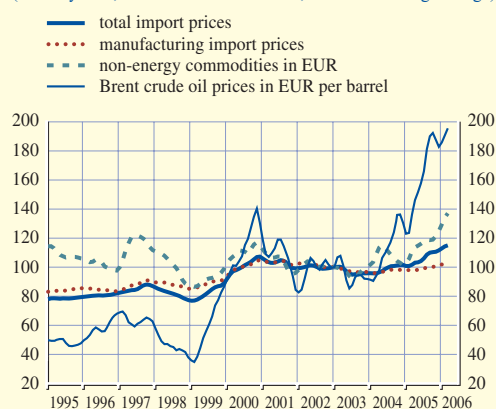
EFFECTS OF THE RISING TRADE INTEGRATION OF LOW-COST COUNTRIES ON EURO AREA IMPORT PRICES

Higher international economic interdependence through trade, production and financial market linkages – in short, globalisation – has had contrasting effects on import prices, and thereby also on consumer price inflation in the euro area. On the one hand, globalisation and the associated rise in trade integration with emerging markets and developing economies has contributed to import price moderation, notably in the manufacturing sector, due to increased imports from these low-cost countries. On the other hand, the combined effect of rising global demand and the existence of important supply bottlenecks has boosted prices of commodities, particularly energy (see chart). This box aims to quantify the former effect.

Increased international economic interdependence and the rapid integration of several emerging economies into global trade and production networks have certainly contributed to stimulate competition in domestic markets and to increase and diversify euro area trade linkages. Since the mid-1990s, the geographical distribution of euro area imports has changed substantially. In 1995, two-thirds of extra-euro area manufacturing imports came from industrialised countries (high-cost countries hereafter), whereas in 2005 their share had declined to around 50%. The decrease is distributed among the traditional major euro area trade partners (United Kingdom, Japan, United States), while the shift towards emerging, low-cost economies is mainly accounted for by increased imports from China and, to a lesser extent, the new EU Member States (see table).

Extra-euro area import prices of goods

(monthly data; indices: Jan. 2003 = 100; 3-month moving average)



To obtain an order of magnitude of the direct downward effects of a higher level of imports from low-cost countries on import prices, the change in import shares to the euro area is multiplied by the estimated price level difference of imports from low-cost countries vis-à-vis high-cost countries. In addition, the change in euro area import prices due to import price inflation differentials between high and low-cost countries is computed. The combined impacts of these two effects are estimated to generate a sizeable dampening of overall euro area import price growth of approximately 2 percentage points per annum on average over the period 1996–2005.¹

¹ The methodology used in the estimation is similar to the work by S. B. Kamin, M. Marazzi and J.W. Schindler (2004) "Is China exporting deflation?" *Board of Governors of the Federal Reserve System, International Financial Discussion Papers, No 791*.

Country shares in extra-euro area manufacturing imports ¹⁾

	High-cost of which:	United States	Japan	United Kingdom	Low-cost of which:	China	New EU Member States
1995	65.7	16.1	10.7	20.3	34.3	5.0	8.0
1997	65.2	17.7	9.6	21.2	34.8	5.8	8.4
1999	64.1	18.4	9.8	19.6	35.9	6.3	9.8
2001	60.2	18.1	8.5	18.6	39.8	7.9	11.6
2003	55.1	15.1	7.8	16.6	44.9	11.0	14.0
2005	50.7	13.9	6.7	15.0	49.3	14.8	13.1
Change 1995-2005	-15.0	-2.2	-4.0	-5.3	15.0	9.8	5.1

Sources: Eurostat Comext database and ECB staff calculations based on values in EUR.

1) The country decomposition considers 25 countries (and regions) of origin which cover the trading partners of the euro area. These were divided into two groups ("high-cost countries" and "low-cost countries") on the basis of their GDP per capita. The "high-cost countries" include Australia, Canada, Denmark, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States. The "low-cost countries" comprise 15 countries and regions: ASEAN, EU candidate countries, CIS, Central America and the Caribbean, China, India, MEDA (excluding Malta, Turkey and Cyprus), the Middle East, the new EU Member States, North Africa, Rest of Africa, Rest of Asia, South America, South Korea and Taiwan.

In addition to such direct effects, second-round effects are also likely. For example, increased imports from low-cost countries may induce moderation in import prices and in mark-ups on goods imported from high-cost trade partners, given the availability of substitutes produced in low-cost locations and the possibility of increasing cost-efficiency via globalisation-induced low prices for intermediate inputs of goods and services.

Overall, differentials in both the import price level and inflation between high-cost and low-cost countries have implied a rather important and persistent moderating impact on overall import prices over the last decade. From a longer-term perspective, this dampening effect might tend to fade out unless the export prices of low-cost countries remain well below international levels and the shift in import shares continues to move away from high-cost countries and towards low-cost countries. In addition to the effects on import prices, the rising integration of emerging markets into the world economy has had other dampening effects on consumer price inflation through channels such as wage containment and increased product market competition. However, these effects are to some extent counterbalanced by the strong pressure which is associated with the increase in commodity prices arising from increased demand from emerging economies and persistent supply bottlenecks.

FINANCIAL ACCOUNT

In the three-month period to May 2006, euro area combined direct and portfolio investment showed average net inflows of €32.7 billion (see Table 8), mostly as a result of net inflows in both equity portfolio investment (€5.6 billion) and debt instruments (€24.4 billion). Moreover, euro area direct investment also recorded net inflows of €2.8 billion during the same period.

Turning to 12-month cumulated data, combined direct and portfolio investment recorded net inflows of €68.9 billion in the period to May 2006 compared with net inflows of €36.4 billion in the same period a year earlier. Combined direct and portfolio investment flows have been characterised by rather large swings since 2005: net inflows declined sharply in the second half of 2005 from the high level recorded in the first half of that year, before rising again in 2006 (see Chart 32). This primarily reflected developments in net portfolio investment flows, particularly in equity investment.

Net portfolio equity inflows, which had been declining since August 2005, picked up again in February 2006, reaching a level of €191.9 billion in the 12-month period to May 2006. The increased net inflows were partly associated with improved euro area corporate earnings growth and rising euro area equity returns relative to those in the United States. Growing evidence of an improving economic outlook in the euro area since the beginning of this year may also have been a factor accounting for these developments.

Debt instruments also recorded net inflows in the 12-month period to May 2006, as a result of both net inflows in bonds and notes (€6.3 billion) and net inflows in money market instruments (€13.9 billion). After recording net outflows at the end of 2005, net investment in bonds and notes has been gradually turning towards a balanced position. This coincided with the recent rise in total returns on euro area bonds and notes relative to total returns on US debt securities.

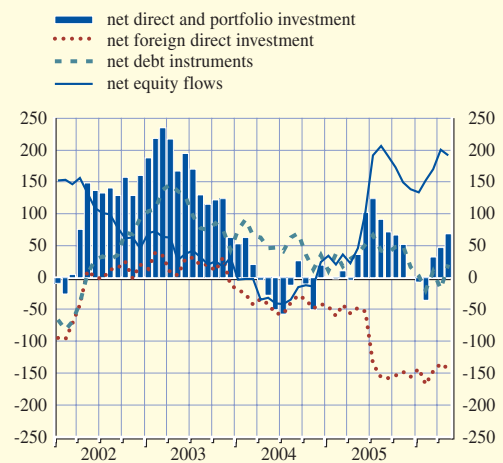
Net outflows in direct investment (on a 12-month cumulative basis) have been quite stable since July 2005 at a level of around €150 billion (see Chart 32).

The geographical breakdown of the euro area financial account indicates that, over the 12-month period to March 2006, net outflows of direct investment from the euro area went primarily to the United Kingdom (€93.8 billion) and to “other countries” (€42.6 billion) (see Table 7.3 in the euro area statistics section). As for euro area portfolio investment abroad, the largest increase in investment occurred in debt securities issued by the United Kingdom as well as both equity and debt securities issued by the United States and “other countries”.

The net international investment position of the euro area vis-à-vis the rest of the world showed net liabilities of €1,215 billion (-14.6% of euro area GDP) at the end of the first quarter of 2006. This corresponds to a €153.9 billion increase in net liabilities compared with end-2005. The change is primarily attributable to an increase in the net liabilities in portfolio as well as other investments, which was only partially offset by the increase in the net asset position in direct investment. The increase in net liabilities was partly the result of balance of payments transactions, while other effects (mainly revaluations due to exchange rate and asset price changes) also played a role.

Chart 32 The euro area combined direct and portfolio investment

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



Source: ECB.

ARTICLES

SECTORAL MONEY HOLDING: DETERMINANTS AND RECENT DEVELOPMENTS



Identifying and understanding the determinants of money demand by the private sector is a central element of monetary analysis. It constitutes an important part of the framework used to extract signals about the risks to price stability over the medium to longer term that stem from monetary developments. However, the analysis of aggregate money holdings may obscure behavioural differences between households and firms. Looking at individual and more homogenous sectors is therefore likely to promote understanding of the dynamics and determinants of overall money demand and thus facilitate the extraction of signals about future price developments that are relevant for monetary policy. As regards the recent evolution of sectoral money demand, while the trend in money growth has varied across sectors in the past, the strengthening of annual M3 growth observed since mid-2004 has been broadly based across sectors.

I INTRODUCTION

Monetary analysis constitutes an important part of the ECB's monetary policy strategy. The aim of monetary analysis is to extract, in real time, signals in monetary developments that are relevant for the assessment of risks to price stability over the medium to longer term. In order to extract such signals, a detailed analysis of the developments of the broad monetary aggregate M3 is undertaken, including a thorough assessment of the evolution of its components, counterparts and sectoral composition. This exercise employs both statistical methods and institutional information. This article looks at the sectoral dimension of monetary developments, against the background of historical data on sectoral money holdings that have recently become available.

Understanding the factors underlying the euro area private sector's demand for money is a central element of monetary analysis. Adopting a sectoral perspective is particularly important for understanding money demand, as it helps to identify which sectors of the economy contribute to overall money growth at different points in time and provides a deeper insight into the factors driving these developments. Such an approach can thus enrich the analysis of monetary aggregates by providing additional insights into money-holding behaviour.

Households and firms, with the latter including both financial and non-financial companies,

hold money for a variety of purposes. All sectors hold money as a medium of exchange and a store of value. However, the relative importance of these purposes may vary across sectors, leading to different developments in the sectoral components of money over the course of the business cycle. Moreover, the economic variables which capture the different motives may vary across sectors, reflecting differences in objectives and constraints. Looking at individual sectors may therefore make it possible to formulate fuller explanations of the forces driving monetary developments, leading to a better understanding of the link between monetary and price developments.

This article is structured in four sections. First, it explains the construction of sectoral M3 aggregates for the euro area based on data for short-term deposits that have become available for the period since 1991 and establishes stylised facts regarding the behaviour of these aggregates over longer-term horizons. Second, a number of general conceptual issues concerning the determinants of money demand at an aggregate and a sectoral level are outlined. Third, drawing on these conceptual considerations and empirical evidence, recent developments in the sectoral monetary aggregates are discussed. Finally, some brief concluding remarks are offered, bearing in mind that estimates of sectoral money holdings are inevitably surrounded by some uncertainty.

2 SECTORAL MONEY HOLDINGS: SOME STYLISTED FACTS

The ECB's definitions of euro area monetary aggregates are based on a harmonised definition of the money-issuing and money-holding sectors. The former sector consists of Monetary Financial Institutions (MFIs) resident in the euro area.¹ The latter sector includes all non-MFIs resident in the euro area other than the central government. The money-holding sector thus consists of: households; non-financial corporations; financial institutions other than MFIs; state and local governments; and social security funds.

In analysing the various sectors' demand for money, it is necessary to look at developments over a longer horizon in order to derive meaningful economic relationships; the period since the introduction of the euro in 1999 would be too short. Series for euro area holdings of short-term deposits and repurchase agreements – the broadest aggregation of M3 components for which information by holding sector is reported, which accounts for over 80% of the stock of M3 – have become available for each sector for the period since the first quarter of 1991 (see the box entitled “New euro area historical series on holdings of M3 deposits by sector” in Section 2.1 of this issue of the Monthly Bulletin). These series are labelled as sectoral M3 deposits.

While these data on M3 deposits already provide valuable insights into many aspects of money demand, the assessment of overall monetary developments needs to take into account the sectoral holdings of the remaining components of M3 (i.e. currency in circulation and marketable securities). Looking only at M3 deposits ignores the significant substitution that may take place between these deposits and currency in circulation or marketable securities. For example, in the run-up to the euro cash changeover in January 2002, households increased their holdings of short-term deposits included in M3, as they deposited their holdings of legacy currencies in anticipation of the introduction of the euro banknotes and coins. In that period, the growth rate of household M3 deposits thus overstated the sector's overall demand for M3, as the increase reflected, to a large extent, a shift between currency in circulation and overnight deposits. Therefore, this article is based on an analysis of estimates of sectoral holdings of total M3, which have been constructed using sectoral deposit data as a key building block (see the box entitled “Construction of estimates of sectoral M3 aggregates”).

¹ Even though the central government sector is not considered to be part of the money-issuing sector, central government liabilities of a monetary nature (e.g. deposits held by households with the post office) are included as a special item in the definition of monetary aggregates because they are highly liquid.

Box

CONSTRUCTION OF ESTIMATES OF SECTORAL M3 AGGREGATES

The broad monetary aggregate M3 consists of: currency in circulation; short-term deposits (including repurchase agreements) held with MFIs and central government bodies; money market fund shares/units and MFI debt securities with a maturity of up to two years. While MFIs can report a detailed sectoral breakdown of short-term deposits and repurchase agreements, they are unable to report the ownership of the marketable securities they issue, as these instruments are traded and thus the holders are not necessarily known to them. Similarly, the holders of currency in circulation are not easily identified. This box presents an overview of the information and statistical tools available for producing estimates of sectoral currency and

marketable instrument holdings and describes how the sectoral aggregates underlying this article have been constructed.¹

Breakdown of currency in circulation

Currency in circulation accounted for 7.4% of the stock of M3 in the first quarter of 2006. In general, currency held outside the euro area banking sector is difficult to track. Indeed, the anonymity of the holder is one of the important features of banknotes and coins, explaining their widespread use despite the availability of a large number of higher-yielding alternatives. Attempts to measure currency holdings by sector directly (e.g. via surveys) have failed in the past, as only a very small part of the stock of currency could be tracked. Therefore, the available studies cannot give direct guidance on this issue.

Anecdotal evidence and estimates suggest that a considerable amount of euro currency circulates outside the euro area, although there is no evidence that the growth rate of foreign holdings of euro banknotes and coins is substantially higher than that of residents' holdings.² At the current juncture, estimates suggest that between 10% and 20% of the stock of euro currency is held by non-residents.

The sectoral breakdown of residents' currency holdings can be estimated roughly using information gained during the run-up to the euro cash changeover in January 2002. The sharp decline in currency holdings in 2001 was mirrored by a corresponding increase in overnight deposits. As quarterly data broken down by holding sector are available for the latter, insights into the sectoral breakdown can be gained by comparing extraordinary developments in overall currency and overnight deposits by sector over the last three quarters of 2001. The extraordinary developments at that time are captured by the "irregular component" obtained from a time series decomposition of deposit holdings. This irregular component represents that element of the deposit series that cannot be explained by trend and seasonal patterns. It can thus be interpreted as capturing the substitution out of currency holdings in anticipation of the withdrawal of legacy currencies and their replacement with euro banknotes and coins. In order to distinguish irregular movements from shifts between M1 and broader monetary aggregates, a normative measure for M1 development is needed. For this purpose, a model by Stracca (2003) was taken as a reference.³

The chart reveals a strong downward pattern in the irregular component of currency in the run-up to the euro cash changeover in 2001, which is mirrored by opposite developments in overnight deposits of all sectors. For overnight deposits, information is available on the relative magnitudes of the irregular components across sectors. These relative magnitudes in the last three quarters of 2001 are used to derive the corresponding sectoral shares of currency in circulation. This approach yields the following findings.

1 In some cases direct sectoral information is available for part of the sample period. For the remainder of the sample period and in cases where no sectoral information is available, aggregate holdings were broken down with constant shares.

2 For the latest estimates, see the ECB publication entitled "Review of the international role of the euro, December 2005". For a detailed review see B. Fischer, P. Köhler and F. Seitz, (2004), "The demand for euro area currencies: past, present and future", ECB Working Paper No 330.

3 L. Stracca, (2003), "The functional form of the demand for euro area M1", The Manchester School, March, Vol. 71 (2), pp. 172-204.

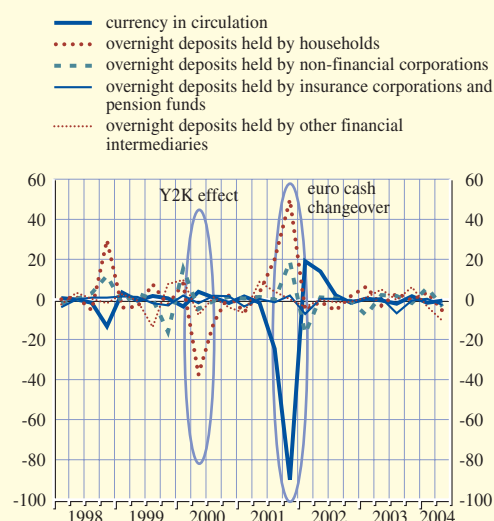
First, with 80%, households appear to have the largest share of residents' currency holdings, reflecting the fact that the spike in their deposit holdings prior to the cash changeover is very significant. In addition, households seem to have started substituting their currency holdings with overnight deposits at a much earlier stage of the run-up to the euro cash changeover.

Second, the smaller spike in their deposits prior to the changeover suggests that non-financial corporations hold 15% of residents' holdings of currency in circulation. Depositing by non-financial corporations of legacy currency holdings appears to have been concentrated in the last quarter of 2001.

Finally, the approach suggests that insurance corporations, pension funds and other non-monetary financial intermediaries do not have large currency holdings (3% altogether).⁴ The spike in overnight deposits in the fourth quarter of 2001 and the drop in the first quarter of 2002, which would suggest a considerable substitution effect between currency and overnight deposits, is not observed for these sectors.

Irregular component of flows in currency in circulation and overnight deposits

(EUR billions)



Source: ECB estimates.

Sectoral allocation of marketable securities

Money market fund shares/units accounted for 8.5% of the stock of M3 in the first quarter of 2006. Since December 1997, Monetary Union Financial Accounts (MUFA) data have identified the money market fund shares/units held by insurance corporations and pension funds. For the period between March 1991 and September 1997, it is assumed that insurance corporations and pension funds accounted for 8% of the money market funds shares/units held by the money-holding sector. On the basis of available data for other non-monetary financial intermediaries (OFIs, which consist of non-monetary financial intermediaries other than insurance corporations and pension funds), it is estimated that OFIs account for 5% of the money market fund shares/units held by the euro area money-holding sector.

National data derived from surveys of private sector financial investors⁵ support the assumption that the share of money market fund shares/units held by non-financial corporations might on average be around 30% of the money market fund shares/units held by the non-financial private sector. The remaining 70% is assumed to be held by households.

MFI debt securities with a maturity of up to two years accounted for 2.1% of the stock of M3 in the first quarter of 2006. MUFA data identify the short-term debt securities (i.e. with a maturity

4 The remaining share of around 2% is held by the general government excluding central government sector. This sector is not discussed in this article.

5 See, for example, the regular quarterly report entitled "Les placements en valeurs mobilières des agents économiques" in the Bulletin of the Banque de France on the basis of its "Enquête-titre" survey.

of up to one year) held by insurance corporations and pension funds. Although not necessarily issued by MFIs, these securities should be a good proxy for the demand for short-term debt securities relative to demand for money market fund shares/units. On the basis of this information, the ratio between the holdings of money market funds and debt securities is calculated and applied to estimate the holdings of MFI debt securities with a maturity of up to two years.

Since the fourth quarter of 1998, the OFI statistics have identified the share of short-term debt securities with a maturity of up to one year held by investment funds. Although not necessarily issued by MFIs, these securities should be a good proxy for this sector's demand for MFI debt securities with a maturity of up to two years. A constant share of 17% of MFI debt securities with a maturity of up to two years is assumed for the period prior to this date.

On the basis that these securities are a large-denomination structured product, non-financial corporations and households are assumed to hold 62.5% and 37.5% respectively of the share of MFI debt securities with a maturity of up to two years that is not held by non-monetary financial intermediaries.

As described above, a broad range of information has been used in the construction of these sectoral M3 estimates. Nevertheless, developments in these aggregates should be interpreted with caution. In order to investigate the robustness of the estimated sectoral M3 series, the assumptions and estimated shares for the sectoral holdings of currency in circulation and marketable securities were varied widely. The impact on the annual growth rates of the respective sectoral M3 aggregates was, however, marginal and affected the level, but not the pattern, of the growth rates.

The breakdown of M3 by holding sector suggests that households (including non-profit organisations serving households) constitute the largest holder of M3, with approximately two-thirds of the stock. Non-financial corporations hold slightly less than a fifth of the stock of M3, and non-monetary financial intermediaries² hold roughly one-tenth, while general government bodies other than central government hold only a very small share.

Several stylised facts can be noted when analysing the annual growth rates of the sectoral M3 series over the available sample period of 1992-2005 (see the table). Non-monetary financial intermediaries' M3 holdings displayed the highest average annual growth rate, at around 11%, while the M3 holdings of non-financial corporations and households grew more moderately, at 6% and 5% respectively.³

Looking at different measures of the variability of sectoral money growth (such as the range

between the minimum and maximum annual growth rates or the standard deviation of the growth rates over the period from the first quarter of 1992 to the first quarter of 2006) indicates that non-monetary financial intermediaries experienced the highest variability in monetary dynamics. Non-financial corporations and households exhibited a far more stable pattern of growth, in line with the view that the money demand behaviour of these two sectors is less affected by short-term developments.

2 Although the "other non-monetary financial intermediaries" and "insurance corporations and pension funds" sectors comprise a large variety of entities with different business models, for the purposes of this article they are analysed together as "non-monetary financial intermediaries", as the entities are predominantly involved in asset management for households and financial intermediation.

3 Calculating the annual growth rates over the economic cycle, spanning from the trough in the early 1990s to the trough in the early 2000s, results in notably lower average annual growth rates than shown in the table.

Sectoral money holdings

(annual growth rate of M3 by sector; percentages; Q1 1992-Q1 2006)

	Non-monetary financial intermediaries	Non-financial corporations	Households
Average	11	6	5
Minimum	3	1	1
Maximum	24	13	9
Standard deviation	5	3	2

Source: ECB calculations.

Reflecting the large share of household holdings in the total stock of M3, in the period since 1992 the annual growth rate of euro area M3 has to a large extent been driven by developments in this sector, in terms of both the level and pattern of growth (see Chart 1).

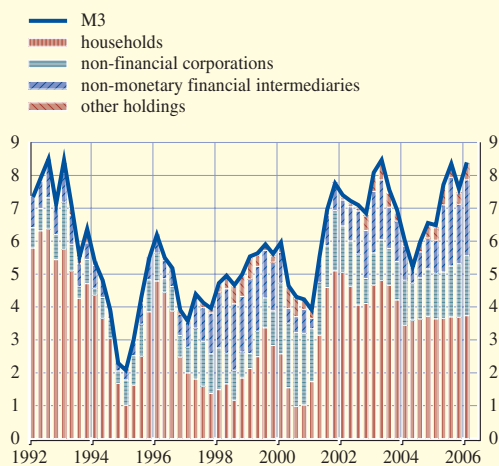
Within the whole period under consideration, several sub-periods can be identified. From the early 1990s until mid-1996, the evolution of M3 growth was primarily driven by households. However, from mid-1996, in an environment characterised by strong equity performance,

declining opportunity costs of holding money and improving economic sentiment, non-financial corporations and non-monetary financial intermediaries increased their contributions to annual M3 growth significantly. At the same time, the contribution of households declined sharply to low levels.

As from the second half of 1998 and reflecting financial market volatility, households again began to increase their contribution to M3 growth. However, the contribution remained below the levels observed in 1994 and 1996, when M3 grew at a similar pace of between 5% and 6% in annual terms. Thus, to a large extent, monetary growth continued to be driven by non-monetary financial intermediaries and, later, by non-financial corporations. This development was particularly visible in the course of 2000, when M3 growth was mainly driven by non-financial corporations, in an environment of strengthening economic activity and strong financial investment. In this period, households and non-monetary financial intermediaries only slowly expanded their holdings of monetary assets (see Chart 2).

Chart 1 Contributions to annual M3 growth by sector

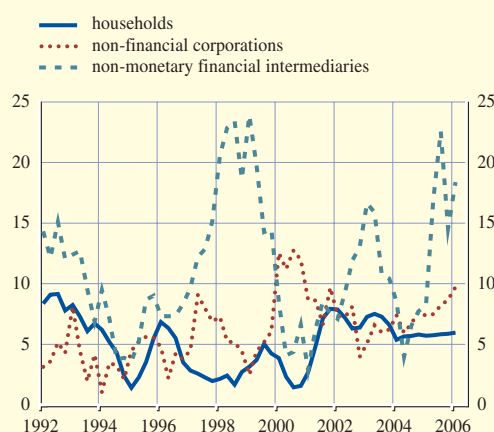
(contributions in percentage points; annual percentage changes in M3)



Source: ECB estimates.
Note: "Other holdings" refers mainly to deposits and currency held by the general government, excluding the central government sector, and currency held outside the euro area.

Chart 2 Dynamics of sectoral M3 aggregates

(annual percentage changes)



Source: ECB estimates.

From 2001 until mid-2003, in an environment of heightened financial, economic and geopolitical uncertainty, monetary dynamics were to a large extent influenced by households, as they shifted wealth from equities to safe and liquid monetary assets contained in M3.⁴ Non-monetary financial intermediaries also expanded their holdings of M3. At the same time, with economic growth slowing, corporate spreads widening and a need to restructure corporate balance sheets, non-financial corporations slowed their accumulation of money holdings.

Since early 2004 the annual growth rates of all sectoral M3 aggregates have been strong, with particularly significant contributions having been provided by non-monetary financial intermediaries and non-financial corporations. By contrast with previous periods, which saw the contributions of non-financial corporations and households moving in opposite directions, in this period the contributions of all three sectors to aggregate annual M3 growth have increased, although to different extents.

3 DETERMINANTS OF MONEY DEMAND FROM A SECTORAL PERSPECTIVE

In order to assess developments in sectoral M3 aggregates, it is useful to review briefly the possible determinants of money demand from a micro and macroeconomic perspective. The microeconomic theory of money demand sets forth three motives for individuals' holdings of money balances. First, the transactions motive, which derives from the need to make payments. Second, the speculative motive, which explains money holdings as being part of a wealth portfolio chosen to achieve a desired combination of risk and return, and thus relates to the opportunity costs of holding money (i.e. the differentials between the expected returns on alternative assets and the rate of return on money).⁵ Finally, the precautionary motive, which stems from the need to hold money as a way of managing an uncertain cash flow caused by the unsynchronised and unpredictable nature

of payments and receipts, as well as the price uncertainty of alternative assets. This segmentation by motive for the purposes of analysis does not imply that an individual's demand for money can be combined by mechanical addition. Money balances held for one motive can easily be used to satisfy needs arising from another motive.

Monetary theory provides several conceptual frameworks for understanding individuals' decisions to hold money – for example by relating such decisions to chosen levels of consumption. Similarly, finance theory offers some explanations as to why non-financial firms hold liquid assets – for example, as a buffer to absorb cash-flow variability or as part of the decision to hold a portfolio of assets (including real assets). Each of these theories takes as its starting point the motives underlying an individual's demand for money as described in the preceding paragraph. By contrast, the theoretical background to non-monetary financial intermediaries' decisions to hold money constitutes uncharted territory in that it has not been studied extensively. It is typically thought that portfolio considerations rather than the transactions motive play an important role.

At the macroeconomic level, the demand for money is typically modelled in the form of a money demand equation, which portrays money holdings as a function of a limited set of economic variables. In order to capture the transactions motive for holding money, the level of income is used as a proxy for both the scale and the variability of transactions. In general, speculative demand is captured by including the opportunity cost of holding money. Further explanatory factors, such as measures of uncertainty, may be included on empirical grounds and can be seen as capturing precautionary demand. Finally, on account of

4 See the article entitled "Money demand and uncertainty" in the October 2005 issue of the ECB's Monthly Bulletin.

5 C. A. E. Goodhart, *Money, Information and Uncertainty*, second edition, 1989, MacMillan, p. 51.

portfolio considerations total wealth is a further determinant of money demand.

Given the level of aggregation of the sectors considered, the explanations for the level of money balances held by individual sectors resemble the simpler approach taken at the macroeconomic level. At the same time, looking at individual sectors may allow richer and more consistent explanations of the forces driving monetary developments to be elaborated. In particular, the forces driving the money demand of the various sectors may be quite different.

Empirical results for a number of countries and time periods support the finding that sectoral money holdings respond in different magnitudes to different measures of transactions and opportunity costs.⁶ In general, differences in money demand behaviour across sectors could be attributable to two factors.

First, the sectors may have different sets of alternative, non-monetary investment opportunities and thus different opportunity costs of holding money, in particular when the respective tax considerations are accounted for. Furthermore, although all the sectors hold money for transactions purposes, the level of transactions depends on the relevant economic scale variables (e.g. for households: consumption; for corporations: working capital and/or production).

Second, the constraints surrounding the money-holding decision process can vary widely across sectors. For example, while households typically have few restrictions apart from budget constraints to take into account in their money-holding decisions, non-monetary financial intermediaries, such as investment funds, are subject to a binding regulatory framework and corporate governance rules. This could lead to different elasticities of money demand with respect to the same determinants. Similarly, the need to carry out transactions in goods and services will vary between economic sectors, leading to differing income elasticities of money demand.

4 RECENT DEVELOPMENTS IN SECTORAL MONETARY AGGREGATES

On the basis of the general conceptual money demand framework presented above, this section presents empirical evidence linking the evolution of estimated sectoral M3 to developments in financial markets and aggregate demand.

HOUSEHOLDS

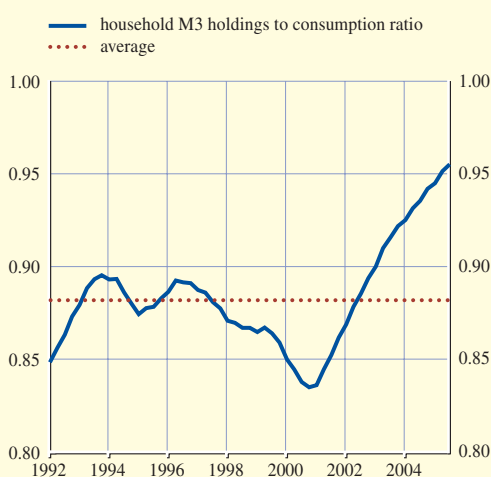
In the long run, the transactions motive for holding money suggests that real consumption and household real money holdings should move together. Moreover, one would expect that a similar set of economic determinants would simultaneously affect households' money-holding and consumption decisions.

A very simple measure of this long-run relationship – the ratio of household money to consumption – can indicate whether household money holding behaviour is in line with past developments. Chart 3 indicates that for a large part of the 1990s consumption and money holdings did indeed evolve in a broadly parallel manner. However, in 1999 and 2000, a decline in this ratio is observable, as the rise in consumption was not matched by an increase in money holdings. Since 2001 this development has reversed and households now appear to hold more money than is needed to finance the current level of consumption, at least on the basis of a comparison with historical averages. It should, however, be borne in mind that the level of this ratio may be affected over time by financial innovations and/or a structural shift in the level of interest rates. In the absence of such changes, the ratio would be expected to return to its longer-term level. This would necessitate either a reduction in M3 holdings or a pick-up in consumption.

6 J. Butkiewicz, M. M. McConnell (1995), "The stability of the demand for money and M1 velocity: evidence from the sectoral data", *The Quarterly Review of Economics and Finance*, Vol. 35, No 3, pp. 233-243; P. Jain, C.-G. Moon (1994), "Sectoral money demand: a cointegration approach", *Review of Economics and Statistics*, pp. 196-202; and A. Brigden, A. Chrystal, P. Mizen "Money, lending and spending: a study of the UK non-financial corporate sector and households", Bank of England *Quarterly Bulletin*, May 2000, pp. 159-167.

Chart 3 Ratio of household M3 holdings to consumption

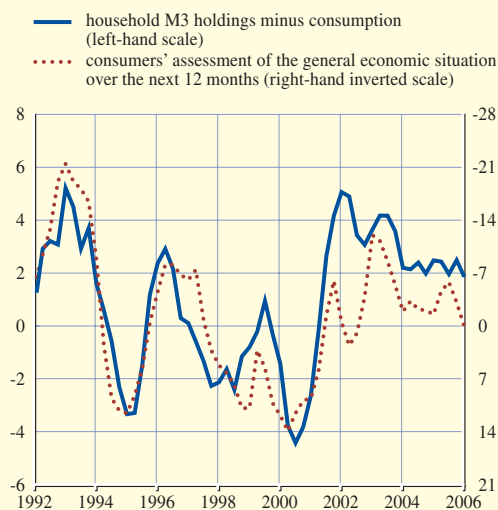
(centred five-quarter moving average)



Source: ECB estimates.

Chart 4 Household M3 holdings, consumption and economic prospects

(annual percentage changes; normalised balances)



Sources: ECB estimates, Eurostat, EU Commission.

An explanation of the high level of money holdings relative to consumption is offered by Chart 4. It demonstrates that there is a notable co-movement in the short run between excess growth in households' M3 holdings, as measured by the difference between money growth and consumption growth, and economic confidence indicators. This may be considered to capture precautionary demand for money on the part of the household sector. Excess money growth is closely, but inversely, related to consumers' assessment of the general economic outlook. Households' M3 holdings are currently growing at a rate beyond that suggested by consumers' expectations regarding the economic situation over the next twelve months. Therefore, as consumer confidence improves, the gap between consumption growth and money growth may be expected to narrow.

Money is part of the wealth portfolio of households, which also includes bonds, equities and residential property. Increases in total wealth will typically induce households to hold a larger stock of money. However, the magnitude and pace of the increase may not be indifferent to whether the wealth increase emanates from

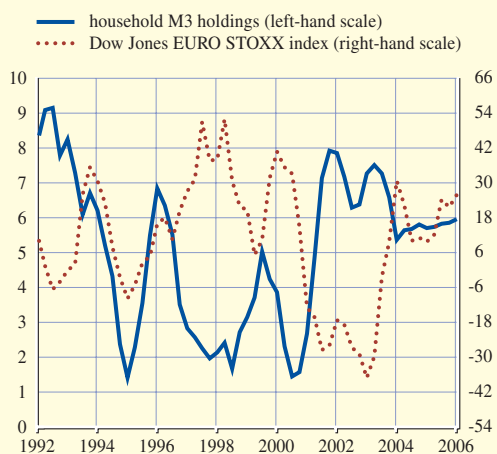
financial or from non-financial assets. Against this background, the speculative demand for money will depend on a broad set of returns on financial and non-financial assets, such as interest rates, bond yields and housing rents, as well as on the respective risk measures.

Over the past few years stock market developments appear to have had a particularly important impact on monetary dynamics. Chart 5 displays the annual growth rate of households' M3 holdings and the euro area stock market performance, as measured by the Dow Jones EURO STOXX index. Strong stock market performance may lead to an increase or a decrease in households' money holdings. On the one hand, strong stock price rises will increase household wealth and some of the capital gains may be saved in the form of money. On the other hand, strong stock returns may encourage substitution out of money and into the equity market.⁷ In the

7 For a detailed description of the relationship between money and stock prices see, for instance, M. Friedman (1988), "Money and the stock market", *The Journal of Political Economy*, Vol. 96, No 2, pp. 221-245, and the article entitled "Money demand and uncertainty", in the October 2005 issue of the ECB's Monthly Bulletin.

Chart 5 Household M3 holdings and stock market performance

(annual percentage changes)



Source: ECB data and estimates.

exceptional stock market boom and bust period in the late 1990s and early 2000s an inverse relationship between money growth and stock price changes can be observed. This suggests that the strong performance of the euro area stock market brought about a slowdown in the growth of households' M3 holdings, implying that money and equity holdings were substitutes for one another.

In the period 1996-2000, stock market developments exerted a significant dampening effect on the growth of households' money holdings, while in the period of heightened economic and financial uncertainty between 2001 and 2003 portfolio shifts from equities into money significantly fuelled money growth. However, Chart 5 illustrates that between early 2004 and early 2006 the improved stock market performance in the euro area did not slow the annual growth rate of household M3 holdings to the extent that would have been anticipated on the basis of a substitutive relationship. This supports the view that the dampening effect of the normalisation of portfolio allocation behaviour on monetary growth has been offset by other, stimulative effects.

NON-FINANCIAL CORPORATIONS

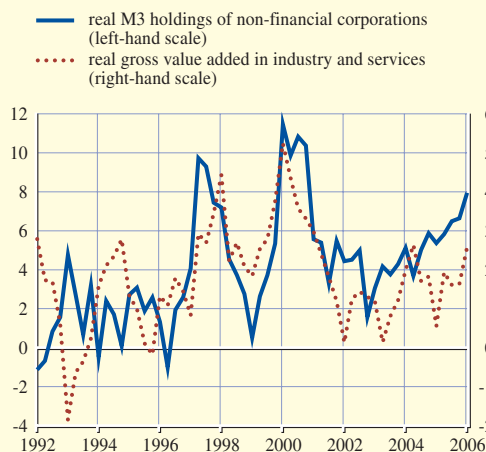
Non-financial corporations are the second largest money-holding sector. Modern finance literature provides two alternative explanations for firms' money demand. According to the passive adjustment view, non-financial corporations let their money balances absorb shocks to their income and spending, and only rebalance their holdings in the longer term. By contrast, the active view of money demand states that non-financial corporations try to minimise the opportunity cost of holding liquid assets (e.g. the spread between deposit interest rates and longer-term market interest rates). Yet non-financial corporations need to hold some money to execute transactions and in order to avoid incurring the costs of illiquidity, i.e. missed investment or production opportunities caused by a lack of immediately available funds.⁸

Non-financial corporations' transactions demand for money stems from the need to finance transactions such as wage payments and the purchase of inputs for production. Chart 6 displays the annual growth rate of non-financial corporations' real M3 holdings, together with developments in real gross value added in industry and services as a proxy for economic activity in the non-financial corporate sector. The chart suggests that the cyclical pattern of the two series is similar, implying that a significant part of the growth in firms' money balances is related to transaction developments. At present, however, the increase in non-financial corporations' money holdings may be somewhat stronger than suggested by the pace of economic activity alone.

⁸ W. Bruinshoofd, C. Kool (2004), "Dutch corporate liquidity management – new evidence on aggregation", Staff Report, No 124, De Nederlandsche Bank.

Chart 6 Non-financial corporations' M3 holdings and gross value added

(annual percentage changes)

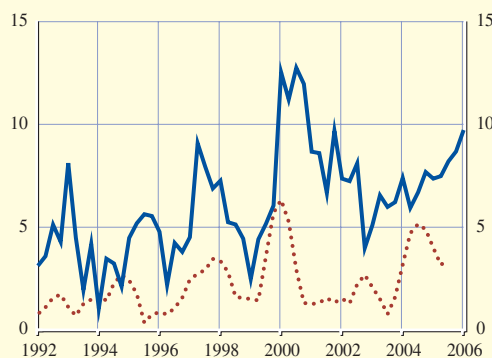


Sources: ECB estimates and Eurostat.

Note: Non-financial corporations' M3 holdings were deflated using the implicit gross added value deflator for industry and services sectors.

Chart 7 Non-financial corporations' M3 holdings and earnings volatility

— non-financial corporations' M3 holdings, annual percentage change (left-hand scale)
 earnings volatility (right-hand scale)



Sources: ECB estimates and Thomson Financial Datastream.

Note: The volatility measure is constructed as the centred standard deviation over 13 months of a corporate earnings index.

In this context, it should be borne in mind that while non-financial corporations may be able to forecast expenditure relatively well, the uncertainty regarding the pattern of receipts forces them to hold liquid deposits. This precautionary demand for money arises in order to avoid the opportunity costs related to missed investment opportunities and/or the costs of obtaining external finance in the event of unanticipated cash needs. It may be exacerbated by informational asymmetries between non-financial corporations and capital market participants, as these asymmetries increase the cost of external finance. Non-financial corporations with a large stock of short-term debt that needs to be rolled over frequently may hold liquid assets as a “buffer” to avoid being forced to borrow on the markets at a time when information imperfections make the external finance premium especially large. Moreover, agency costs of debt may make refinancing particularly difficult for highly leveraged non-financial corporations, implying that such firms will hold higher levels of liquid assets. One would therefore expect that non-financial corporations' demand for money would increase with the volatility of earnings. Chart 7 suggests

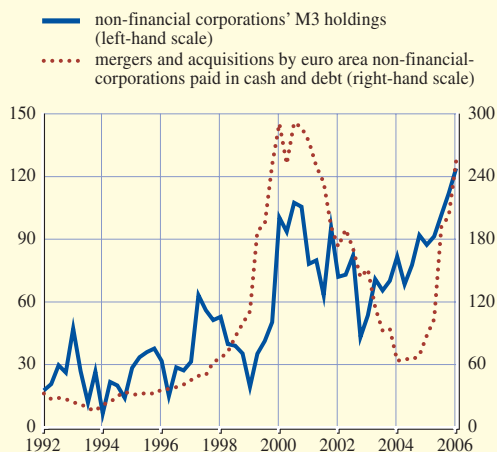
that the precautionary motive goes some way to explaining the growth of firms' money holdings over the period under consideration, while not explaining the most recent developments.⁹

Demand for deposits is likely to be heightened by debt restructuring and mergers and acquisitions (M&A) activity. These activities can be financed both from internal sources, such as through the retention of profits, and from external sources, through loans or the issuing of equity. All of these forms of financing will in one way or another be associated, at least temporarily, with larger holdings of short-term deposits by non-financial corporations. Indeed, Chart 8 shows the annual M&A activity that is settled by cash transactions, indicating that periods of strong M&A activity have indeed been accompanied by robust expansion of non-financial corporations' money balances.

⁹ O. Bover, N. Watson (2000), “Are there economies of scale in the demand for money by firms? Some panel data estimates”, Documento de Trabajo, No 0008, Banco de España.

Chart 8 M3 holdings and M&A activity of non-financial corporations

(annual flows; EUR billions)



Sources: ECB estimates, Thomson Financial Deals and Bureau van Dijk (Zephyr Database).
Note: Figures refer to completed deals.

Money holdings also allow a firm's management greater discretion in their corporate decisions and strategy. While, from the shareholders' perspective, money holdings can be seen simply as "negative debt", a firm's management views them differently. In particular, management can spend money on projects that the financial markets may be reluctant to finance immediately.

Overall, the level of non-financial corporations' money holdings seems to be determined as part of a broader set of financial and balance sheet decisions, driven by concerns related to possible imbalances between cash inflow and outflow, or to the costs of external financing. The positive and coincident cyclical pattern of the behaviour of money and real gross added value suggests that growth in non-financial corporations' money balances, inter alia, provides information on the strength of economic activity in the euro area.

NON-MONETARY FINANCIAL INTERMEDIARIES

Financial deregulation and liberalisation, and the associated development of deeper and more liquid securities markets, appear to have increased the importance of non-monetary

financial intermediaries for monetary developments in the period since 1992. The sector comprises widely differing entities, such as: investment funds; corporations engaged in leasing and factoring; securities and derivatives dealers; and insurance corporations and pension funds. This heterogeneity has implications for their relationship with MFIs. For instance, while leasing corporations are more likely to be net borrowers from the MFI sector, investment funds are typically net depositors.

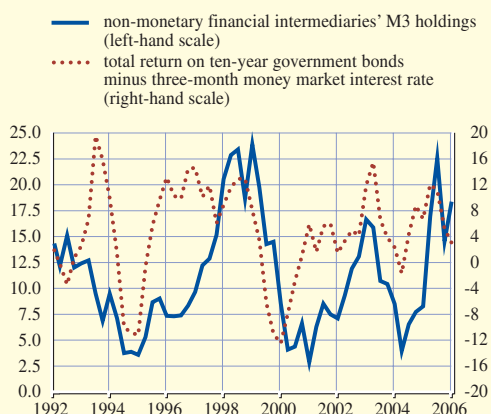
The business of non-monetary financial intermediaries is to provide financial services to households and non-financial corporations and/or to trade in financial markets on their own behalf.¹⁰ Their transactions demand for money should therefore not be strongly related to developments in real economic activity, but be more closely linked to the need to settle financial transactions. However, the growth in non-monetary financial intermediaries' money holdings may nonetheless be related to inflation and economic activity insofar as, through their financial linkages with other sectors, they enable firms or households to modify their spending and saving patterns. Hence, rapid growth in non-monetary financial intermediaries' money balances may reflect developments in asset markets, and thus private sector wealth, which could in turn lead to higher inflation over time via demand effects.

To a greater extent, non-monetary financial intermediaries' money holdings seem to reflect a speculative demand for assets, determined by the relative rates of return in the money market and the equity and bond markets, and on real assets, such as physical capital, commodities and land. Portfolio considerations are therefore likely to lead to shifts into and out of money in response to changes in the international environment and exchange rates. Chart 9 illustrates the rather close cyclical movement of returns on longer-term bond investment (minus

¹⁰ A. Chrystal, P. Mizen (2005), "Other financial corporations: Cinderella or ugly sister of empirical monetary economics?", *International Journal of Finance and Economics*, Vol. 10, pp. 63-80.

Chart 9 Non-monetary financial intermediaries' M3 holdings and the return on longer-term bond investment

(annual percentage changes)



Source: ECB estimates.

the short-term costs of financing the positions), as a proxy for the attractiveness of longer-term financial investment in the euro area, and non-monetary financial intermediaries' money holdings. It would seem that the recent strength of non-monetary financial intermediaries' money demand has to a certain extent been driven by interest rate developments.

Non-monetary financial intermediaries may increase the level of their money holdings through financial innovation and their sophisticated risk management capabilities, which households following the same investment policy cannot imitate. For example, bond funds may hold larger shares of their assets in deposits than households which wish to invest directly in bonds, because non-monetary financial intermediaries can use financial derivatives such as swaps or futures contracts to take positions, while holding their underlying assets in the form of deposits.

Overall, non-monetary financial intermediaries hold money mainly on the basis of portfolio considerations and their activities create relatively little direct final demand for goods and services, certainly as compared with the activity of households and non-financial corporations.

5 CONCLUSION

Understanding the role played by sectoral money holdings in the development of monetary aggregates is an important aspect of monetary analysis. The sectoral perspective on money demand behaviour adds a dimension to the analysis of the components and counterparts of M3, thereby providing additional information on the forces driving the demand for money.

This article uses newly available data on sectoral deposit holdings to construct estimates of sectoral M3 aggregates for the period since the early 1990s and reviews the developments in these sectoral aggregates against the background of possible macroeconomic determinants.

This analysis demonstrates that in the period since 1992 aggregate monetary developments can mainly be accounted for by the behaviour of euro area households. The strength and dynamics of their contribution have been strongly influenced by factors related to transactions demand and speculative demand for money. However, non-financial corporations and non-monetary financial intermediaries have also had a marked impact on monetary developments at times. Non-financial corporations' demand for money should be seen as being strongly related to transactions demand, reflecting the strongly cyclical and coincident nature of money holding in this sector, while non-monetary financial intermediaries' demand for money seems to be driven mainly by portfolio considerations.

Overall, the article shows that developments in sectoral money growth can be related to the standard money demand framework, but also suggests that the relative importance of the different forces driving M3 growth varies across sectors. However, in order to analyse these findings in more depth and quantify the relative importance of the forces underlying M3 growth, the data will have to be analysed in formal econometric models.

Additional investigation also needs to be undertaken in two further respects. First, it will be useful to examine the implications of differing sectoral behaviour for the stability of aggregate money demand relationships. Indeed, variations at the aggregate level in the relationship between money and income, for example, could be a symptom of an “aggregation bias” resulting from the composition of the sectors and not from the money demand behaviour.

Second, it is worthwhile investigating whether the strong empirical link between the longer-term developments in money and prices that is observed with regard to aggregate M3 can still be discerned when looking at sectoral aggregates. A priori, one might, for instance, anticipate that – given the closer connection between household money holdings and consumption spending decisions – the relationship between households’ money balances and consumer price inflation may be closer than for other sectors. However, it may also be that by aggregating over different sectors, idiosyncratic elements are averaged out and the information content of money for inflation comes to the fore. These issues are the subject of ongoing research.



THE EVOLUTION OF LARGE-VALUE PAYMENT SYSTEMS IN THE EURO AREA

Large-value payment systems (LVPS), which are also known as wholesale systems, can be defined as systems that generally process payments of very large amounts. These are mainly exchanged between banks or between participants in the financial markets, usually requiring urgent and timely settlement. Payment systems in general and LVPS in particular can be qualified as the “transportation system”¹ of a monetary system. This reflects their utmost importance for the proper functioning of financial markets and, more generally, for the stability of the currency. This article examines the development of LVPS, paying particular attention to euro area systems. Section 1 provides a brief overview of the global evolution of LVPS over the last few decades. Section 2 focuses on the euro area, examining the changes initiated by the introduction of the euro. Section 3 indicates the main trends that are to be expected in the near future.

I GENERAL EVOLUTION OF LARGE-VALUE PAYMENT SYSTEMS

In the 1970s, the processing of payments was typically paper-based, entailing a number of manual interventions and long processing times. In many countries, there were separate systems processing different types of payment instruments, such as cheques or credit transfers. Most systems used some form of netting, settling obligations between parties on a net basis. In addition, settlement of the final positions often took place only on the next day.

Owing to technological developments, a move from paper to electronic media for the transmission, processing and settlement became possible at reasonable costs; however, net settlement continued to dominate for many years. The electronic processing of payments with a higher level of automation allowed for decreasing processing prices. In turn, this facilitated the settlement of strongly increasing transaction volumes in the financial markets.

At the end of the 1980s, the issue of payment systems started to rank higher on the agendas of central bank decision-makers. This was related to an increased awareness that financial markets assumed that obligations in a payment system were settled with finality, i.e. without any remaining risks, as soon as they received the notification of incoming payments. However, credit risks in a net settlement system are extinguished only with the settlement of all net positions in the system, which sometimes only

occurred on the next day. As a result, the failure of one participant to meet its obligations at the time of settlement could lead to the unwinding of payments that other participants had already treated as final. This could lead to a domino effect since other participants might not be able to meet their obligations either (systemic risk).

As a result, in 1990, the central banks of the Group of Ten countries drew up the Lamfalussy report², which set out prudential rules for interbank netting schemes to reduce the risks in such systems. De facto, the report introduced additional costs in order to prevent the creation of systemic risk in case of a failure of one or several major participants. While some net settlement systems adapted their systems to the new rules set by the Lamfalussy report, most countries moved to real-time gross settlement (RTGS) systems. Systemic risk considerations have not only led to the real-time gross settlement of payments, but also to settlement schemes such as delivery versus payment (DVP) in securities settlement and payment versus payment (PVP) in foreign exchange transactions. DVP and PVP mechanisms respectively ensure that the final transfer of assets or currency occurs if, and only if, a final transfer of another asset or currency takes place.

- 1 This expression is attributed to Tommaso Padoa-Schioppa, former member of the ECB's Executive Board.
- 2 “Report of the Committee on Interbank netting schemes in central banks of the Group of Ten countries”, BIS, November 1990.

Table 1 Transactions in payment systems operating in euro

(daily averages in 2005)

Systems	Number of payments (thousands)	Value of payments (EUR billions)	Average size (EUR thousands)
All euro LVPS	566	2,479	4,380.97
All euro retail payment systems	92,504	61	0.66

Sources: ECB and NCBS.

An RTGS system is a settlement system in which processing and settlement take place on an order-by-order basis (i.e. without netting) and in real time (i.e. continuously). Hence, payments become irrevocable and final immediately after booking on the accounts. The idea of RTGS processing was not completely new since, in contrast to net settlement systems, it requires a lower degree of concentration. In particular, in federally-structured countries, such as Germany and the United States, payment systems already combined features of net and gross settlement. In addition, significant advances in technology made real-time gross settlement an affordable solution for a wider range of payments.

In parallel, while most systems in the 1970s and early 1980s did not distinguish payments according to size, it became increasingly common to do so. This is explained in part by the higher costs of processing time-critical large-value payments more swiftly and with additional safety measures, compared with processing less urgent payments. As a result, payment systems now usually belong to different categories according to the type of payments processed, with some systems processing primarily large-value (i.e. wholesale) payments which are often time critical, and other systems processing mainly retail payments which are non-time critical transactions of a rather small average value (see Table 1). Payments can either be settled in central bank or commercial bank money, i.e. liabilities of a central bank or commercial bank that take the form of a deposit which can be used for settlement purposes. As central bank money is the most secure settlement asset, settlement in central bank money is preferable, particularly for large-value payments.

Nowadays, large-value payment systems settle predominantly in RTGS mode, while retail payment systems often use some form of net settlement. With further technological advances, the differences between the two types of settlement are blurring, inducing some systems to transform themselves into so-called hybrid systems, which combine the liquidity-saving features of net settlement with the safety and efficiency of real-time settlement.

2 EVOLUTION OF LARGE-VALUE PAYMENT SYSTEMS IN THE EURO AREA

In the 1990s, the development of LVPS in the EU was shaped by two objectives:

- response to the Lamfalussy report;
- preparation for EMU.

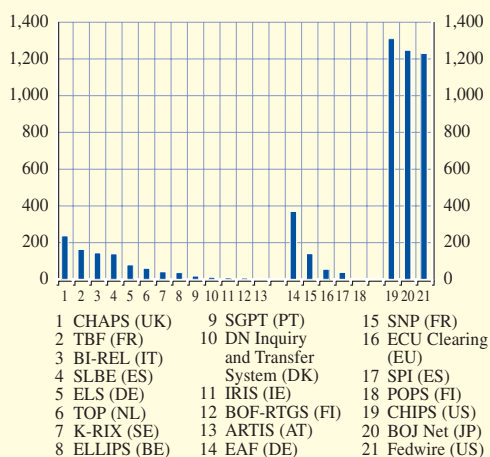
The EU central banks concentrated on developing a euro area-wide RTGS system, which was required for achieving the integrated euro area money market as a prerequisite for the conduct of a single monetary policy. It was agreed in December 1993 to develop such a euro area-wide RTGS system by linking the domestic RTGS systems of each EU Member State.

2.1 LARGE-VALUE PAYMENT SYSTEMS AT THE TIME OF THE INTRODUCTION OF THE EURO

Before the introduction of the euro in January 1999, only domestic LVPS operating in legacy currencies existed (see Chart 1). The prevalent way for making cross-border payments within the EU was via correspondent banking.

Chart 1 The situation of large-value payment systems in 1998

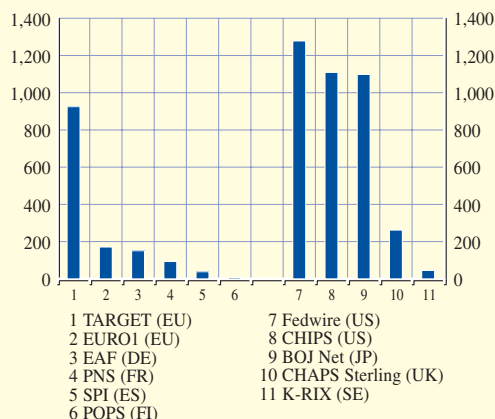
(EUR billions; daily average)



Sources: ECB Blue Books and BIS Red Books.
Note: Euro-HERMES (Greece) and LIPS-Gross (Luxembourg) were launched on 4 January 1999.

Chart 2 The situation of large-value payment systems in 1999

(EUR billions; daily average)



Sources: ECB Blue Books and BIS Red Books.

With the introduction of the euro on 1 January 1999, the principles for the provision of payment services within the euro area changed. The existence of a single currency in several countries meant that cross-border payments within the euro area were in principle no different from payments within each country. The conduct of a single monetary policy required a single money market to be set up covering all euro area countries. The latter was greatly facilitated by the creation of a euro area-wide LVPS – the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) – for the processing of large-value payments in euro.

Altogether, at the time of the introduction of the euro, there were six euro LVPS in the euro area: TARGET, EURO1, EAF, PNS, SPI and POPS (see Chart 2).

TARGET

TARGET is the RTGS system of the euro and eliminates the credit risk inherent in net settlement systems, settling credit transfers with immediate finality and therefore reducing systemic risk, although it is rather liquidity intensive.

Besides its above-mentioned and most important function, i.e. to serve the needs of the Eurosystem's monetary policy, TARGET was developed to provide a safe and reliable mechanism for settling payments across the euro area on an RTGS basis and to increase the efficiency of such payments. To achieve these objectives, TARGET offers the possibility to transfer central bank money at an inter-Member State level as smoothly as in the domestic market, making it possible to re-use these funds several times a day.

TARGET is a decentralised system. It was set up by interlinking the existing national RTGS systems of the then 15 EU Member States and the ECB Payment Mechanism (EPM) into a single system to enable the processing of inter-Member State payments within the euro area. A unique feature of TARGET is that its euro payment services are available across a wider area than that in which the single currency has been adopted. The TARGET Agreement is the legal instrument via which some non-euro area NCBS have connected to TARGET and adhere to the rules and procedures of the system. As regards the provision of intraday liquidity, these

non-euro area NCBs are allowed to offer only limited amounts of intraday liquidity in euro to their credit institutions on the basis of a deposit in euro held with the Eurosystem. Safeguards have been established to ensure that non-euro area credit institutions are always in a position to reimburse intraday credit in good time, thus avoiding any need for overnight central bank credit in euro.

Since its launch in 1999, TARGET has been the largest euro LVPS. In 1999, TARGET had a market share of 70% in value and 52% in the number of payments processed in euro area LVPS. In 1999 TARGET processed a daily average of about 239,500 payments with a total value of €925 billion.

EURO1

The EURO1 system of the EBA Clearing Company is a euro net settlement system owned by private banks. It is the second largest euro LVPS. EURO1 evolved from the ECU clearing system which was established in 1985 to settle ECU transactions between its private member banks. As the ECU was not a fully-fledged currency with an issuing central bank, the settlement mechanism of the system was very complex. With the introduction of the euro, the system was transformed to operate on the basis of a single obligation structure (SOS)³. The system settles the final positions of its participants at the end of the day via TARGET. In 1999 the system had 65 member banks and processed daily on average 48,000 transactions with a total value of €172 billion. EURO1 is used as an alternative to TARGET for interbank payments which do not need to be settled via TARGET.

EAF, PNS, SPI and POPS

At the time of the introduction of the euro in 1999, there were four other large-value payment systems: EAF in Germany, PNS in France, SPI in Spain and POPS in Finland. They represented different types of systems: SPI was a multilateral net settlement system, POPS was a bilateral net settlement system, and EAF and PNS were hybrid systems, combining elements of both

gross and net settlement systems. The largest at the time was EAF, which in 1999 attracted about 50,000 transactions per day with an average daily value of €150 billion. It was followed by PNS, which in 1999 had a daily turnover of 20,000 transactions for a value of €90 billion. The turnover of SPI and POPS was about €4 billion and €1 billion per day, respectively. The systems focused on the banks in their respective countries.

2.2 EVOLUTION OF LARGE-VALUE PAYMENT SYSTEMS AFTER THE INTRODUCTION OF THE EURO

2.2.1 MAJOR CHANGES

Since the introduction of the euro, the euro area environment has been subject to a number of major changes. New systems processing the euro have been introduced, notably CLS for the settlement of foreign exchange transactions. At the same time, smaller systems have closed down. The main changes are described in detail in the following section.

Introduction of the Continuous Linked Settlement system

The introduction of the Continuous Linked Settlement (CLS) system was a landmark in the payment systems landscape, not only for the euro area, but also for payment systems around the world.

CLS was created as a private sector response to the heightened awareness of risk on the part of public authorities. After studying the risks in foreign exchange settlement, central banks highlighted as one major area of concern the risks stemming from the time difference in the settlement of the two currency legs of foreign exchange transactions, with transactions spanning different time zones with only partial overlap. Central banks encouraged the private

³ The SOS is a legal structure whereby on each settlement day each participant will have only a single obligation or a single claim towards the community of all other participants. Each time a transaction is processed in the system, the single obligation or single claim of each participant is recalculated. This construction means that no unwinding of positions can take place.

sector to establish a solution for addressing credit and liquidity risk in foreign exchange settlement.

CLS is a system for the simultaneous settlement of both currency legs of foreign exchange transactions in gross settlement mode, i.e. on a PVP basis. Positions are funded via the RTGS systems of the eligible currencies, i.e. in central bank money. CLS thus largely eliminates foreign exchange settlement risk. CLS went live on 9 September 2002 with seven eligible currencies. The euro was, and continues to be, the second largest currency, accounting for 20% of transactions in 2005, and averaging €343 billion per day (see Chart 3).

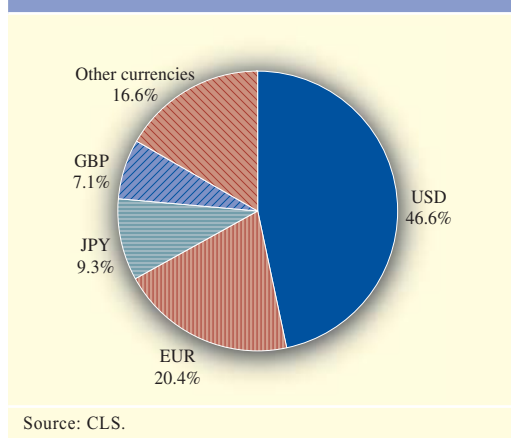
In reaction to user needs, CLS broadened the range of eligible currencies to 15 by the end of 2004. These currencies now cover almost 95% of the estimated total worldwide foreign exchange turnover. The inclusion of further currencies is still under consideration, but needs to be weighed carefully, taking into account the costs of inclusion, the additional traffic that can be brought to the system and the risk reduction in foreign exchange settlement achieved through inclusion of the currency.

CLS represents a specialised solution for handling foreign exchange transactions, bringing about an outflow of these types of transactions from other systems and arrangements. In contrast with simulations performed before CLS went live, this outflow was significantly smaller than expected for the euro LVPS. This is generally thought to result from growing activity in the foreign exchange market, which resulted in an overall increase in payments to be settled, as well as from the redirection of some traffic from correspondent banking arrangements.

Closing down of EAF and SPI

Two of the six systems which existed at the time of the introduction of the euro, namely EAF and SPI, have closed down, illustrating the trend towards consolidation in the LVPS industry. This consolidation can be attributed to both

Chart 3 CLS currency distribution in 2005



technical developments and a reaction to user needs. Technical progress has made it possible to include liquidity savings features into the RTGS system, which has brought it closer to a net settlement system in terms of liquidity needs. This approach was used in the case of RTGS^{plus}, the German TARGET component, which was overhauled and supplemented with liquidity-saving features which partly already existed in EAF. The reduction in the number of euro area LVPS led to an increased concentration of payments traffic on the remaining systems. Most of the traffic from the closed EAF and SPI was redirected to the national TARGET components of Germany (RTGS^{plus}) and Spain (SLBE). This is a natural occurrence since the payments processed in EAF and SPI were of high to medium value, and the participating banks were also participants in the national TARGET components.

Introduction of euroSIC and EuroCHATS

Outside the euro area, the Swiss euroSIC system and the EuroCHATS system in Hong Kong were launched to process euro transactions. Their common characteristic is that they both settle in commercial bank money and not in central bank money. Since both systems are turning over comparatively low volumes and values, such a settlement in commercial bank money is in line with existing oversight standards.

EuroSIC commenced operation in 1999 and settles its transactions in accounts held with SECB Swiss Euro Clearing Bank, a bank incorporated in Germany. It offers a direct link for euro payments to TARGET, via the German RTGS system. EuroSIC currently has 1,626 participants in and outside Switzerland. In 2005 it processed about 11,000 payments per day with a total average daily value of €2.9 billion.

The EuroCHATS system in Hong Kong was launched in 2003 as an RTGS system, settling with Standard Chartered Bank in London. It runs in parallel to a clearing system in US dollars. Both systems are interlinked with the clearing system in Hong Kong dollars, enabling PVP settlement of foreign exchange transactions between the three currencies. The systems are also interlinked to the securities settlement system, allowing for a DVP mechanism of debt instruments denominated in euro and in US dollars. In 2005, the euro clearing system had 24 direct and 22 indirect participants. On average, it processed 40 transactions daily with a total value of €1.3 billion.

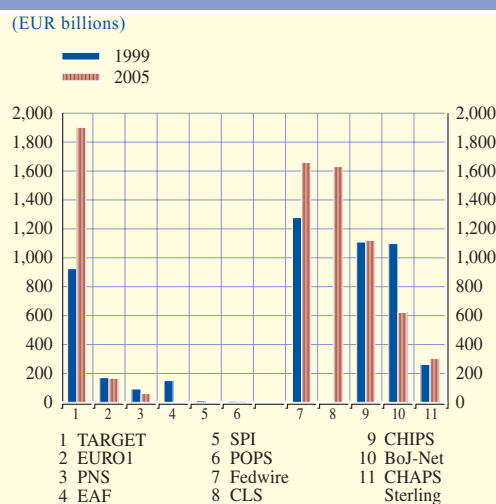
The existence of both systems illustrates the business opportunities that are seen by market infrastructures outside the euro area for the processing of euro payments. It is noteworthy that the number of payments processed by euroSIC is higher than that of 10 of the 17 national TARGET components. However, compared with the value of TARGET traffic, the value processed in euroSIC and in EuroCHATS is less than 1% for each.

2.2.2 ANALYSIS OF THE EURO AREA MARKET FOR LARGE-VALUE PAYMENT SYSTEMS

Since 1999, the number and value of payments processed in euro area LVPS has increased. This is true for CLS which has witnessed a strong increase in its business since its introduction, as well as for TARGET, for which the value processed has gone beyond the level of Fedwire, the RTGS system of the United States (see Chart 4).

In the euro area, the Eurosystem's RTGS system TARGET and the private net settlement system

Chart 4 Evolution of the daily average value of transactions



Sources: ECB Blue Books, BIS Red Books and Bank of England Payment Systems Oversight Report 2005.

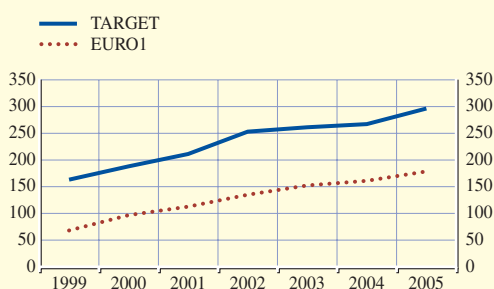
EURO1 have the largest market share. This structure, consisting of a coexisting public RTGS system and a private non-RTGS system, resembles the one in the United States.

As the TARGET system settles in central bank money in real time, it attracts large-value payments in particular. It is mandatory for some operations to be processed in TARGET, i.e. payments directly connected with the Eurosystem's central bank operations, settlement operations of large-value net settlement systems operating in euro and CLS liquidity funding operations in euro. Typically these payments only represent a very small part of the TARGET traffic. In practice, TARGET attracts a large share of interbank and customer payments, which are usually of a relatively high value and/or urgency. By illustration, TARGET accounted for 89% of the value and 59% of the number of payments that flowed through all LVPS operating in the euro area in 2005.

From 1999 to 2005, TARGET traffic increased yearly by 10.5% in terms of the number of payments and by 12.8% in terms of the value of processed payments. In the same period, EURO1, the second largest LVPS in the euro

Chart 5 Number of payments

(daily average; thousands; annual data)



Sources: ECB and EBA.

Chart 6 Value of payments

(daily average; EUR billions; annual data)



Sources: ECB and EBA.

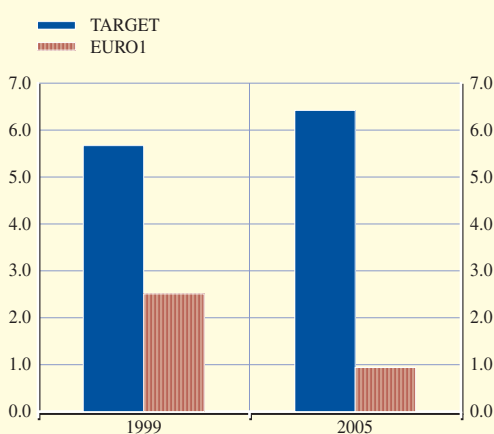
area, increased the number of processed payments by 17.4% per year (see Charts 5 and 6). In terms of value, the EURO1 traffic remained almost unchanged, leading to a decreasing average value of transactions. This indicates a trend towards specialisation by EURO1 in the processing of smaller-value payments, typically commercial payments. In 2005, EURO1 had 70 participants and was turning over on average 171,000 transactions per day with a total value of €171 billion.

Indeed, a comparison of the average value of TARGET and EURO1 payments confirms this

development. In 2005 a TARGET payment averaged €6.4 million and was seven times higher than the average value of a EURO1 payment (€0.9 million). In comparison with 1999, the average value of a TARGET payment increased by 13%, whereas the average value of a EURO1 payment decreased by 63% (see Chart 7). In fact, EURO1 increasingly processes customer payments of medium to low value (e.g. retail payments). This segment rose rapidly in the first four years of operation of EURO1 and has since stabilised at more than half of the number of payments and one-seventh of the value of payments processed in EURO1.

Chart 7 Average value of payments

(EUR millions)



Sources: ECB and EBA.

Table 2 Distribution of payment flows in TARGET in 2005

(percentages)

	Value	Volume
ELLIPS (BE)	3.5	2.3
KRONOS (DK)	0.8	0.1
RTGSplus (DE)	28.3	47.0
HERMES (GR)	1.1	1.8
SLBE (ES)	15.3	8.9
TBF (FR)	24.9	5.7
IRIS (IE)	1.1	1.4
BI-REL (IT) ¹⁾	6.7	13.6
LIPS-Gross (LU)	1.4	0.7
TOP (NL)	5.0	5.9
ARTIS (AT)	1.4	3.8
SPGT (PT)	0.7	1.4
BOF-RTGS (FI)	0.7	0.4
Euro RIX (SE)	0.4	0.1
CHAPS Euro (UK)	7.7	6.7
EPM (ECB)	0.8	0.1
	100.0	100.0

1) The figures for BI-REL (IT) also include the figures for SORBNET EURO (PL).

Not all national RTGS systems that TARGET links together use the system to the same extent, as can be seen from Table 2. While in some countries TARGET is largely used for large-value interbank payments (for example in France and Spain, owing to the existence of a second LVPS), other countries (such as Germany and Italy) also channel rather high shares of commercial payments through their national TARGET component. A comparison of the processed value and number of payments per country shows this. While in 2005 the average value of a TARGET payment in France was €28.2 million and €11.1 million in Spain, the average value was €3.9 million in Germany and €3.2 million in Italy.

3 FUTURE EVOLUTION OF LARGE-VALUE PAYMENT SYSTEMS IN THE EURO AREA

The launch of TARGET2 in November 2007 will mark a significant change in the processing of large-value payments in the euro area. TARGET2 will be based on a Single Shared Platform (SSP), which has been developed and will be provided by a group of three central banks, namely the Banca d'Italia, the Banque de France and the Deutsche Bundesbank on behalf of the Eurosystem. With TARGET2 the Eurosystem contributes to European financial integration while keeping decentralised relations between national central banks and the users. Four strategic orientations can be identified as drivers for the development of TARGET2: harmonisation, consolidation, robustness and cost efficiency.

HARMONISATION

TARGET2 will be harmonised in both technical and functional terms and will result in the further harmonisation of business practices in the processing of large-value payments in the euro area. In technical terms, there will be a single user interface and fully harmonised payments message formats, with SWIFT as the network service provider. In functional terms, TARGET2 will offer a comprehensive, harmonised set of features. Among these are

liquidity optimisation mechanisms (e.g. payment prioritisation, reservation of liquidity for different payment priorities, bilateral and multilateral sender limits), intraday pooling of liquidity within groups of accounts, consolidated real-time information on account balances and waiting queues as well as harmonised procedures for the settlement of ancillary systems. TARGET2 will also be harmonised in terms of pricing. The current differentiation of domestic and cross-border fees will become obsolete and the principle "same service, same price" will be applied for all participants in the system irrespective of their location. In general, the TARGET2 pricing scheme should be attractive for those participants that account for a very large share of the current TARGET1 transactions as well as for smaller users. Hence, the TARGET2 pricing will, overall, be lower compared to TARGET1, which should contribute to an increasing efficiency of payments processing in commercial banks.

CONSOLIDATION

Most visible is the technical consolidation of TARGET2 by moving from TARGET1's "system of systems" architecture to a single platform which is jointly used by all participating central banks. The technical consolidation of TARGET2, the features the new system will provide and the harmonisation of interfaces and services will, in turn, enable banks to consolidate the organisation of their large-value payments business and to better integrate their euro liquidity management. In the advent of TARGET2, further consolidation in the LVPS landscape is expected with the likely closure of the French PNS system with – or shortly after – the migration of the French banking community to TARGET2.

ROBUSTNESS

The use of a single shared platform necessitates strict requirements with regard to robustness and business continuity measures. TARGET2 will be based on a "two sites – two regions" concept. This means that the payments and accounting processing services of TARGET2 will run in either of the two geographically far

distant regions. In addition, each region will have two identical sites available. Hence, in case of emergency a failover between the two sites within a region (intra-region failover) or a failover between the regions (inter-region failover) can take place to restore full processing capacity within a short timeframe.

COST EFFICIENCY

TARGET2 will improve cost efficiency for the benefit of users and central banks. Although the harmonisation of features, the technical architecture and the level of robustness will raise costs compared with one of today's individual TARGET components, the consolidation of the technical infrastructure will considerably reduce the overall TARGET2 costs if compared to TARGET1.

In addition, the system-wide available liquidity-saving features will allow banks to manage their liquidity more efficiently across the euro area by means of liquidity reservations, sender limits and liquidity-pooling features.

Furthermore, TARGET2 might reinforce competition among banks. This is due to the principle of "same service, same price" applied in TARGET2, which will make competitive advantages owing to national pricing differences disappear.

The decision to develop TARGET2 also took account of the enlargement of the EU and the euro area. If the new Member States had joined the TARGET1 architecture, it would have increased the number of interconnected national RTGS systems. As a result, this would have contradicted the four above-mentioned strategic orientations.

4 CONCLUSION

The introduction of the euro in 1999 was a landmark for LVPS in Europe, leading to a number of changes: first, the creation of TARGET as the euro area-wide RTGS system facilitating the conduct of a single monetary

policy. Second, a process of consolidation of LVPS systems in the euro area. Indeed, since 1999, the number of LVPS systems has decreased from six to four, with TARGET and EURO1 being the largest systems. The structure is comparable to that in the United States, where the LVPS market is also shared between a public RTGS system and a private non-RTGS system. Third, the introduction of specialised systems. Most prominent was the introduction of CLS, a system specialised in the handling of foreign exchange transactions. In addition, the introduction of off-shore systems located outside the euro area and settling euro payments in commercial bank money was observed.

In the future, the introduction of TARGET2 is expected to have major implications on the euro area. The TARGET2 system will bring a consolidation at central bank level through the creation of a single shared platform and will most likely lead to consolidation of payments processing at bank level. In addition, TARGET2 will lead to the continued consolidation of LVPS systems in the euro area.

EURO AREA STATISTICS



CONTENTS¹

	EURO AREA OVERVIEW	
	Summary of economic indicators for the euro area	S5
I	MONETARY POLICY STATISTICS	
	1.1 Consolidated financial statement of the Eurosystem	S6
	1.2 Key ECB interest rates	S7
	1.3 Eurosystem monetary policy operations allotted through tenders	S8
	1.4 Minimum reserve and liquidity statistics	S9
2	MONEY, BANKING AND INVESTMENT FUNDS	
	2.1 Aggregated balance sheet of euro area MFIs	S10
	2.2 Consolidated balance sheet of euro area MFIs	S11
	2.3 Monetary statistics	S12
	2.4 MFI loans, breakdown	S14
	2.5 Deposits held with MFIs, breakdown	S17
	2.6 MFI holdings of securities, breakdown	S20
	2.7 Revaluation of selected MFI balance sheet items	S21
	2.8 Currency breakdown of selected MFI balance sheet items	S22
	2.9 Aggregated balance sheet of euro area investment funds	S24
	2.10 Assets of euro area investment funds broken down by investment policy and type of investor	S25
3	FINANCIAL AND NON-FINANCIAL ACCOUNTS	
	3.1 Main financial assets of non-financial sectors	S26
	3.2 Main liabilities of non-financial sectors	S27
	3.3 Main financial assets and liabilities of insurance corporations and pension funds	S28
	3.4 Annual saving, investment and financing	S29
4	FINANCIAL MARKETS	
	4.1 Securities, other than shares, by original maturity, residency of the issuer and currency	S30
	4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type	S31
	4.3 Growth rates of securities, other than shares, issued by euro area residents	S33
	4.4 Quoted shares issued by euro area residents	S35
	4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents	S37
	4.6 Money market interest rates	S39
	4.7 Government bond yields	S40
	4.8 Stock market indices	S41
5	PRICES, OUTPUT, DEMAND AND LABOUR MARKETS	
	5.1 HICP, other prices and costs	S42
	5.2 Output and demand	S45
	5.3 Labour markets	S49

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.

6	GOVERNMENT FINANCE	
6.1	Revenue, expenditure and deficit/surplus	S50
6.2	Debt	S51
6.3	Change in debt	S52
6.4	Quarterly revenue, expenditure and deficit/surplus	S53
6.5	Quarterly debt and change in debt	S54
7	EXTERNAL TRANSACTIONS AND POSITIONS	
7.1	Balance of payments	S55
7.2	Monetary presentation of the balance of payments	S60
7.3	Geographical breakdown of the balance of payments and international investment position	S61
7.4	International investment position (including international reserves)	S63
7.5	Trade in goods	S65
8	EXCHANGE RATES	
8.1	Effective exchange rates	S67
8.2	Bilateral exchange rates	S68
9	DEVELOPMENTS OUTSIDE THE EURO AREA	
9.1	In other EU Member States	S69
9.2	In the United States and Japan	S70
	LIST OF CHARTS	S72
	TECHNICAL NOTES	S73
	GENERAL NOTES	S77

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
2004	10.0	6.3	5.9	-	6.1	10.0	2.11	4.14
2005	10.4	7.9	7.4	-	8.1	12.7	2.18	3.44
2005 Q3	11.2	8.4	8.0	-	8.4	13.3	2.13	3.26
Q4	10.9	8.5	7.8	-	9.0	14.8	2.34	3.42
2006 Q1	10.3	8.6	7.9	-	10.1	16.3	2.61	3.56
Q2	9.9	9.2	8.7	-	11.3	.	2.90	4.05
2006 Feb.	9.9	8.7	7.9	8.0	10.4	16.9	2.60	3.55
Mar.	10.1	9.0	8.5	8.4	10.9	16.7	2.72	3.73
Apr.	9.8	9.3	8.7	8.7	11.4	16.3	2.79	4.01
May	10.2	9.2	8.8	8.7	11.4	16.3	2.89	4.06
June	9.3	9.1	8.5	.	11.0	.	2.99	4.07
July	.	.	.	.	.	.	3.10	4.10

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
2004	2.1	2.3	2.4	2.1	2.0	81.6	0.6	8.9
2005	2.2	4.1	2.4	1.3	1.2	81.3	0.7	8.6
2005 Q3	2.3	4.2	2.0	1.6	1.5	81.0	0.6	8.5
Q4	2.3	4.4	2.1	1.7	2.1	81.5	0.6	8.3
2006 Q1	2.3	5.2	2.2	2.0	3.4	82.3	0.9	8.1
Q2	2.5	5.8	.	.	.	83.0	.	7.9
2006 Feb.	2.3	5.4	-	-	2.9	-	-	8.1
Mar.	2.2	5.1	-	-	4.2	-	-	8.0
Apr.	2.4	5.5	-	-	1.6	82.5	-	8.0
May	2.5	6.1	-	-	5.0	-	-	7.9
June	2.5	5.8	-	-	.	-	-	7.8
July	2.5	.	-	-	.	83.6	-	.

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)	
2004	67.3	105.3	-41.2	60.3	280.7	103.8	105.9	1.2439
2005	-10.6	54.1	-156.3	155.4	320.3	103.0	105.2	1.2441
2005 Q3	1.5	16.0	-97.6	89.8	311.7	101.9	104.1	1.2199
Q4	-8.1	4.9	-20.2	-49.1	320.3	100.9	103.2	1.1884
2006 Q1	-12.9	-4.6	-14.6	31.2	327.1	101.2	103.5	1.2023
Q2	.	.	.	.	323.8	103.5	105.7	1.2582
2006 Feb.	0.1	0.4	-26.9	19.1	332.1	100.7	103.0	1.1938
Mar.	-2.5	2.2	11.4	46.4	327.1	101.5	103.9	1.2020
Apr.	-6.8	0.4	-1.9	-5.2	336.8	102.7	105.0	1.2271
May	-11.2	0.3	-1.1	48.6	333.2	103.8	106.0	1.2770
June	.	.	.	.	323.8	103.9	106.2	1.2650
July	.	.	.	.	.	104.3	106.5	1.2684

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

	2006 7 July	2006 14 July	2006 21 July	2006 28 July
Gold and gold receivables	175,250	175,176	175,151	175,135
Claims on non-euro area residents in foreign currency	143,143	142,622	143,773	142,730
Claims on euro area residents in foreign currency	25,101	24,630	24,836	24,716
Claims on non-euro area residents in euro	13,308	13,509	12,907	13,186
Lending to euro area credit institutions in euro	446,000	441,500	455,265	458,045
Main refinancing operations	326,000	321,500	335,001	338,001
Longer-term refinancing operations	120,000	120,000	120,000	120,002
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	0	0	262	41
Credits related to margin calls	0	0	2	1
Other claims on euro area credit institutions in euro	5,912	5,863	6,394	6,085
Securities of euro area residents in euro	91,531	89,584	88,668	87,113
General government debt in euro	40,048	40,049	40,049	40,050
Other assets	171,104	174,905	178,111	181,225
Total assets	1,111,397	1,107,838	1,125,154	1,128,285

2. Liabilities

	2006 7 July	2006 14 July	2006 21 July	2006 28 July
Banknotes in circulation	585,302	586,628	586,208	588,442
Liabilities to euro area credit institutions in euro	168,629	168,307	168,335	162,259
Current accounts (covering the minimum reserve system)	168,548	168,248	168,273	162,247
Deposit facility	74	55	59	12
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	7	4	3	0
Other liabilities to euro area credit institutions in euro	92	90	90	90
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	77,497	72,911	87,531	94,787
Liabilities to non-euro area residents in euro	14,474	14,781	15,343	15,420
Liabilities to euro area residents in foreign currency	120	119	118	118
Liabilities to non-euro area residents in foreign currency	9,210	8,450	10,287	9,615
Counterpart of special drawing rights allocated by the IMF	5,692	5,692	5,692	5,692
Other liabilities	65,615	65,970	66,659	66,970
Revaluation accounts	121,984	121,984	121,984	121,984
Capital and reserves	62,782	62,906	62,907	62,908
Total liabilities	1,111,397	1,107,838	1,125,154	1,128,285

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	
	Level	Change	Fixed rate tenders	Variable rate tenders	Change	Level	Change
			Fixed rate	Minimum bid rate			
	1	2	3	4	5	6	7
1999 1 Jan.	2.00	-	3.00	-	-	4.50	-
4 ²⁾	2.75	0.75	3.00	-	...	3.25	-1.25
22	2.00	-0.75	3.00	-	...	4.50	1.25
9 Apr.	1.50	-0.50	2.50	-	-0.50	3.50	-1.00
5 Nov.	2.00	0.50	3.00	-	0.50	4.00	0.50
2000 4 Feb.	2.25	0.25	3.25	-	0.25	4.25	0.25
17 Mar.	2.50	0.25	3.50	-	0.25	4.50	0.25
28 Apr.	2.75	0.25	3.75	-	0.25	4.75	0.25
9 June	3.25	0.50	4.25	-	0.50	5.25	0.50
28 ³⁾	3.25	...	-	4.25	...	5.25	...
1 Sep.	3.50	0.25	-	4.50	0.25	5.50	0.25
6 Oct.	3.75	0.25	-	4.75	0.25	5.75	0.25
2001 11 May	3.50	-0.25	-	4.50	-0.25	5.50	-0.25
31 Aug.	3.25	-0.25	-	4.25	-0.25	5.25	-0.25
18 Sep.	2.75	-0.50	-	3.75	-0.50	4.75	-0.50
9 Nov.	2.25	-0.50	-	3.25	-0.50	4.25	-0.50
2002 6 Dec.	1.75	-0.50	-	2.75	-0.50	3.75	-0.50
2003 7 Mar.	1.50	-0.25	-	2.50	-0.25	3.50	-0.25
6 June	1.00	-0.50	-	2.00	-0.50	3.00	-0.50
2005 6 Dec.	1.25	0.25	-	2.25	0.25	3.25	0.25
2006 8 Mar.	1.50	0.25	-	2.50	0.25	3.50	0.25
15 June	1.75	0.25	-	2.75	0.25	3.75	0.25
9 Aug.	2.00	0.25	-	3.00	0.25	4.00	0.25

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							
2006 5 Apr.	380,014	397	280,000	2.50	2.57	2.58	7
12	404,763	408	288,500	2.50	2.57	2.58	7
19	395,069	414	298,000	2.50	2.58	2.58	8
27	372,454	394	291,000	2.50	2.59	2.60	7
4 May	372,850	380	286,000	2.50	2.59	2.60	6
10	372,864	381	284,000	2.50	2.58	2.59	7
17	376,580	392	283,000	2.50	2.58	2.59	7
24	372,247	401	291,500	2.50	2.58	2.59	7
31	371,542	381	290,500	2.50	2.58	2.59	7
7 June	339,282	357	286,000	2.50	2.55	2.57	8
15	350,472	374	292,000	2.75	2.82	2.83	6
21	391,122	395	316,000	2.75	2.82	2.83	7
28	371,979	394	328,500	2.75	2.83	2.84	7
5 July	376,624	381	326,000	2.75	2.78	2.81	7
12	367,223	377	321,500	2.75	2.81	2.82	7
19	388,712	399	335,000	2.75	2.81	2.82	6
25	359,208	335	338,000	2.75	2.81	2.82	8
2 Aug.	357,627	364	324,000	2.75	2.76	2.79	7
Longer-term refinancing operations							
2005 1 Sep.	62,563	153	30,000	-	2.08	2.09	91
29	52,795	142	30,000	-	2.09	2.10	84
28 Oct.	51,313	168	30,000	-	2.17	2.19	90
1 Dec.	52,369	152	30,000	-	2.40	2.41	84
22 ⁵⁾	89,877	165	12,500	-	2.45	2.46	98
23 ⁵⁾	45,003	127	17,500	-	2.44	2.45	97
2006 26 Jan.	69,438	168	40,000	-	2.47	2.48	91
23 Feb.	63,980	164	40,000	-	2.57	2.57	98
30 Mar.	56,708	170	40,000	-	2.73	2.75	91
27 Apr.	63,596	188	40,000	-	2.76	2.78	91
1 June	59,771	161	40,000	-	2.87	2.88	91
29	57,185	167	40,000	-	3.00	3.01	91
27 July	54,824	158	40,000	-	3.08	3.09	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
2005 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
7 June	Collection of fixed-term deposits	3,708	6	3,708	2.00	-	-	-	1
12 July	Collection of fixed-term deposits	9,605	11	9,605	2.00	-	-	-	1
9 Aug.	Collection of fixed-term deposits	500	1	500	2.00	-	-	-	1
6 Sep.	Reverse transaction	51,060	41	9,500	-	2.00	2.09	2.10	1
11 Oct.	Collection of fixed-term deposits	23,995	22	8,500	2.00	-	-	-	1
5 Dec.	Collection of fixed-term deposits	21,240	18	7,500	2.00	-	-	-	1
2006 17 Jan.	Reverse transaction	24,900	28	7,000	-	2.25	2.27	2.28	1
7 Feb.	Reverse transaction	28,260	28	6,500	-	2.25	2.31	2.32	1
7 Mar.	Collection of fixed-term deposits	2,600	3	2,600	2.25	-	-	-	1
11 Apr.	Reverse transaction	47,545	29	26,000	-	2.50	2.55	2.58	1
9 May	Collection of fixed-term deposits	15,810	16	11,500	2.50	-	-	-	1
14 June	Collection of fixed-term deposits	4,910	8	4,910	2.50	-	-	-	1
11 July	Collection of fixed-term deposits	9,000	9	8,500	2.75	-	-	-	1

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.
- 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.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- An exceptional operation based on longer-term refinancing operation (LTRO) procedures was carried out because an erroneous bid had prevented the ECB from executing its LTRO in the full amount on the previous day.

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
2004	12,415.9	6,593.7	458.1	1,565.2	913.7	2,885.3
2005	14,040.7	7,409.5	499.2	1,753.5	1,174.9	3,203.6
2006 Jan.	14,165.7	7,451.5	517.8	1,766.1	1,215.4	3,215.0
Feb.	14,353.6	7,511.1	534.2	1,804.6	1,241.7	3,262.0
Mar.	14,500.2	7,604.7	550.2	1,825.1	1,241.5	3,278.8
Apr.	14,649.5	7,740.4	563.8	1,833.0	1,231.5	3,280.7
May	14,769.0	7,765.7	583.5	1,843.6	1,264.4	3,311.7

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2004	137.9	138.5	0.6	0.0	2.05
2005	152.0	153.0	1.0	0.0	2.07
2006 Q1	157.7	158.3	0.6	0.0	2.31
2006 11 Apr.	158.9	159.5	0.6	0.0	2.56
9 May	160.4	161.2	0.8	0.0	2.58
14 June	162.6	163.3	0.7	0.0	2.57
11 July	165.6	166.3	0.8	0.0	2.81
8 Aug.	166.5	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions' current accounts	Base money
	Eurosystème's net assets in gold and foreign currency	Monetary policy operations of the Eurosystem					Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)			
		Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility						
	1	2	3	4	5	6	7	8	9	10	11	12
2004	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	313.2	301.3	90.0	0.0	0.0	0.1	0.3	539.8	51.0	-39.6	153.0	692.9
2006 Q1	324.7	299.3	104.7	0.1	0.0	0.2	0.1	550.8	53.3	-34.0	158.3	709.2
2006 11 Apr.	327.9	290.1	113.7	0.1	0.7	0.3	0.0	556.4	51.6	-35.2	159.5	716.2
9 May	337.0	291.3	120.0	0.2	0.0	0.2	0.4	569.1	51.1	-33.5	161.2	730.5
14 June	336.9	287.0	120.0	0.1	0.0	0.1	0.1	572.0	45.5	-37.0	163.3	735.4
11 July	334.3	316.5	120.0	0.2	0.0	0.6	0.3	578.8	67.0	-42.1	166.3	745.7

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
Eurosysteem														
2004	1,197.3	546.5	21.5	0.6	524.3	154.8	140.0	1.7	13.1	-	14.2	294.1	14.0	173.8
2005	1,404.8	635.5	20.7	0.6	614.2	185.7	165.6	2.1	18.1	-	14.8	337.0	14.7	217.1
2006 Jan.	1,445.6	664.4	20.7	0.6	643.1	187.5	167.6	2.2	17.6	-	14.9	349.5	14.8	214.6
Feb.	1,445.2	657.6	20.7	0.6	636.3	187.1	167.2	2.2	17.8	-	15.1	353.6	14.7	217.2
Mar.	1,431.3	636.9	20.7	0.6	615.6	188.2	168.0	2.3	18.0	-	15.8	348.9	14.7	226.7
Apr.	1,468.7	661.0	20.7	0.6	639.7	189.9	168.6	2.3	19.0	-	16.8	358.9	14.7	227.4
May	1,472.2	662.3	20.7	0.6	641.0	194.0	171.4	2.3	20.3	-	16.4	357.2	14.6	227.6
June ^(p)	1,532.0	730.9	20.3	0.6	709.9	192.8	170.3	2.3	20.2	-	16.4	343.8	14.6	233.5
MFIs excluding the Eurosysteem														
2004	21,355.4	12,825.3	811.9	7,555.6	4,457.8	3,188.1	1,299.9	465.5	1,422.7	72.6	945.5	2,943.4	159.6	1,220.9
2005	23,652.7	13,682.7	826.9	8,287.4	4,568.4	3,493.1	1,429.4	549.6	1,514.1	83.1	1,006.3	3,679.0	165.7	1,542.6
2006 Jan.	24,005.9	13,805.8	821.9	8,385.9	4,598.1	3,537.6	1,449.6	554.3	1,533.7	87.0	1,033.6	3,780.2	164.8	1,597.0
Feb.	24,169.6	13,890.7	812.4	8,468.5	4,609.8	3,562.6	1,442.9	565.9	1,553.8	85.4	1,048.9	3,834.8	165.0	1,582.2
Mar.	24,363.1	14,022.4	815.5	8,552.3	4,654.6	3,585.2	1,440.5	574.3	1,570.4	83.6	1,091.7	3,854.2	166.3	1,559.9
Apr.	24,698.1	14,221.3	816.0	8,644.9	4,760.5	3,593.2	1,434.6	582.7	1,575.9	82.9	1,150.6	3,893.9	166.5	1,589.7
May	24,908.2	14,362.1	805.5	8,708.7	4,847.9	3,601.7	1,407.5	591.7	1,602.6	85.4	1,156.4	3,927.3	166.8	1,608.4
June ^(p)	24,744.5	14,339.9	808.2	8,787.4	4,744.3	3,588.7	1,407.4	597.2	1,584.1	87.1	1,104.7	3,884.8	167.6	1,571.8

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
Eurosysteem											
2004	1,197.3	517.3	346.6	24.7	15.0	306.8	-	0.5	138.4	27.2	167.4
2005	1,404.8	582.7	385.4	24.4	14.5	346.5	-	0.1	201.9	27.6	207.2
2006 Jan.	1,445.6	564.4	438.8	57.9	17.6	363.3	-	0.1	208.2	30.7	203.4
Feb.	1,445.2	568.6	429.2	56.5	19.7	353.0	-	0.1	210.8	29.7	206.8
Mar.	1,431.3	574.7	405.0	45.0	15.0	345.0	-	0.1	214.5	30.3	206.6
Apr.	1,468.7	586.6	425.9	45.8	17.4	362.6	-	0.1	218.3	28.4	209.4
May	1,472.2	588.6	427.8	34.8	19.4	373.6	-	0.1	217.4	31.2	207.1
June ^(p)	1,532.0	598.1	487.4	69.3	21.5	396.5	-	0.1	206.4	30.6	209.5
MFIs excluding the Eurosysteem											
2004	21,355.4	-	11,487.5	137.7	6,640.9	4,709.0	677.4	3,496.9	1,203.1	2,815.0	1,675.6
2005	23,652.7	-	12,215.7	149.2	7,215.7	4,850.9	698.9	3,858.3	1,310.3	3,516.8	2,052.7
2006 Jan.	24,005.9	-	12,231.3	133.7	7,222.4	4,875.1	695.4	3,888.8	1,342.4	3,614.7	2,233.3
Feb.	24,169.6	-	12,277.4	143.1	7,244.0	4,890.3	695.6	3,952.7	1,356.8	3,695.3	2,191.8
Mar.	24,363.1	-	12,423.4	148.1	7,326.1	4,949.3	686.7	3,991.5	1,368.1	3,732.3	2,161.0
Apr.	24,698.1	-	12,616.4	136.8	7,431.9	5,047.7	696.0	4,007.4	1,368.1	3,789.0	2,221.2
May	24,908.2	-	12,709.8	132.4	7,456.7	5,120.7	706.3	4,060.7	1,373.4	3,813.7	2,244.2
June ^(p)	24,744.5	-	12,736.3	138.6	7,515.9	5,081.8	699.1	4,063.0	1,380.1	3,705.3	2,160.8

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											
2004	15,723.6	8,389.6	833.4	7,556.3	1,907.1	1,439.9	467.2	669.9	3,237.4	173.6	1,345.9
2005	17,896.8	9,135.6	847.5	8,288.1	2,146.6	1,595.0	551.6	708.2	4,016.0	180.4	1,709.9
2006 Jan.	18,203.1	9,229.0	842.5	8,386.5	2,173.7	1,617.2	556.5	723.0	4,129.7	179.5	1,768.2
Feb.	18,346.7	9,302.2	833.0	8,469.1	2,178.1	1,610.0	568.1	742.7	4,188.4	179.6	1,755.7
Mar.	18,481.8	9,389.1	836.2	8,552.9	2,185.0	1,608.4	576.5	779.5	4,203.1	181.0	1,744.2
Apr.	18,706.4	9,482.2	836.7	8,645.5	2,188.2	1,603.2	585.1	831.1	4,252.8	181.2	1,770.9
May	18,786.1	9,535.4	826.2	8,709.3	2,172.8	1,578.8	594.0	820.9	4,284.5	181.4	1,790.9
June ^(p)	18,747.0	9,616.6	828.5	8,788.1	2,177.3	1,577.7	599.6	781.6	4,228.6	182.2	1,760.7
Transactions											
2004	1,269.9	499.7	-6.7	506.4	92.1	58.1	33.9	36.5	437.7	2.7	201.3
2005	1,610.8	711.2	12.8	698.4	150.4	72.8	77.6	47.9	457.7	1.4	242.1
2006 Jan.	315.7	80.2	-4.9	85.1	33.7	27.0	6.7	11.8	127.1	-1.2	64.0
Feb.	104.8	71.7	-9.6	81.3	4.4	-7.2	11.6	16.5	25.6	0.1	-13.5
Mar.	179.4	88.5	3.3	85.2	19.0	8.7	10.2	36.7	50.7	0.9	-16.3
Apr.	275.7	98.1	0.7	97.4	9.9	0.4	9.5	51.6	89.6	0.2	26.4
May	91.4	56.9	-10.5	67.4	-8.7	-18.0	9.2	-4.1	50.2	0.3	-3.2
June ^(p)	-35.6	82.4	2.3	80.1	8.7	2.1	6.6	-39.4	-55.8	0.8	-32.3

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
Outstanding amounts										
2004	15,723.6	468.4	162.4	6,655.9	604.9	2,061.7	1,051.6	2,842.2	1,842.9	33.6
2005	17,896.8	532.8	173.6	7,230.2	615.8	2,326.2	1,199.2	3,544.4	2,259.9	14.7
2006 Jan.	18,203.1	520.9	191.6	7,240.1	608.4	2,337.6	1,225.2	3,645.4	2,436.7	-2.7
Feb.	18,346.7	524.9	199.6	7,263.7	610.2	2,381.3	1,246.4	3,725.0	2,398.6	-2.9
Mar.	18,481.8	532.3	193.1	7,341.1	603.1	2,403.2	1,254.6	3,762.7	2,367.7	24.0
Apr.	18,706.4	540.3	182.6	7,449.3	613.1	2,412.6	1,250.2	3,817.4	2,430.6	10.2
May	18,786.1	543.4	167.2	7,476.1	620.9	2,437.9	1,238.9	3,844.9	2,451.3	5.3
June ^(p)	18,747.0	553.5	207.9	7,537.4	612.0	2,458.9	1,247.0	3,735.9	2,370.3	24.1
Transactions										
2004	1,269.9	70.5	6.1	377.4	22.3	197.2	49.6	276.8	232.2	37.8
2005	1,610.8	64.4	10.8	502.5	-3.0	217.1	86.9	443.8	338.1	-49.8
2006 Jan.	315.7	-11.9	18.0	14.1	6.6	8.1	1.7	124.4	160.2	-5.5
Feb.	104.8	4.0	8.0	19.6	3.2	34.0	18.3	44.7	-27.1	-0.1
Mar.	179.4	7.4	-6.5	71.9	-0.8	32.0	7.8	72.2	-44.1	39.6
Apr.	275.7	8.1	-10.5	113.4	10.1	18.8	-5.3	96.1	49.2	-4.1
May	91.4	3.1	-15.4	29.2	9.3	34.5	-2.5	33.1	-1.4	1.5
June ^(p)	-35.6	10.1	40.7	60.0	-9.1	11.2	14.4	-119.8	-59.5	16.4

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 aggregates¹⁾ and counterparts

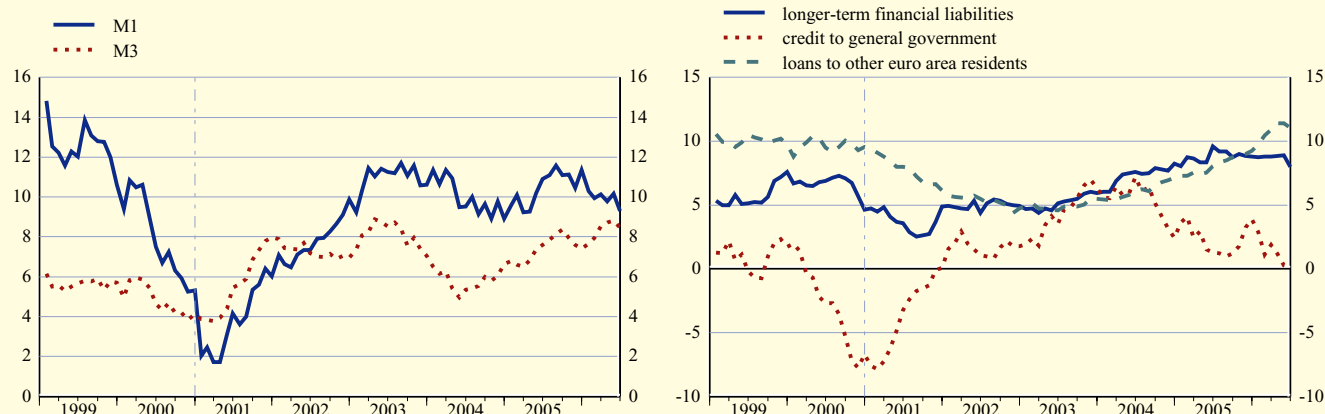
	M1		M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets ²⁾
	1	2	3	4	5	6	7	8	Loans		11
									9	10	
Outstanding amounts											
2004	2,908.7	2,660.5	5,569.2	963.7	6,532.9	-	4,465.3	2,294.6	8,690.1	7,548.8	385.9
2005	3,423.4	2,651.6	6,075.0	996.1	7,071.1	-	5,004.8	2,468.0	9,546.0	8,281.4	464.0
2006 Jan.	3,447.5	2,673.5	6,121.0	995.8	7,116.8	-	5,045.7	2,466.4	9,653.0	8,375.6	483.8
Feb.	3,468.3	2,696.8	6,165.1	992.1	7,157.2	-	5,106.8	2,444.5	9,781.3	8,476.9	462.9
Mar.	3,496.6	2,722.6	6,219.2	1,006.0	7,225.2	-	5,145.1	2,438.3	9,905.9	8,562.4	447.3
Apr.	3,507.6	2,763.8	6,271.4	1,010.3	7,281.7	-	5,169.2	2,429.3	10,028.6	8,644.0	452.2
May	3,548.8	2,744.8	6,293.6	1,039.8	7,333.4	-	5,186.3	2,387.6	10,087.7	8,704.6	464.9
June ^(p)	3,565.3	2,779.5	6,344.8	1,030.8	7,375.6	-	5,223.1	2,394.9	10,135.3	8,758.6	489.3
Transactions											
2004	238.6	110.7	349.3	57.3	406.6	-	341.7	54.5	576.4	506.1	166.0
2005	338.6	139.4	478.1	9.7	487.8	-	399.3	90.1	825.8	699.4	15.7
2006 Jan.	25.6	23.9	49.5	7.6	57.1	-	20.2	3.3	92.5	80.8	9.8
Feb.	19.3	21.6	40.9	-2.8	38.1	-	48.3	-22.0	123.8	100.0	-19.1
Mar.	30.1	28.0	58.1	20.1	78.2	-	38.5	4.3	127.7	87.0	-14.1
Apr.	12.8	43.6	56.4	4.1	60.5	-	34.0	-3.3	128.5	86.4	3.5
May	42.3	-17.3	25.0	33.2	58.2	-	32.3	-35.3	68.9	64.1	25.6
June ^(p)	16.1	34.2	50.2	-10.3	39.9	-	34.3	10.4	50.0	55.4	35.2
Growth rates											
2004 Dec.	8.9	4.3	6.7	6.3	6.6	6.5	8.2	2.4	7.1	7.2	166.0
2005 Dec.	11.4	5.4	8.5	1.0	7.4	7.6	8.8	3.9	9.5	9.2	15.7
2006 Jan.	10.3	6.4	8.4	3.2	7.7	7.7	8.8	2.9	9.9	9.7	32.7
Feb.	9.9	7.3	8.7	3.6	7.9	8.0	8.8	1.1	10.7	10.4	-1.5
Mar.	10.1	7.8	9.0	5.6	8.5	8.4	8.8	1.9	11.5	10.9	-1.6
Apr.	9.8	9.0	9.3	5.1	8.7	8.7	8.8	1.2	11.8	11.4	-11.8
May	10.2	8.1	9.2	6.9	8.8	8.7	8.9	0.3	11.8	11.4	48.2
June ^(p)	9.3	8.8	9.1	4.9	8.5	.	8.0	0.1	11.5	11.0	10.5

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

2.3 Monetary statistics

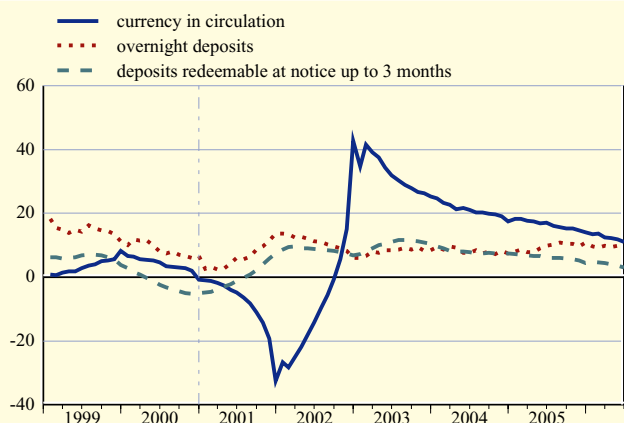
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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											
2004	456.4	2,452.3	1,024.5	1,636.0	241.4	620.0	102.3	1,964.8	90.2	1,359.5	1,050.8
2005	520.4	2,903.0	1,108.5	1,543.1	235.5	630.8	129.8	2,203.8	87.0	1,515.7	1,198.2
2006 Jan.	528.3	2,919.2	1,119.3	1,554.2	240.2	611.6	144.0	2,207.7	88.0	1,524.5	1,225.4
Feb.	535.2	2,933.1	1,138.0	1,558.8	227.6	611.2	153.4	2,234.3	87.9	1,537.7	1,246.9
Mar.	535.5	2,961.1	1,158.9	1,563.7	238.6	603.5	163.9	2,239.7	88.4	1,563.7	1,253.3
Apr.	540.6	2,967.1	1,199.8	1,564.0	239.4	605.6	165.3	2,248.2	89.2	1,576.5	1,255.2
May	544.5	3,004.3	1,175.2	1,569.6	252.2	612.6	174.9	2,258.7	90.7	1,591.1	1,245.7
June ^(p)	547.6	3,017.7	1,215.9	1,563.6	247.9	614.4	168.5	2,287.3	92.3	1,600.1	1,243.4
Transactions											
2004	67.7	170.9	-2.2	112.9	24.1	21.9	11.3	185.9	-0.9	107.1	49.6
2005	64.0	274.7	69.9	69.5	-7.0	-3.2	20.0	199.1	-4.3	117.8	86.7
2006 Jan.	7.9	17.6	12.8	11.1	4.7	-5.1	7.9	6.8	1.0	9.4	2.9
Feb.	6.9	12.4	17.0	4.6	-12.7	1.0	9.0	17.3	-0.1	12.5	18.7
Mar.	0.4	29.7	23.0	5.0	11.1	-1.5	10.4	15.6	0.6	16.4	5.9
Apr.	5.0	7.8	43.1	0.5	0.8	2.2	1.1	18.3	0.8	13.8	1.1
May	3.9	38.4	-23.0	5.7	12.1	8.5	12.6	16.6	1.5	14.9	-0.7
June ^(p)	3.1	13.0	40.2	-6.0	-4.4	1.7	-7.6	20.1	1.5	8.7	3.9
Growth rates											
2004 Dec.	17.4	7.5	-0.2	7.4	11.1	3.7	12.3	10.3	-1.0	8.6	4.9
2005 Dec.	14.0	10.9	6.6	4.4	-3.0	-0.5	19.0	10.0	-4.7	8.6	8.0
2006 Jan.	13.5	9.7	8.6	4.8	3.5	-1.4	30.7	9.5	-3.8	8.9	8.3
Feb.	13.6	9.3	11.2	4.7	2.8	-0.5	27.4	8.9	-4.1	9.2	9.2
Mar.	12.4	9.8	12.7	4.4	3.7	-0.5	44.3	8.7	-3.2	9.4	9.1
Apr.	12.2	9.4	16.1	3.9	9.8	-1.1	27.6	8.7	-2.4	9.8	8.9
May	11.9	9.9	14.6	3.6	7.4	-0.8	46.5	8.6	-0.5	10.5	8.2
June ^(p)	11.0	9.0	17.3	3.0	2.9	0.0	33.2	8.0	1.7	9.0	7.3

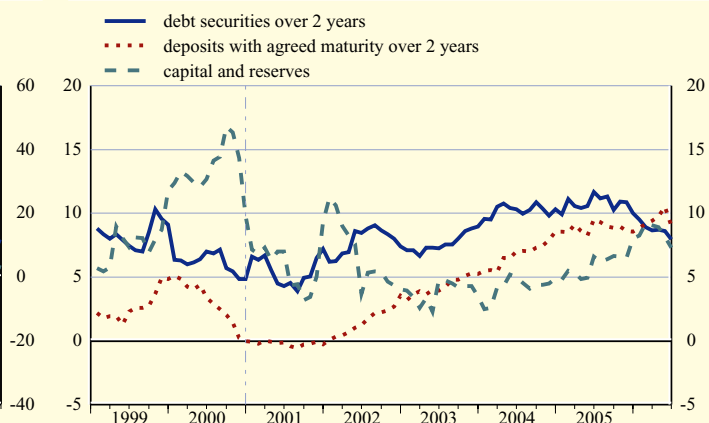
C3 Components of monetary aggregates

(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⁾

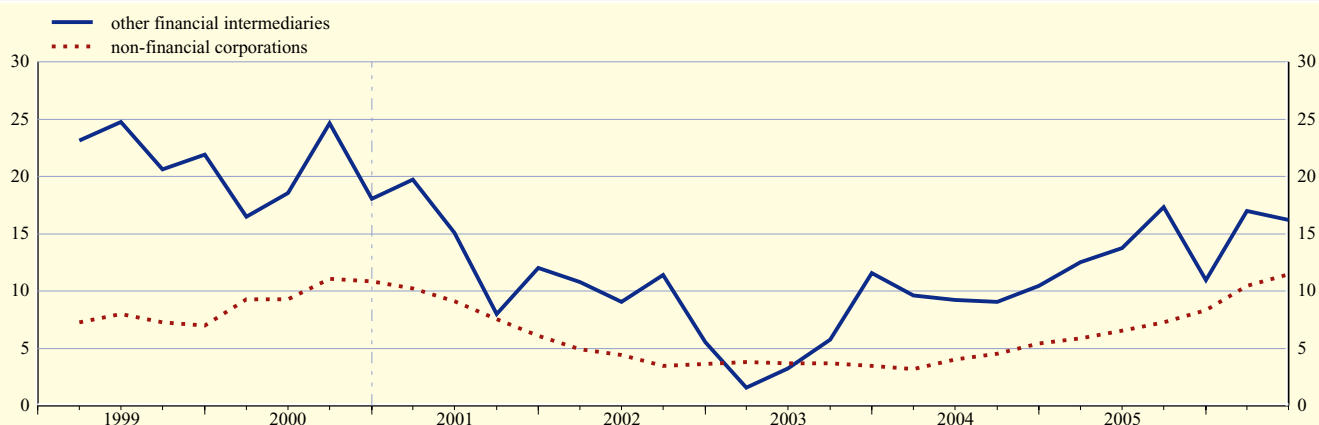
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations ²⁾

	Insurance corporations and pension funds		Other financial intermediaries ³⁾		Non-financial corporations			
	Total		Total		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	Up to 1 year 2	3	Up to 1 year 4	5	6	7	8
Outstanding amounts								
2004	48.6	31.4	546.3	334.4	3,152.2	973.8	547.3	1,631.2
2005	64.6	41.6	620.4	370.2	3,409.1	1,037.8	594.0	1,777.2
2006 Jan.	76.5	52.9	641.1	392.2	3,444.5	1,045.7	601.9	1,796.9
Feb.	75.5	51.7	665.7	414.7	3,484.1	1,055.9	614.2	1,814.0
Mar.	81.9	57.1	661.9	412.0	3,525.9	1,060.9	626.7	1,838.2
Apr.	88.1	63.0	677.2	428.5	3,568.6	1,080.6	634.3	1,853.7
May	86.9	61.7	682.5	433.9	3,596.2	1,078.1	644.4	1,873.7
June ^(p)	84.8	59.5	674.0	420.3	3,643.6	1,099.3	653.3	1,891.0
Transactions								
2004	13.1	9.1	52.1	27.7	163.9	24.5	31.1	108.2
2005	15.0	9.8	60.8	29.2	262.7	57.0	54.3	151.5
2006 Jan.	11.9	11.3	25.3	25.1	26.7	8.5	7.9	10.3
Feb.	-1.2	-1.4	23.2	21.7	39.1	10.2	12.1	16.8
Mar.	6.5	5.8	-1.9	-1.6	43.8	8.2	15.8	19.8
Apr.	6.2	5.9	17.0	17.7	45.4	20.5	8.6	16.2
May	-1.1	-1.2	5.7	5.4	30.2	-1.6	10.9	20.9
June ^(p)	-2.2	-2.2	-8.7	-13.8	48.1	21.2	9.3	17.6
Growth rates								
2004 Dec.	36.9	41.5	10.5	9.1	5.4	2.6	6.0	7.0
2005 Dec.	30.6	31.2	11.0	8.7	8.3	5.8	9.9	9.3
2006 Jan.	36.2	36.5	15.7	14.7	8.6	6.0	9.6	9.8
Feb.	27.1	26.2	18.9	18.8	9.7	7.2	12.6	10.3
Mar.	40.3	44.2	17.0	16.8	10.5	7.7	14.9	10.7
Apr.	47.6	54.6	20.7	24.0	11.0	8.8	15.2	10.8
May	39.8	44.2	19.8	23.1	11.3	8.6	16.2	11.3
June ^(p)	32.7	36.1	16.2	16.7	11.5	8.1	17.9	11.4

C5 Loans to financial intermediaries and non-financial corporations

(annual growth rates)



Source: ECB.

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

2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) This category includes investment funds.

2.4 MFI loans, breakdown ¹⁾

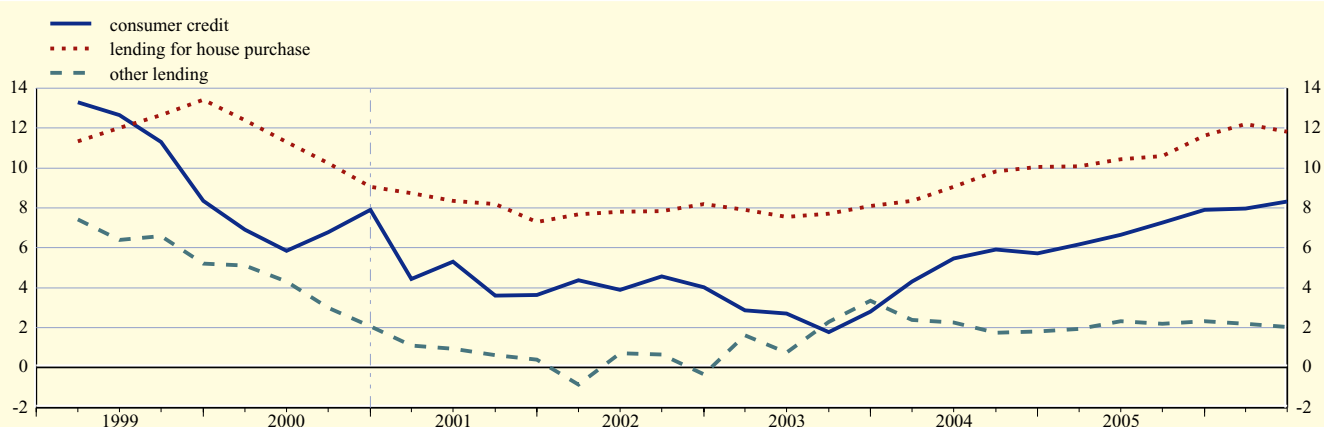
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households ^{2),3)}

	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													
2004	3,808.4	515.4	120.3	189.6	205.6	2,591.5	14.6	65.8	2,511.1	701.5	144.1	99.2	458.2
2005	4,193.3	554.1	129.2	200.7	224.2	2,917.6	15.2	67.5	2,834.9	721.6	147.3	99.9	474.4
2006 Jan.	4,223.8	554.6	128.7	200.2	225.6	2,949.9	15.0	67.2	2,867.6	719.3	146.4	97.3	475.6
Feb.	4,243.2	555.9	127.7	201.2	227.0	2,969.8	15.0	67.5	2,887.4	717.5	145.8	97.9	473.7
Mar.	4,282.6	557.1	126.2	200.9	230.0	3,006.3	15.1	67.9	2,923.3	719.1	146.5	98.1	474.5
Apr.	4,311.0	561.5	127.0	202.5	232.0	3,029.5	15.0	67.7	2,946.8	720.0	146.1	97.7	476.3
May	4,343.1	568.9	129.1	204.8	235.0	3,053.2	15.1	68.5	2,969.7	720.9	144.6	97.6	478.7
June ³⁾	4,385.0	575.4	129.8	206.9	238.7	3,081.4	15.5	69.1	2,996.8	728.2	150.7	97.6	479.9
Transactions													
2004	277.4	27.7	6.4	8.4	12.9	237.4	0.8	2.7	233.9	12.3	-0.9	2.0	11.1
2005	359.8	40.7	9.1	11.6	20.0	302.9	0.8	4.8	297.3	16.2	3.9	1.3	11.1
2006 Jan.	21.2	1.2	-0.2	-0.4	1.8	19.8	-0.2	-0.3	20.3	0.2	-0.5	-0.6	1.3
Feb.	20.3	1.6	-0.9	1.0	1.5	20.1	0.0	0.2	19.8	-1.4	-0.5	0.6	-1.5
Mar.	36.9	2.4	-1.0	0.5	3.0	31.9	0.2	0.5	31.3	2.5	0.9	0.4	1.3
Apr.	28.9	4.6	0.8	1.3	2.4	23.4	-0.2	0.0	23.6	1.0	-0.3	-0.5	1.8
May	32.5	7.5	2.1	2.3	3.0	23.6	0.0	0.4	23.1	1.5	-1.4	0.3	2.5
June ³⁾	42.9	6.8	0.8	2.2	3.8	28.4	0.4	0.6	27.3	7.8	6.1	0.1	1.5
Growth rates													
2004 Dec.	7.9	5.7	5.8	4.6	6.7	10.1	5.3	4.4	10.3	1.8	-0.6	2.1	2.5
2005 Dec.	9.4	7.9	7.6	6.1	9.7	11.6	5.6	7.5	11.8	2.3	2.7	1.3	2.4
2006 Jan.	9.5	8.2	7.1	6.4	10.4	11.7	7.0	7.4	11.8	2.2	2.3	1.4	2.4
Feb.	9.5	8.5	7.2	6.8	10.7	11.8	8.1	7.6	11.9	1.8	1.9	2.1	1.8
Mar.	9.8	8.0	6.0	5.8	11.1	12.2	7.3	6.0	12.4	2.2	1.7	2.1	2.4
Apr.	9.8	8.0	6.9	5.6	10.8	12.2	6.0	7.1	12.3	2.2	2.7	1.4	2.3
May	9.8	8.4	7.4	5.7	11.5	12.1	6.5	7.5	12.2	2.0	1.7	1.0	2.3
June ³⁾	9.6	8.3	5.6	5.6	12.5	11.8	5.6	6.6	12.0	2.0	0.8	1.7	2.5

C6 Loans to households

(annual growth rates)



Source: ECB.

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

2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

3) Including non-profit institutions serving households.

2.4 MFI loans, breakdown ¹⁾

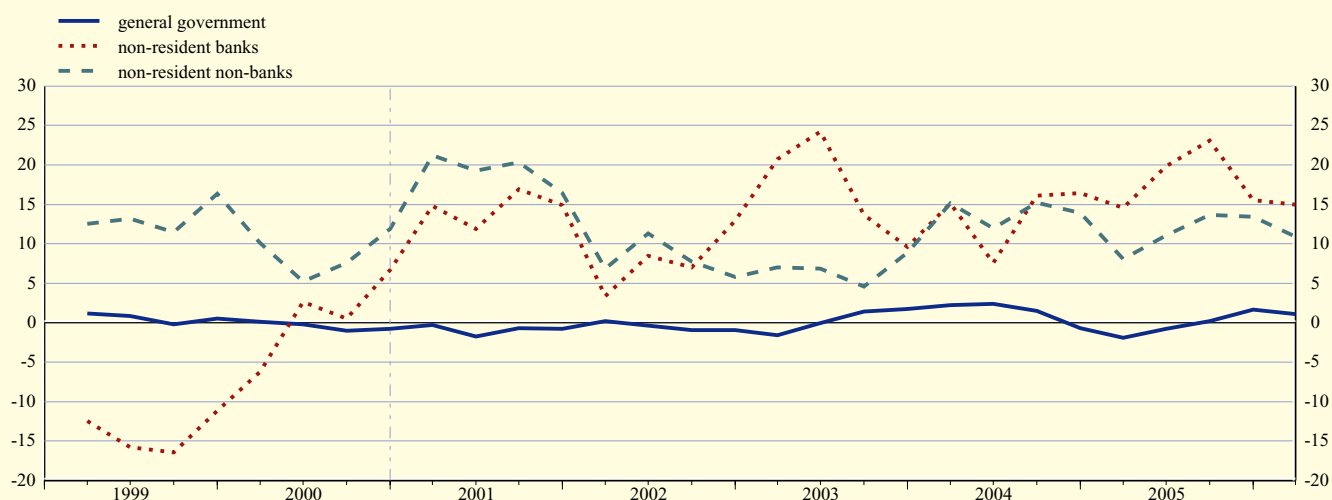
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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										
2003	817.5	128.4	265.1	388.9	35.0	1,757.9	1,182.2	575.7	59.3	516.4
2004	811.9	130.1	252.3	405.7	23.8	1,974.7	1,342.2	632.5	61.3	571.1
2005 Q1	806.0	128.7	248.1	406.6	22.5	2,136.5	1,463.8	672.7	62.0	610.7
Q2	809.2	124.3	247.9	408.4	28.6	2,292.5	1,582.4	710.1	62.1	648.0
Q3	811.7	119.6	247.4	412.0	32.7	2,376.2	1,633.8	742.5	64.1	678.4
Q4	826.9	125.1	246.8	425.8	29.2	2,485.3	1,723.6	761.6	66.0	695.6
2006 Q1 ^(p)	815.5	118.9	240.9	427.6	28.6	2,594.9	1,828.5	766.5	62.0	704.5
Transactions										
2003	13.7	-5.9	-12.2	16.6	15.3	159.4	109.2	50.1	-5.0	55.0
2004	-5.6	2.2	-13.9	17.3	-11.2	275.6	194.9	80.4	1.8	78.6
2005 Q1	-6.6	-1.6	-4.2	0.5	-1.3	124.8	98.6	26.2	0.6	25.5
Q2	2.6	-4.7	-0.4	1.7	6.0	93.9	81.1	12.9	0.2	12.7
Q3	2.7	-4.7	-0.5	3.7	4.1	86.0	52.8	33.4	2.0	31.4
Q4	15.0	5.4	-3.0	16.1	-3.4	-6.4	-21.5	15.1	2.0	13.1
2006 Q1 ^(p)	-11.2	-5.9	-5.9	1.8	-0.7	131.3	117.0	14.3	-4.0	18.3
Growth rates										
2003 Dec.	1.7	-4.4	-4.4	4.4	77.5	9.3	9.6	8.8	-7.7	11.0
2004 Dec.	-0.7	1.7	-5.2	4.4	-32.1	15.6	16.4	13.9	3.1	15.2
2005 Mar.	-1.9	-2.3	-5.5	4.6	-42.1	12.4	14.6	8.0	1.1	8.8
June	-0.8	-1.1	-2.5	4.2	-34.7	17.0	19.9	11.0	2.1	12.0
Sep.	0.2	-2.9	-2.3	4.4	-15.6	20.0	23.0	13.6	5.3	14.5
Dec.	1.7	-4.3	-3.2	5.4	22.9	14.9	15.5	13.4	7.7	14.0
2006 Mar. ^(p)	1.1	-7.7	-3.9	5.7	27.0	13.7	14.9	10.9	0.2	12.0

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.

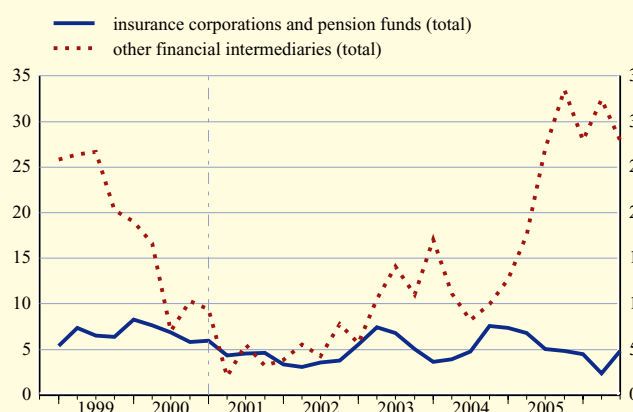
2.5 Deposits held with MFIs, breakdown ¹⁾

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

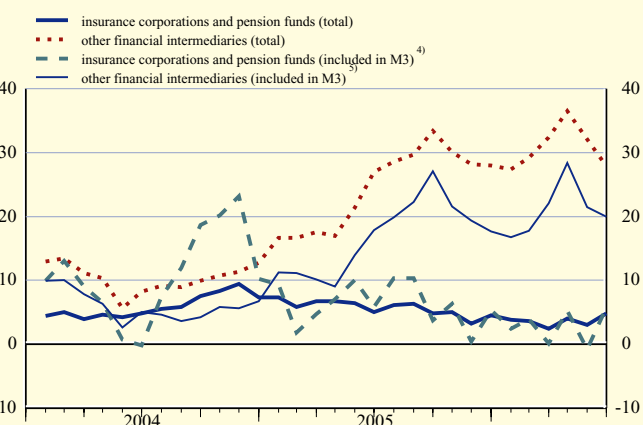
1. Deposits by financial intermediaries ²⁾

	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2004	583.2	59.2	51.4	449.4	1.2	1.3	20.8	636.6	180.3	139.0	187.3	10.1	0.1	119.8
2005	612.6	67.8	51.9	469.7	1.2	1.4	20.6	884.2	233.9	185.6	333.0	10.5	0.1	121.1
2006 Jan.	621.1	72.5	49.8	471.5	1.2	1.4	24.6	915.2	259.5	178.8	336.4	10.0	0.1	130.4
Feb.	614.8	68.8	47.4	473.4	1.2	1.4	22.6	941.4	256.8	191.5	349.8	10.2	0.1	133.0
Mar.	613.0	65.6	50.4	474.8	1.1	1.4	19.7	992.8	271.5	194.5	380.5	11.0	0.1	135.2
Apr.	628.3	67.9	50.4	479.5	1.1	1.4	28.0	1,038.3	275.4	221.9	388.0	10.5	0.1	142.5
May	621.1	66.2	45.9	481.1	1.1	1.4	25.6	1,038.1	273.6	207.2	398.2	11.7	0.2	147.2
June ⁴⁾	625.3	68.3	47.9	484.6	1.0	1.4	22.1	1,051.2	279.6	213.2	406.6	10.8	0.2	140.7
Transactions														
2004	39.9	0.7	10.3	27.7	-0.1	-0.1	1.5	72.1	0.9	5.8	43.6	4.1	0.0	17.7
2005	26.3	7.4	-0.6	19.2	0.4	0.0	-0.2	182.9	40.1	37.9	103.0	1.5	0.0	0.4
2006 Jan.	8.6	4.8	-2.0	1.8	0.0	0.0	4.0	32.7	26.1	-6.2	3.9	-0.5	0.0	9.4
Feb.	-6.5	-3.8	-2.5	1.8	0.0	0.0	-2.0	24.4	-3.3	12.0	12.9	0.2	0.0	2.6
Mar.	-1.6	-3.1	3.1	1.4	-0.1	0.0	-2.9	43.2	15.5	3.7	21.0	0.8	0.0	2.3
Apr.	15.5	2.3	0.1	4.8	0.0	0.0	8.3	47.8	4.6	28.1	8.2	-0.5	0.0	7.3
May	-7.0	-1.6	-4.5	1.5	0.0	0.0	-2.5	-0.6	-1.4	-14.9	10.3	1.2	0.1	4.0
June ⁴⁾	4.1	2.1	2.0	3.5	0.0	0.0	-3.4	12.8	5.9	5.8	8.5	-0.8	0.0	-6.6
Growth rates														
2004 Dec.	7.4	1.2	24.6	6.6	-8.0	-43.1	7.9	12.7	0.5	4.3	30.3	67.6	-	17.1
2005 Dec.	4.5	12.4	-1.2	4.3	36.0	2.9	-0.8	28.0	22.2	25.4	51.0	14.3	-	0.4
2006 Jan.	3.8	6.0	-3.7	4.2	18.3	1.3	4.4	27.4	16.7	29.5	53.0	-4.5	-	3.9
Feb.	3.6	11.6	-5.1	3.6	27.2	1.0	1.6	29.2	13.4	39.0	56.6	-1.7	-	3.8
Mar.	2.4	-1.7	2.2	3.1	11.3	0.9	-0.3	32.4	20.7	41.4	55.0	6.1	-	4.7
Apr.	4.0	1.8	-1.9	3.6	12.5	0.7	32.8	36.5	25.0	51.0	54.2	-10.8	-	11.6
May	3.0	0.3	-9.7	4.1	-9.7	1.1	17.4	32.1	20.3	40.5	55.4	4.3	-	4.5
June ⁴⁾	4.8	11.4	-1.7	4.6	-8.9	0.8	7.6	27.9	18.9	43.5	43.4	-1.8	-	-1.5

C8 Total deposits by sector (annual growth rates)



C9 Total deposits and deposits included in M3 by sector (annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
- 3) This category includes investment funds.
- 4) Covers deposits in columns 2, 3, 5 and 7.
- 5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown ¹⁾

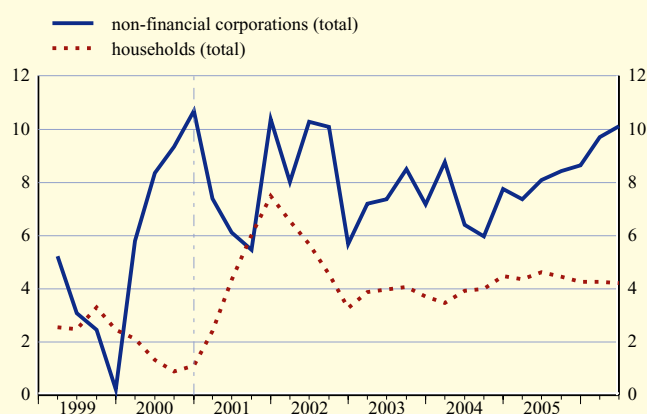
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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

	Non-financial corporations							Households ³⁾						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2004	1,114.6	674.7	291.1	73.8	44.2	1.1	29.7	4,162.0	1,403.1	515.0	634.3	1,466.1	88.0	55.6
2005	1,211.8	769.2	305.1	67.2	44.5	1.2	24.6	4,343.1	1,685.9	534.0	631.3	1,354.6	84.5	52.8
2006 Jan.	1,186.2	740.6	302.0	69.6	47.2	1.2	25.5	4,338.0	1,668.6	535.5	629.3	1,366.2	85.2	53.2
Feb.	1,182.4	737.4	304.6	70.4	46.8	1.2	22.0	4,342.8	1,667.1	542.4	626.4	1,367.7	85.5	53.7
Mar.	1,200.0	745.5	313.2	72.1	46.4	1.2	21.6	4,356.3	1,673.8	549.4	623.3	1,368.4	86.3	55.1
Apr.	1,212.0	751.3	319.8	72.5	45.6	1.3	21.4	4,385.2	1,703.9	552.7	620.8	1,367.2	86.5	54.1
May	1,230.2	772.4	314.2	72.7	45.3	1.4	24.3	4,390.6	1,702.1	560.6	618.5	1,365.1	87.7	56.6
June ⁴⁾	1,237.2	783.6	313.6	72.9	43.3	1.4	22.4	4,423.0	1,725.6	569.1	616.3	1,364.4	89.0	58.5
Transactions														
2004	80.8	48.5	17.1	6.6	8.0	0.7	-0.2	178.1	90.5	-29.6	31.1	85.2	-1.9	2.7
2005	96.6	88.9	11.4	-1.6	3.7	-0.4	-5.4	177.7	125.1	16.3	-2.8	45.9	-4.0	-2.9
2006 Jan.	-24.2	-28.0	-2.3	2.6	2.7	0.0	0.9	-4.2	-17.1	2.1	-2.0	11.7	0.7	0.4
Feb.	-5.0	-3.9	2.1	0.7	-0.4	0.0	-3.5	4.0	-1.7	6.4	-2.9	1.4	0.3	0.5
Mar.	19.1	8.8	9.3	1.8	-0.4	0.0	-0.5	14.3	7.0	7.5	-3.1	0.7	0.8	1.4
Apr.	13.9	6.6	7.5	0.6	-0.8	0.1	-0.2	29.9	30.2	4.0	-2.5	-1.1	0.2	-1.0
May	20.2	21.6	-4.3	0.3	-0.3	0.0	2.9	6.0	-1.6	8.3	-2.2	-2.1	1.2	2.5
June ⁴⁾	6.3	11.0	-0.8	0.0	-2.0	0.0	-1.9	32.2	23.5	8.4	-2.2	-0.6	1.3	1.9
Growth rates														
2004 Dec.	7.8	7.7	6.2	9.9	21.2	72.2	-0.8	4.5	6.9	-5.4	5.2	6.2	-2.1	5.2
2005 Dec.	8.6	13.1	3.8	-2.0	9.0	-29.0	-18.2	4.3	8.5	3.2	-0.4	3.3	-4.5	-5.1
2006 Jan.	10.5	11.9	9.1	3.4	18.8	-27.9	1.2	4.0	7.6	3.7	-1.0	3.4	-3.4	1.9
Feb.	10.8	11.7	11.3	4.5	15.9	-27.7	-4.7	3.9	7.2	4.6	-1.5	3.4	-3.7	4.0
Mar.	9.7	9.8	11.6	6.8	14.2	-27.6	-9.8	4.2	7.4	6.7	-1.7	3.2	-2.7	7.6
Apr.	10.4	10.2	12.4	12.3	10.4	-20.0	-9.9	4.2	7.4	7.1	-2.2	2.9	-1.9	6.6
May	11.5	11.4	12.1	13.1	8.0	-20.7	10.9	4.2	6.9	9.0	-2.1	2.4	-0.1	8.7
June ⁴⁾	10.1	8.9	15.6	8.0	4.1	-11.3	2.8	4.2	6.0	11.4	-2.4	2.2	2.0	14.9

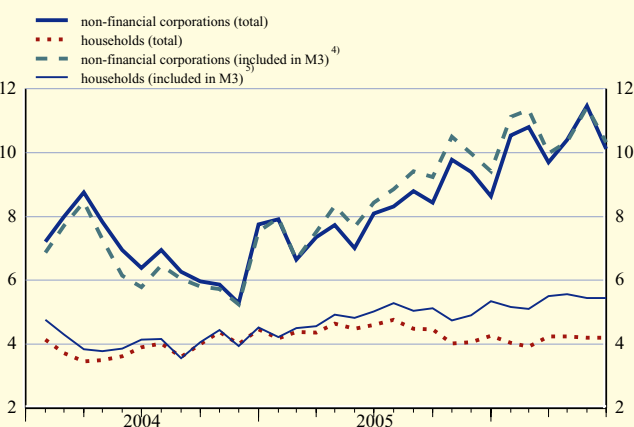
C10 Total deposits by sector

(annual growth rates)



C11 Total deposits and deposits included in M3 by sector

(annual growth rates)



Source: ECB.

- 1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
- 2) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
- 3) Including non-profit institutions serving households.
- 4) Covers deposits in columns 2, 3, 5 and 7.
- 5) Covers deposits in columns 9, 10, 12 and 14.

2.5 Deposits held with MFIs, breakdown ¹⁾

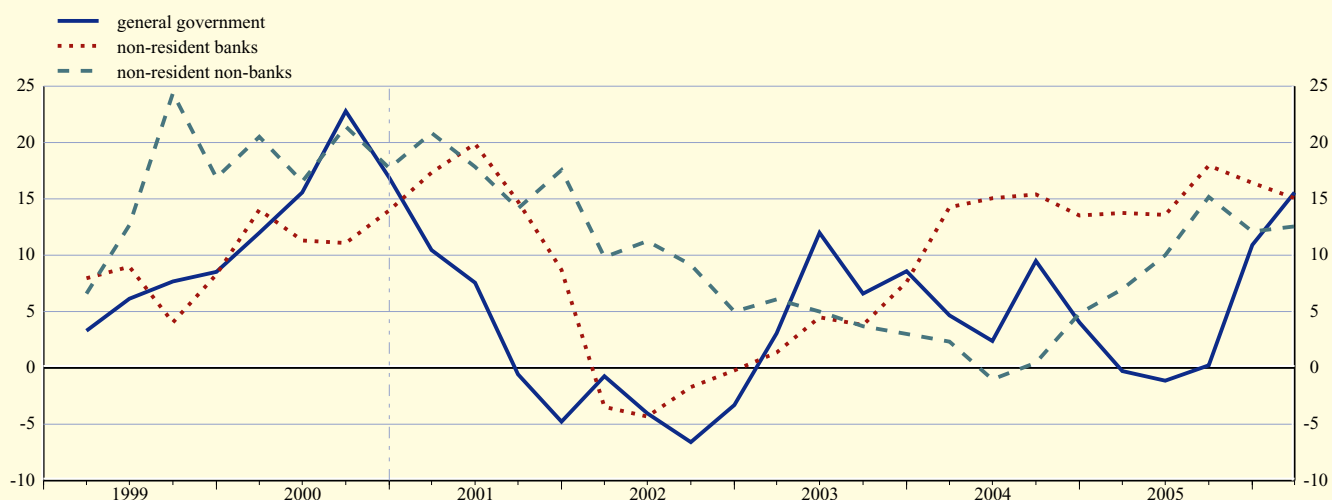
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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										
2003	273.3	134.4	31.1	66.9	40.9	2,245.1	1,580.8	664.3	96.1	568.2
2004	282.2	137.7	30.5	69.6	44.3	2,428.9	1,748.0	680.9	103.4	577.5
2005 Q1	269.9	126.3	33.4	67.5	42.7	2,669.0	1,935.6	733.4	105.4	628.0
Q2	288.3	135.1	35.1	69.7	48.4	2,784.4	2,034.1	750.3	118.6	631.7
Q3	287.5	135.1	36.0	71.3	45.2	2,907.1	2,108.2	798.9	125.2	673.7
Q4	313.1	149.2	38.3	80.9	44.7	3,049.1	2,250.4	798.6	125.8	672.8
2006 Q1 ^(p)	312.1	148.1	38.1	77.2	48.7	3,240.4	2,398.1	842.3	128.6	713.7
Transactions										
2003	21.5	23.3	-0.5	-2.3	1.0	138.6	117.5	21.1	-1.1	22.3
2004	11.0	2.7	1.8	2.8	3.8	247.1	214.8	32.0	6.9	25.1
2005 Q1	-12.2	-11.4	2.8	-2.1	-1.6	188.1	147.1	41.0	2.0	39.1
Q2	18.3	8.8	1.7	2.2	5.7	41.7	42.7	-1.0	13.2	-14.2
Q3	-0.9	-0.3	0.9	1.7	-3.2	123.2	74.9	48.3	6.7	41.7
Q4	25.6	14.1	2.4	9.7	-0.5	23.6	28.1	-4.5	0.6	-5.0
2006 Q1 ^(p)	-1.0	-1.1	-0.2	-3.7	4.0	211.3	160.4	51.8	2.8	49.0
Growth rates										
2003 Dec.	8.6	21.3	-1.5	-3.4	2.6	6.2	7.6	3.0	-1.2	3.7
2004 Dec.	4.0	2.0	5.6	4.1	9.2	11.0	13.5	4.8	7.2	4.4
2005 Mar.	-0.3	-10.5	19.6	8.3	8.6	11.8	13.7	7.0	4.1	7.5
June	-1.2	-13.8	19.3	8.3	16.9	12.6	13.5	10.0	15.8	8.9
Sep.	0.2	-7.9	14.1	7.9	5.9	17.2	18.0	15.1	18.7	14.5
Dec.	10.9	8.1	25.4	16.6	0.7	15.2	16.4	12.1	21.6	10.4
2006 Mar. ^(p)	15.6	17.0	14.1	14.6	14.0	14.3	15.0	12.6	22.0	10.9

C12 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.

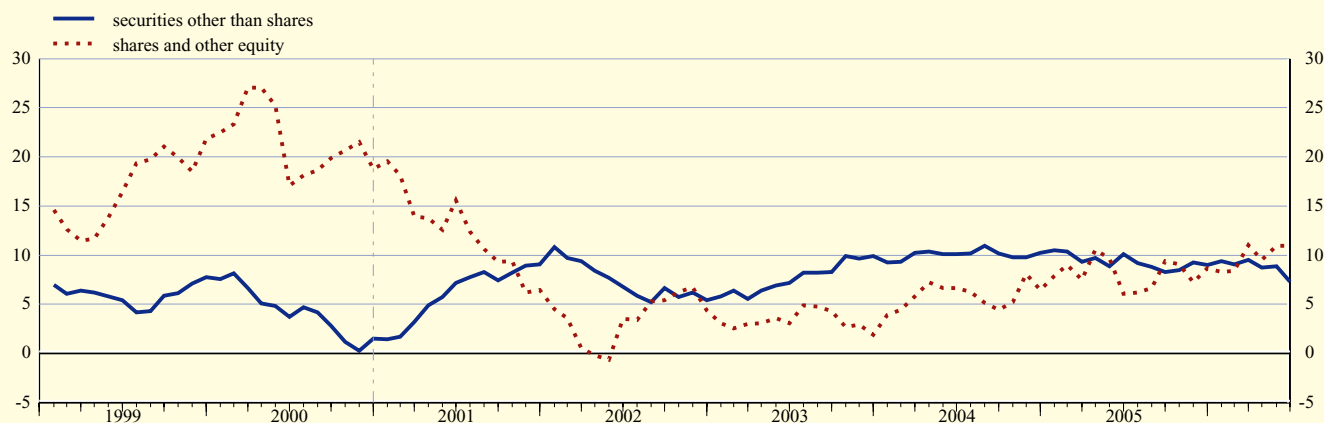
2.6 MFI holdings of securities, breakdown ¹⁾

(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												
2004	3,939.9	1,362.7	59.9	1,284.1	15.8	449.2	16.3	751.8	1,161.2	285.4	660.1	215.7
2005	4,436.2	1,450.3	63.8	1,412.5	17.0	525.5	24.1	943.1	1,255.8	308.5	697.8	249.4
2006 Jan.	4,516.7	1,471.0	62.7	1,432.7	16.8	528.6	25.7	979.2	1,294.9	321.0	712.5	261.3
Feb.	4,564.1	1,487.0	66.8	1,425.3	17.6	539.7	26.2	1,001.5	1,320.4	316.8	732.0	271.5
Mar.	4,571.1	1,501.9	68.6	1,423.8	16.6	547.0	27.2	986.0	1,363.7	323.6	768.1	272.1
Apr.	4,583.1	1,506.6	69.3	1,418.0	16.6	554.5	28.2	989.8	1,420.9	331.9	818.7	270.3
May	4,600.2	1,535.6	67.1	1,391.1	16.4	564.0	27.7	998.4	1,424.9	347.5	809.0	268.4
June ^(p)	4,588.0	1,518.5	65.6	1,390.2	17.2	572.2	25.1	999.3	1,367.6	335.0	769.7	263.0
Transactions												
2004	368.4	148.0	4.9	40.3	1.3	34.9	-1.3	140.3	69.7	2.3	36.4	30.9
2005	358.1	85.6	-1.5	48.9	-0.9	71.4	5.9	148.7	100.7	26.9	48.1	25.8
2006 Jan.	104.5	27.9	-0.1	23.8	0.3	4.5	2.1	46.2	28.8	10.0	11.8	6.9
Feb.	38.2	16.6	3.2	-7.2	0.4	11.5	0.1	13.7	20.3	-5.3	16.5	9.1
Mar.	31.7	15.1	3.1	7.0	-0.5	8.6	1.6	-3.1	42.0	6.0	36.0	0.0
Apr.	33.6	5.5	1.9	-1.6	0.3	7.9	1.6	18.0	57.0	8.2	50.6	-1.8
May	25.8	25.9	-1.6	-20.5	0.0	9.4	-0.2	12.8	13.1	16.8	-4.1	0.3
June ^(p)	-10.6	-17.3	-1.7	1.7	0.7	9.3	-2.7	-0.6	-56.6	-10.9	-39.4	-6.4
Growth rates												
2004 Dec.	10.2	12.2	8.4	3.3	7.7	8.5	-7.2	22.0	6.5	0.9	5.9	17.3
2005 Dec.	9.0	6.3	-1.8	3.9	-4.5	15.9	33.6	19.2	8.7	9.5	7.2	11.9
2006 Jan.	9.4	8.1	-7.9	3.0	-16.1	15.7	48.9	19.9	8.3	10.8	7.1	8.2
Feb.	9.1	8.1	-2.6	0.3	-10.6	15.4	51.8	22.9	8.4	9.1	9.6	4.1
Mar.	9.5	8.3	0.0	1.3	-0.4	16.9	59.7	21.2	11.0	10.0	14.1	3.7
Apr.	8.7	7.0	6.2	0.5	-9.8	16.5	57.2	20.6	9.5	6.9	11.9	5.9
May	8.9	9.0	3.0	-0.5	-7.8	17.2	47.7	19.2	11.0	11.2	11.9	8.1
June ^(p)	7.3	5.8	0.7	-1.0	12.4	17.3	38.4	17.5	11.0	12.8	11.2	7.9

C13 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
2004	-3.2	-1.3	-0.7	-1.3	-3.4	-0.3	-0.1	-3.0	-6.7	-2.3	-0.3	-4.1
2005	-4.1	-1.7	-0.9	-1.5	-4.4	-0.3	-1.1	-3.0	-9.8	-2.7	-3.2	-3.9
2006 Jan.	-0.6	-0.2	-0.1	-0.2	-0.9	0.0	0.0	-0.8	-1.0	-0.3	-0.1	-0.6
Feb.	-0.3	-0.1	0.0	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3
Mar.	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	-0.2	-0.5	-0.1	-0.1	-0.3
Apr.	-0.3	-0.1	-0.1	-0.1	0.1	0.1	0.0	0.1	-0.3	-0.1	-0.1	-0.2
May	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.4	-0.2
June ⁶⁾	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.5	0.0	-0.2	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2004	-16.1	-8.8	-0.8	-6.5	-1.6	-0.5	-1.1
2005	-19.3	-7.4	-5.6	-6.2	-1.2	-0.3	-0.9
2006 Jan.	-1.7	-0.8	-0.2	-0.7	-0.1	0.0	-0.1
Feb.	-0.7	-0.3	-0.1	-0.3	0.0	0.0	0.0
Mar.	-1.1	-0.2	-0.4	-0.6	-0.1	0.0	-0.1
Apr.	-0.4	-0.1	-0.1	-0.2	-0.1	0.0	0.0
May	-1.1	-0.3	-0.6	-0.3	0.0	0.0	0.0
June ⁶⁾	-1.2	-0.3	-0.4	-0.5	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
2004	13.5	1.5	-0.1	10.8	-0.2	0.9	-0.1	0.6	5.4	1.3	0.8	3.3
2005	24.8	3.4	0.5	7.5	0.7	1.6	0.3	10.7	37.4	4.6	17.4	15.4
2006 Jan.	-2.0	-0.9	-0.1	-0.5	-0.1	0.0	0.0	-0.4	9.8	2.2	2.9	4.7
Feb.	2.4	0.1	0.0	0.1	0.0	-0.3	0.1	2.4	5.2	1.1	3.0	1.1
Mar.	-5.5	-0.3	-0.1	-3.7	-0.1	-0.4	-0.1	-0.9	2.1	0.6	0.9	0.5
Apr.	-8.8	-0.6	-0.1	-4.2	-0.1	-0.4	-0.1	-3.3	0.1	0.1	0.0	0.0
May	-0.6	0.4	-0.1	2.2	0.0	0.3	-0.1	-3.3	-11.1	-1.2	-5.6	-4.2
June ⁶⁾	-4.0	0.2	0.0	-2.5	0.1	-1.1	0.0	-0.6	-0.6	-1.6	0.0	1.0

Source: ECB.

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

2) Including non-profit institutions serving households.

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

1. Deposits

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total	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														
2003	4,364.8	91.3	8.7	5.4	0.5	1.5	0.9	6,410.0	97.3	2.7	1.7	0.3	0.1	0.3
2004	4,709.0	91.4	8.6	5.0	0.5	1.5	1.1	6,778.5	97.2	2.8	1.7	0.3	0.1	0.4
2005 Q1	4,820.8	91.0	9.0	5.4	0.5	1.4	1.1	6,832.4	97.0	3.0	1.9	0.3	0.1	0.4
Q2	4,792.3	90.9	9.1	5.5	0.4	1.4	1.1	7,061.4	96.9	3.1	1.9	0.3	0.1	0.4
Q3	4,783.0	90.6	9.4	5.7	0.5	1.5	1.1	7,127.9	96.7	3.3	2.0	0.3	0.1	0.4
Q4	4,850.9	90.9	9.1	5.6	0.4	1.5	1.0	7,364.8	96.8	3.2	2.0	0.3	0.1	0.5
2006 Q1 ³⁾	4,949.3	89.8	10.2	6.1	0.5	1.5	1.3	7,474.2	96.6	3.4	2.0	0.3	0.1	0.6
By non-euro area residents														
2003	1,580.8	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	1,748.0	46.7	53.3	35.8	2.1	3.2	9.5	680.9	55.4	44.6	28.9	1.5	2.2	9.3
2005 Q1	1,935.6	46.9	53.1	35.2	2.4	2.9	9.7	733.4	54.6	45.4	29.4	1.5	2.0	9.2
Q2	2,034.1	45.8	54.2	36.0	2.4	3.1	9.5	750.3	52.5	47.5	30.6	1.5	2.3	9.9
Q3	2,108.2	46.8	53.2	34.3	2.5	3.0	9.7	798.9	51.9	48.1	31.1	1.8	2.0	9.9
Q4	2,250.4	46.2	53.8	35.4	2.7	2.8	10.0	798.6	51.9	48.1	32.0	1.7	2.2	9.2
2006 Q1 ³⁾	2,398.1	47.5	52.5	34.5	2.8	2.6	9.7	842.3	52.2	47.8	32.6	1.3	2.1	9.0

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
2003	3,304.0	85.4	14.6	7.9	1.5	1.7	2.3
2004	3,653.9	84.6	15.4	7.6	1.7	1.9	2.7
2005 Q1	3,795.0	83.4	16.6	8.2	1.7	1.9	2.9
Q2	3,943.1	82.4	17.6	9.0	1.8	1.9	2.9
Q3	3,994.3	81.9	18.1	9.0	1.8	2.0	3.2
Q4	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006 Q1 ³⁾	4,204.3	81.2	18.8	9.6	1.8	1.9	3.2

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items ¹⁾

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

3. Loans

	MFIs ²⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2003	4,193.9	-	-	-	-	-	7,919.3	96.5	3.5	1.6	0.3	1.2	0.3	
2004	4,457.8	-	-	-	-	-	8,367.5	96.6	3.4	1.4	0.2	1.3	0.4	
2005 Q1	4,575.4	-	-	-	-	-	8,474.8	96.5	3.5	1.5	0.2	1.3	0.4	
Q2	4,528.9	-	-	-	-	-	8,732.7	96.4	3.6	1.6	0.2	1.3	0.4	
Q3	4,546.7	-	-	-	-	-	8,884.4	96.3	3.7	1.6	0.2	1.3	0.4	
Q4	4,568.4	-	-	-	-	-	9,114.3	96.3	3.7	1.6	0.2	1.3	0.5	
2006 Q1 ^(p)	4,654.6	-	-	-	-	-	9,367.8	96.3	3.7	1.7	0.2	1.2	0.5	
To non-euro area residents														
2003	1,182.2	50.2	49.8	29.3	4.7	2.5	9.2	575.7	38.8	61.2	43.6	2.4	4.6	7.0
2004	1,342.2	51.4	48.6	29.9	3.7	2.2	8.7	632.5	42.2	57.8	40.1	2.6	4.5	7.2
2005 Q1	1,463.8	51.8	48.2	29.2	3.4	2.1	9.2	672.7	41.8	58.2	42.1	1.4	4.3	7.1
Q2	1,582.4	49.3	50.7	31.0	4.2	2.0	9.0	710.1	41.0	59.0	43.1	1.1	4.4	7.2
Q3	1,633.8	49.3	50.7	29.5	4.3	2.0	10.1	742.5	40.1	59.9	42.4	1.6	3.9	8.4
Q4	1,723.6	48.5	51.5	30.5	4.3	2.0	10.1	761.6	38.2	61.8	43.6	1.8	4.2	8.6
2006 Q1 ^(p)	1,828.5	50.1	49.9	30.4	3.5	2.3	9.5	766.5	39.5	60.5	43.9	1.6	3.9	8.3

4. Holdings of securities other than shares

	Issued by MFIs ²⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ³⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2003	1,273.7	95.5	4.5	1.7	0.3	0.9	1.3	1,670.5	98.0	2.0	1.0	0.5	0.3	0.2
2004	1,422.7	95.8	4.2	1.8	0.3	0.5	1.3	1,765.4	98.2	1.8	0.9	0.5	0.1	0.3
2005 Q1	1,455.5	95.4	4.6	2.1	0.4	0.4	1.5	1,840.0	98.3	1.7	0.9	0.4	0.1	0.3
Q2	1,503.5	95.5	4.5	2.1	0.3	0.4	1.5	1,889.9	98.2	1.8	1.0	0.4	0.1	0.3
Q3	1,507.2	95.5	4.5	2.0	0.3	0.4	1.5	1,865.7	98.1	1.9	1.0	0.3	0.1	0.4
Q4	1,514.1	95.8	4.2	2.0	0.3	0.4	1.3	1,979.0	97.9	2.1	1.1	0.3	0.1	0.5
2006 Q1 ^(p)	1,570.4	95.6	4.4	2.0	0.2	0.4	1.4	2,014.7	97.8	2.2	1.1	0.3	0.2	0.6
Issued by non-euro area residents														
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	341.3	50.3	49.7	28.6	1.0	0.5	17.0	410.4	44.8	55.2	30.5	8.6	0.7	9.2
2005 Q1	359.5	48.9	51.1	30.3	1.0	0.5	16.6	438.4	43.8	56.2	32.7	7.2	0.8	9.1
Q2	397.4	47.9	52.1	30.3	0.8	0.5	17.8	477.4	41.1	58.9	34.0	7.9	0.8	9.9
Q3	407.2	49.5	50.5	29.1	0.8	0.6	17.0	489.2	40.2	59.8	36.0	6.1	0.9	11.1
Q4	401.9	48.7	51.3	29.8	0.8	0.6	16.5	541.2	36.1	63.9	36.3	8.6	0.8	12.6
2006 Q1 ^(p)	433.1	51.0	49.0	27.8	0.8	0.5	16.5	567.3	38.1	61.9	35.3	7.0	0.8	13.3

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 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
2004 Q4	3,830.1	260.8	1,622.8	78.5	1,544.2	1,246.3	346.2	158.5	195.5
2005 Q1	4,058.5	288.2	1,692.1	79.3	1,612.8	1,320.2	376.0	163.1	218.8
Q2	4,313.6	296.4	1,783.0	91.5	1,691.5	1,399.9	417.5	167.6	249.2
Q3	4,631.3	303.5	1,860.6	101.2	1,759.4	1,553.4	460.0	171.6	282.2
Q4	4,788.9	291.0	1,848.1	109.6	1,738.5	1,683.1	505.2	176.1	285.5
2006 Q1 ^(p)	5,190.4	315.0	1,904.6	139.2	1,765.4	1,894.1	567.7	177.4	331.7

2. Liabilities

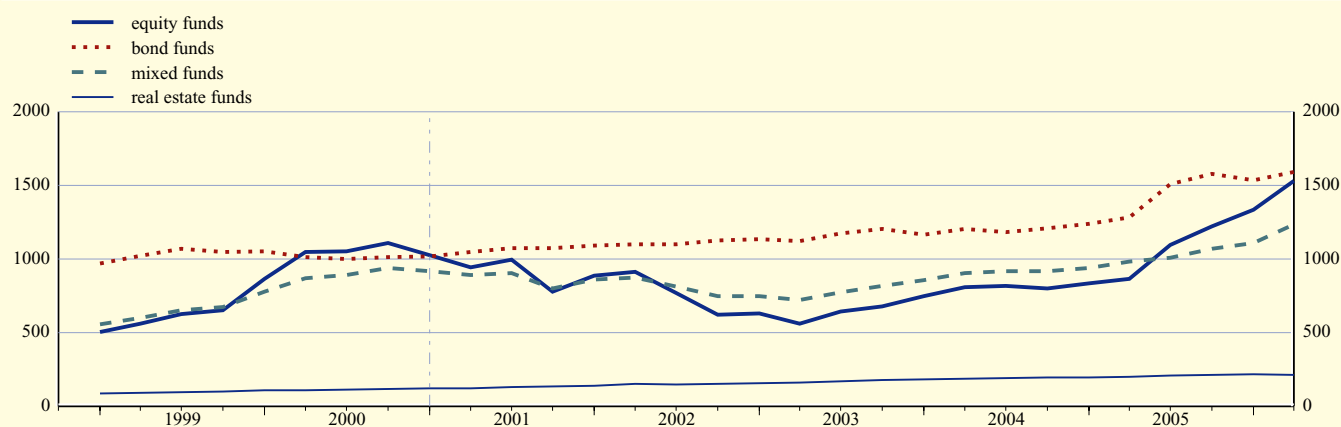
	Total 1	Deposits and loans taken 2	Investment fund shares 3	Other liabilities 4
2004 Q4	3,830.1	53.1	3,618.9	158.1
2005 Q1	4,058.5	61.7	3,798.0	198.8
Q2	4,313.6	58.7	4,034.4	220.4
Q3	4,631.3	60.5	4,351.7	219.1
Q4	4,788.9	61.6	4,516.9	210.5
2006 Q1 ^(p)	5,190.4	73.1	4,863.7	253.7

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

	Total 1	Funds by investment policy					Funds by type of investor	
		Equity funds 2	Bond funds 3	Mixed funds 4	Real estate funds 5	Other funds 6	General public funds 7	Special investors' funds 8
2004 Q4	3,830.1	836.8	1,238.7	941.4	196.8	616.5	2,851.0	979.1
2005 Q1	4,058.5	864.6	1,285.8	984.4	201.1	722.6	3,041.4	1,017.0
Q2	4,313.6	1,097.2	1,510.2	1,011.1	207.1	488.0	3,245.7	1,067.9
Q3	4,631.3	1,224.8	1,581.9	1,071.1	213.2	540.3	3,507.6	1,123.8
Q4	4,788.9	1,335.8	1,538.0	1,109.2	215.8	590.1	3,658.8	1,130.1
2006 Q1 ^(p)	5,190.4	1,530.2	1,592.5	1,237.5	213.4	616.8	3,995.4	1,195.0

C14 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total 1	Deposits 2	Holdings of securities other than shares			Holdings of shares/ other equity 6	Holdings of investment fund shares 7	Fixed assets 8	Other assets 9
			Total 3	Up to 1 year 4	Over 1 year 5				
Equity funds									
2004 Q4	836.8	30.9	37.0	4.1	32.9	705.8	32.2	-	30.9
2005 Q1	864.6	33.8	37.0	4.0	33.0	729.9	33.3	-	30.6
Q2	1,097.2	45.0	41.6	4.5	37.1	936.5	40.0	-	34.1
Q3	1,224.8	48.3	43.4	4.9	38.5	1,044.8	52.4	-	35.9
Q4	1,335.8	50.8	45.8	5.7	40.2	1,145.4	60.3	-	33.5
2006 Q1 ^(p)	1,530.2	55.0	51.4	6.3	45.1	1,308.2	71.0	-	44.6
Bond funds									
2004 Q4	1,238.7	84.1	1,020.9	43.6	977.3	39.9	29.4	-	64.3
2005 Q1	1,285.8	97.8	1,046.0	44.8	1,001.2	39.4	34.5	-	68.0
Q2	1,510.2	110.5	1,229.5	58.4	1,171.1	38.4	40.1	-	91.7
Q3	1,581.9	110.3	1,289.1	67.0	1,222.1	38.4	43.8	-	100.2
Q4	1,538.0	100.0	1,251.7	67.6	1,184.2	38.6	46.3	-	101.3
2006 Q1 ^(p)	1,592.5	108.9	1,286.2	82.6	1,203.6	41.1	49.3	-	107.0
Mixed funds									
2004 Q4	941.4	55.2	375.4	21.8	353.6	304.9	149.7	0.3	55.9
2005 Q1	984.4	61.1	388.4	22.5	365.9	315.0	155.3	0.2	64.5
Q2	1,011.1	65.5	418.3	21.2	397.0	277.6	170.2	0.2	79.4
Q3	1,071.1	67.0	426.0	21.7	404.3	301.2	185.5	0.2	91.3
Q4	1,109.2	60.9	440.9	26.9	413.9	315.5	202.0	0.1	89.9
2006 Q1 ^(p)	1,237.5	68.0	464.8	38.1	426.7	349.2	238.4	0.1	117.0
Real estate funds									
2004 Q4	196.8	15.7	7.6	0.7	6.9	1.0	7.5	156.3	8.7
2005 Q1	201.1	14.3	8.4	0.7	7.7	1.1	7.5	160.8	9.0
Q2	207.1	14.0	8.2	0.8	7.5	1.1	7.6	167.1	9.0
Q3	213.2	15.2	8.8	1.2	7.6	1.3	8.1	171.0	8.7
Q4	215.8	14.2	7.8	1.5	6.3	1.4	6.9	175.1	10.4
2006 Q1 ^(p)	213.4	14.4	6.1	1.7	4.4	1.8	4.4	176.6	10.1

2. Funds by type of investor

	Total 1	Deposits 2	Holdings of securities other than shares 3	Holdings of shares/ other equity 4	Holdings of investment fund shares 5	Fixed assets 6	Other assets 7
2004 Q4	2,851.0	217.9	1,077.4	999.7	261.0	137.5	157.6
2005 Q1	3,041.4	241.7	1,134.4	1,058.3	285.7	141.1	180.2
Q2	3,245.7	247.7	1,207.1	1,125.1	313.7	144.8	207.3
Q3	3,507.6	251.6	1,261.0	1,257.9	353.3	146.5	237.4
Q4	3,658.8	242.4	1,277.5	1,371.0	381.0	150.1	236.8
2006 Q1 ^(p)	3,995.4	262.6	1,334.8	1,549.5	427.5	150.3	270.7
Special investors' funds							
2004 Q4	979.1	42.9	545.4	246.7	85.3	21.0	37.9
2005 Q1	1,017.0	46.6	557.7	261.9	90.3	22.0	38.6
Q2	1,067.9	48.7	575.9	274.8	103.9	22.8	41.9
Q3	1,123.8	51.9	599.6	295.5	106.7	25.2	44.8
Q4	1,130.1	48.6	570.6	312.0	124.3	25.9	48.7
2006 Q1 ^(p)	1,195.0	52.4	569.8	344.6	140.2	27.1	61.0

Source: ECB.



FINANCIAL AND NON-FINANCIAL ACCOUNTS

3.1 Main financial assets of non-financial sectors

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

	Currency and deposits											Memo: deposits of non-MFIs with banks outside the euro area
	Total	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		
				Total	Overnight	With agreed maturity	Redeemable at notice	Repos				
	1	2	3	4	5	6	7	8	9	10	11	
Outstanding amounts												
2004 Q4	16,672.6	6,348.1	413.7	5,435.0	2,165.2	1,577.9	1,603.7	88.2	162.4	337.0	336.1	
2005 Q1	16,940.9	6,356.8	408.4	5,432.8	2,174.3	1,560.0	1,620.0	78.5	187.4	328.2	371.9	
Q2	17,390.6	6,527.5	430.7	5,549.2	2,448.4	1,552.8	1,471.1	76.8	211.5	336.1	369.0	
Q3	17,730.7	6,528.5	439.5	5,565.0	2,440.3	1,571.7	1,475.5	77.6	182.4	341.5	396.6	
Q4	18,165.9	6,732.2	467.6	5,732.3	2,559.1	1,604.0	1,489.0	80.3	173.6	358.8	369.2	
2006 Q1	18,647.7	6,751.4	458.8	5,734.2	2,517.7	1,629.3	1,506.3	80.9	193.1	365.3	377.7	
Transactions												
2004 Q4	164.8	162.3	30.2	159.4	65.2	49.9	38.9	5.4	-41.7	14.4	-16.3	
2005 Q1	146.2	13.6	-5.2	-4.0	7.4	-17.4	15.7	-9.7	25.0	-2.1	26.7	
Q2	303.1	166.8	22.3	110.0	110.9	-10.1	10.9	-1.7	24.1	10.4	-9.5	
Q3	95.8	4.2	8.7	16.7	-7.3	18.8	4.4	0.7	-29.4	8.1	14.2	
Q4	298.7	209.5	28.1	170.7	119.2	34.9	14.2	2.4	-8.9	19.6	-6.7	
2006 Q1	147.0	24.6	-8.8	4.6	-40.5	27.1	17.4	0.6	19.6	9.3	9.0	
Growth rates												
2004 Q4	4.8	6.1	17.4	5.1	7.1	1.6	6.2	3.6	3.9	11.6	3.8	
2005 Q1	4.7	5.9	16.4	5.1	7.9	1.5	5.6	-3.3	1.7	9.5	5.1	
Q2	4.5	6.0	15.7	5.5	9.0	1.8	4.9	-3.2	-5.5	11.3	3.5	
Q3	4.4	5.6	14.6	5.3	8.4	2.7	4.5	-6.3	-10.8	9.6	4.3	
Q4	5.1	6.2	13.0	5.4	10.6	1.7	2.8	-9.3	6.7	10.7	7.4	
2006 Q1	5.0	6.4	12.3	5.6	8.4	4.5	2.9	2.7	2.9	14.4	1.9	
Securities other than shares												
			Shares ¹⁾					Insurance technical reserves				
	Total	Short-term	Long-term	Total	Quoted shares	Mutual fund shares	Money market fund shares/units	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												
2004 Q4	1,967.2	230.1	1,737.1	4,161.0	2,182.6	1,978.4	405.0	4,196.3	3,814.4	381.9		
2005 Q1	1,952.8	226.7	1,726.1	4,322.0	2,290.0	2,032.0	411.1	4,309.3	3,918.8	390.5		
Q2	1,994.7	234.3	1,760.4	4,452.0	2,363.3	2,088.6	408.3	4,416.3	4,022.8	393.6		
Q3	1,980.7	229.0	1,751.6	4,709.7	2,540.4	2,169.3	409.2	4,511.9	4,114.1	397.8		
Q4	1,971.2	212.7	1,758.5	4,840.0	2,662.7	2,177.3	399.2	4,622.4	4,222.2	400.3		
2006 Q1	2,032.7	250.1	1,782.7	5,123.8	2,908.4	2,215.4	381.0	4,739.8	4,333.1	406.7		
Transactions												
2004 Q4	-0.3	3.6	-3.9	-60.2	-49.0	-11.2	-16.4	63.0	59.9	3.1		
2005 Q1	21.1	-3.0	24.1	36.4	1.8	34.6	6.3	75.1	66.5	8.6		
Q2	27.5	8.7	18.8	36.3	19.9	16.4	-1.1	72.5	69.3	3.2		
Q3	-7.8	0.7	-8.5	25.9	-7.7	33.6	3.0	73.5	69.4	4.1		
Q4	8.3	-17.1	25.4	5.5	6.9	-1.3	-8.7	75.3	72.9	2.4		
2006 Q1	64.5	36.9	27.7	-36.4	-50.3	13.9	4.8	94.2	87.3	6.9		
Growth rates												
2004 Q4	3.9	36.4	0.8	1.5	1.3	1.7	-1.6	6.7	6.8	5.8		
2005 Q1	4.0	17.8	2.6	1.5	1.1	1.9	-3.3	6.5	6.6	5.4		
Q2	3.2	8.6	2.6	0.7	-0.9	2.4	-3.4	6.7	6.9	5.0		
Q3	2.0	4.7	1.7	1.0	-1.7	3.7	-2.0	6.9	7.1	5.0		
Q4	2.5	-4.6	3.4	2.5	1.0	4.2	-0.1	7.1	7.3	4.8		
2006 Q1	4.7	12.9	3.7	0.7	-1.4	3.1	-0.5	7.3	7.6	4.3		

Source: ECB.

1) Excluding unquoted shares.

3.2 Main liabilities of non-financial sectors

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

	Loans taken from euro area MFIs and other financial corporations by												Memo: loans taken from outside the euro area by non-MFIs
	Total			General government			Non-financial corporations			Households ¹⁾			
	Total	Taken from euro area MFIs		Total	Short-term	Long-term	Total	Short-term	Long-term	Total	Short-term	Long-term	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Outstanding amounts													
2004 Q4	17,876.7	8,935.5	7,794.7	929.7	80.8	848.9	3,780.5	1,191.4	2,589.1	4,225.3	292.4	3,932.9	435.0
2005 Q1	18,241.5	9,023.3	7,877.9	924.3	77.4	846.9	3,811.0	1,190.4	2,620.6	4,287.9	292.1	3,995.8	451.3
Q2	18,792.7	9,240.4	8,110.3	925.7	82.2	843.5	3,907.2	1,239.2	2,668.0	4,407.4	302.7	4,104.7	518.3
Q3	19,255.7	9,365.9	8,240.1	929.9	87.5	842.4	3,938.2	1,221.8	2,716.4	4,497.7	300.2	4,197.5	527.8
Q4	19,520.9	9,590.3	8,450.6	936.8	79.8	857.1	4,039.9	1,262.2	2,777.8	4,613.5	306.6	4,306.9	586.0
2006 Q1	20,163.9	9,830.0	8,645.7	932.2	83.7	848.5	4,181.6	1,286.5	2,895.2	4,716.2	302.7	4,413.5	654.2
Transactions													
2004 Q4	107.7	145.0	139.7	1.9	-9.2	11.1	55.6	23.1	32.4	87.5	5.8	81.7	1.7
2005 Q1	237.8	102.2	87.2	-6.2	-3.4	-2.7	43.4	5.8	37.6	65.0	0.7	64.3	7.6
Q2	337.4	200.7	187.8	0.8	4.8	-4.0	84.8	39.3	45.5	115.1	10.4	104.6	60.9
Q3	212.6	130.5	133.4	4.4	5.3	-0.9	33.6	-16.6	50.2	92.4	-2.5	94.9	23.4
Q4	285.7	269.0	227.0	14.4	-7.5	21.9	132.0	46.1	85.9	122.7	6.6	116.0	53.9
2006 Q1	300.4	204.0	177.3	-5.4	3.9	-9.3	120.6	21.7	98.9	88.8	-2.2	91.1	50.6
Growth rates													
2004 Q4	4.3	5.0	5.9	-0.9	-1.7	-0.8	3.3	2.0	4.0	8.1	1.9	8.6	2.3
2005 Q1	4.5	5.6	6.0	-2.0	-10.1	-1.1	4.8	3.1	5.5	8.2	3.9	8.5	1.7
Q2	4.8	6.1	6.6	-0.9	-10.1	0.1	5.1	4.8	5.3	8.6	4.9	8.9	16.7
Q3	5.1	6.6	7.1	0.1	-2.8	0.4	5.8	4.4	6.5	8.7	5.0	9.0	21.9
Q4	6.0	7.9	8.2	1.4	-0.9	1.7	7.8	6.3	8.5	9.4	5.2	9.7	33.5
2006 Q1	6.2	8.9	9.2	1.5	8.5	0.9	9.7	7.6	10.7	9.8	4.2	10.2	41.8
Securities other than shares issued by													
	General government						Non-financial corporations			Quoted shares issued by non-financial corporations	Deposit liabilities of general government	Pension fund reserves of non- financial corporations	
	Total	Total	Short-term	Long-term	Total	Short-term	Long-term						
	14	15	16	17	18	19	20	21	22	23			
Outstanding amounts													
2004 Q4	5,371.4	4,718.9	590.8	4,128.0	652.5	221.3	431.1	2,980.4	288.5	300.9			
2005 Q1	5,496.8	4,835.2	601.3	4,233.8	661.7	235.5	426.2	3,138.6	279.1	303.7			
Q2	5,708.2	5,031.5	622.8	4,408.7	676.7	240.7	436.0	3,243.6	293.6	307.0			
Q3	5,703.1	5,025.5	610.6	4,414.9	677.6	237.2	440.4	3,580.2	296.1	310.5			
Q4	5,629.7	4,960.4	586.5	4,373.9	669.3	235.6	433.7	3,675.5	311.7	313.7			
2006 Q1	5,614.3	4,941.1	595.9	4,345.1	673.3	246.9	426.4	4,082.8	319.6	317.1			
Transactions													
2004 Q4	-50.9	-41.6	-25.1	-16.5	-9.3	-7.3	-1.9	2.7	7.0	4.0			
2005 Q1	137.4	123.6	9.1	114.5	13.8	15.4	-1.6	4.7	-9.3	2.8			
Q2	117.4	111.1	22.7	88.4	6.3	5.0	1.3	1.4	14.5	3.3			
Q3	-3.2	-3.1	-12.1	9.0	-0.1	-3.6	3.4	79.3	2.6	3.4			
Q4	-21.4	-18.5	-24.0	5.5	-2.9	-4.4	1.5	20.5	14.4	3.2			
2006 Q1	87.7	79.3	9.7	69.6	8.4	11.3	-2.9	-2.5	7.9	3.4			
Growth rates													
2004 Q4	4.9	5.2	6.2	5.1	2.3	8.4	-0.6	0.5	8.4	4.6			
2005 Q1	4.8	4.8	1.0	5.3	5.5	8.4	4.0	0.5	4.6	4.5			
Q2	4.8	5.0	1.2	5.6	3.0	4.3	2.3	0.5	7.1	4.5			
Q3	3.7	4.0	-0.9	4.8	1.6	4.2	0.3	3.2	5.3	4.5			
Q4	4.3	4.5	-0.7	5.3	2.6	5.6	1.1	3.6	7.7	4.2			
2006 Q1	3.3	3.5	-0.6	4.1	1.8	3.5	0.8	3.1	14.1	4.4			

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												
2004 Q4	4,239.1	583.2	59.2	500.8	2.5	20.8	357.0	62.6	294.4	1,731.1	84.0	1,647.1
2005 Q1	4,361.1	597.0	65.7	508.8	2.7	19.8	356.6	63.1	293.5	1,774.7	83.4	1,691.3
Q2	4,497.5	595.8	61.2	511.3	2.7	20.6	352.6	64.7	287.9	1,840.3	83.8	1,756.5
Q3	4,673.2	602.9	60.0	517.7	2.7	22.4	359.6	70.6	289.1	1,889.0	81.9	1,807.2
Q4	4,765.8	612.6	67.8	521.6	2.6	20.6	363.3	76.6	286.7	1,918.9	85.7	1,833.2
2006 Q1	4,935.2	613.0	65.6	525.2	2.5	19.7	377.1	81.0	296.0	1,941.2	89.5	1,851.7
Transactions												
2004 Q4	59.3	9.9	-1.7	10.6	0.2	0.7	-8.3	-0.6	-7.8	49.6	4.1	45.5
2005 Q1	89.0	12.5	6.4	6.9	0.2	-1.0	-2.3	0.9	-3.2	50.1	-0.5	50.6
Q2	60.7	-2.0	-5.3	2.2	0.2	0.8	-4.2	1.6	-5.8	36.2	-0.6	36.8
Q3	85.5	7.1	-1.2	6.4	0.1	1.8	2.4	1.3	1.1	38.8	-2.0	40.8
Q4	77.0	8.7	7.4	3.1	0.0	-1.9	1.7	5.5	-3.8	46.3	3.0	43.4
2006 Q1	88.4	0.6	-2.0	3.6	-0.1	-0.8	5.7	4.4	1.3	43.3	3.9	39.4
Growth rates												
2004 Q4	6.2	7.4	1.2	8.2	-12.0	7.8	-0.7	2.4	-1.4	10.2	13.8	10.1
2005 Q1	5.9	6.8	2.2	8.3	-11.6	-10.5	-3.5	1.4	-4.5	9.9	8.4	9.9
Q2	6.4	5.1	1.8	5.7	23.8	-2.8	-4.2	2.6	-5.7	10.2	4.9	10.5
Q3	7.1	4.8	-2.8	5.3	30.1	12.0	-3.4	5.1	-5.2	10.5	1.5	10.9
Q4	7.4	4.5	12.5	3.7	18.4	-0.8	-0.7	14.9	-4.0	9.9	-0.1	10.4
2006 Q1	7.1	2.4	-1.7	3.0	7.2	-0.3	1.6	20.4	-2.5	9.3	5.1	9.5

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/units			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													
2004 Q4	1,439.1	683.9	755.3	67.4	128.7	4,371.6	79.5	48.6	21.1	207.9	4,063.0	3,469.7	593.3
2005 Q1	1,500.6	713.1	787.5	67.1	132.3	4,511.7	90.1	58.2	21.4	220.3	4,179.9	3,574.6	605.4
Q2	1,574.3	745.1	829.3	87.1	134.4	4,635.8	92.8	63.8	21.5	223.3	4,298.1	3,688.8	609.3
Q3	1,684.7	815.7	869.1	88.0	136.9	4,724.8	92.4	65.2	22.1	251.2	4,359.1	3,778.8	580.3
Q4	1,732.0	837.5	894.5	81.0	139.0	4,874.8	65.0	64.6	22.1	285.9	4,501.8	3,881.4	620.3
2006 Q1	1,865.0	911.3	953.7	80.2	139.0	5,027.3	82.4	81.9	22.2	298.7	4,623.9	3,993.0	631.0
Transactions													
2004 Q4	7.0	-0.2	7.2	5.1	1.1	43.2	-11.0	-3.6	-0.1	0.1	54.2	50.5	3.7
2005 Q1	25.2	7.0	18.2	-0.3	3.5	84.0	9.7	8.6	0.6	0.0	73.6	61.6	12.0
Q2	28.7	4.5	24.2	6.7	2.0	74.9	2.8	5.5	0.0	0.5	71.6	67.4	4.2
Q3	34.6	17.1	17.6	1.0	2.5	75.5	-0.4	1.4	0.5	1.1	74.3	67.6	6.7
Q4	18.8	-4.7	23.5	-8.0	1.5	79.6	-0.5	-0.6	0.1	4.0	76.0	70.8	5.2
2006 Q1	35.0	2.4	32.6	-0.9	3.8	112.6	17.3	17.2	0.0	0.1	95.2	84.6	10.6
Growth rates													
2004 Q4	2.8	0.8	4.7	4.8	6.1	6.2	5.5	36.9	-9.1	1.6	6.5	6.8	4.7
2005 Q1	3.4	1.9	4.8	6.3	6.3	6.0	5.4	23.7	-6.7	1.2	6.3	6.6	4.6
Q2	5.3	3.1	7.4	17.3	7.0	6.2	3.5	17.6	-6.0	1.4	6.6	7.0	4.3
Q3	6.8	4.3	9.1	20.2	7.1	6.5	1.2	22.8	5.0	0.9	6.9	7.3	4.5
Q4	7.5	3.5	11.0	-0.9	7.4	7.2	14.5	30.8	6.2	2.7	7.3	7.7	4.7
2006 Q1	7.8	2.7	12.4	-1.8	7.4	7.6	21.2	40.4	3.2	2.6	7.6	8.1	4.4

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
1999	508.0	1,353.7	-871.5	25.7	0.1	3,313.5	-1.3	566.5	499.5	879.5	1,090.1	264.7	14.4
2000	565.4	1,456.0	-927.2	36.3	0.3	3,282.1	-1.3	369.1	334.9	797.9	1,506.6	251.4	23.5
2001	517.6	1,483.0	-976.7	10.6	0.6	2,797.7	0.5	583.2	578.4	693.8	727.1	254.4	-39.6
2002	453.0	1,481.8	-1,013.9	-15.3	0.5	2,545.7	-0.9	802.0	376.5	520.7	599.7	226.2	21.5
2003	464.0	1,507.3	-1,043.4	-0.3	0.4	2,756.8	-1.7	737.8	576.0	613.6	577.0	240.9	13.2
2004	509.7	1,573.2	-1,086.0	22.6	-0.2	3,148.8	-1.6	1,007.4	647.0	710.5	520.3	257.7	7.6

	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
1999	488.6	1,347.3	-871.5	12.8	3,333.0	842.5	554.4	773.5	894.5	268.0
2000	505.3	1,419.7	-927.2	12.8	3,342.1	507.7	474.0	903.2	1,200.7	256.6
2001	481.8	1,451.1	-976.7	7.4	2,833.4	614.0	512.4	673.2	773.1	260.7
2002	517.9	1,521.3	-1,013.9	10.6	2,480.7	637.8	437.7	565.4	610.0	229.8
2003	500.3	1,528.8	-1,043.4	14.9	2,720.5	672.9	587.1	581.0	629.1	250.4
2004	538.9	1,608.4	-1,086.0	16.5	3,119.5	1,120.9	684.5	548.1	506.5	259.5

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
1999	257.5	728.5	-489.2	619.9	29.9	79.6	187.4	319.4	96.6	529.8	780.8	46.8	433.4	289.7
2000	380.8	803.4	-524.2	938.4	68.2	68.5	244.2	543.7	83.4	557.3	1,235.8	70.3	632.6	521.1
2001	279.6	821.3	-554.9	623.3	106.5	45.6	183.2	234.3	95.6	587.9	807.3	104.1	381.0	310.8
2002	219.8	810.8	-576.9	408.8	24.9	22.1	65.5	256.7	123.2	639.8	505.3	17.8	268.5	206.5
2003	218.6	814.5	-592.0	378.0	91.2	-26.0	150.5	202.1	116.3	663.2	480.2	72.5	210.4	183.5
2004	254.8	850.6	-614.2	267.5	83.5	-48.6	85.2	164.9	156.0	714.6	366.3	16.8	165.9	170.5

3. Households⁵⁾

	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	Gross disposable income	Gross saving ratio ⁶⁾
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	199.1	427.4	-232.9	472.0	116.6	-60.7	190.4	250.0	400.9	608.5	270.3	268.8	4,230.0	14.2
2000	201.4	445.2	-245.1	422.5	78.7	28.8	119.8	245.5	392.7	612.0	231.3	229.3	4,436.0	13.7
2001	184.8	443.9	-257.6	433.2	168.1	59.4	35.7	234.2	435.9	675.6	182.1	180.4	4,667.4	14.3
2002	185.9	455.4	-267.9	493.2	219.6	16.2	0.1	216.3	458.1	719.0	221.0	218.9	4,824.2	14.7
2003	190.1	465.1	-278.6	531.0	217.5	-45.6	92.3	240.0	470.7	735.9	250.4	248.3	4,958.7	14.7
2004	202.5	491.4	-291.9	601.6	237.3	62.8	18.9	246.4	485.9	761.9	318.1	315.8	5,128.9	14.7

Source: ECB.

- Including net acquisition of valuables.
- Excluding financial derivatives.
- Financial derivatives and other accounts receivable/payable.
- Arising from saving and net capital transfers receivable, after allowance for consumption of fixed capital (-).
- Including non-profit institutions serving households.
- Gross saving divided by gross disposable income and net increase in claims on pension funds reserves.



FINANCIAL MARKETS

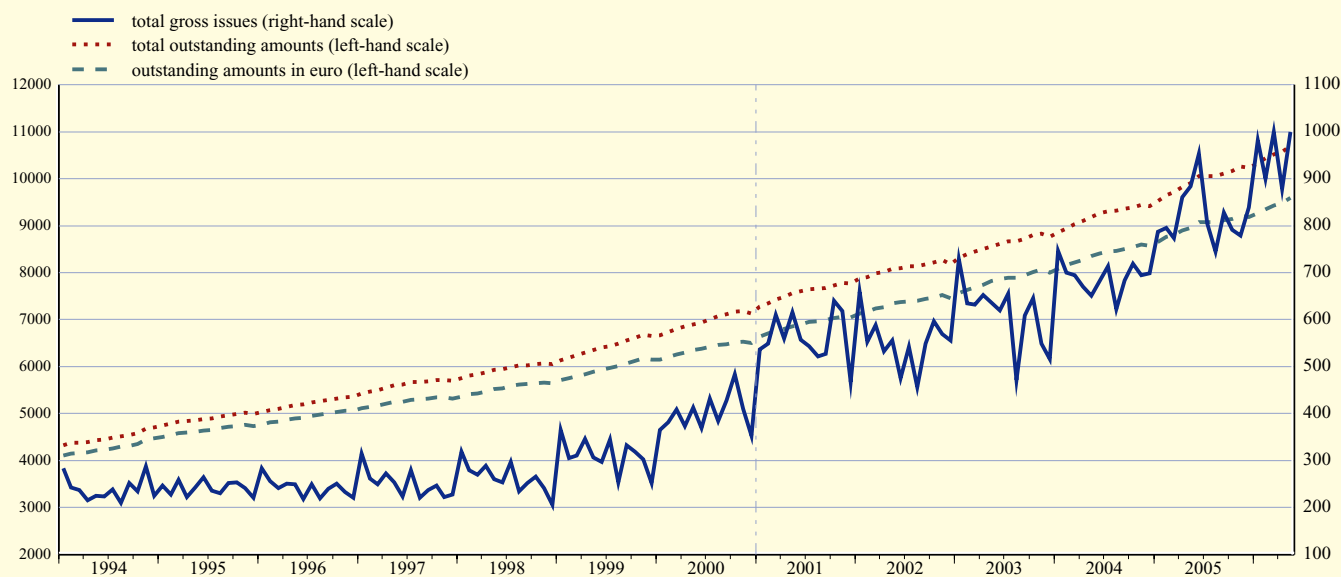
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies			Annual growth rates	Seasonally adjusted ²⁾	
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues		Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2005 May	10,447.6	899.0	65.8	8,952.9	844.0	60.9	9,909.2	883.8	65.5	7.4	35.8	7.9
June	10,641.2	1,027.0	193.7	9,077.8	903.0	125.5	10,049.9	952.6	135.1	8.1	138.3	9.2
July	10,618.4	818.5	-23.0	9,080.7	762.7	2.8	10,056.2	804.1	5.9	7.6	3.0	8.1
Aug.	10,625.8	757.8	3.7	9,073.4	705.2	-11.1	10,058.0	744.4	-2.7	7.4	35.2	7.0
Sep.	10,724.8	893.7	100.5	9,109.6	786.8	37.5	10,112.2	828.1	46.3	7.4	45.6	7.2
Oct.	10,739.3	797.5	14.8	9,145.7	744.1	36.3	10,166.2	790.7	53.1	7.5	51.7	6.4
Nov.	10,817.5	801.5	79.8	9,206.4	734.4	62.3	10,255.4	779.4	76.7	7.6	77.5	7.2
Dec.	10,831.5	870.6	12.8	9,183.5	794.4	-24.0	10,237.4	838.2	-25.0	7.6	76.9	5.9
2006 Jan.	10,880.6	971.8	55.0	9,262.3	927.4	84.7	10,321.4	982.4	103.8	7.7	65.9	7.2
Feb.	10,984.8	911.7	101.6	9,343.5	845.8	78.5	10,431.1	900.7	92.0	7.3	55.0	7.5
Mar.	11,138.0	1,054.7	152.9	9,423.3	939.2	79.7	10,515.1	999.7	96.9	7.7	79.5	8.2
Apr.	.	.	.	9,477.2	821.1	50.7	10,575.9	878.8	70.3	7.3	51.1	8.1
May	.	.	.	9,587.3	949.3	110.0	10,694.9	999.2	123.6	7.8	93.4	8.4
Long-term												
2005 May	9,495.8	182.9	70.3	8,096.3	153.3	60.9	8,926.5	168.8	67.2	8.0	40.3	8.7
June	9,679.6	306.4	183.8	8,243.0	238.9	147.1	9,092.8	261.4	157.1	8.9	144.7	10.6
July	9,679.0	160.1	-0.9	8,236.2	131.4	-7.0	9,089.2	146.1	-2.4	8.4	-2.7	8.8
Aug.	9,677.7	86.9	-4.9	8,223.1	63.8	-16.8	9,086.8	77.3	-9.3	8.1	22.0	7.4
Sep.	9,745.6	188.6	68.7	8,266.1	143.8	43.7	9,146.8	163.3	55.1	8.0	48.0	7.4
Oct.	9,777.1	166.5	32.5	8,283.7	137.4	18.4	9,181.2	159.3	31.6	8.0	41.8	6.7
Nov.	9,859.5	168.3	83.3	8,348.7	131.9	65.8	9,270.8	152.6	80.5	8.2	83.2	7.7
Dec.	9,903.0	178.2	41.6	8,375.4	147.1	25.0	9,303.1	165.8	27.2	8.3	75.5	6.0
2006 Jan.	9,946.0	195.9	48.2	8,414.8	173.4	44.5	9,343.5	195.4	56.9	8.1	58.7	7.4
Feb.	10,030.1	209.1	82.6	8,476.4	170.6	60.0	9,429.2	196.2	72.2	7.6	39.8	7.8
Mar.	10,130.1	247.8	100.2	8,548.4	196.1	72.4	9,499.0	221.9	80.7	7.8	71.2	8.3
Apr.	.	.	.	8,577.5	141.0	27.7	9,535.5	168.9	46.6	7.5	40.8	8.2
May	.	.	.	8,662.3	178.3	84.7	9,628.2	198.3	94.7	7.7	66.2	7.7

C15 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents

(EUR billions)



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

- 1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.
- 2) For the calculation of the growth rates, see the Technical notes. The 6-month growth rates have been annualised.

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues					
	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											
2004	9,415	3,713	737	591	4,124	250	8,278	5,480	223	1,028	1,464	83
2005	10,237	4,109	927	610	4,309	283	9,838	6,983	325	1,032	1,404	95
2005 Q2	10,050	3,993	831	615	4,345	266	2,697	1,883	109	281	400	23
Q3	10,112	4,046	843	613	4,340	271	2,377	1,732	49	251	323	21
Q4	10,237	4,109	927	610	4,309	283	2,408	1,747	116	250	270	26
2006 Q1	10,515	4,260	970	620	4,377	289	2,883	2,108	83	258	412	22
2006 Feb.	10,431	4,211	953	618	4,360	289	901	665	36	80	111	9
Mar.	10,515	4,260	970	620	4,377	289	1,000	738	33	84	139	6
Apr.	10,576	4,294	987	625	4,381	289	879	639	32	82	122	5
May	10,695	4,352	1,002	638	4,409	293	999	752	28	93	118	8
	Short-term											
2004	912	447	7	90	362	5	6,338	4,574	44	931	756	33
2005	934	482	7	90	350	5	7,769	6,046	45	942	702	33
2005 Q2	957	462	7	105	377	5	2,083	1,628	11	258	178	8
Q3	965	475	7	99	379	5	1,990	1,560	12	235	175	9
Q4	934	482	7	90	350	5	1,931	1,531	10	221	160	8
2006 Q1	1,016	539	7	98	368	5	2,269	1,817	13	242	190	8
2006 Feb.	1,002	522	7	96	372	5	705	569	4	76	53	2
Mar.	1,016	539	7	98	368	5	778	634	4	78	59	3
Apr.	1,040	556	8	101	370	5	710	568	5	74	60	3
May	1,067	578	8	106	370	5	801	662	5	77	54	3
	Long-term ¹⁾											
2004	8,503	3,266	729	501	3,762	245	1,939	905	179	97	708	49
2005	9,303	3,627	920	520	3,958	278	2,069	937	279	89	702	61
2005 Q2	9,093	3,531	823	510	3,968	261	615	256	98	24	222	15
Q3	9,147	3,571	835	514	3,961	265	387	172	38	17	148	12
Q4	9,303	3,627	920	520	3,958	278	478	216	105	29	109	18
2006 Q1	9,499	3,721	963	521	4,009	285	614	292	70	15	222	15
2006 Feb.	9,429	3,689	946	522	3,988	284	196	95	32	4	58	6
Mar.	9,499	3,721	963	521	4,009	285	222	104	28	6	81	3
Apr.	9,535	3,737	979	524	4,011	284	169	71	27	8	61	2
May	9,628	3,774	994	532	4,039	288	198	90	24	15	64	5
	Of which long-term fixed rate											
2004	6,380	1,929	416	410	3,439	186	1,193	408	70	61	620	36
2005	6,711	2,016	459	409	3,610	217	1,227	413	91	54	620	48
2005 Q2	6,673	2,003	445	413	3,609	203	342	101	27	15	187	12
Q3	6,671	2,014	436	412	3,603	207	235	80	8	8	133	8
Q4	6,711	2,016	459	409	3,610	217	263	95	35	16	103	14
2006 Q1	6,813	2,061	475	404	3,648	225	402	157	31	8	195	12
2006 Feb.	6,770	2,049	465	406	3,626	225	119	47	11	2	54	5
Mar.	6,813	2,061	475	404	3,648	225	140	49	16	5	68	2
Apr.	6,826	2,060	482	404	3,655	224	101	31	14	4	52	1
May	6,871	2,075	483	410	3,677	227	128	51	7	10	57	3
	Of which long-term variable rate											
2004	1,870	1,148	310	77	276	59	620	404	110	32	60	14
2005	2,258	1,343	457	94	304	60	715	429	188	28	58	12
2005 Q2	2,117	1,292	375	83	310	57	238	128	71	7	29	3
Q3	2,165	1,310	396	86	315	58	124	76	30	6	8	5
Q4	2,258	1,343	457	94	304	60	185	95	70	12	4	4
2006 Q1	2,331	1,383	484	97	307	60	172	108	39	4	18	3
2006 Feb.	2,313	1,369	477	97	310	60	66	41	21	1	2	1
Mar.	2,331	1,383	484	97	307	60	67	43	12	1	10	1
Apr.	2,355	1,393	492	100	310	60	52	28	13	4	6	1
May	2,394	1,408	507	104	313	61	60	32	17	5	4	2

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

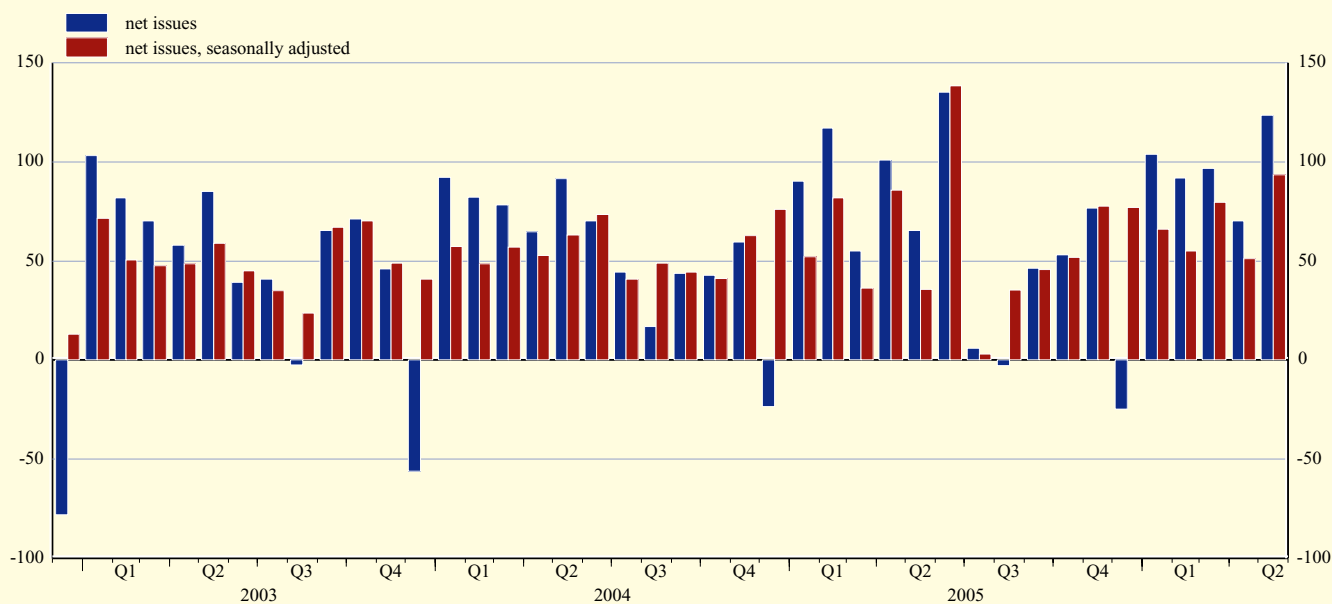
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted						Seasonally adjusted					
	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												
2004	662.6	350.4	75.2	8.5	197.0	31.5	666.5	353.1	73.3	8.2	200.2	31.8
2005	718.1	315.6	177.5	21.9	170.7	32.2	720.0	318.0	174.0	22.0	173.5	32.5
2005 Q2	301.6	117.8	69.2	8.8	99.1	6.5	259.8	122.2	62.1	5.0	64.5	6.1
Q3	49.4	38.3	12.5	-0.8	-5.0	4.5	83.7	49.8	18.5	1.0	8.1	6.3
Q4	104.9	44.8	81.3	-0.2	-33.3	12.3	206.1	73.9	62.7	5.4	52.2	11.9
2006 Q1	292.7	158.8	45.0	10.9	71.1	6.9	200.4	112.9	66.6	7.5	7.6	5.8
2006 Feb.	92.0	54.0	25.8	3.3	4.8	4.1	55.0	36.5	29.3	3.3	-17.8	3.6
Mar.	96.9	54.8	18.6	2.6	20.5	0.3	79.5	38.9	23.8	2.0	14.4	0.4
Apr.	70.3	38.9	18.5	6.4	7.0	-0.4	51.1	29.6	14.0	5.1	3.5	-1.1
May	123.6	59.0	16.5	14.0	29.9	4.3	93.4	57.1	17.1	9.9	4.6	4.7
Long-term												
2004	615.2	297.8	73.8	12.1	201.7	29.8	618.3	298.8	72.0	12.0	205.5	30.1
2005	708.9	292.9	177.9	22.3	183.2	32.5	710.9	294.5	174.4	22.3	187.0	32.7
2005 Q2	294.4	112.6	69.5	8.7	97.0	6.6	250.9	110.7	62.1	3.6	68.3	6.3
Q3	43.5	28.1	12.8	5.8	-7.7	4.5	67.2	29.1	18.9	7.6	5.3	6.2
Q4	139.3	40.6	81.5	8.6	-4.1	12.7	200.5	69.4	63.0	7.5	47.9	12.6
2006 Q1	209.8	101.2	45.4	2.8	53.4	7.0	169.6	72.5	67.1	7.3	17.2	5.5
2006 Feb.	72.2	36.7	25.5	3.0	2.9	4.0	39.8	17.9	29.2	5.1	-16.3	3.7
Mar.	80.7	36.4	19.2	0.3	24.6	0.3	71.2	20.1	24.3	-0.2	27.0	-0.1
Apr.	46.6	21.9	17.2	3.7	4.3	-0.6	40.8	20.7	12.9	4.3	4.1	-1.2
May	94.7	35.0	16.2	9.2	29.9	4.5	66.2	28.3	16.7	6.5	9.7	5.0

C16 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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

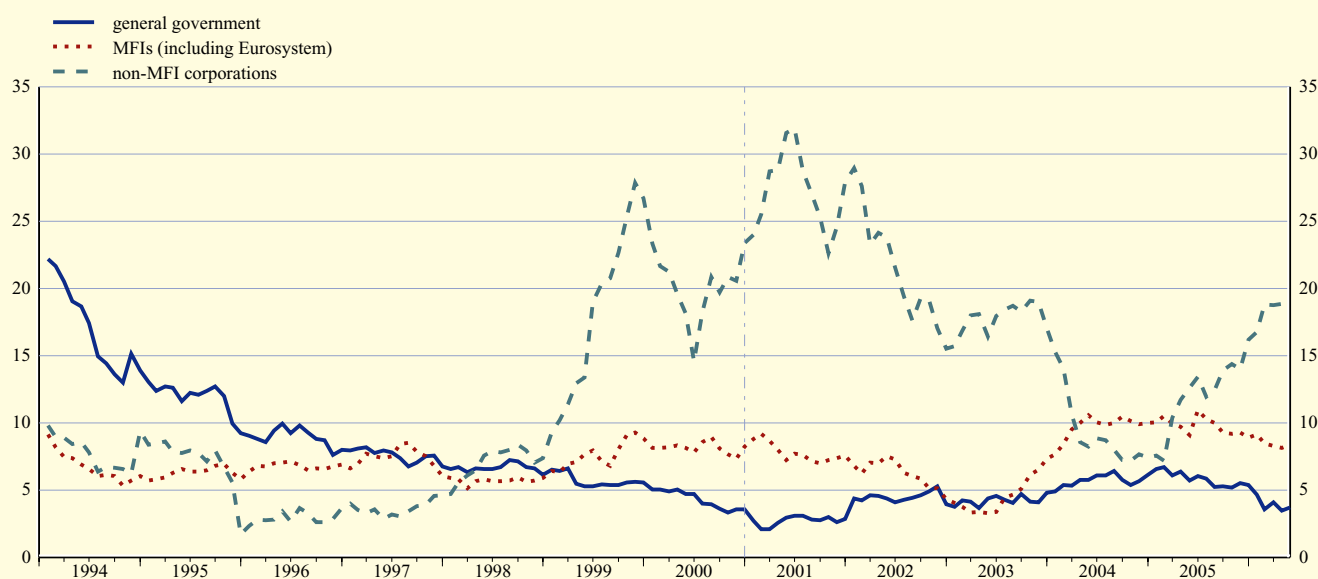


Source: ECB.

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

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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												
2005 May	7.4	9.3	18.4	4.8	4.2	11.7	7.9	9.8	19.6	5.4	4.6	10.4
June	8.1	10.5	20.1	3.1	4.5	11.3	9.2	10.6	26.9	5.3	5.5	11.8
July	7.6	10.0	18.8	1.6	4.2	12.9	8.1	10.6	22.3	2.6	4.1	9.8
Aug.	7.4	10.0	18.8	2.3	3.7	12.1	7.0	9.8	21.8	1.8	2.7	8.7
Sep.	7.4	9.4	21.3	2.9	3.7	11.8	7.2	9.1	22.2	2.0	3.4	9.7
Oct.	7.5	9.4	21.5	4.1	3.6	12.2	6.4	8.5	23.5	2.2	2.0	8.8
Nov.	7.6	9.4	21.1	3.1	4.0	12.3	7.2	8.9	22.5	1.0	3.5	14.2
Dec.	7.6	8.4	23.8	3.7	4.1	12.9	5.9	6.3	20.6	2.1	2.8	14.2
2006 Jan.	7.7	9.1	24.4	3.6	3.7	11.3	7.2	7.6	26.3	4.5	3.3	12.8
Feb.	7.3	8.9	26.9	3.2	2.7	11.9	7.5	7.9	32.3	4.7	2.7	15.0
Mar.	7.7	9.3	27.3	3.1	3.1	11.6	8.2	9.4	32.8	4.3	2.8	13.4
Apr.	7.3	8.9	27.3	2.8	2.6	10.2	8.1	9.2	31.3	3.3	3.3	11.5
May	7.8	9.9	26.6	4.1	2.7	12.1	8.4	10.9	30.9	7.5	1.8	10.1
Long-term												
2005 May	8.0	9.1	18.2	5.0	5.3	11.7	8.7	9.7	19.4	2.0	6.5	11.3
June	8.9	10.9	19.9	4.4	5.7	11.4	10.6	12.2	27.2	2.9	7.2	11.6
July	8.4	10.3	18.6	2.7	5.4	13.2	8.8	10.8	22.5	2.7	5.3	10.4
Aug.	8.1	10.0	18.8	3.5	4.8	12.4	7.4	9.3	22.3	4.4	3.4	9.2
Sep.	8.0	9.3	21.3	3.7	4.8	12.2	7.4	8.4	22.5	4.5	3.8	10.1
Oct.	8.0	9.2	21.6	4.3	4.7	12.5	6.7	8.4	24.1	5.6	2.1	8.9
Nov.	8.2	9.3	21.2	3.7	5.0	13.0	7.7	8.8	23.0	5.5	3.6	14.6
Dec.	8.3	8.9	24.1	4.5	4.9	13.2	6.0	5.6	20.9	6.1	2.7	15.1
2006 Jan.	8.1	9.1	24.6	5.1	4.2	11.8	7.4	7.5	26.7	7.4	3.1	13.2
Feb.	7.6	8.5	27.3	6.1	3.0	12.6	7.8	7.7	32.5	7.9	2.5	15.9
Mar.	7.8	8.3	27.8	5.2	3.6	12.1	8.3	8.1	33.3	5.9	3.3	14.1
Apr.	7.5	8.1	27.7	5.4	3.0	10.5	8.2	7.9	31.3	5.2	3.9	12.1
May	7.7	8.4	26.8	6.8	3.1	12.5	7.7	7.9	30.8	8.2	2.6	10.6

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



Source: ECB.

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

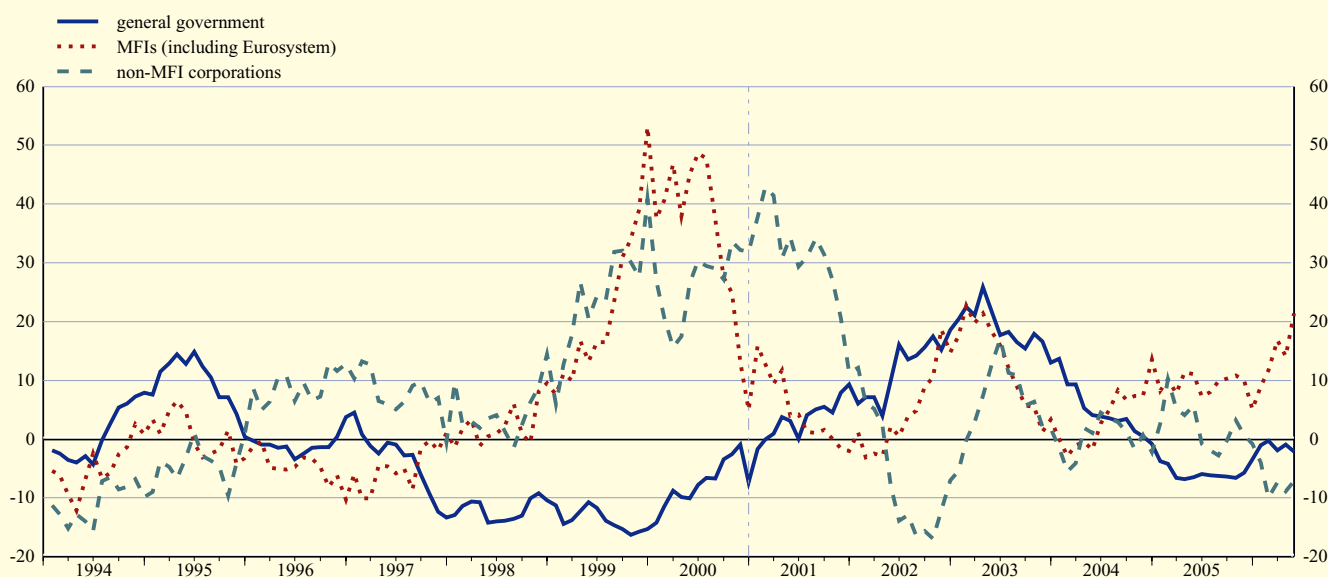
4.3 Growth rates of securities, other than shares, issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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												
2004	5.1	3.1	6.5	3.4	5.8	14.7	16.2	18.5	27.1	8.8	0.3	26.5
2005	4.7	3.1	5.7	0.4	5.4	15.0	19.4	18.3	35.9	22.4	9.8	4.7
2005 Q2	4.7	2.5	6.0	1.4	5.8	14.8	19.4	18.9	35.1	26.4	8.5	3.2
Q3	4.5	3.0	6.4	0.7	5.0	15.6	20.7	19.7	38.8	17.5	11.5	1.7
Q4	4.7	3.9	6.4	0.5	4.8	15.9	19.1	15.3	43.9	19.5	11.7	1.9
2006 Q1	4.3	4.3	9.0	0.7	3.5	15.6	19.0	14.3	48.9	24.5	7.8	1.1
2005 Dec.	4.7	3.7	8.1	0.4	4.6	16.8	19.1	14.8	45.6	23.4	9.6	1.3
2006 Jan.	4.5	4.6	8.1	0.3	3.9	14.9	19.3	15.1	47.1	24.2	8.6	1.0
Feb.	3.9	4.1	9.6	1.3	2.6	16.2	19.1	14.0	51.0	25.2	7.6	0.0
Mar.	4.4	4.4	10.4	0.3	3.5	14.5	18.0	12.7	51.4	25.0	4.9	3.2
Apr.	4.1	4.3	11.6	0.3	3.1	12.3	17.1	12.3	48.9	26.5	2.0	3.4
May	4.3	4.8	12.0	1.6	3.0	14.0	17.4	12.1	45.5	29.9	5.1	6.5
In euro												
2004	4.8	1.3	10.5	2.0	5.9	14.7	15.6	17.8	27.2	9.1	0.2	25.3
2005	4.3	0.9	9.2	-0.1	5.3	15.3	18.8	17.2	35.2	22.4	10.2	5.3
2005 Q2	4.4	0.3	10.1	0.9	5.7	15.1	18.9	18.0	35.2	24.5	8.9	3.8
Q3	4.1	1.0	10.0	0.4	4.9	16.0	20.5	18.9	38.4	18.3	12.1	2.6
Q4	4.2	1.9	8.6	0.6	4.6	16.2	18.3	13.9	41.6	21.1	12.2	2.2
2006 Q1	3.7	2.4	9.1	0.5	3.5	16.1	18.2	12.9	46.2	26.5	8.2	1.0
2005 Dec.	4.2	1.8	9.0	0.5	4.5	17.2	18.3	13.3	43.4	25.0	10.1	1.6
2006 Jan.	3.9	2.7	8.6	0.0	3.9	15.4	18.6	13.7	44.7	26.1	9.0	1.1
Feb.	3.3	2.3	9.7	1.3	2.6	16.7	18.3	12.6	47.9	27.3	8.0	-0.4
Mar.	3.8	2.7	9.2	0.2	3.5	15.1	17.3	11.5	48.2	27.0	5.0	2.8
Apr.	3.6	2.5	10.4	0.3	3.1	12.7	15.8	10.6	44.6	29.9	2.1	2.8
May	3.8	3.1	10.3	1.6	3.1	14.4	16.0	10.3	41.3	34.0	5.2	4.9

C18 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

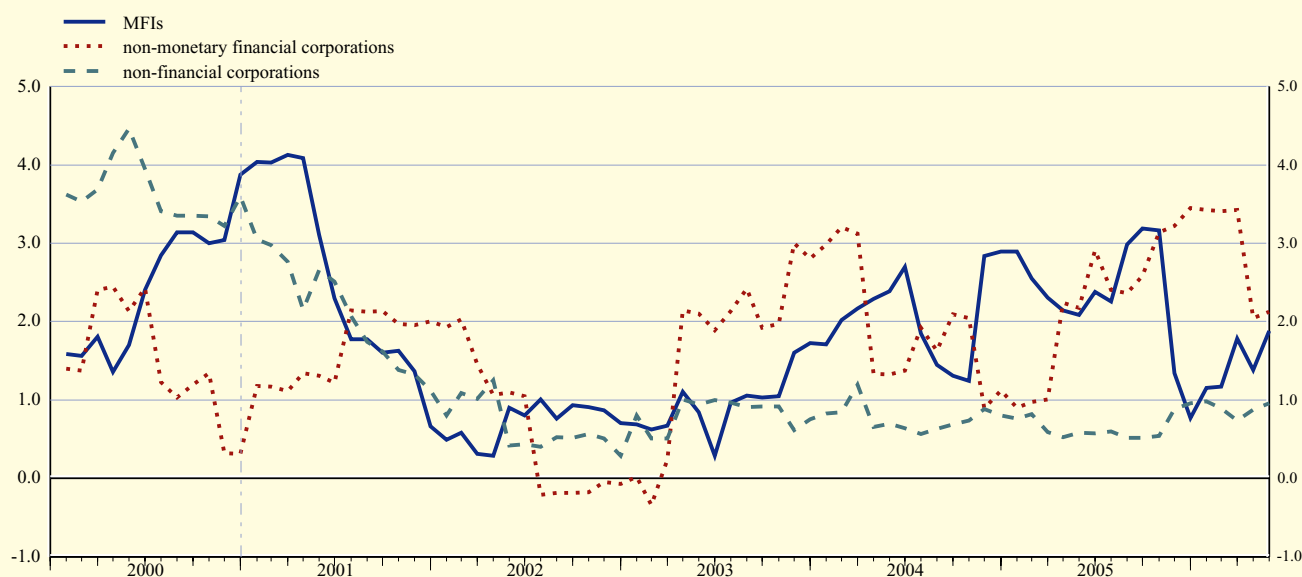
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		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
2004 May	3,687.9	101.9	1.0	568.1	2.4	353.0	1.3	2,766.8	0.7
June	3,790.1	102.0	1.0	582.5	2.7	364.4	1.4	2,843.2	0.6
July	3,679.8	102.1	0.9	562.3	1.8	356.2	1.9	2,761.3	0.6
Aug.	3,621.2	102.0	0.9	562.5	1.4	355.3	1.6	2,703.4	0.6
Sep.	3,707.9	102.1	0.9	579.6	1.3	364.2	2.1	2,764.1	0.7
Oct.	3,787.6	102.2	0.9	598.0	1.2	374.6	2.0	2,815.0	0.7
Nov.	3,906.5	102.5	1.2	623.9	2.8	388.6	0.9	2,894.1	0.9
Dec.	4,033.8	102.6	1.2	643.7	2.9	407.7	1.1	2,982.4	0.8
2005 Jan.	4,138.0	102.6	1.1	662.6	2.9	414.2	0.9	3,061.3	0.8
Feb.	4,254.5	102.6	1.1	681.1	2.6	434.1	1.0	3,139.2	0.8
Mar.	4,242.4	102.7	0.9	677.7	2.3	424.0	1.0	3,140.7	0.6
Apr.	4,094.7	102.9	1.0	656.0	2.1	409.4	2.2	3,029.3	0.5
May	4,272.7	102.9	1.0	678.1	2.1	424.0	2.2	3,170.5	0.6
June	4,381.2	103.1	1.1	698.0	2.4	441.5	2.9	3,241.6	0.6
July	4,631.2	103.1	1.0	727.9	2.3	466.7	2.4	3,436.6	0.6
Aug.	4,605.9	103.1	1.1	723.4	3.0	457.1	2.4	3,425.4	0.5
Sep.	4,827.2	103.3	1.1	764.1	3.2	483.7	2.6	3,579.3	0.5
Oct.	4,659.4	103.4	1.2	752.4	3.2	480.5	3.1	3,426.6	0.5
Nov.	4,882.0	103.7	1.2	809.2	1.3	513.6	3.2	3,559.2	0.9
Dec.	5,056.3	103.8	1.2	836.4	0.8	540.8	3.4	3,679.1	1.0
2006 Jan.	5,289.1	103.9	1.3	884.8	1.2	535.8	3.4	3,868.5	1.0
Feb.	5,429.2	103.9	1.2	938.8	1.2	561.8	3.4	3,928.7	0.9
Mar.	5,629.8	103.9	1.2	962.3	1.8	579.1	3.4	4,088.4	0.7
Apr.	5,653.2	104.0	1.1	948.8	1.4	572.9	2.0	4,131.5	0.9
May	5,367.6	104.2	1.2	899.7	1.9	533.5	2.1	3,934.4	1.0

C19 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⁾

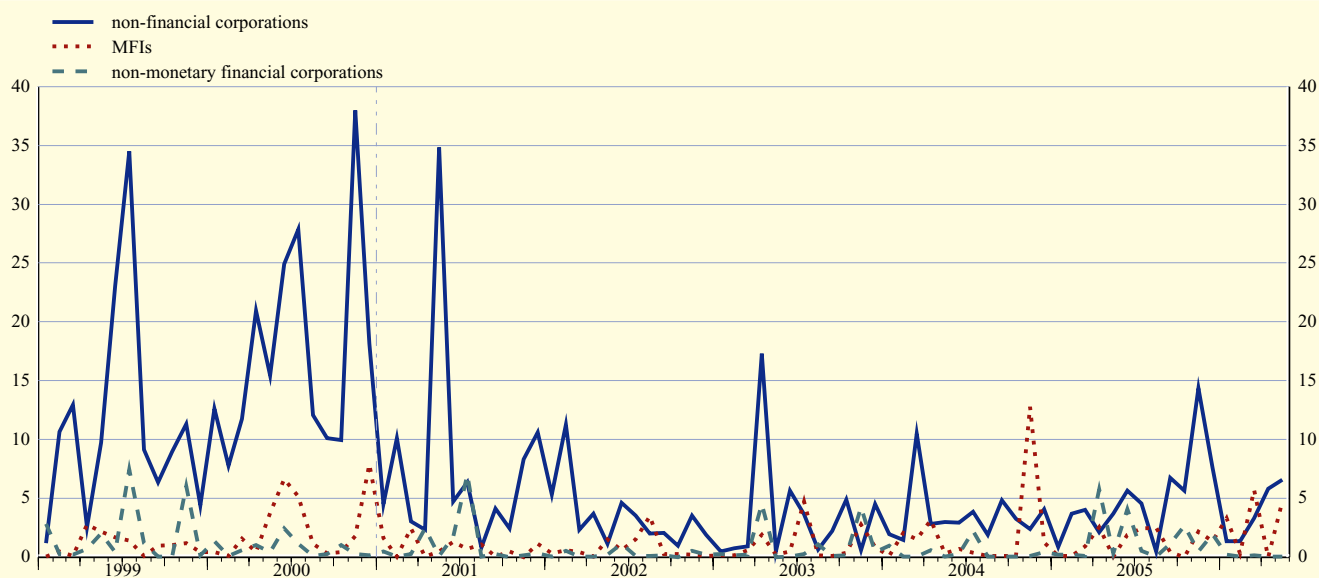
(EUR billions; market values)

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
2004 May	3.3	3.7	-0.4	0.3	0.0	0.3	0.0	0.0	0.0	3.0	3.6	-0.6
June	3.9	2.2	1.7	0.7	1.6	-0.9	0.3	0.0	0.2	2.9	0.6	2.4
July	6.4	3.8	2.6	0.4	0.0	0.4	2.2	0.0	2.2	3.9	3.8	0.1
Aug.	2.0	3.1	-1.1	0.1	2.2	-2.1	0.0	0.0	0.0	1.9	1.0	0.9
Sep.	4.9	2.2	2.8	0.1	0.9	-0.8	0.0	0.0	0.0	4.8	1.3	3.5
Oct.	3.3	0.7	2.6	0.1	0.0	0.1	0.0	0.0	0.0	3.2	0.7	2.5
Nov.	15.3	3.6	11.7	12.8	0.3	12.5	0.1	0.0	0.1	2.4	3.3	-0.9
Dec.	5.7	2.2	3.5	1.2	0.0	1.2	0.4	0.1	0.3	4.1	2.1	2.0
2005 Jan.	1.1	1.2	0.0	0.1	0.0	0.1	0.2	0.0	0.2	0.9	1.2	-0.3
Feb.	4.0	1.3	2.7	0.1	0.0	0.1	0.2	0.1	0.1	3.7	1.2	2.5
Mar.	5.0	1.8	3.2	0.9	0.8	0.1	0.1	0.1	0.0	4.0	0.8	3.2
Apr.	10.4	2.3	8.1	2.5	0.0	2.5	5.8	0.0	5.7	2.1	2.3	-0.2
May	4.0	3.2	0.7	0.0	0.0	0.0	0.3	0.6	-0.3	3.7	2.7	1.0
June	11.6	4.9	6.7	1.9	1.0	0.9	4.1	0.7	3.3	5.6	3.2	2.5
July	7.5	6.6	0.9	2.4	2.9	-0.4	0.5	0.0	0.5	4.5	3.7	0.8
Aug.	2.9	2.2	0.8	2.5	0.0	2.5	0.0	0.2	-0.1	0.4	2.0	-1.6
Sep.	8.2	2.3	5.9	0.4	0.0	0.4	1.1	0.1	1.0	6.7	2.2	4.5
Oct.	8.3	1.6	6.7	0.0	0.1	-0.1	2.6	0.0	2.6	5.6	1.4	4.2
Nov.	17.0	3.8	13.2	2.1	0.0	2.1	0.5	0.0	0.5	14.4	3.8	10.6
Dec.	10.9	7.3	3.5	1.3	4.3	-3.0	1.9	0.4	1.5	7.6	2.6	5.0
2006 Jan.	4.8	0.8	4.1	3.3	0.0	3.3	0.2	0.0	0.2	1.3	0.7	0.6
Feb.	1.7	1.7	0.0	0.3	0.1	0.2	0.0	0.0	0.0	1.3	1.6	-0.3
Mar.	9.1	5.4	3.7	5.7	0.0	5.7	0.1	0.0	0.1	3.3	5.4	-2.1
Apr.	5.8	0.4	5.4	0.0	0.2	-0.1	0.0	0.0	0.0	5.8	0.3	5.5
May	11.3	2.2	9.2	4.7	0.0	4.7	0.0	0.0	0.0	6.6	2.1	4.4

C20 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
2005 June	0.70	1.95	2.20	2.19	2.11	2.38	0.94	2.01	2.05	3.54	2.00
July	0.68	1.93	2.01	2.18	2.10	2.34	0.94	2.02	2.21	3.12	2.00
Aug.	0.68	1.95	2.07	2.09	1.98	2.31	0.97	2.02	2.23	2.91	2.01
Sep.	0.69	1.97	2.05	2.04	1.98	2.29	0.97	2.04	2.23	2.97	2.03
Oct.	0.69	1.99	2.28	2.16	1.97	2.27	0.97	2.04	2.58	3.54	2.01
Nov.	0.70	2.02	2.34	2.18	2.00	2.27	1.00	2.08	2.18	3.52	2.02
Dec.	0.71	2.15	2.25	2.21	1.97	2.30	1.02	2.25	2.48	3.55	2.22
2006 Jan.	0.73	2.21	2.47	2.56	2.00	2.32	1.05	2.27	2.40	3.52	2.25
Feb.	0.74	2.24	2.52	2.36	1.97	2.34	1.08	2.31	2.69	3.37	2.26
Mar.	0.76	2.37	2.60	2.45	1.98	2.37	1.14	2.48	2.93	3.28	2.44
Apr.	0.79	2.40	2.81	2.49	2.00	2.42	1.16	2.51	2.92	3.71	2.49
May	0.79	2.45	2.87	2.48	2.00	2.48	1.18	2.58	3.11	3.38	2.48

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

	Bank overdrafts 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 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				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 June	9.61	6.63	6.52	7.94	7.74	3.32	3.76	4.14	4.11	3.87	3.83	4.59	4.55
July	9.52	6.70	6.59	8.01	7.82	3.33	3.71	4.07	4.06	3.85	3.89	4.54	4.38
Aug.	9.58	7.00	6.66	8.13	7.98	3.32	3.72	4.01	4.01	3.87	3.80	4.59	4.44
Sep.	9.61	7.03	6.43	7.94	7.83	3.31	3.69	3.99	3.97	3.82	3.85	4.51	4.29
Oct.	9.65	6.82	6.43	8.01	7.74	3.33	3.68	3.99	3.96	3.81	3.88	4.50	4.33
Nov.	9.70	6.75	6.40	7.85	7.61	3.38	3.71	3.98	3.98	3.84	4.00	4.28	4.37
Dec.	9.67	6.76	6.36	7.43	7.45	3.49	3.85	4.03	4.01	3.98	4.06	4.57	4.40
2006 Jan.	9.81	6.94	6.48	8.13	7.87	3.61	3.91	4.14	4.06	4.09	4.15	4.59	4.34
Feb.	9.61	6.88	6.34	7.95	7.76	3.66	3.97	4.14	4.06	4.08	4.24	4.66	4.35
Mar.	9.90	6.79	6.28	7.88	7.65	3.73	3.99	4.22	4.10	4.15	4.33	4.72	4.49
Apr.	9.76	7.06	6.31	7.92	7.76	3.84	4.07	4.33	4.17	4.29	4.30	4.85	4.62
May	9.78	7.24	6.23	7.89	7.77	3.90	4.15	4.40	4.19	4.34	4.43	5.05	4.76

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

	Bank overdrafts 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
2005 June		5.10	3.87	4.43	4.19	2.95	3.44	3.85
July		5.09	3.86	4.39	4.15	2.96	3.57	3.74
Aug.		5.10	3.91	4.45	4.16	3.00	3.53	3.80
Sep.		5.13	3.81	4.36	4.05	2.97	3.40	3.88
Oct.		5.11	3.88	4.43	4.04	2.94	3.58	3.80
Nov.		5.09	3.91	4.44	4.03	3.10	3.60	3.98
Dec.		5.12	3.99	4.50	4.12	3.25	3.58	3.96
2006 Jan.		5.23	4.07	4.59	4.13	3.18	3.72	3.96
Feb.		5.29	4.13	4.69	4.16	3.26	4.36	4.02
Mar.		5.30	4.23	4.59	4.16	3.50	3.83	4.18
Apr.		5.40	4.34	4.73	4.15	3.51	3.94	4.22
May		5.35	4.38	4.83	4.27	3.57	4.13	4.32

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)

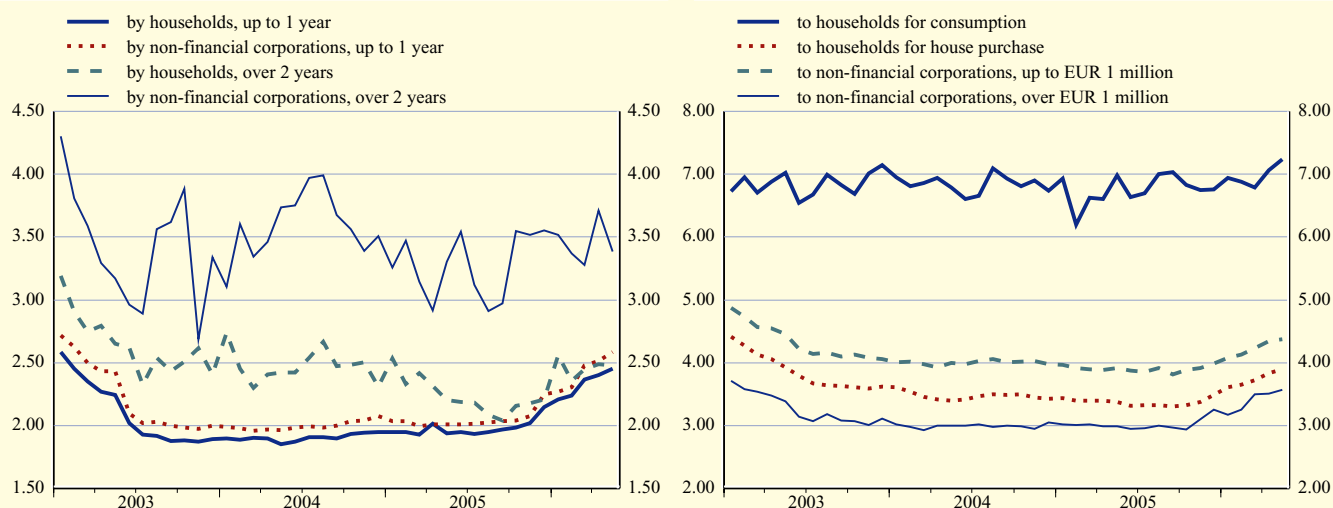
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ¹⁾	With agreed maturity		Redeemable at notice ^{1,2)}		Overnight ¹⁾	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
2005 June	0.70	1.92	3.22	2.11	2.38	0.94	2.10	3.55	2.00
July	0.68	1.91	3.18	2.10	2.34	0.94	2.11	3.57	1.98
Aug.	0.68	1.92	3.18	1.98	2.31	0.97	2.10	3.46	2.00
Sep.	0.69	1.92	3.19	1.98	2.29	0.97	2.12	3.56	2.01
Oct.	0.69	1.93	3.17	1.97	2.27	0.97	2.12	3.39	2.03
Nov.	0.70	1.96	3.15	2.00	2.27	1.00	2.16	3.43	2.06
Dec.	0.71	2.01	3.15	1.97	2.30	1.02	2.30	3.41	2.16
2006 Jan.	0.73	2.05	3.10	2.00	2.32	1.05	2.32	3.47	2.21
Feb.	0.74	2.09	3.12	1.97	2.34	1.08	2.38	3.37	2.27
Mar.	0.76	2.16	3.00	1.98	2.37	1.14	2.48	3.35	2.38
Apr.	0.79	2.21	3.01	2.00	2.42	1.16	2.53	3.40	2.42
May	0.79	2.27	3.04	2.00	2.48	1.18	2.59	3.41	2.49

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
2005 June	4.61	4.33	4.67	7.91	6.93	5.78	4.32	3.85	4.35
July	4.53	4.29	4.63	7.88	6.86	5.70	4.30	3.82	4.29
Aug.	4.52	4.24	4.59	7.92	6.86	5.60	4.25	3.80	4.28
Sep.	4.49	4.23	4.59	7.91	6.85	5.67	4.25	3.78	4.26
Oct.	4.49	4.19	4.57	7.92	6.80	5.64	4.24	3.77	4.24
Nov.	4.48	4.17	4.53	7.86	6.77	5.66	4.29	3.79	4.25
Dec.	4.54	4.14	4.52	7.89	6.77	5.62	4.35	3.84	4.24
2006 Jan.	4.62	4.14	4.50	7.99	6.78	5.60	4.42	3.88	4.26
Feb.	4.58	4.16	4.54	7.97	6.79	5.68	4.49	3.95	4.31
Mar.	4.60	4.15	4.52	8.06	6.80	5.73	4.53	3.98	4.31
Apr.	4.63	4.16	4.52	8.10	6.73	5.75	4.59	4.05	4.34
May	4.63	4.16	4.52	8.10	6.70	5.71	4.64	4.10	4.36

C21 New deposits with agreed maturity
(percentages per annum excluding charges; period averages)

C22 New loans at floating rate and up to 1 year initial rate fixation
(percentages per annum excluding charges; period averages)



Source: ECB.

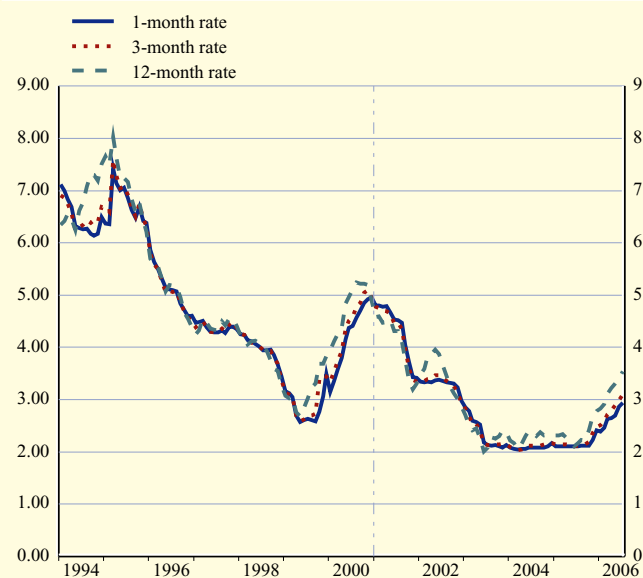
4.6 Money market interest rates

(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
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
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2005 Q2	2.07	2.10	2.12	2.14	2.19	3.28	0.05
Q3	2.08	2.11	2.13	2.15	2.20	3.77	0.06
Q4	2.14	2.25	2.34	2.46	2.63	4.34	0.06
2006 Q1	2.40	2.50	2.61	2.75	2.95	4.76	0.08
Q2	2.63	2.74	2.90	3.06	3.32	5.21	0.21
2005 July	2.07	2.11	2.12	2.13	2.17	3.61	0.06
Aug.	2.06	2.11	2.13	2.16	2.22	3.80	0.06
Sep.	2.09	2.12	2.14	2.17	2.22	3.91	0.06
Oct.	2.07	2.12	2.20	2.27	2.41	4.17	0.06
Nov.	2.09	2.22	2.36	2.50	2.68	4.35	0.06
Dec.	2.28	2.41	2.47	2.60	2.78	4.49	0.07
2006 Jan.	2.33	2.39	2.51	2.65	2.83	4.60	0.07
Feb.	2.35	2.46	2.60	2.72	2.91	4.76	0.07
Mar.	2.52	2.63	2.72	2.87	3.11	4.92	0.10
Apr.	2.63	2.65	2.79	2.96	3.22	5.07	0.11
May	2.58	2.69	2.89	3.06	3.31	5.18	0.19
June	2.70	2.87	2.99	3.16	3.40	5.38	0.32
July	2.81	2.94	3.10	3.29	3.54	5.50	0.40

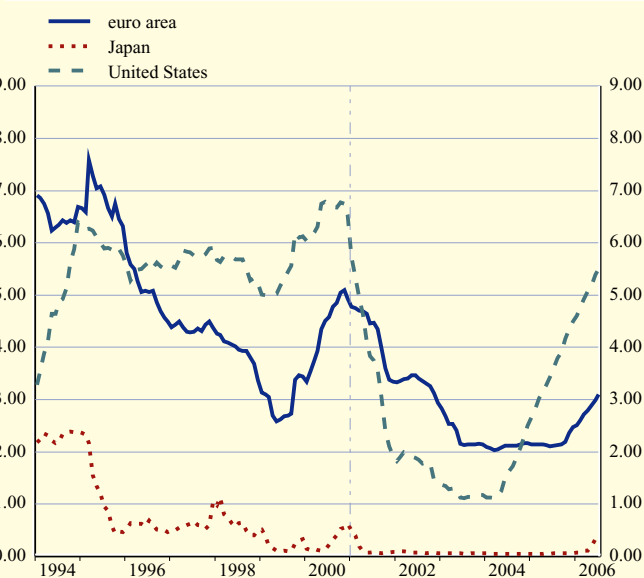
C23 Euro area money market rates

(monthly; percentages per annum)



C24 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.

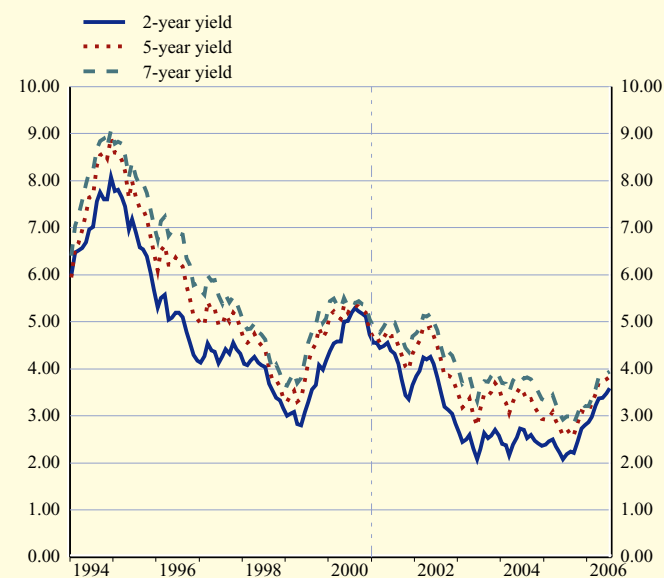
4.7 Government bond yields

(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
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
2005	2.38	2.55	2.85	3.14	3.44	4.28	1.39
2005 Q2	2.21	2.40	2.73	3.07	3.41	4.16	1.28
Q3	2.21	2.36	2.65	2.94	3.26	4.21	1.36
Q4	2.66	2.79	3.01	3.18	3.42	4.48	1.53
2006 Q1	3.02	3.11	3.28	3.39	3.56	4.57	1.58
Q2	3.41	3.53	3.75	3.88	4.05	5.07	1.90
2005 July	2.19	2.34	2.66	2.99	3.32	4.16	1.26
Aug.	2.24	2.40	2.70	2.99	3.32	4.26	1.43
Sep.	2.21	2.34	2.60	2.84	3.16	4.19	1.38
Oct.	2.45	2.61	2.85	3.05	3.32	4.45	1.54
Nov.	2.73	2.86	3.10	3.28	3.53	4.53	1.52
Dec.	2.80	2.88	3.07	3.21	3.41	4.46	1.54
2006 Jan.	2.86	2.94	3.10	3.21	3.39	4.41	1.47
Feb.	2.97	3.07	3.26	3.37	3.55	4.56	1.57
Mar.	3.22	3.30	3.47	3.57	3.73	4.72	1.70
Apr.	3.37	3.49	3.71	3.83	4.01	4.99	1.91
May	3.38	3.52	3.74	3.89	4.06	5.10	1.91
June	3.47	3.59	3.78	3.91	4.07	5.10	1.87
July	3.58	3.69	3.84	3.94	4.10	5.10	1.91

C25 Euro area government bond yields

(monthly; percentages per annum)



C26 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.

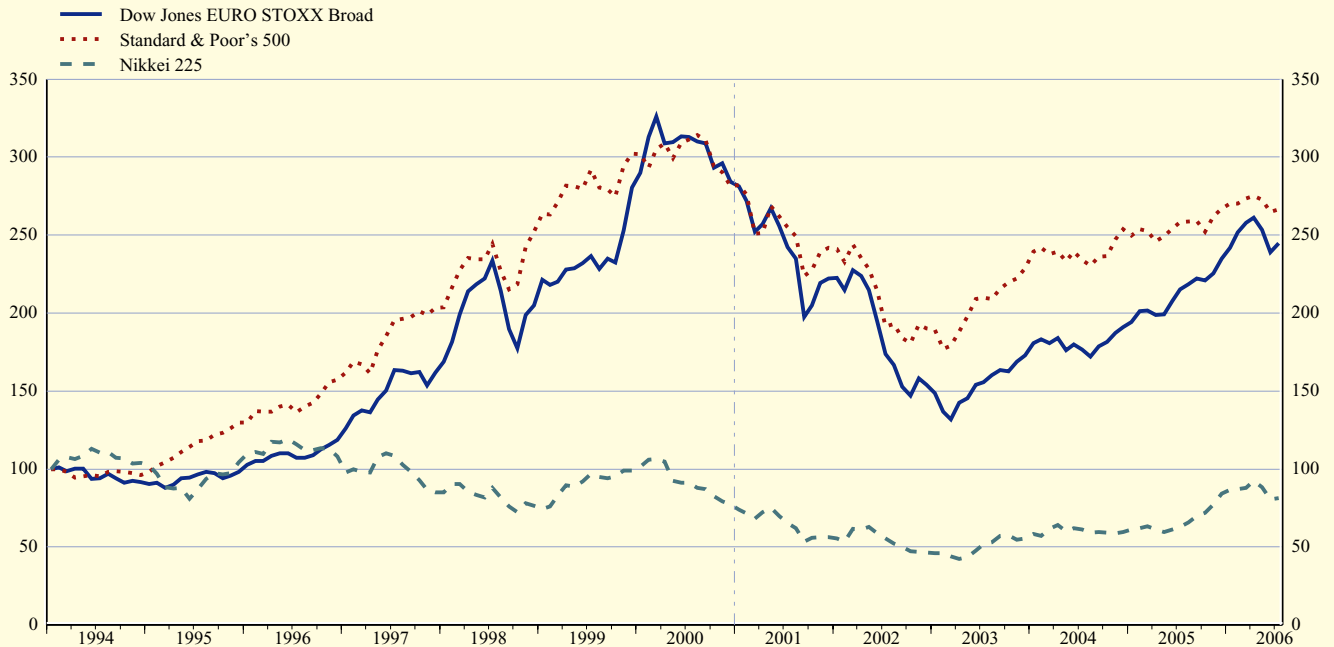
4.8 Stock market indices

(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	
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
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
2005 Q2	280.1	3,063.7	291.1	177.7	232.4	354.5	271.2	291.7	284.8	321.7	423.0	455.7	1,182.2	11,282.4
Q3	303.4	3,308.0	311.9	185.0	256.7	411.3	293.4	318.6	303.8	346.0	439.7	466.5	1,223.6	12,310.9
Q4	315.2	3,433.1	334.0	185.5	262.8	411.8	316.8	327.6	325.0	358.6	423.4	478.3	1,231.6	14,487.0
2006 Q1	347.6	3,729.4	373.1	199.2	286.5	423.6	358.4	379.7	354.5	413.3	415.8	522.4	1,283.2	16,207.8
Q2	348.2	3,692.9	386.0	199.6	285.5	412.8	357.5	387.5	358.0	417.7	403.5	539.1	1,280.9	16,190.0
2005 July	298.4	3,267.1	302.0	184.9	249.5	398.3	288.2	313.8	308.6	336.8	437.5	463.4	1,220.9	11,718.9
Aug.	303.1	3,303.3	311.5	185.7	257.1	405.8	293.4	318.9	297.6	343.9	444.7	473.0	1,224.3	12,205.0
Sep.	308.4	3,351.8	321.7	184.4	263.0	429.3	298.5	322.9	305.7	357.0	436.5	462.5	1,225.6	12,986.6
Oct.	306.8	3,340.1	322.4	182.4	260.6	405.3	302.6	317.3	312.4	347.7	434.0	466.8	1,192.0	13,384.9
Nov.	312.7	3,404.9	330.8	183.2	259.3	411.2	316.4	322.3	322.9	354.0	418.2	471.6	1,238.7	14,362.0
Dec.	325.7	3,550.1	348.4	190.8	268.4	418.5	330.8	342.7	339.2	373.5	418.5	496.1	1,262.4	15,664.0
2006 Jan.	335.5	3,626.9	356.5	196.1	276.1	429.6	340.6	361.4	344.6	391.3	414.6	519.2	1,277.7	16,103.4
Feb.	349.0	3,743.8	375.9	198.0	288.5	424.3	361.7	383.9	351.7	417.8	409.1	513.8	1,277.2	16,187.6
Mar.	358.0	3,814.9	386.5	203.1	294.9	417.4	372.5	393.6	366.3	430.4	422.7	532.9	1,293.7	16,325.2
Apr.	362.3	3,834.6	399.0	204.8	299.9	433.6	372.9	404.0	381.1	429.3	415.8	545.4	1,301.5	17,233.0
May	351.7	3,726.8	392.2	200.9	287.9	415.8	362.7	394.5	358.9	420.4	401.0	542.2	1,289.6	16,430.7
June	331.8	3,528.7	367.8	193.6	269.8	390.7	338.2	365.2	336.0	404.4	394.8	530.2	1,253.1	14,990.3
July	339.6	3,617.3	389.0	196.6	277.0	409.5	348.2	369.8	321.7	415.7	393.3	548.6	1,261.2	15,133.2

C27 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.



PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices

	Total					Total (s.a., percentage change on previous period)					
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services
		Total excl. unprocessed food and energy									
% of total ¹⁾	100.0	100.0	83.4	59.2	40.8	100.0	11.8	7.4	30.7	9.2	40.8
	1	2	3	4	5	6	7	8	9	10	11
2002	93.9	2.2	2.5	1.7	3.1	-	-	-	-	-	-
2003	95.8	2.1	2.0	1.8	2.5	-	-	-	-	-	-
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-
2005 Q1	98.8	2.0	1.7	1.8	2.4	0.4	0.7	0.6	0.0	0.3	0.5
Q2	99.9	2.0	1.5	1.8	2.3	0.7	0.3	0.2	0.1	4.5	0.5
Q3	100.3	2.3	1.4	2.4	2.2	0.8	0.6	0.0	0.0	5.6	0.6
Q4	101.0	2.3	1.5	2.4	2.1	0.4	0.7	0.6	0.2	0.4	0.5
2006 Q1	101.0	2.3	1.4	2.6	1.9	0.4	0.5	0.6	0.1	1.3	0.4
2006 Feb.	100.9	2.3	1.3	2.6	2.0	0.2	0.1	0.3	0.0	0.4	0.2
Mar.	101.5	2.2	1.4	2.4	1.9	0.1	0.3	-0.4	0.1	0.5	0.1
Apr.	102.2	2.4	1.6	2.6	2.2	0.4	0.0	0.2	0.1	2.8	0.2
May	102.5	2.5	1.4	2.9	1.8	0.2	0.1	0.3	0.1	1.0	0.2
June	102.5	2.5	1.5	2.7	2.0	0.2	0.1	0.5	0.1	-0.1	0.2
July ²⁾	.	2.5	.	.	.	.	.	.	.	.	.

	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⁾	19.3	11.8	7.4	39.9	30.7	9.2	10.3	6.3	6.4	2.9	14.5	6.6
	12	13	14	15	16	17	18	19	20	21	22	23
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	2.4	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
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2005 Q1	1.6	2.4	0.5	1.9	0.3	7.6	2.6	2.1	3.1	-1.9	2.4	3.5
Q2	1.2	1.6	0.8	2.1	0.3	8.8	2.7	2.1	2.4	-2.0	2.3	3.4
Q3	1.4	1.8	0.8	2.8	0.1	12.7	2.5	2.1	2.6	-2.2	2.3	3.0
Q4	1.9	2.2	1.4	2.7	0.4	11.1	2.5	1.9	2.7	-2.7	2.3	2.7
2006 Q1	1.8	2.0	1.4	3.0	0.3	12.2	2.5	2.0	2.4	-3.3	2.2	2.3
2006 Jan.	1.9	1.9	2.0	3.1	0.2	13.6	2.5	2.0	2.3	-2.9	2.2	2.4
Feb.	1.8	1.9	1.7	3.0	0.3	12.5	2.6	2.1	2.6	-3.4	2.3	2.2
Mar.	1.6	2.3	0.6	2.7	0.5	10.5	2.6	2.1	2.3	-3.5	2.1	2.3
Apr.	1.8	2.2	1.2	2.9	0.6	11.0	2.6	2.1	3.1	-3.7	2.7	2.1
May	2.0	2.2	1.5	3.4	0.6	12.9	2.5	2.1	2.6	-3.5	1.9	2.2
June	2.2	2.2	2.1	3.0	0.7	11.0	2.5	2.1	2.8	-3.6	2.2	2.3

Sources: Eurostat and ECB calculations.

1) Referring to the index period 2006.

2) Estimate based on provisional national releases covering around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction, residential property and commodity prices

	Industrial producer prices excluding construction										Construct- ion ¹⁾	Residential property prices ²⁾	World market prices of raw materials ³⁾	Oil prices ⁴⁾ (EUR per barrel)		
	Total (index 2000 = 100)	Total	Industry excluding construction and energy							Energy					Total	Total excluding energy
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods									
							Total	Durable	Non-durable							
% of total ⁵⁾	100.0	100.0	89.5	82.5	31.6	21.3	29.5	4.0	25.5	17.5	100.0	32.8				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2002	101.9	-0.1	0.3	0.5	-0.3	0.9	1.0	1.3	1.0	-2.3	2.7	6.8	-4.1	-0.9	26.5	
2003	103.4	1.4	0.9	0.8	0.8	0.3	1.1	0.6	1.2	3.8	2.1	6.8	-4.0	-4.5	25.1	
2004	105.7	2.3	2.5	2.0	3.5	0.7	1.3	0.7	1.4	3.9	2.6	7.2	18.4	10.8	30.5	
2005	110.1	4.1	3.2	1.8	2.9	1.3	1.1	1.3	1.0	13.4	3.1	7.7	28.5	9.4	44.6	
2005 Q2	109.4	3.9	3.1	1.9	3.1	1.5	0.9	1.4	0.8	12.1	3.0	8.1 ⁶⁾	22.4	2.2	42.2	
Q3	110.8	4.2	3.0	1.3	1.7	1.2	0.9	1.2	0.9	15.7	3.0	-	33.5	11.6	50.9	
Q4	111.9	4.4	2.8	1.4	1.7	1.1	1.4	1.2	1.4	15.6	3.0	7.3 ⁶⁾	34.2	23.2	48.6	
2006 Q1	113.9	5.2	3.2	1.7	2.3	1.0	1.5	1.4	1.5	19.0	.	-	36.4	23.6	52.3	
Q2	115.7	5.8	3.9	2.7	4.4	1.2	1.7	1.6	1.7	17.4	.	-	30.0	26.2	56.2	
2006 Feb.	113.9	5.4	3.3	1.7	2.3	1.0	1.5	1.4	1.5	19.7	-	-	38.7	25.5	51.8	
Mar.	114.4	5.1	3.0	1.8	2.6	1.1	1.5	1.4	1.5	17.5	-	-	27.4	20.0	52.6	
Apr.	115.4	5.5	3.5	2.2	3.4	1.2	1.6	1.5	1.6	17.7	-	-	35.0	25.4	57.6	
May	115.8	6.1	4.3	2.7	4.5	1.1	1.7	1.7	1.7	18.7	-	-	36.2	31.5	55.7	
June	116.1	5.8	4.0	3.0	5.2	1.2	1.8	1.6	1.9	15.7	-	-	20.0	22.0	55.4	
July	.	.	.	.	.	.	.	.	.	.	-	-	21.6	26.7	58.8

3. Hourly labour costs⁷⁾

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total ⁵⁾	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2002	107.5	3.5	3.3	4.4	3.2	4.3	3.6	2.7
2003	110.8	3.1	2.9	3.9	3.0	4.0	2.9	2.4
2004	113.5	2.4	2.3	2.8	2.7	3.1	2.2	2.1
2005	116.3	2.4	2.2	2.7	2.6	2.1	2.4	2.1
2005 Q1	115.4	3.1	2.7	3.6	3.1	3.5	3.0	2.2
Q2	116.0	2.6	2.2	3.3	2.5	2.5	2.5	2.1
Q3	116.5	2.0	2.1	1.2	2.4	1.3	1.8	2.1
Q4	117.2	2.1	2.0	2.7	2.3	1.0	2.1	2.0
2006 Q1	117.8	2.2	2.5	1.2	2.5	2.1	2.0	2.1

Sources: Eurostat, HWWA (columns 13 and 14 in Table 2 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 15 in Table 2 in Section 5.1), 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 12 in Table 2 in Section 5.1 and column 8 in Table 3 in Section 5.1).

- 1) Residential buildings, based on non-harmonised data.
- 2) Residential property price indicator for the euro area, based on non-harmonised sources.
- 3) Refers to the prices expressed in euro.
- 4) Brent Blend (for one-month forward delivery).
- 5) In 2000.
- 6) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
- 7) 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)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
Unit labour costs ¹⁾								
2002	104.3	2.3	2.0	1.0	3.4	1.5	3.1	3.0
2003	106.4	2.0	5.8	0.5	3.8	2.6	1.2	3.1
2004	107.4	0.9	-8.7	-1.3	1.9	0.6	2.6	2.3
2005	108.5	1.1	4.9	-0.3	2.9	0.2	1.8	1.9
2005 Q1	108.3	1.3	2.9	-0.4	4.3	0.8	1.5	1.6
Q2	108.5	1.1	6.6	0.2	3.4	0.6	2.1	1.4
Q3	108.2	0.8	4.8	0.1	1.7	-0.4	1.7	1.9
Q4	109.0	1.0	5.4	-1.2	2.3	-0.3	1.8	2.8
2006 Q1	109.3	0.9	0.9	-0.9	2.5	-0.4	2.5	2.4
Compensation per employee								
2002	105.0	2.5	3.1	2.2	2.6	2.5	2.6	3.0
2003	107.5	2.4	3.0	2.6	3.0	2.4	2.0	2.5
2004	109.9	2.2	1.6	3.1	2.5	1.7	2.4	2.1
2005	111.9	1.8	2.0	1.9	1.4	1.8	2.0	1.8
2005 Q1	111.2	1.7	2.8	1.8	0.7	2.0	2.0	1.7
Q2	111.6	1.6	2.3	2.0	1.7	1.7	2.4	1.1
Q3	111.9	1.8	1.6	2.1	1.5	1.7	1.9	1.6
Q4	112.7	2.0	1.2	1.7	1.7	1.7	1.9	2.8
2006 Q1	113.3	2.0	-0.2	2.4	2.6	1.6	2.1	1.9
Labour productivity ²⁾								
2002	100.7	0.3	1.0	1.2	-0.8	0.9	-0.4	0.0
2003	101.1	0.4	-2.6	2.1	-0.8	-0.2	0.8	-0.5
2004	102.4	1.3	11.2	4.5	0.6	1.1	-0.2	-0.2
2005	103.1	0.7	-2.8	2.2	-1.5	1.6	0.2	-0.1
2005 Q1	102.6	0.4	-0.1	2.1	-3.5	1.2	0.4	0.0
Q2	102.9	0.5	-4.0	1.8	-1.6	1.1	0.3	-0.3
Q3	103.4	0.9	-3.0	2.0	-0.2	2.1	0.2	-0.3
Q4	103.4	1.0	-4.0	2.9	-0.6	2.0	0.0	0.0
2006 Q1	103.7	1.0	-1.1	3.3	0.1	2.0	-0.4	-0.5

5. Gross domestic product deflators

	Total (s.a. 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
2002	105.0	2.6	2.0	1.9	3.2	1.4	-0.4	-2.0
2003	107.1	2.1	2.0	2.1	2.3	1.2	-1.3	-1.8
2004	109.2	1.9	2.1	2.0	2.4	2.4	0.9	1.4
2005	111.2	1.9	2.3	2.1	2.3	2.4	2.5	3.8
2005 Q1	110.4	1.9	2.3	2.0	2.3	2.8	2.7	3.9
Q2	110.8	1.7	2.1	1.9	1.7	2.2	2.1	3.2
Q3	111.3	1.8	2.4	2.1	2.2	2.0	2.2	3.9
Q4	112.2	2.0	2.5	2.3	2.9	2.4	2.7	4.1
2006 Q1	112.4	1.8	2.7	2.3	2.1	2.8	3.0	5.5

Sources: ECB calculations based on Eurostat data.

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

2) Value added (volumes) 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	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2002	7,250.9	7,062.8	4,145.0	1,465.8	1,465.5	-13.5	188.1	2,624.5	2,436.3
2003	7,458.2	7,298.1	4,279.9	1,524.1	1,494.9	-0.8	160.1	2,624.3	2,464.2
2004	7,737.0	7,579.8	4,429.3	1,576.5	1,561.0	13.0	157.2	2,815.7	2,658.4
2005	7,991.7	7,878.9	4,584.4	1,631.2	1,637.3	26.0	112.8	3,009.9	2,897.1
2005 Q1	1,970.0	1,934.5	1,129.2	400.6	400.1	4.7	35.5	723.7	688.3
Q2	1,986.1	1,955.5	1,139.1	405.6	406.9	3.9	30.6	739.8	709.2
Q3	2,007.3	1,982.8	1,153.9	409.0	413.2	6.6	24.5	766.9	742.4
Q4	2,028.3	2,006.0	1,162.2	415.9	417.1	10.8	22.2	779.6	757.3
2006 Q1	2,044.4	2,026.7	1,174.8	417.3	424.9	9.7	17.7	814.1	796.4
<i>percentage of GDP</i>									
2005	100.0	98.6	57.4	20.4	20.5	0.3	1.4	-	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted³⁾)</i>									
<i>quarter-on-quarter percentage changes</i>									
2005 Q1	0.4	0.0	0.0	-0.1	0.3	-	-	-0.2	-1.1
Q2	0.4	0.6	0.3	0.9	1.2	-	-	1.7	2.2
Q3	0.6	0.6	0.6	0.7	1.1	-	-	2.7	2.9
Q4	0.3	0.5	0.2	0.0	0.1	-	-	0.7	1.3
2006 Q1	0.6	0.3	0.6	0.4	0.9	-	-	3.8	2.9
<i>annual percentage changes</i>									
2002	0.9	0.4	0.9	2.3	-1.5	-	-	1.8	0.3
2003	0.8	1.4	1.2	1.6	0.8	-	-	1.3	3.0
2004	2.1	2.0	1.6	1.0	2.4	-	-	6.8	6.8
2005	1.3	1.5	1.4	1.2	2.3	-	-	4.1	4.8
2005 Q1	1.2	1.4	1.2	0.7	1.8	-	-	3.8	4.7
Q2	1.2	1.6	1.4	1.1	2.3	-	-	3.2	4.6
Q3	1.6	1.6	1.8	1.4	3.0	-	-	5.3	5.5
Q4	1.7	1.7	1.1	1.5	2.7	-	-	5.0	5.3
2006 Q1	2.0	2.0	1.7	2.0	3.4	-	-	9.2	9.6
<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>									
2005 Q1	0.4	0.0	0.0	0.0	0.1	0.0	0.3	-	-
Q2	0.4	0.5	0.2	0.2	0.2	-0.1	-0.1	-	-
Q3	0.6	0.6	0.3	0.1	0.2	-0.1	0.0	-	-
Q4	0.3	0.5	0.1	0.0	0.0	0.4	-0.2	-	-
2006 Q1	0.6	0.3	0.3	0.1	0.2	-0.4	0.4	-	-
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2002	0.9	0.4	0.5	0.5	-0.3	-0.3	0.5	-	-
2003	0.8	1.3	0.7	0.3	0.2	0.2	-0.5	-	-
2004	2.1	1.9	0.9	0.2	0.5	0.3	0.2	-	-
2005	1.3	1.5	0.8	0.2	0.5	0.0	-0.2	-	-
2005 Q1	1.2	1.4	0.7	0.2	0.4	0.1	-0.2	-	-
Q2	1.2	1.6	0.8	0.2	0.5	0.1	-0.4	-	-
Q3	1.6	1.5	1.0	0.3	0.6	-0.4	0.0	-	-
Q4	1.7	1.7	0.6	0.3	0.6	0.2	0.0	-	-
2006 Q1	2.0	2.0	1.0	0.4	0.7	-0.1	0.0	-	-

Sources: Eurostat and ECB calculations.

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.

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

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
<i>Current prices (EUR billions, seasonally adjusted)</i>								
2002	6,517.0	152.2	1,377.2	373.0	1,391.9	1,749.6	1,473.1	733.9
2003	6,701.4	150.8	1,381.1	389.0	1,425.5	1,826.4	1,528.6	756.7
2004	6,944.7	151.9	1,432.9	414.4	1,474.0	1,894.3	1,577.2	792.3
2005	7,160.3	142.3	1,468.8	434.6	1,524.6	1,965.1	1,624.9	831.4
2005 Q1	1,767.7	35.7	363.2	105.5	376.1	485.2	401.9	202.3
Q2	1,781.9	35.2	366.7	107.5	379.8	488.5	404.2	204.2
Q3	1,796.8	35.5	367.6	109.7	384.1	493.9	406.1	210.5
Q4	1,813.9	35.9	371.3	111.9	384.7	497.4	412.7	214.3
2006 Q1	1,829.7	35.7	374.0	113.3	386.0	507.8	412.9	214.7
<i>percentage of value added</i>								
2005	100.0	2.0	20.5	6.1	21.3	27.4	22.7	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted ¹⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2005 Q1	0.4	-3.8	0.1	-0.8	0.6	1.0	0.7	-0.3
Q2	0.4	-1.8	0.6	1.7	0.7	0.3	0.0	0.3
Q3	0.5	0.6	0.6	0.0	0.8	0.6	0.2	1.6
Q4	0.3	0.2	0.5	0.7	0.6	0.1	0.1	-0.1
2006 Q1	0.6	-0.4	1.0	-0.5	0.6	1.0	0.4	0.4
<i>annual percentage changes</i>								
2002	1.0	-0.4	-0.2	0.0	1.4	1.4	1.7	0.2
2003	0.7	-4.8	0.5	0.2	0.3	1.5	1.0	1.4
2004	2.2	10.1	2.6	2.2	2.0	2.0	1.6	0.8
2005	1.3	-4.1	1.0	0.8	2.2	1.9	0.8	1.0
2005 Q1	1.4	-1.0	0.8	-0.5	2.1	2.2	1.1	-0.8
Q2	1.1	-4.7	0.3	0.8	1.8	2.0	0.9	1.5
Q3	1.5	-4.5	1.0	1.4	2.6	2.0	1.0	2.1
Q4	1.7	-4.9	1.8	1.6	2.7	2.1	1.0	1.5
2006 Q1	1.9	-1.4	2.7	1.9	2.7	2.0	0.7	2.2
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2005 Q1	0.4	-0.1	0.0	-0.1	0.1	0.3	0.1	-
Q2	0.4	0.0	0.1	0.1	0.1	0.1	0.0	-
Q3	0.5	0.0	0.1	0.0	0.2	0.2	0.1	-
Q4	0.3	0.0	0.1	0.0	0.1	0.0	0.0	-
2006 Q1	0.6	0.0	0.2	0.0	0.1	0.3	0.1	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2002	1.0	0.0	0.0	0.0	0.3	0.4	0.4	-
2003	0.7	-0.1	0.1	0.0	0.1	0.4	0.2	-
2004	2.2	0.2	0.5	0.1	0.4	0.5	0.4	-
2005	1.3	-0.1	0.2	0.0	0.5	0.5	0.2	-
2005 Q1	1.4	0.0	0.2	0.0	0.4	0.6	0.2	-
Q2	1.1	-0.1	0.1	0.0	0.4	0.5	0.2	-
Q3	1.5	-0.1	0.2	0.1	0.6	0.5	0.2	-
Q4	1.7	-0.1	0.4	0.1	0.6	0.6	0.2	-
2006 Q1	1.9	0.0	0.6	0.1	0.6	0.6	0.2	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total		Industry excluding construction								Construction	
	% of total ¹⁾	Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy					Energy		
			Manu- facturing	Total	Intermedi- ate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
1	2	3	4	5	6	7	8	9	10	11	12	
2003	0.4	100.3	0.3	0.1	0.1	0.3	-0.1	-0.4	-4.4	0.4	2.8	0.7
2004	2.2	102.3	2.0	2.1	1.9	2.2	3.3	0.5	0.1	0.6	2.0	0.3
2005	1.0	103.6	1.2	1.3	1.1	0.8	2.6	0.7	-0.7	0.9	1.2	-0.4
2005 Q2	1.1	103.2	0.7	0.8	0.5	-0.4	2.3	0.7	-1.5	1.1	1.0	0.1
Q3	1.2	104.1	1.5	1.5	1.4	0.9	2.9	1.7	0.1	1.9	0.4	1.0
Q4	1.8	104.8	2.1	2.3	2.3	2.3	2.9	1.4	2.2	1.3	1.8	0.6
2006 Q1	3.7	105.9	3.4	3.5	3.4	2.9	5.1	2.1	2.7	1.9	3.8	1.3
2005 Dec.	2.8	105.4	2.9	2.5	2.8	2.5	3.9	1.9	3.8	1.6	3.8	4.2
2006 Jan.	2.5	105.6	2.9	2.2	2.1	1.9	4.2	0.9	2.6	0.6	6.0	-0.9
Feb.	2.8	105.6	2.9	3.1	2.8	1.8	5.6	2.4	2.2	2.5	2.3	2.8
Mar.	5.6	106.4	4.2	5.1	5.0	4.8	5.6	2.8	3.4	2.7	3.1	4.3
Apr.	.	105.7	1.6	0.7	0.6	2.4	2.1	0.1	-1.1	0.3	1.3	.
May	.	107.4	5.0	5.6	5.9	6.1	7.1	3.7	7.7	3.1	-0.4	.
<i>month-on-month percentage changes (s.a.)</i>												
2005 Dec.	0.8	-	0.2	0.0	0.0	-0.5	-0.4	0.8	0.1	0.9	2.9	2.7
2006 Jan.	0.0	-	0.2	0.2	0.1	0.3	1.1	-0.6	0.1	-0.7	-0.8	-3.1
Feb.	-0.4	-	0.0	0.1	0.0	-0.6	0.5	0.6	-0.3	0.7	-0.5	1.0
Mar.	1.2	-	0.8	0.7	1.1	1.4	0.7	0.2	0.5	0.1	0.5	-0.7
Apr.	.	-	-0.7	-0.4	-1.1	-0.3	-1.0	-0.5	-1.1	-0.4	-2.6	.
May	.	-	1.6	1.9	2.3	2.0	2.6	1.6	4.3	1.2	-1.4	.

4. Industrial new orders and turnover, retail sales and new 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., thousands) ³⁾	Total	
	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				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% 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		
2003	98.4	0.2	101.3	-0.2	2.2	103.7	0.7	1.3	0.2	-1.8	0.6	911	-1.5
2004	105.3	7.3	106.5	5.1	2.3	105.2	1.5	1.2	1.7	1.8	3.3	922	1.1
2005	110.8	4.6	110.5	3.7	2.2	106.6	1.3	0.7	1.6	2.1	1.2	935	1.4
2005 Q3	110.3	4.5	111.6	3.9	2.5	106.8	1.5	0.5	2.2	2.5	1.9	942	4.7
Q4	117.4	7.4	112.5	4.2	2.3	107.2	1.2	0.6	1.7	2.7	1.6	934	-1.2
2006 Q1	117.9	12.4	116.4	9.0	2.3	107.3	0.9	0.3	1.4	1.4	2.4	947	2.0
Q2	.	.	.	.	.	.	.	.	.	.	.	963	2.4
2006 Jan.	115.6	9.3	114.8	8.0	2.9	107.7	1.4	0.7	1.8	4.2	2.1	946	2.1
Feb.	119.8	14.1	114.8	7.2	2.8	107.5	1.3	1.2	1.5	2.3	2.5	942	2.6
Mar.	118.3	13.7	119.6	11.4	1.3	106.9	0.1	-0.8	0.9	-2.3	2.6	953	1.5
Apr.	117.4	3.9	111.3	-0.4	3.2	107.8	2.2	1.5	2.5	1.7	3.3	958	1.8
May	120.4	14.6	121.8	12.9	2.7	107.5	1.1	-0.7	2.7	3.8	4.5	972	8.9
June	.	.	.	.	.	.	.	.	.	.	.	959	-2.5
<i>month-on-month percentage changes (s.a.)</i>													
2006 Jan.	-	-6.6	-	-0.2	0.6	-	0.5	0.8	0.2	0.7	0.1	-	2.3
Feb.	-	3.6	-	0.0	0.0	-	-0.2	0.1	-0.3	-1.4	-0.1	-	-0.4
Mar.	-	-1.2	-	4.1	-0.4	-	-0.6	-1.1	-0.1	-1.6	0.2	-	1.1
Apr.	-	-0.8	-	-6.9	0.7	-	0.9	0.9	0.9	2.6	0.6	-	0.5
May	-	2.6	-	9.5	0.1	-	-0.3	-0.8	0.1	0.7	0.9	-	1.5
June	-	.	-	.	.	-	.	.	.	.	.	-	-1.4

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 ⁵⁾	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
2002	94.5	-11	-25	11	3	81.2	-11	-1	-12	27	-3
2003	93.6	-11	-25	10	3	81.0	-18	-5	-21	38	-9
2004	99.4	-5	-16	8	10	81.6	-14	-4	-14	30	-8
2005	98.1	-7	-17	11	6	81.3	-14	-4	-15	28	-8
2005 Q2	96.1	-10	-20	13	3	81.0	-14	-3	-16	31	-7
Q3	97.7	-8	-18	11	6	81.0	-15	-4	-17	29	-8
Q4	100.1	-6	-15	10	7	81.5	-12	-4	-15	22	-9
2006 Q1	102.6	-2	-9	9	11	82.3	-11	-3	-11	20	-8
Q2	106.5	2	-1	6	13	83.0	-9	-3	-10	16	-8
2006 Feb.	102.7	-2	-10	8	11	-	-10	-3	-11	19	-8
Mar.	103.6	-1	-6	8	12	-	-11	-3	-12	21	-7
Apr.	105.7	1	-1	7	13	82.5	-10	-3	-8	22	-8
May	106.7	2	-2	6	14	-	-9	-3	-10	14	-7
June	107.1	3	2	5	12	-	-9	-4	-11	13	-9
July	107.8	4	3	5	13	83.6	-8	-3	-10	13	-6
	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
2002	-17	-25	-10	-15	-18	17	-11	2	-3	-4	14
2003	-18	-25	-11	-11	-14	17	-2	4	-5	3	14
2004	-14	-22	-6	-9	-14	14	0	11	7	8	17
2005	-9	-15	-3	-9	-14	14	2	11	6	10	17
2005 Q2	-11	-18	-5	-10	-16	13	-1	9	0	9	17
Q3	-9	-16	-2	-9	-15	15	1	11	6	10	17
Q4	-5	-11	0	-6	-11	16	9	14	10	13	18
2006 Q1	-4	-10	2	-4	-5	16	8	15	11	14	19
Q2	-2	-8	3	0	0	14	15	19	15	18	23
2006 Feb.	-5	-12	2	-5	-5	16	7	14	8	13	21
Mar.	-3	-10	4	-1	-1	14	11	15	11	13	21
Apr.	-3	-9	3	-1	-1	16	15	18	14	17	23
May	-2	-8	3	-1	-2	15	13	20	16	20	23
June	-2	-7	3	2	3	12	17	19	14	19	23
July	1	-3	5	-1	1	15	13	19	15	17	25

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 assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total ²⁾	100.0	100.0	84.4	15.6	4.4	17.7	7.7	24.9	15.0	30.3
	1	2	3	4	5	6	7	8	9	10
2002	134.878	0.7	0.8	0.0	-1.3	-1.4	0.7	0.6	1.9	1.9
2003	135.375	0.4	0.1	1.9	-2.3	-1.6	1.1	0.5	0.8	1.5
2004	136.125	0.6	0.5	0.8	-1.4	-1.7	1.5	0.7	1.7	1.3
2005	137.067	0.7	0.8	-0.1	-1.0	-1.2	2.3	0.7	1.8	1.1
2005 Q1	136.720	0.9	0.9	0.5	-1.0	-1.1	3.4	1.0	1.8	1.1
Q2	136.920	0.7	0.7	0.3	-0.7	-1.7	2.4	0.8	1.7	1.2
Q3	137.121	0.6	0.8	-0.6	-1.4	-1.0	1.5	0.4	1.8	1.2
Q4	137.507	0.6	0.9	-0.8	-0.8	-1.1	2.1	0.6	2.0	0.9
2006 Q1	137.953	0.9	1.1	-0.4	-0.3	-0.5	1.9	0.4	2.5	1.1
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2005 Q1	0.168	0.1	0.2	-0.3	-0.8	-0.5	0.8	0.4	0.3	0.2
Q2	0.200	0.1	0.2	0.1	0.1	-0.3	0.4	0.2	0.2	0.3
Q3	0.201	0.1	0.3	-0.6	0.1	-0.1	0.0	-0.1	0.6	0.2
Q4	0.387	0.3	0.3	0.1	-0.3	-0.2	1.0	0.2	0.9	0.2
2006 Q1	0.446	0.3	0.3	0.3	-0.3	0.0	0.4	0.3	0.6	0.4

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		75.6		24.4		48.5		51.5	
	1	2	3	4	5	6	7	8	9	10
2002	11.760	8.3	8.740	7.0	3.020	16.8	5.515	6.9	6.245	10.1
2003	12.548	8.7	9.420	7.5	3.128	17.6	5.975	7.4	6.573	10.5
2004	12.899	8.9	9.751	7.6	3.149	18.0	6.186	7.6	6.713	10.5
2005	12.543	8.6	9.485	7.3	3.058	17.7	6.085	7.4	6.458	10.0
2005 Q2	12.685	8.7	9.607	7.4	3.078	17.7	6.164	7.5	6.521	10.1
Q3	12.388	8.5	9.411	7.3	2.977	17.3	6.046	7.4	6.342	9.9
Q4	12.210	8.3	9.213	7.1	2.996	17.5	5.879	7.2	6.330	9.8
2006 Q1	11.917	8.1	8.933	6.9	2.984	17.4	5.730	7.0	6.187	9.6
Q2	11.535	7.9	8.684	6.7	2.851	16.7	5.623	6.9	5.912	9.2
2006 Jan.	12.070	8.2	9.074	7.0	2.996	17.4	5.778	7.0	6.292	9.8
Feb.	11.920	8.1	8.926	6.9	2.995	17.4	5.732	7.0	6.189	9.6
Mar.	11.760	8.0	8.799	6.8	2.961	17.3	5.680	6.9	6.081	9.4
Apr.	11.616	8.0	8.717	6.8	2.899	17.0	5.644	6.9	5.971	9.3
May	11.521	7.9	8.678	6.7	2.844	16.7	5.621	6.9	5.901	9.2
June	11.467	7.8	8.657	6.7	2.809	16.5	5.603	6.8	5.864	9.1

Source: Eurostat.

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 2005.

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

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



GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus ¹⁾ (as a percentage of GDP)

1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden ²⁾	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	13	14		
1997	47.1	46.6	11.9	9.0	2.6	13.3	0.7	17.2	8.6	5.4	2.3	0.5	0.3	42.7
1998	46.6	46.3	12.2	9.5	2.3	13.9	0.6	16.2	8.3	4.9	2.3	0.3	0.3	42.6
1999	47.1	46.8	12.6	9.7	2.5	14.2	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.1
2000	46.7	46.4	12.7	9.8	2.7	13.9	0.6	15.9	8.2	4.8	2.2	0.3	0.3	42.8
2001	45.8	45.6	12.3	9.6	2.4	13.6	0.6	15.7	8.2	4.7	2.2	0.2	0.3	41.8
2002	45.2	44.9	11.9	9.4	2.2	13.5	0.4	15.7	8.2	4.6	2.1	0.3	0.3	41.3
2003	45.2	44.5	11.5	9.1	2.1	13.5	0.4	15.8	8.3	4.7	2.1	0.6	0.5	41.3
2004	44.7	44.3	11.4	8.8	2.3	13.6	0.3	15.6	8.2	4.6	2.1	0.5	0.4	40.9
2005	45.1	44.7	11.6	8.9	2.5	13.7	0.3	15.6	8.2	4.5	2.2	0.5	0.3	41.2

2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure			Memo: primary expenditure ³⁾		
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment		Capital transfers	Paid by EU institutions
							7	8							9	10	11	12	13
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1997	49.7	46.1	10.9	4.8	5.0	25.4	22.6	2.1	0.6	3.6	2.4	1.2	0.1	44.7
1998	48.9	45.1	10.6	4.6	4.6	25.2	22.2	2.1	0.5	3.8	2.4	1.3	0.1	44.2
1999	48.5	44.6	10.6	4.8	4.1	25.2	22.2	2.1	0.5	3.9	2.5	1.4	0.1	44.4
2000	47.7	43.9	10.4	4.8	3.9	24.8	21.8	2.0	0.5	3.8	2.5	1.3	0.0	43.8
2001	47.7	43.8	10.3	4.8	3.8	24.9	21.8	1.9	0.5	3.9	2.5	1.4	0.0	43.9
2002	47.8	44.0	10.4	4.9	3.5	25.2	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.3
2003	48.2	44.3	10.5	4.9	3.3	25.5	22.6	1.8	0.5	3.9	2.5	1.4	0.1	44.9
2004	47.5	43.7	10.4	5.0	3.1	25.2	22.4	1.8	0.5	3.8	2.4	1.4	0.0	44.4
2005	47.5	43.8	10.4	5.0	3.0	25.3	22.5	1.7	0.5	3.8	2.4	1.3	0.0	44.5

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
1997	-2.6	-2.4	-0.4	0.1	0.1	2.4	20.1	10.9	4.8	4.9	1.9	2.3	8.2	11.9
1998	-2.3	-2.2	-0.2	0.1	0.1	2.3	19.8	10.6	4.6	4.8	1.9	2.3	8.0	11.7
1999	-1.4	-1.7	-0.1	0.1	0.4	2.7	19.9	10.6	4.8	4.9	1.9	2.3	8.1	11.8
2000	-1.0	-1.4	-0.1	0.1	0.5	2.9	19.8	10.4	4.8	4.9	1.8	2.2	8.0	11.8
2001	-1.9	-1.7	-0.4	0.1	0.4	2.0	19.8	10.3	4.8	5.0	1.8	2.2	7.9	11.9
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.0	12.2
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.3	20.4	10.5	4.9	5.2	1.8	2.1	8.0	12.4
2004	-2.8	-2.4	-0.3	-0.3	0.1	0.3	20.3	10.4	5.0	5.2	1.8	2.1	8.0	12.4
2005	-2.4	-2.1	-0.3	-0.2	0.2	0.6	20.4	10.4	5.0	5.2	1.8	2.2	8.0	12.4

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
2002	0.0	-3.7	-4.9	-0.3	-3.2	-0.4	-2.9	2.0	-2.0	-0.5	-2.9	4.1
2003	0.1	-4.0	-5.8	0.0	-4.2	0.2	-3.4	0.2	-3.1	-1.5	-2.9	2.5
2004	0.0	-3.7	-6.9	-0.1	-3.7	1.5	-3.4	-1.1	-1.9	-1.1	-3.2	2.3
2005	0.1	-3.3	-4.5	1.1	-2.9	1.0	-4.1	-1.9	-0.3	-1.5	-6.0	2.6

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

- Revenue, expenditure and deficit/surplus are based on the ESA 95, but the figures exclude proceeds from the sale of UMTS licences in 2000 (the euro area deficit/surplus including those proceeds is equal to 0.0% of GDP). Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- The fiscal burden comprises taxes and social contributions.
- Comprises total expenditure minus interest expenditure.
- Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 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				Other creditors ³⁾
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1996	75.1	2.8	17.0	7.9	47.4	58.7	32.5	10.0	16.1	16.4
1997	74.2	2.8	16.0	6.5	48.9	56.2	31.1	11.8	13.3	18.0
1998	72.8	2.7	15.0	5.6	49.4	53.0	29.3	12.8	10.9	19.8
1999	72.1	2.9	14.2	4.3	50.7	48.4	27.4	9.8	11.3	23.7
2000	69.6	2.7	13.1	3.7	50.1	43.9	24.0	8.9	11.0	25.6
2001	68.3	2.8	12.3	4.0	49.2	42.0	22.9	8.0	11.1	26.3
2002	68.1	2.7	11.7	4.6	49.2	40.0	21.6	7.6	10.8	28.2
2003	69.3	2.1	12.3	5.1	49.9	39.1	21.6	8.3	9.2	30.3
2004	69.8	2.2	11.9	5.1	50.6	37.9	20.7	8.2	8.9	31.9
2005	70.7	2.4	11.7	4.9	51.7	36.9	20.3	8.2	8.4	33.8

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
1996	75.1	63.0	5.9	5.7	0.5	11.6	63.5	7.1	19.1	26.3	29.8	72.5	2.6
1997	74.2	62.2	6.1	5.4	0.6	9.9	64.3	6.8	18.1	26.0	30.1	71.4	2.8
1998	72.8	61.2	6.1	5.2	0.4	8.9	64.0	6.3	15.6	27.0	30.3	70.1	2.7
1999	72.1	60.6	6.0	5.1	0.4	7.7	64.4	5.6	13.4	28.3	30.5	70.1	2.0
2000	69.6	58.3	5.9	4.9	0.4	6.8	62.8	4.9	13.2	28.9	27.4	67.8	1.8
2001	68.3	57.1	6.1	4.8	0.4	7.2	61.2	3.7	13.6	27.5	27.2	66.8	1.5
2002	68.1	56.7	6.3	4.8	0.4	8.2	59.9	3.9	15.2	25.8	27.2	66.8	1.3
2003	69.3	57.0	6.6	5.1	0.6	8.6	60.7	4.0	14.4	26.6	28.3	68.3	1.0
2004	69.8	57.5	6.7	5.2	0.4	8.5	61.3	3.9	14.4	27.4	28.0	68.8	1.0
2005	70.7	58.1	6.8	5.3	0.5	8.7	62.0	3.8	14.4	28.0	28.3	69.6	1.1

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
2002	103.2	60.3	110.7	52.5	58.2	32.1	105.5	6.5	50.5	66.0	55.5	41.3
2003	98.5	63.8	107.8	48.9	62.4	31.1	104.2	6.3	51.9	64.4	57.0	44.3
2004	94.7	65.5	108.5	46.4	64.4	29.4	103.8	6.6	52.6	63.6	58.7	44.3
2005	93.3	67.7	107.5	43.2	66.8	27.6	106.4	6.2	52.9	62.9	63.9	41.1

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

	Source of change												
	Source of change					Financial instruments				Holders			
	Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Aggregation effect ⁵⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁶⁾	MFIs	Other financial corporations	Other creditors ⁷⁾	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1997	1.9	2.3	0.0	-0.2	-0.2	0.0	-0.3	-1.1	3.3	-0.3	-0.2	2.1	2.2
1998	1.8	2.3	-0.3	-0.1	-0.1	0.1	-0.3	-0.6	2.6	-0.8	-0.4	1.5	2.5
1999	2.0	1.6	0.4	0.1	-0.1	0.2	-0.2	-1.2	3.1	-2.6	-0.9	-2.5	4.6
2000	1.0	1.1	0.0	0.0	-0.1	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.4	3.1
2001	1.9	1.9	-0.1	0.1	0.0	0.2	-0.2	0.5	1.3	0.0	-0.1	-0.5	1.8
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.6	-0.5	-0.2	2.7
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.2	0.6	0.9	2.9
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.2	2.6	0.3	0.0	0.3	2.8
2005	3.1	3.0	0.0	0.1	0.0	0.3	0.2	0.0	2.6	0.2	0.2	0.2	2.9

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) ⁹⁾	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	Loans	Securities ¹¹⁾	Shares and other equity	Privatisations	Equity injections				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1997	1.9	-2.6	-0.7	-0.6	0.1	-0.2	0.0	-0.5	-0.7	0.1	0.0	0.2	-0.2	0.1
1998	1.8	-2.3	-0.5	-0.3	0.2	0.0	0.0	-0.4	-0.7	0.2	-0.3	0.0	-0.1	0.1
1999	2.0	-1.4	0.6	0.0	0.4	0.1	0.0	-0.5	-0.8	0.1	0.4	0.2	0.1	0.2
2000	1.0	0.0	1.0	1.1	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	0.0	0.0
2001	1.9	-1.8	0.0	-0.4	-0.6	0.1	0.1	-0.1	-0.3	0.2	-0.1	0.0	0.1	0.5
2002	2.1	-2.6	-0.5	0.1	0.0	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.4	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-2.8	0.3	0.4	0.2	0.1	0.1	0.0	-0.4	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.4	0.7	0.7	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.1	-0.1

Source: ECB.

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

6.4 Quarterly revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
2000 Q1	43.6	43.1	11.1	13.1	15.5	1.9	0.7	0.6	0.3	39.9
Q2	47.8	47.3	13.9	13.4	15.8	2.1	1.2	0.5	0.3	43.4
Q3	44.2	43.8	11.9	12.6	15.7	2.0	0.8	0.5	0.2	40.4
Q4	50.0	49.5	14.0	14.2	16.6	2.9	1.0	0.5	0.3	45.0
2001 Q1	42.4	41.9	10.5	12.7	15.3	1.8	0.9	0.4	0.2	38.7
Q2	46.9	46.5	13.5	13.0	15.6	2.0	1.6	0.4	0.2	42.3
Q3	43.5	43.1	11.6	12.3	15.5	1.9	0.9	0.4	0.3	39.7
Q4	49.2	48.7	13.5	13.9	16.3	2.9	1.1	0.5	0.3	44.0
2002 Q1	42.1	41.6	10.1	12.7	15.5	1.7	0.8	0.5	0.2	38.6
Q2	45.7	45.1	12.6	12.7	15.5	2.0	1.5	0.6	0.3	41.1
Q3	43.6	43.0	11.2	12.7	15.4	2.0	0.8	0.5	0.3	39.6
Q4	49.2	48.5	13.4	14.1	16.2	2.9	0.9	0.7	0.3	44.0
2003 Q1	42.1	41.5	9.8	12.8	15.6	1.7	0.7	0.5	0.2	38.4
Q2	46.0	44.5	12.1	12.7	15.8	1.9	1.3	1.5	1.2	41.7
Q3	43.0	42.4	10.8	12.7	15.5	1.9	0.7	0.6	0.2	39.2
Q4	49.4	48.3	13.1	14.3	16.2	2.9	0.8	1.1	0.3	43.9
2004 Q1	41.5	41.0	9.6	12.8	15.4	1.7	0.7	0.5	0.3	38.0
Q2	45.1	44.3	12.1	13.1	15.4	2.0	0.9	0.8	0.6	41.2
Q3	42.7	42.2	10.7	12.6	15.4	1.9	0.7	0.6	0.3	38.9
Q4	49.5	48.4	13.0	14.5	16.2	2.9	0.8	1.1	0.4	44.1
2005 Q1	42.5	41.8	10.0	13.0	15.4	1.7	0.6	0.7	0.3	38.7
Q2	45.1	44.3	11.9	13.3	15.3	2.0	0.9	0.8	0.3	40.8
Q3	43.7	42.8	11.1	12.9	15.4	1.9	0.8	0.8	0.3	39.6
Q4	49.5	48.6	13.4	14.4	16.1	2.9	0.9	0.9	0.3	44.3
2006 Q1	42.9	42.3	10.4	13.2	15.4	1.6	0.9	0.6	0.3	39.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	1	2	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social		Investment	Capital transfers		
								benefits	Subsidies				
2000 Q1	46.3	43.0	10.2	4.6	4.1	24.1	20.8	1.3	3.4	2.0	1.4	-2.7	1.4
Q2	46.3	42.9	10.3	4.6	3.9	24.1	20.8	1.4	3.4	2.3	1.1	1.5	5.4
Q3	43.2	42.8	10.1	4.6	4.0	24.2	20.9	1.5	0.4	2.5	1.1	1.0	5.0
Q4	49.9	46.0	11.1	5.3	3.8	25.9	22.1	1.6	3.8	3.1	1.5	0.2	3.9
2001 Q1	45.8	42.4	10.1	4.2	4.0	24.1	20.9	1.3	3.4	1.9	1.5	-3.4	0.6
Q2	46.3	42.8	10.3	4.6	3.9	24.1	20.8	1.3	3.5	2.3	1.2	0.6	4.5
Q3	46.1	42.4	10.0	4.6	3.8	24.1	20.8	1.4	3.7	2.5	1.3	-2.7	1.2
Q4	51.1	46.2	11.0	5.7	3.6	25.9	22.1	1.7	5.0	3.2	1.8	-1.9	1.7
2002 Q1	46.3	42.8	10.3	4.3	3.7	24.5	21.2	1.3	3.5	1.9	1.6	-4.2	-0.5
Q2	46.8	43.3	10.3	4.9	3.6	24.4	21.1	1.3	3.5	2.3	1.2	-1.1	2.4
Q3	46.9	43.1	10.0	4.7	3.5	24.9	21.4	1.4	3.8	2.5	1.3	-3.3	0.2
Q4	50.9	46.4	11.0	5.7	3.3	26.4	22.6	1.6	4.5	2.8	1.7	-1.7	1.6
2003 Q1	47.0	43.5	10.4	4.5	3.5	25.1	21.6	1.3	3.6	1.9	1.7	-5.0	-1.5
Q2	47.5	43.9	10.4	4.7	3.4	25.3	21.8	1.3	3.6	2.3	1.3	-1.5	1.9
Q3	47.1	43.4	10.2	4.7	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.1	-0.8
Q4	51.2	46.3	11.0	5.7	3.1	26.5	22.8	1.5	4.9	3.2	1.7	-1.8	1.3
2004 Q1	46.5	43.1	10.3	4.6	3.2	25.0	21.4	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.8	43.3	10.4	4.9	3.1	24.9	21.5	1.2	3.4	2.3	1.1	-1.6	1.5
Q3	46.1	42.7	9.9	4.6	3.2	25.0	21.5	1.3	3.4	2.4	1.0	-3.4	-0.2
Q4	50.8	45.8	10.9	5.7	3.0	26.2	22.6	1.4	5.0	3.1	1.9	-1.3	1.7
2005 Q1	47.0	43.5	10.3	4.6	3.2	25.4	21.6	1.2	3.5	1.9	1.6	-4.5	-1.3
Q2	46.6	43.1	10.3	4.9	3.1	24.8	21.6	1.1	3.5	2.3	1.2	-1.5	1.6
Q3	46.0	42.5	9.9	4.7	3.0	24.8	21.4	1.2	3.5	2.4	1.1	-2.4	0.7
Q4	51.0	45.9	11.1	5.7	2.9	26.3	22.6	1.3	5.0	3.1	1.8	-1.4	1.5
2006 Q1	45.8	42.6	10.1	4.4	3.0	25.0	21.4	1.1	3.3	1.9	1.4	-2.9	0.1

Source: ECB calculations based on Eurostat and national data.

- 1) Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
- 2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument¹⁾

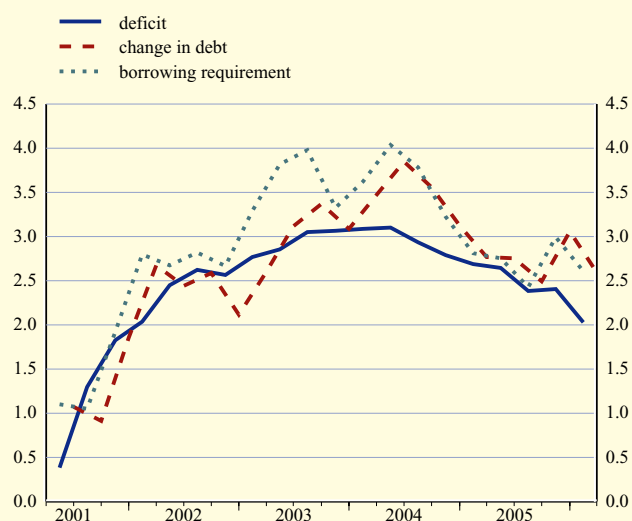
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2003 Q2	70.2	2.7	11.6	5.5	50.3
Q3	70.4	2.7	11.6	5.5	50.5
Q4	69.3	2.1	12.3	5.1	49.9
2004 Q1	70.8	2.1	12.4	5.5	50.8
Q2	71.5	2.2	12.2	5.5	51.5
Q3	71.3	2.3	12.1	5.6	51.4
Q4	69.8	2.2	11.9	5.1	50.6
2005 Q1	71.2	2.2	11.9	5.3	51.8
Q2	72.0	2.4	11.7	5.3	52.7
Q3	71.6	2.4	11.8	5.3	52.2
Q4	70.7	2.4	11.7	4.9	51.7
2006 Q1	71.3	2.5	11.7	5.1	51.9

2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment							Memo: Borrowing requirement 11	
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7				Shares and other equity 8
2003 Q2	4.5	-1.5	3.0	3.3	2.0	0.1	0.0	1.2	0.1	-0.4	4.4
Q3	2.7	-4.1	-1.4	-1.2	-1.3	0.0	-0.1	0.2	-0.1	-0.1	2.8
Q4	-1.9	-1.8	-3.7	-3.9	-2.1	-0.3	-0.1	-1.3	-0.5	0.7	-1.4
2004 Q1	8.8	-5.0	3.8	2.1	1.4	0.0	0.2	0.5	-0.1	1.9	8.9
Q2	6.0	-1.6	4.4	4.0	3.4	0.1	0.3	0.3	0.0	0.3	6.0
Q3	1.6	-3.4	-1.8	-1.0	-1.4	0.0	0.2	0.1	-0.2	-0.6	1.8
Q4	-3.4	-1.3	-4.7	-3.4	-2.6	0.1	-0.1	-0.7	-0.1	-1.3	-3.4
2005 Q1	7.3	-4.5	2.8	2.5	1.4	0.3	0.4	0.4	0.2	0.1	7.1
Q2	5.8	-1.5	4.3	3.7	2.7	0.3	0.3	0.4	0.2	0.5	5.6
Q3	0.6	-2.4	-1.8	-2.5	-2.5	-0.1	0.3	-0.3	0.0	0.7	0.5
Q4	-1.1	-1.4	-2.5	-0.8	-0.3	-0.2	-0.4	0.0	-0.1	-1.6	-1.0
2006 Q1	5.2	-2.9	2.3	1.6	1.1	0.1	0.7	-0.3	-0.2	0.9	5.4

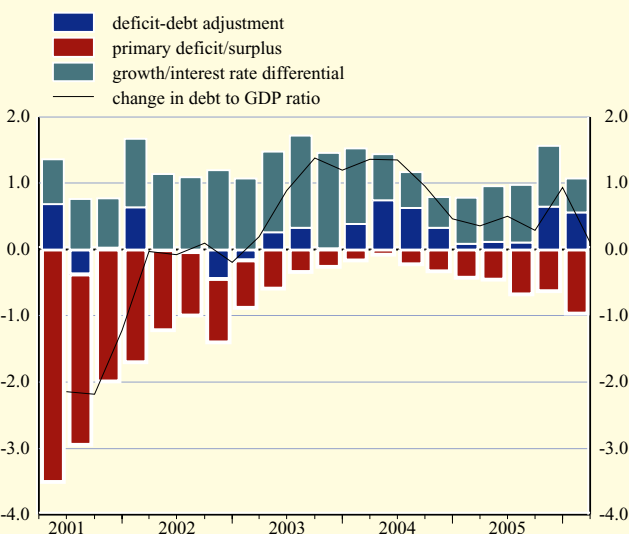
C28 Deficit, borrowing requirement and change in debt

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



C29 Maastricht debt

(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.

1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

EXTERNAL TRANSACTIONS AND POSITIONS

7.1 Balance of payments

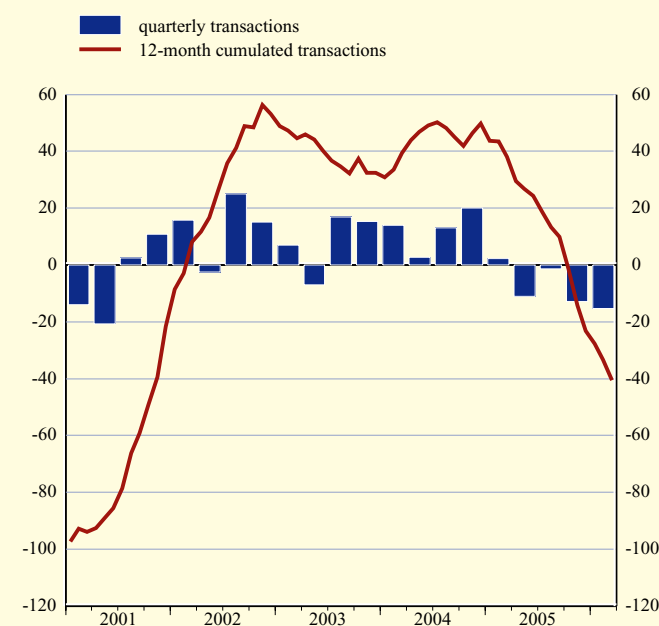
(EUR billions; net transactions)

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
2003	32.4	106.1	19.5	-37.2	-56.0	12.9	45.4	-1.3	-12.3	74.9	-13.0	-79.1	28.2	-44.1
2004	49.9	105.3	29.0	-28.0	-56.4	17.5	67.3	-10.9	-41.2	60.3	-5.0	-37.5	12.5	-56.4
2005	-23.1	54.1	34.8	-43.8	-68.2	12.5	-10.6	79.1	-156.3	155.4	-15.2	76.5	18.8	-68.5
2005 Q1	2.2	15.1	4.0	-0.7	-16.2	1.0	3.2	18.8	-23.7	7.0	-7.3	38.1	4.8	-22.1
Q2	-11.2	18.1	10.3	-23.6	-16.0	4.0	-7.2	49.5	-14.7	107.8	1.3	-48.0	3.1	-42.3
Q3	-1.4	16.0	9.6	-7.1	-19.8	2.8	1.5	34.6	-97.6	89.8	-0.4	40.8	2.0	-36.0
Q4	-12.8	4.9	10.8	-12.3	-16.2	4.7	-8.1	-23.7	-20.2	-49.1	-8.8	45.6	8.8	31.9
2006 Q1	-15.2	-4.6	5.1	-0.7	-15.1	2.3	-12.9	84.6	-14.6	31.2	-8.5	69.9	6.6	-71.7
2005 May	-2.9	5.7	3.3	-6.3	-5.5	1.6	-1.3	41.5	6.7	19.0	0.8	12.5	2.6	-40.3
June	2.2	8.8	4.7	-5.0	-6.4	2.1	4.3	13.5	-7.7	96.7	1.0	-77.9	1.4	-17.7
July	3.0	9.5	4.5	-5.5	-5.5	0.8	3.8	1.0	-85.1	77.1	1.4	5.0	2.6	-4.8
Aug.	-2.7	1.0	1.5	1.0	-6.2	0.8	-2.0	0.4	-12.0	-13.3	-0.7	26.5	-0.1	1.6
Sep.	-1.6	5.5	3.6	-2.6	-8.1	1.2	-0.4	33.2	-0.5	26.0	-1.2	9.3	-0.5	-32.8
Oct.	-7.5	1.7	4.7	-8.5	-5.5	0.6	-6.9	-12.8	-7.9	-1.9	-4.3	1.0	0.2	19.7
Nov.	-5.6	1.5	2.9	-4.9	-5.0	0.9	-4.6	2.2	-3.9	-43.7	-0.3	48.9	1.2	2.4
Dec.	0.3	1.7	3.2	1.1	-5.7	3.2	3.4	-13.2	-8.5	-3.6	-4.2	-4.3	7.4	9.7
2006 Jan.	-11.4	-7.2	1.1	-0.9	-4.3	0.8	-10.6	4.0	0.9	-34.2	-2.8	42.3	-2.1	6.6
Feb.	-0.9	0.4	2.3	0.2	-3.8	1.0	0.1	14.0	-26.9	19.1	-3.3	23.0	2.1	-14.2
Mar.	-3.0	2.2	1.7	0.1	-6.9	0.5	-2.5	66.5	11.4	46.4	-2.4	4.6	6.6	-64.1
Apr.	-7.3	0.4	3.2	-5.1	-5.9	0.5	-6.8	4.9	-1.9	-5.2	-5.6	18.8	-1.2	1.9
May	-11.9	0.3	3.8	-10.7	-5.2	0.7	-11.2	36.5	-1.1	48.6	2.3	-11.7	-1.7	-25.2
<i>12-month cumulated transactions</i>														
2006 May	-46.5	25.9	37.2	-41.0	-68.6	13.1	-33.4	150.2	-143.2	212.0	-20.0	85.5	15.9	-116.8

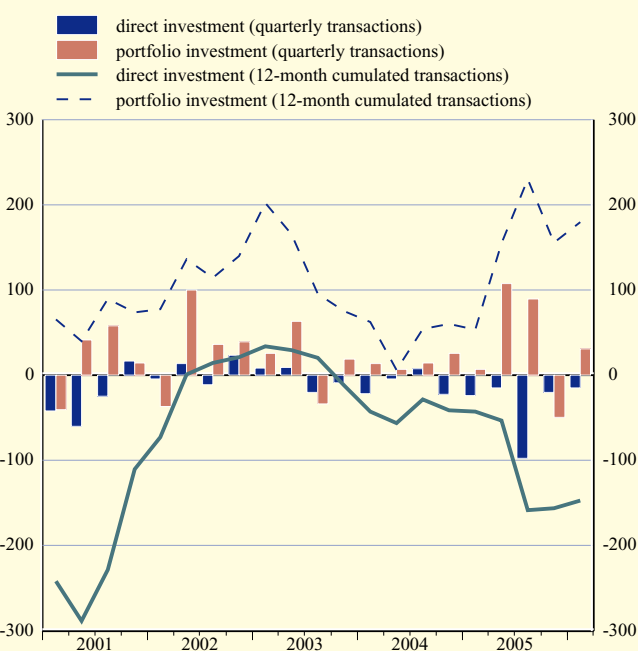
C30 B.o.p. current account balance

(EUR billions)



C31 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.1 Balance of payments

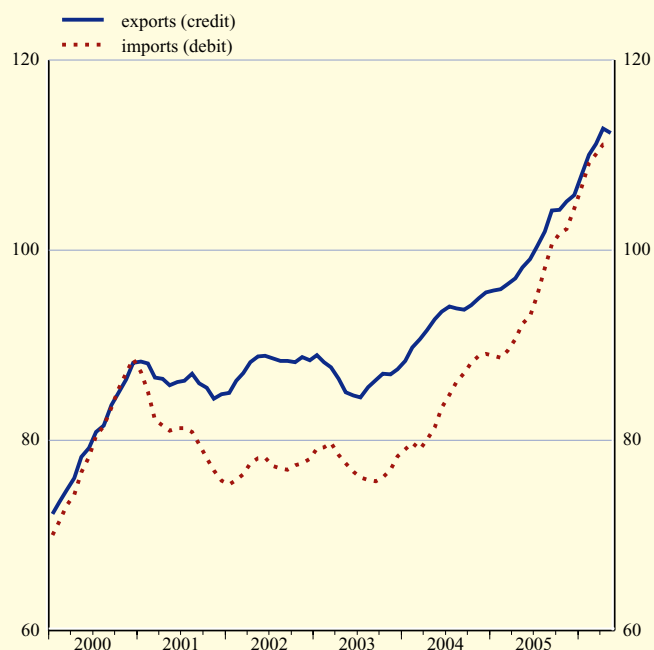
(EUR billions; transactions)

2. Current and capital accounts

	Current account										Capital account		
	Total			Goods		Services		Income		Current transfers		Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	
2003	1,693.2	1,660.8	32.4	1,036.0	929.9	331.8	312.3	243.3	280.5	82.1	138.1	23.7	10.8
2004	1,843.0	1,793.2	49.9	1,128.2	1,022.9	362.1	333.1	270.9	298.9	81.9	138.3	24.1	6.6
2005	2,022.6	2,045.7	-23.1	1,220.0	1,166.0	397.3	362.5	321.6	365.4	83.6	151.8	23.4	10.9
2005 Q1	460.8	458.6	2.2	278.5	263.4	85.3	81.2	68.0	68.8	29.0	45.2	4.9	3.8
Q2	503.4	514.5	-11.2	305.2	287.1	97.3	87.0	83.8	107.3	17.1	33.1	5.8	1.8
Q3	509.7	511.1	-1.4	309.0	293.0	108.9	99.3	76.5	83.6	15.3	35.1	4.6	1.8
Q4	548.7	561.5	-12.8	327.4	322.4	105.8	95.0	93.3	105.7	22.2	38.4	8.1	3.5
2006 Q1	536.9	552.1	-15.2	328.1	332.7	96.0	90.9	83.6	84.3	29.2	44.3	5.3	3.0
2006 Mar.	193.9	196.8	-3.0	121.6	119.4	32.9	31.2	33.2	33.2	6.1	13.1	2.2	1.7
Apr.	173.9	181.2	-7.3	107.4	107.0	32.3	29.1	29.3	34.4	4.9	10.8	1.1	0.6
May	197.0	208.9	-11.9	116.4	116.2	36.0	32.2	38.9	49.6	5.7	10.9	1.4	0.7
	Seasonally adjusted												
2005 Q1	478.7	472.6	6.1	289.3	268.3	95.2	86.7	74.2	79.1	20.0	38.6	.	.
Q2	491.6	490.6	1.0	297.1	279.2	95.9	88.7	77.0	87.3	21.5	35.4	.	.
Q3	513.5	522.6	-9.1	312.5	301.8	100.7	92.8	80.2	91.0	20.0	37.0	.	.
Q4	531.8	553.4	-21.5	317.4	313.1	104.5	93.4	88.1	107.9	21.9	39.1	.	.
2006 Q1	554.3	564.9	-10.6	333.5	330.2	105.8	95.3	89.3	96.6	25.7	42.9	.	.
2005 Sep.	172.9	174.7	-1.8	106.5	100.5	33.6	30.9	26.7	30.6	6.1	12.8	.	.
Oct.	171.3	178.4	-7.1	102.3	102.2	34.3	31.1	27.8	33.2	6.9	11.9	.	.
Nov.	179.6	191.0	-11.4	106.5	103.9	35.8	31.6	30.2	42.5	7.1	13.0	.	.
Dec.	181.0	184.0	-3.0	108.5	106.9	34.3	30.7	30.1	32.2	7.9	14.2	.	.
2006 Jan.	177.2	178.2	-1.0	109.0	109.3	35.6	32.0	29.4	29.2	3.2	7.7	.	.
Feb.	193.7	198.4	-4.7	112.5	111.2	36.2	32.3	28.1	31.9	16.9	23.0	.	.
Mar.	183.5	188.4	-4.9	112.1	109.7	34.0	31.0	31.8	35.4	5.6	12.3	.	.
Apr.	183.0	182.2	0.9	113.8	112.4	34.7	31.3	28.1	26.1	6.4	12.4	.	.
May	190.8	198.9	-8.2	111.0	111.5	35.3	33.0	37.5	42.2	7.0	12.2	.	.

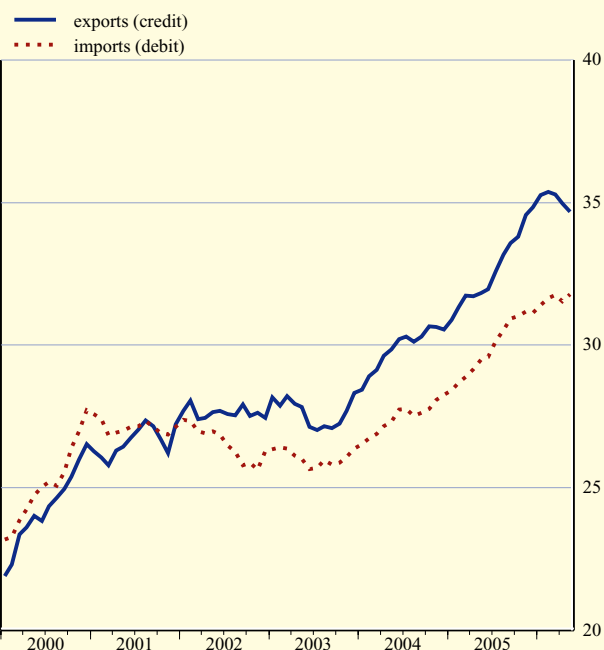
C32 B.o.p. goods

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



C33 B.o.p. services

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



Source: ECB.

7.1 Balance of payments

(EUR billions)

3. Income account

(transactions)

	Compensation of employees		Investment income											
	Credit	Debit	Total		Direct investment				Portfolio investment				Other investment	
			Credit	Debit	Equity		Debt		Equity		Debt		Credit	Debit
					Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2003	14.8	7.2	228.5	273.3	66.3	56.3	10.0	10.2	18.6	53.5	65.5	80.7	68.1	72.6
2004	15.3	7.7	255.6	291.1	87.0	72.0	12.1	11.8	23.8	56.9	67.5	79.0	65.2	71.5
2005	15.4	9.3	306.2	356.1	97.4	97.6	13.0	13.2	30.8	71.1	79.8	79.3	85.2	94.9
2005 Q1	3.7	1.6	64.3	67.1	18.7	14.8	2.9	2.8	6.1	11.3	17.5	17.3	19.1	20.9
Q2	3.8	2.3	80.0	105.0	27.4	26.1	3.3	3.5	9.9	30.2	19.5	22.0	19.9	23.1
Q3	3.8	2.8	72.6	80.7	19.9	22.3	2.9	2.9	7.6	15.8	21.5	17.0	20.7	22.7
Q4	4.0	2.5	89.3	103.2	31.3	34.4	3.9	3.9	7.3	13.8	21.3	23.0	25.4	28.1
2006 Q1	4.0	1.7	79.6	82.5	18.5	13.7	4.3	3.3	7.9	15.9	22.6	20.2	26.3	29.5

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
2003	-147.2	-130.0	-1.9	-128.2	-17.1	0.0	-17.1	134.9	124.4	3.1	121.3	10.5	0.1	10.5
2004	-141.7	-152.0	-17.3	-134.7	10.3	0.1	10.2	100.5	86.5	1.2	85.3	14.0	0.6	13.4
2005	-232.7	-171.9	-9.2	-162.7	-60.7	0.4	-61.1	76.4	45.7	-0.1	45.8	30.7	1.1	29.7
2005 Q1	-41.2	-23.3	-2.3	-21.0	-17.9	0.1	-17.9	17.4	18.0	0.3	17.6	-0.5	0.3	-0.9
Q2	-28.4	-23.6	-1.9	-21.8	-4.7	0.0	-4.8	13.7	4.2	0.4	3.8	9.5	-0.1	9.6
Q3	-115.9	-92.0	-4.9	-87.1	-23.9	0.1	-24.0	18.3	5.5	0.9	4.7	12.8	0.4	12.3
Q4	-47.2	-33.0	-0.1	-32.9	-14.2	0.2	-14.4	27.0	18.0	-1.7	19.7	9.0	0.4	8.6
2006 Q1	-42.0	-34.6	-1.4	-33.2	-7.4	0.6	-8.0	27.4	23.3	0.6	22.7	4.1	-0.3	4.5
2005 May	6.8	-5.7	-0.5	-5.3	12.5	0.0	12.5	-0.1	-1.9	0.2	-2.1	1.9	0.0	1.8
June	-18.8	-19.0	0.4	-19.4	0.3	0.0	0.3	11.0	-0.4	0.4	-0.8	11.4	-0.3	11.8
July	-93.1	-85.9	-3.3	-82.6	-7.1	0.1	-7.2	8.0	10.4	0.2	10.1	-2.4	0.0	-2.4
Aug.	-11.7	-4.7	-0.5	-4.1	-7.0	0.0	-7.0	-0.4	-0.8	0.2	-1.0	0.4	0.1	0.3
Sep.	-11.2	-1.4	-1.0	-0.3	-9.8	0.0	-9.9	10.7	-4.1	0.4	-4.5	14.7	0.3	14.4
Oct.	-11.5	-0.7	0.3	-1.1	-10.8	0.0	-10.8	3.7	5.9	0.2	5.7	-2.2	0.3	-2.5
Nov.	-8.6	-5.9	0.2	-6.1	-2.7	0.0	-2.7	4.8	3.6	-1.7	5.2	1.2	0.2	1.0
Dec.	-27.0	-26.4	-0.7	-25.7	-0.7	0.2	-0.9	18.6	8.5	-0.2	8.7	10.0	0.0	10.1
2006 Jan.	-4.1	5.9	-0.5	6.4	-10.0	0.1	-10.1	5.0	6.3	0.2	6.2	-1.4	0.3	-1.7
Feb.	-36.0	-31.0	-1.3	-29.7	-5.0	0.3	-5.3	9.1	11.2	0.3	10.9	-2.1	0.2	-2.3
Mar.	-2.0	-9.6	0.3	-9.9	7.6	0.3	7.4	13.4	5.8	0.1	5.6	7.6	-0.9	8.4
Apr.	-12.8	-2.6	-1.6	-1.0	-10.2	-0.3	-9.9	10.8	3.9	0.2	3.8	6.9	0.1	6.8
May	-15.9	-14.2	-3.1	-11.1	-1.7	-0.7	-1.0	14.8	9.6	0.4	9.2	5.2	-1.3	6.5

Source: ECB.

7.1 Balance of payments

(EUR billions; transactions)

5. Portfolio investment by instrument and sector of holder

	Equity				Debt instruments											
	Assets				Liabilities	Bonds and notes				Money market instruments						
	Eurosystem	MFIs excluding Eurosystem	Non-MFIs			Eurosystem	MFIs excluding Eurosystem	Non-MFIs		Liabilities	Assets				Liabilities	
			General gov.		Eurosystem			MFIs excluding Eurosystem	Non-MFIs		Eurosystem	MFIs excluding Eurosystem	General gov.			
	1	2	3	4		5	6		7	8			9	10	11	12	13	14	15
2003	-0.3	-13.9	-64.4	-2.6	110.3	-2.4	-45.0	-128.3	-0.2	198.9	0.2	-45.9	23.7	0.6	42.2	
2004	0.0	-22.4	-81.0	-3.4	128.1	1.2	-81.8	-97.1	-2.1	254.9	-0.1	-43.2	-13.7	0.1	15.4	
2005	-0.1	-15.6	-124.9	-3.9	279.5	-0.7	-124.6	-161.4	-0.5	255.8	0.1	-11.6	-3.8	0.1	62.9	
2005 Q1	0.0	-27.5	-21.2	-1.1	41.2	-0.1	-35.7	-41.0	-0.4	46.7	0.3	5.8	-6.0	-3.6	44.5	
Q2	0.0	21.7	-22.8	-0.8	25.0	-0.7	-39.5	-34.3	-0.1	158.1	-0.4	-9.1	-5.2	-2.4	14.9	
Q3	-0.1	-4.9	-26.9	-1.1	150.7	-0.4	-21.3	-49.7	0.1	24.5	0.1	-7.1	1.6	0.2	23.4	
Q4	0.0	-4.8	-53.9	-0.9	62.5	0.6	-28.1	-36.4	-0.1	26.4	0.1	-1.4	5.8	5.9	-19.8	
2006 Q1	0.0	-17.8	-80.1	-0.6	121.3	-0.1	-52.4	-34.8	-0.2	85.6	0.7	2.0	-9.7	-3.8	16.6	
2005 May	0.0	6.7	-15.6	-	22.4	-0.1	-16.1	-5.8	-	28.7	0.0	-2.1	-6.1	-	7.0	
June	0.0	5.1	-1.8	-	49.9	0.2	-11.0	-17.1	-	71.4	0.0	3.5	-0.3	-	-3.1	
July	-0.1	-3.5	-14.8	-	111.4	0.2	-4.1	-14.5	-	-2.4	-0.6	0.0	-1.6	-	7.0	
Aug.	0.0	2.0	-8.8	-	23.4	-0.5	-5.7	-13.8	-	-6.9	0.3	-11.5	-0.1	-	8.2	
Sep.	0.0	-3.4	-3.4	-	15.9	-0.2	-11.5	-21.4	-	33.7	0.4	4.4	3.3	-	8.2	
Oct.	0.0	4.6	-10.8	-	-4.5	0.6	-17.4	-14.8	-	24.7	0.0	6.4	4.0	-	5.3	
Nov.	0.0	-6.7	-21.4	-	10.6	0.1	-3.6	-15.7	-	5.5	0.1	-5.1	0.0	-	-7.4	
Dec.	0.0	-2.7	-21.7	-	56.4	-0.2	-7.1	-5.9	-	-3.7	0.0	-2.7	1.8	-	-17.7	
2006 Jan.	0.0	-5.4	-38.6	-	35.0	0.2	-31.3	-1.9	-	1.3	0.4	2.7	-7.2	-	10.7	
Feb.	0.0	-3.7	-23.8	-	35.9	-0.2	-7.2	-17.2	-	23.1	0.3	1.5	-2.3	-	12.7	
Mar.	0.0	-8.7	-17.7	-	50.3	-0.1	-13.9	-15.7	-	61.3	0.0	-2.2	-0.2	-	-6.7	
Apr.	0.0	2.6	-6.0	-	-8.8	0.2	-4.8	-14.5	-	24.6	-0.8	-7.3	-0.8	-	10.4	
May	0.0	3.4	9.5	-	-8.0	0.1	-10.0	-9.7	-	63.1	-1.3	-2.8	-1.6	-	5.9	

6. Other investment by sector

	Total		Eurosystem		General government		MFIs (excluding Eurosystem)						Other sectors			
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Total		Long-term		Short-term		Assets	Liabilities		
							Assets	Liabilities	Assets	Liabilities	Assets	Liabilities				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
2003	-253.1	174.1	-0.8	10.0	-0.4	-	-3.4	-152.6	134.8	-50.7	52.3	-101.9	82.5	-99.3	-	32.7
2004	-312.5	275.0	-0.2	6.9	-2.3	-2.0	-3.6	-259.4	246.9	-20.1	-3.6	-239.3	250.5	-50.6	-10.5	24.7
2005	-564.8	641.3	-1.2	6.1	5.1	-2.3	-2.4	-385.3	477.0	-99.6	50.6	-285.6	426.4	-183.4	-22.4	160.6
2005 Q1	-178.2	216.3	0.5	4.9	7.3	2.7	0.3	-126.7	195.8	-21.5	10.3	-105.2	185.5	-59.4	-29.4	15.3
Q2	-156.6	108.5	-1.3	0.3	-7.6	-8.6	-1.9	-97.1	45.0	-18.5	22.5	-78.6	22.5	-50.5	18.0	65.2
Q3	-108.4	149.2	0.4	4.3	7.7	4.7	1.2	-87.8	122.9	-21.9	14.6	-65.8	108.3	-28.9	-18.9	20.8
Q4	-121.5	167.2	-0.8	-3.4	-2.3	-1.1	-2.0	-73.7	113.3	-37.7	3.2	-36.0	110.1	-44.7	7.9	59.3
2006 Q1	-222.2	292.0	-3.4	9.7	7.5	3.8	-3.6	-136.2	222.0	-13.3	12.5	-122.9	209.5	-90.1	-12.9	63.9
2005 May	-10.1	22.6	-0.8	-0.2	0.3	2.3	0.4	17.6	21.0	-3.4	11.0	21.0	10.0	-27.3	-1.4	1.4
June	-27.5	-50.5	-0.7	0.7	-2.5	-5.5	-0.2	-16.7	-70.6	-6.1	11.4	-10.6	-82.1	-7.5	6.1	19.7
July	-43.6	48.6	0.3	-1.1	-0.7	-4.6	0.9	-38.6	48.2	-6.3	5.5	-32.3	42.7	-4.5	-3.3	0.6
Aug.	19.6	6.9	0.2	0.8	6.3	8.4	0.5	20.1	-2.0	-1.4	3.1	21.4	-5.1	-7.0	-6.5	7.6
Sep.	-84.4	93.7	-0.1	4.6	2.1	0.9	-0.2	-69.2	76.6	-14.3	6.0	-54.9	70.7	-17.3	-9.0	12.6
Oct.	-53.9	54.9	0.0	-1.0	0.7	-0.3	1.8	-46.4	50.7	-3.8	1.2	-42.7	49.5	-8.2	3.5	3.4
Nov.	-149.6	198.5	-0.9	1.7	-1.2	1.3	0.2	-113.3	170.9	-0.9	-3.2	-112.4	174.1	-34.2	-6.0	25.7
Dec.	82.0	-86.3	0.1	-4.1	-1.8	-2.1	-4.1	86.0	-108.3	-33.1	5.2	119.1	-113.5	-2.3	10.3	30.2
2006 Jan.	-103.6	145.9	0.1	8.1	3.8	2.3	-2.4	-71.1	117.7	6.6	-1.0	-77.7	118.8	-36.4	-16.3	22.5
Feb.	-46.8	69.8	-4.4	0.2	1.3	1.0	-1.2	-4.0	36.3	-7.4	9.9	3.4	26.4	-39.7	-5.7	34.4
Mar.	-71.8	76.3	1.0	1.3	2.4	0.5	0.0	-61.1	68.0	-12.5	3.7	-48.6	64.3	-14.0	9.2	7.0
Apr.	-92.5	111.3	0.2	-2.3	-5.4	-5.1	4.3	-65.7	83.1	-6.2	10.2	-59.5	72.8	-21.5	2.0	26.2
May	-78.7	67.0	0.0	5.5	-4.8	-5.1	-4.8	-46.0	43.3	-9.1	4.2	-36.9	39.1	-27.9	-7.1	23.0

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	
2003	-0.8	0.0	10.0	0.0	-0.1	0.7	-0.3	0.9	-1.0	0.0	-3.7	0.3
2004	0.1	-0.3	6.9	0.1	0.0	-0.6	1.4	-2.0	-1.7	0.0	-3.5	0.0
2005	-1.0	-0.1	6.1	0.0	0.0	6.6	8.9	-2.3	-1.5	0.0	-2.2	-0.3
2005 Q1	0.5	0.0	4.9	0.0	0.0	7.8	5.0	2.7	-0.5	0.0	0.6	-0.3
Q2	-1.2	-0.1	0.3	0.0	0.0	-7.1	1.5	-8.6	-0.5	0.0	-2.0	0.0
Q3	0.4	0.0	4.3	0.0	0.0	8.0	3.3	4.7	-0.3	0.0	1.3	-0.1
Q4	-0.8	0.0	-3.4	0.0	0.0	-2.1	-1.0	-1.1	-0.2	0.0	-2.1	0.0
2006 Q1	-3.4	0.0	9.6	0.1	0.0	7.8	4.0	3.8	-0.3	0.0	-3.2	-0.4

	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	
2003	-152.1	-0.5	134.8	-0.1	-1.2	-95.8	-9.6	-86.3	-2.3	4.2	28.4	0.2
2004	-256.3	-3.1	244.0	2.9	-6.0	-39.5	-29.0	-10.5	-5.1	8.6	13.4	2.7
2005	-381.2	-4.0	475.0	2.0	-7.8	-163.3	-140.9	-22.4	-12.3	9.0	147.9	3.7
2005 Q1	-124.8	-1.9	193.0	2.8	-2.7	-53.9	-24.5	-29.4	-2.7	3.0	7.0	5.2
Q2	-97.0	-0.1	43.8	1.2	-5.4	-43.1	-61.1	18.0	-2.1	1.1	62.8	1.3
Q3	-82.5	-5.2	120.2	2.7	2.0	-24.3	-5.4	-18.9	-6.6	0.5	22.1	-1.7
Q4	-77.0	3.3	118.0	-4.7	-1.7	-42.1	-49.9	7.9	-0.9	4.4	56.0	-1.1
2006 Q1	-132.3	-3.9	216.1	5.9	-3.4	-78.5	-65.7	-12.9	-8.1	4.9	53.8	5.2

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	
2003	28.2	1.7	0.0	-1.6	28.1	-2.5	1.9	-0.1	22.1	6.7	0.1	0.0
2004	12.5	1.2	0.5	4.0	6.9	-3.8	4.0	0.4	18.3	-11.9	-0.1	0.0
2005	18.8	3.9	-0.2	8.6	6.5	0.1	7.8	0.0	-4.8	3.5	0.0	0.0
2005 Q1	4.8	0.8	0.0	1.6	2.4	5.2	-1.1	0.0	1.3	-2.9	0.0	0.0
Q2	3.1	1.3	0.0	1.3	0.5	-4.4	1.1	0.0	0.9	2.9	0.0	0.0
Q3	2.0	0.5	0.0	2.6	-1.1	1.6	0.9	0.0	-4.9	1.4	-0.1	0.0
Q4	8.8	1.2	-0.1	3.0	4.6	-2.3	6.9	0.0	-2.0	2.1	0.0	0.0
2006 Q1	6.6	0.8	0.0	3.4	2.4	6.2	-4.8	0.0	-3.7	4.6	0.0	0.0

Source: ECB.

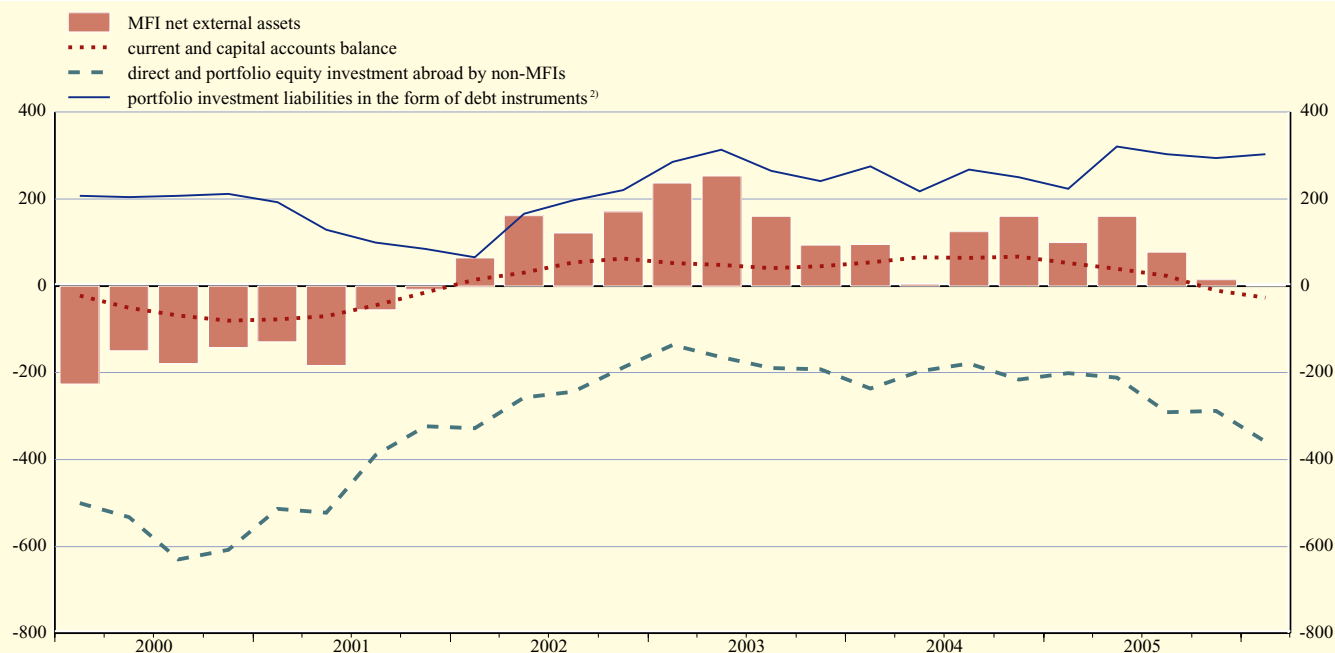
7.2 Monetary presentation of the balance of payments

(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 Non-MFIs	Liabilities		Assets Non-MFIs	Liabilities Non-MFIs				
					Equity ¹⁾	Debt instruments ²⁾						
1	2	3	4	5	6	7	8	9	10	11	12	
2003	45.4	-145.3	134.8	-169.0	114.5	241.3	-99.7	29.3	-13.0	-44.1	94.2	93.7
2004	67.3	-124.5	99.9	-191.9	118.0	250.4	-52.9	21.2	-5.0	-56.4	126.2	160.8
2005	-10.6	-223.8	75.3	-290.1	236.0	294.6	-178.4	158.2	-15.2	-68.5	-22.5	13.9
2005 Q1	3.2	-38.9	17.1	-68.3	34.0	72.0	-52.1	15.6	-7.3	-22.1	-46.7	-24.5
Q2	-7.2	-26.5	13.8	-62.2	-0.8	178.6	-58.1	63.3	1.3	-42.3	59.9	64.4
Q3	1.5	-111.1	17.9	-75.0	155.3	41.1	-21.1	22.0	-0.4	-36.0	-6.0	-19.2
Q4	-8.1	-47.2	26.6	-84.5	47.5	2.8	-47.0	57.3	-8.8	31.9	-29.7	-6.8
2006 Q1	-12.9	-41.2	27.7	-124.6	116.2	80.2	-82.6	60.3	-8.5	-71.7	-57.1	-37.9
2005 May	-1.3	7.2	-0.1	-27.5	10.7	33.7	-26.9	1.9	0.8	-40.3	-41.8	-39.0
June	4.3	-19.2	11.4	-19.2	46.2	78.9	-10.0	19.5	1.0	-17.7	94.9	100.7
July	3.8	-89.8	8.0	-31.0	118.4	2.8	-5.3	1.5	1.4	-4.8	5.1	0.0
Aug.	-2.0	-11.1	-0.4	-22.6	25.0	0.2	-0.7	8.1	-0.7	1.6	-2.6	1.9
Sep.	-0.4	-10.2	10.3	-21.5	11.9	38.0	-15.2	12.4	-1.2	-32.8	-8.5	-21.1
Oct.	-6.9	-11.9	3.4	-21.5	-5.3	24.0	-7.5	5.3	-4.3	19.7	-5.0	-5.2
Nov.	-4.6	-8.8	4.6	-37.2	10.6	-1.4	-35.4	25.9	-0.3	2.4	-44.4	-43.5
Dec.	3.4	-26.5	18.6	-25.8	42.2	-19.8	-4.1	26.1	-4.2	9.7	19.7	41.9
2006 Jan.	-10.6	-3.7	4.7	-47.7	31.5	4.4	-32.6	20.0	-2.8	6.6	-30.2	2.7
Feb.	0.1	-35.0	8.9	-43.2	31.1	29.8	-38.4	33.3	-3.3	-14.2	-30.9	-19.1
Mar.	-2.5	-2.6	14.2	-33.7	53.6	46.0	-11.6	7.0	-2.4	-64.1	4.0	-21.5
Apr.	-6.8	-10.9	10.8	-21.3	-13.0	25.3	-27.0	30.5	-5.6	1.9	-16.0	-6.5
May	-11.2	-12.1	16.1	-1.8	-10.5	64.9	-32.7	18.2	2.3	-25.2	7.9	17.1
	<i>12-month cumulated transactions</i>											
2006 May	-33.4	-241.8	110.4	-326.6	341.7	293.2	-220.5	207.8	-20.0	-116.8	-6.0	47.4

C34 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)

	Total	European Union (outside the euro area)						Canada	Japan	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions					
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12
Credits												
Current account	2,098.7	766.6	44.1	66.7	407.6	189.0	59.3	27.0	52.6	139.2	357.9	755.3
Goods	1,269.6	438.6	29.8	45.5	212.1	151.1	0.1	16.5	34.2	70.7	190.5	519.0
Services	408.0	144.9	8.0	10.9	100.6	20.4	4.9	5.6	11.5	39.7	77.0	129.3
Income	337.2	121.4	5.8	9.7	85.0	15.3	5.5	4.5	6.1	22.4	83.7	99.2
of which: investment income	321.6	116.0	5.7	9.6	83.2	15.1	2.3	4.4	6.0	16.3	82.1	96.7
Current transfers	83.8	61.8	0.4	0.6	9.9	2.1	48.8	0.4	0.8	6.3	6.7	7.8
Capital account	23.9	20.8	0.0	0.0	0.9	0.1	19.7	0.0	0.1	0.5	0.6	1.9
Debits												
Current account	2,139.2	682.0	36.6	63.9	333.4	155.7	92.3	20.5	80.9	132.3	332.7	890.8
Goods	1,235.2	352.4	26.2	42.5	160.0	123.7	0.0	9.8	52.0	62.8	120.9	637.4
Services	372.2	117.4	6.6	8.8	77.9	23.8	0.2	5.5	7.4	30.3	83.2	128.3
Income	380.9	114.1	3.4	11.8	86.8	6.7	5.3	3.8	21.2	33.8	120.1	87.9
of which: investment income	371.5	108.9	3.4	11.7	85.6	2.9	5.3	3.7	21.1	33.2	119.1	85.5
Current transfers	150.9	98.2	0.4	0.8	8.6	1.4	86.8	1.5	0.3	5.4	8.5	37.2
Capital account	10.1	1.3	0.0	0.1	0.9	0.2	0.1	0.1	0.1	0.5	1.2	6.9
Net												
Current account	-40.6	84.6	7.4	2.8	74.2	33.3	-33.0	6.5	-28.3	6.9	25.2	-135.5
Goods	34.4	86.2	3.6	3.0	52.0	27.4	0.1	6.7	-17.8	8.0	69.6	-118.4
Services	35.9	27.5	1.4	2.1	22.7	-3.4	4.7	0.1	4.1	9.4	-6.2	1.0
Income	-43.7	7.3	2.4	-2.1	-1.8	8.6	0.2	0.7	-15.1	-11.4	-36.4	11.3
of which: investment income	-49.9	7.1	2.4	-2.1	-2.4	12.2	-3.0	0.7	-15.1	-16.9	-37.0	11.2
Current transfers	-67.1	-36.4	0.0	-0.2	1.2	0.7	-38.1	-1.0	0.5	1.0	-1.8	-29.4
Capital account	13.8	19.5	0.0	0.0	0.1	-0.1	19.5	-0.1	0.0	0.0	-0.7	-5.0

2. Balance of payments: direct investment (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						
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
Direct investment	-147.2	-99.0	-2.4	8.7	-93.8	-11.6	0.1	1.3	2.1	4.5	4.3	-18.0	-42.4
Abroad	-233.5	-152.2	-2.3	-0.3	-124.6	-24.9	0.0	-4.6	-0.7	-0.8	-13.0	-16.3	-46.0
Equity/reinvested earnings	-183.2	-140.0	-4.6	-6.6	-104.1	-24.8	0.0	-3.9	-0.6	-4.6	10.0	-6.8	-37.4
Other capital	-50.3	-12.2	2.3	6.3	-20.6	-0.1	0.0	-0.7	0.0	3.8	-23.1	-9.5	-8.6
In the euro area	86.4	53.1	-0.1	9.1	30.8	13.2	0.1	5.9	2.7	5.3	17.4	-1.7	3.6
Equity/reinvested earnings	51.0	39.2	-0.5	7.8	29.9	1.9	0.0	4.8	2.3	-0.4	-3.7	5.2	3.7
Other capital	35.4	14.0	0.4	1.2	0.9	11.3	0.1	1.1	0.4	5.8	21.0	-6.9	0.0

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						
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13
Portfolio investment assets	-509.5	-182.2	-7.8	-12.0	-136.3	-16.4	-9.7	-9.7	-28.8	-0.3	-98.6	-73.1	-116.9
Equity	-189.7	-35.3	0.3	-5.2	-29.8	-0.6	0.0	-4.3	-26.1	0.8	-43.7	-18.0	-63.2
Debt instruments	-319.8	-146.9	-8.1	-6.8	-106.6	-15.7	-9.7	-5.3	-2.7	-1.1	-54.9	-55.1	-53.7
Bonds and notes	-297.2	-112.2	-6.5	-6.4	-69.9	-18.8	-10.5	-5.4	-13.0	-0.8	-65.4	-49.0	-51.4
Money market instruments	-22.6	-34.7	-1.6	-0.4	-36.7	3.1	0.8	0.1	10.3	-0.3	10.5	-6.2	-2.3

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							
2005 Q2 to 2006 Q1	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Other investment	108.3	3.9	-5.2	14.6	-11.2	-12.3	18.0	-6.8	24.7	-21.7	37.8	29.0	12.2	29.2
Assets	-608.7	-393.7	-11.2	7.5	-360.7	-27.7	-1.7	-8.2	3.3	-34.1	-24.5	-68.2	-2.3	-81.1
General government	5.3	-0.5	0.6	-0.2	-1.8	1.3	-0.4	0.0	0.0	-0.1	0.6	0.3	-1.4	6.3
MFIs	-399.8	-221.8	-9.5	6.4	-191.0	-26.3	-1.4	-6.7	4.2	-27.4	-32.9	-51.1	-0.5	-63.5
Other sectors	-214.2	-171.4	-2.3	1.3	-167.9	-2.6	0.1	-1.4	-0.8	-6.7	7.8	-17.3	-0.4	-23.9
Liabilities	717.0	397.6	6.0	7.0	349.5	15.4	19.7	1.4	21.4	12.4	62.3	97.2	14.5	110.3
General government	-6.4	-2.3	0.0	0.0	-2.6	0.0	0.4	0.0	-0.1	-3.0	-0.2	-0.1	-0.3	-0.4
MFIs	514.1	220.7	5.4	6.0	188.4	13.4	7.6	1.9	20.7	7.4	38.0	95.2	14.8	115.4
Other sectors	209.3	179.2	0.7	1.1	163.7	2.0	11.8	-0.5	0.8	8.0	24.5	2.0	0.0	-4.7

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							
2004	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Direct investment	33.1	-273.1	-10.4	-11.8	-361.5	110.8	-0.2	22.7	-4.0	35.3	-63.5	-30.9	0.0	346.7
Abroad	2,265.1	759.8	26.1	71.1	537.6	125.1	0.0	66.8	55.9	220.3	486.6	272.2	0.0	403.5
Equity/reinvested earnings	1,825.7	608.4	22.9	43.8	432.7	108.9	0.0	58.3	50.5	171.0	377.2	255.7	0.0	304.8
Other capital	439.3	151.4	3.1	27.2	104.9	16.2	0.0	8.5	5.4	49.4	109.4	16.5	0.0	98.7
In the euro area	2,231.9	1,032.9	36.5	82.8	899.1	14.3	0.2	44.1	59.8	185.1	550.2	303.0	0.1	56.8
Equity/reinvested earnings	1,642.1	814.3	23.0	67.4	719.4	4.4	0.1	40.4	48.8	129.6	387.7	177.0	0.0	44.2
Other capital	589.9	218.6	13.4	15.4	179.8	9.9	0.1	3.7	11.1	55.4	162.4	126.1	0.0	12.6
Portfolio investment assets	2,984.0	941.1	45.1	100.8	680.8	56.8	57.6	63.4	174.3	91.9	1,050.2	310.3	28.4	324.4
Equity	1,238.7	315.3	6.6	32.9	261.4	14.4	0.0	12.6	109.5	82.3	483.3	106.8	0.9	128.0
Debt instruments	1,745.3	625.8	38.5	67.9	419.4	42.4	57.6	50.8	64.8	9.7	566.9	203.5	27.5	196.3
Bonds and notes	1,458.6	513.8	34.4	58.7	322.5	41.1	57.1	48.7	39.9	8.5	463.5	185.9	27.1	171.2
Money market instruments	286.7	112.1	4.1	9.2	96.9	1.3	0.5	2.1	25.0	1.2	103.4	17.6	0.3	25.1
Other investment	-195.9	34.7	26.1	30.2	90.7	20.8	-133.0	3.6	20.0	-68.9	-42.6	-232.8	-13.4	103.4
Assets	2,940.3	1,472.4	53.8	67.1	1,261.0	85.5	5.0	14.5	85.0	174.1	415.3	258.2	39.8	481.0
General government	98.6	10.4	1.1	0.0	4.1	2.2	3.1	0.0	0.2	0.1	2.8	1.2	34.3	49.6
MFIs	2,004.7	1,136.1	45.0	54.2	971.8	64.0	1.1	7.4	67.1	106.8	244.4	171.5	4.8	266.7
Other sectors	837.0	325.9	7.8	12.9	285.2	19.3	0.8	7.1	17.7	67.2	168.1	85.6	0.7	164.6
Liabilities	3,136.2	1,437.6	27.7	36.9	1,170.3	64.8	138.0	10.9	65.0	243.0	457.9	491.1	53.2	377.5
General government	43.6	24.0	0.0	0.2	5.3	0.0	18.5	0.0	0.9	0.1	4.1	0.3	2.9	11.3
MFIs	2,539.5	1,143.3	23.9	20.5	955.2	52.2	91.6	6.9	44.5	207.0	355.4	449.5	48.7	284.2
Other sectors	553.2	270.2	3.8	16.2	209.8	12.5	27.9	4.0	19.6	35.9	98.4	41.3	1.6	82.1

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	-389.0	-5.6	422.9	-834.8	2.5	-372.3	392.7
2002	-703.6	-9.7	184.5	-937.6	-12.0	-304.6	366.1
2003	-809.3	-10.9	43.1	-914.0	-8.3	-236.8	306.6
2004	-946.2	-12.2	33.1	-1,049.4	-14.8	-195.9	280.8
2005 Q4	-1,061.1	-13.3	259.1	-1,306.9	-16.8	-316.6	320.1
2006 Q1	-1,215.1	-14.6	282.4	-1,425.4	-3.9	-395.3	327.1
Outstanding assets							
2001	7,758.3	110.8	2,086.0	2,513.0	129.9	2,636.7	392.7
2002	7,429.3	102.5	2,008.7	2,292.7	136.0	2,625.9	366.1
2003	7,934.3	106.5	2,152.0	2,634.6	158.0	2,683.1	306.6
2004	8,632.6	111.4	2,265.1	2,984.0	162.3	2,940.3	280.8
2005 Q4	10,511.3	131.4	2,564.9	3,758.2	232.0	3,636.1	320.1
2006 Q1	11,044.9	133.1	2,608.6	3,978.7	280.4	3,850.1	327.1
Outstanding liabilities							
2001	8,147.3	116.4	1,663.1	3,347.8	127.4	3,009.0	-
2002	8,132.9	112.2	1,824.3	3,230.2	147.9	2,930.5	-
2003	8,743.6	117.3	2,108.9	3,548.6	166.3	2,919.8	-
2004	9,578.8	123.6	2,231.9	4,033.4	177.2	3,136.2	-
2005 Q4	11,572.4	144.7	2,305.8	5,065.1	248.8	3,952.7	-
2006 Q1	12,260.0	147.7	2,326.2	5,404.0	284.3	4,245.4	-

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	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs	Total	MFI excluding Eurosystem	Non- MFIs
1	2	3	4	5	6	7	8	9	10	11	12	
2001	1,557.6	124.1	1,433.5	528.4	2.1	526.3	1,165.5	43.9	1,121.6	497.6	2.8	494.8
2002	1,547.4	133.3	1,414.1	461.4	1.6	459.7	1,293.1	42.1	1,251.0	531.2	2.9	528.3
2003	1,702.8	125.9	1,577.0	449.2	1.4	447.8	1,526.9	46.6	1,480.3	582.0	2.9	579.1
2004	1,825.7	139.9	1,685.9	439.3	1.2	438.1	1,642.1	46.1	1,596.0	589.9	3.4	586.5
2005 Q4	2,038.6	156.7	1,881.9	526.2	4.8	521.4	1,683.4	49.9	1,633.5	622.4	4.7	617.7
2006 Q1	2,085.0	155.8	1,929.2	523.6	4.7	518.9	1,718.2	48.2	1,670.1	608.0	4.3	603.7

3. Portfolio investment assets by instrument and sector of holder

	Equity					Debt instruments									
	Assets				Liabilities	Bonds and notes				Money market instruments					
	Eurosystem	MFI excluding Eurosystem	Non-MFIs			Eurosystem	MFI excluding Eurosystem	Non-MFIs		Eurosystem	MFI excluding Eurosystem	Non-MFIs		Liabilities	
			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	1,068.8	1,643.9	2.0	424.8	8.2	783.5	1,517.4	2.8	135.1	0.2	41.8	186.5
2002	0.7	43.6	8.3	799.2	1,364.3	6.4	402.9	8.0	784.6	1,654.4	1.2	189.4	1.3	47.1	211.5
2003	1.7	53.6	11.5	1,008.2	1,555.0	8.3	459.2	8.0	842.5	1,744.1	1.1	191.5	0.6	48.4	249.5
2004	2.1	74.1	15.8	1,146.7	1,782.6	6.2	538.4	9.7	904.3	2,011.2	1.0	231.6	0.5	53.7	239.6
2005 Q4	2.9	105.4	23.3	1,521.3	2,438.0	6.7	698.4	9.9	1,076.8	2,319.2	0.8	251.7	0.3	60.7	307.9
2006 Q1	2.9	125.0	24.3	1,645.2	2,684.3	6.7	736.9	9.8	1,110.2	2,378.6	0.2	246.3	4.1	67.0	341.1

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		
2002	3.6	0.1	57.2	0.2	1.3	59.4	54.7	4.7	54.5	0.1	42.2	13.8	
2003	4.4	0.6	65.3	0.2	1.4	54.2	50.1	4.1	39.1	0.0	40.2	3.8	
2004	4.5	0.1	73.0	0.2	1.4	57.6	51.0	6.7	39.6	0.0	40.1	3.5	
2005 Q4	5.4	0.2	80.1	0.2	1.3	56.1	46.0	10.0	41.8	0.0	41.1	3.6	
2006 Q1	8.2	0.2	89.5	0.3	1.3	48.2	41.9	6.3	41.7	0.0	39.6	3.3	

	MFIs (excluding Eurosystem)				Other sectors								
	Assets		Liabilities		Assets					Liabilities			
	Loans/currency and deposits	Other assets	Loans/currency and deposits	Other liabilities	Trade credits	Loans/currency and deposits			Other assets	Trade credits	Loans	Other liabilities	
						Total	Loans	Currency and deposits					
13	14	15	16	17	18	19	20	21	22	23	24		
2002	1,686.3	60.8	2,251.1	48.5	174.5	492.6	204.4	288.1	92.7	104.4	365.2	47.8	
2003	1,739.6	38.4	2,242.9	30.9	170.3	538.4	208.7	329.8	96.7	106.6	383.5	46.3	
2004	1,955.8	44.3	2,424.3	42.0	172.3	558.6	227.5	331.1	106.2	109.5	394.7	48.9	
2005 Q4	2,447.4	56.2	3,039.5	54.0	176.9	723.1	363.9	359.2	127.8	124.6	544.9	64.7	
2006 Q1	2,574.9	55.5	3,234.7	54.6	183.0	803.0	431.5	371.5	134.1	130.5	614.6	78.4	

5. International reserves

	Reserve assets													Memo		
	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	306.6	130.0	393.543	4.4	23.3	148.9	10.0	30.4	107.7	1.0	80.2	26.5	0.9	0.0	20.3	-16.3
2004	280.8	125.4	389.998	3.9	18.6	132.9	12.5	25.5	94.7	0.5	58.5	35.6	0.2	0.0	19.1	-12.8
2005 Q3	311.6	149.4	380.258	4.2	13.8	144.1	10.8	27.3	106.3	0.5	66.8	39.0	-0.2	0.0	24.0	-19.5
2005 Q4	320.1	163.4	375.861	4.3	10.6	141.7	12.7	21.4	107.9	0.6	69.6	37.7	-0.2	0.0	25.6	-17.9
2006 Q1	327.1	179.7	373.695	4.3	6.9	136.3	6.5	26.0	103.7	0.5	71.2	31.9	0.1	0.0	27.7	-19.4
2006 Apr.	336.8	191.7	373.166	4.2	6.7	134.1	5.5	25.5	102.8	-	-	-	0.4	0.0	25.0	-17.0
2006 May	333.2	188.3	370.982	4.2	6.2	134.5	4.9	25.0	104.0	-	-	-	0.6	0.0	25.9	-20.4
2006 June	323.8	178.9	370.694	4.2	7.8	133.0	5.4	22.0	105.3	-	-	-	0.2	0.0	26.9	-19.0
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	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 Q3	41.1	9.1	23.145	0.2	0.0	31.8	4.7	5.1	22.0	0.0	8.9	13.1	0.0	0.0	2.3	-1.5
2005 Q4	41.5	10.1	23.145	0.2	0.0	31.2	5.1	2.5	23.6	0.0	10.6	12.9	0.0	0.0	2.9	-0.9
2006 Q1	40.6	11.2	23.145	0.2	0.0	29.3	2.6	3.6	23.1	0.0	15.3	7.8	0.0	0.0	3.9	-0.5
2006 Apr.	41.7	11.9	23.145	0.2	0.0	29.7	2.2	5.8	21.7	-	-	-	-0.1	0.0	2.4	-0.5
2006 May	41.2	10.8	21.312	0.2	0.0	30.2	1.2	6.2	22.8	-	-	-	0.0	0.0	2.7	-1.0
2006 June	39.2	10.3	21.312	0.2	0.0	28.7	1.3	2.4	25.1	-	-	-	0.0	0.0	3.5	0.0

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.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo: Manufactures	Oil		
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption				
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2002	2.0	-3.0	1,083.4	512.4	227.8	309.5	949.1	984.4	559.5	163.1	234.4	717.3	105.2
2003	-2.3	0.5	1,060.1	501.3	222.8	300.5	925.0	990.6	554.2	164.0	240.9	716.3	109.0
2004	8.9	9.4	1,147.4	547.4	247.0	313.4	997.4	1,075.2	604.6	183.5	256.1	770.0	129.5
2005	7.4	12.4	1,237.4	586.4	265.5	329.5	1,068.9	1,213.9	692.6	201.6	272.2	842.6	180.9
2004 Q4	8.9	12.7	291.7	139.3	62.6	78.0	253.2	278.9	158.7	47.3	65.0	199.0	36.7
2005 Q1	3.4	8.6	291.9	138.2	62.3	77.9	255.5	278.5	157.5	44.5	64.3	198.2	36.1
Q2	6.2	10.8	302.6	144.0	63.8	80.8	259.0	292.0	165.7	49.6	65.9	201.8	40.5
Q3	9.9	14.6	318.8	149.9	70.0	84.8	274.8	317.0	182.6	52.8	70.0	217.6	51.4
Q4	9.8	15.1	324.0	154.3	69.2	85.9	279.6	326.4	186.8	54.7	72.1	224.9	52.9
2006 Q1	16.1	23.0	332.2	157.9	70.2	88.1	284.9	336.0	196.4	51.0	73.3	223.6	55.6
2005 Dec.	11.4	18.5	110.4	52.6	23.9	29.1	95.9	112.4	65.1	17.9	24.6	77.9	17.2
2006 Jan.	14.5	23.5	110.2	52.0	23.8	29.1	95.0	111.0	64.4	17.1	24.5	74.4	18.2
Feb.	15.1	22.9	110.1	52.5	23.2	29.3	95.0	112.7	65.5	17.1	24.3	75.2	17.6
Mar.	18.2	22.4	111.9	53.5	23.2	29.7	94.9	112.2	66.5	16.8	24.5	74.0	19.8
Apr.	5.0	8.6	111.9	52.8	23.6	28.8	96.1	112.6	64.9	16.8	24.1	76.0	17.5
May	14.8	20.7	113.2	53.5	23.9	30.1	95.8	114.2	67.5	17.3	25.0	75.8	18.7
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2002	2.9	-0.7	107.9	105.0	106.2	115.0	108.2	98.2	98.9	89.6	104.1	96.3	101.5
2003	1.0	3.8	109.0	105.9	108.0	114.8	109.2	102.0	100.6	95.2	110.3	100.0	104.9
2004	9.1	6.7	118.3	115.4	121.2	119.8	118.3	108.0	104.3	107.8	118.5	107.5	105.7
2005	4.4	4.3	124.0	118.8	128.7	123.2	124.2	113.1	106.1	119.2	122.7	115.2	107.4
2004 Q4	7.8	6.3	119.8	116.2	123.0	119.3	119.7	109.4	104.9	111.9	120.3	110.4	106.2
2005 Q1	1.1	2.3	118.9	114.1	122.2	118.4	120.1	109.2	104.2	106.7	118.6	110.0	105.3
Q2	4.1	5.0	122.2	117.9	124.2	121.8	121.0	111.5	104.8	118.4	120.7	111.5	103.1
Q3	6.7	4.9	126.9	120.7	135.3	126.0	127.1	115.0	107.3	123.8	125.0	118.3	110.5
Q4	5.6	4.8	128.0	122.6	133.1	126.6	128.5	116.6	107.9	128.0	126.6	121.2	110.9
2006 Q1	11.0	8.7	129.2	123.9	133.5	128.3	129.7	116.4	109.4	116.5	127.4	118.1	108.6
2005 Dec.	6.4	5.5	130.2	124.5	137.4	128.1	131.6	118.7	111.1	126.5	128.0	124.9	104.5
2006 Jan.	9.1	7.7	128.7	122.4	135.5	127.1	129.9	115.8	108.4	117.0	127.5	117.9	109.3
Feb.	10.3	8.2	128.6	123.6	132.7	128.3	130.0	116.8	109.0	117.7	126.3	119.2	100.2
Mar.	13.2	10.1	130.4	125.7	132.3	129.4	129.3	116.6	110.7	114.8	128.4	117.2	116.4
Apr.	0.9	-2.3	130.5	124.4	135.2	125.3	131.5	116.1	106.6	116.5	125.9	120.3	99.7
May	.	.	.	.	.	.	.	.	.	.	.	.	.
	Unit value indices (2000 = 100; annual percentage changes for columns 1 and 2)												
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	84.5
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	-0.2	2.4	96.7	96.3	94.2	99.5	96.2	97.1	98.1	93.0	97.8	96.1	99.4
2005	2.8	7.7	99.4	100.2	95.3	101.7	98.2	104.6	110.4	92.4	100.3	98.1	136.8
2004 Q4	1.0	6.0	97.0	97.4	94.2	99.5	96.5	99.5	102.4	92.3	97.9	96.8	112.5
2005 Q1	2.3	6.2	97.9	98.4	94.4	100.1	97.1	99.5	102.4	91.2	98.0	96.7	111.8
Q2	2.0	5.5	98.7	99.2	95.1	100.9	97.7	102.2	107.0	91.5	98.9	97.2	128.3
Q3	3.0	9.2	100.1	100.9	95.7	102.4	98.7	107.5	115.2	93.3	101.3	98.7	151.4
Q4	4.0	9.8	100.9	102.2	96.2	103.3	99.3	109.3	117.2	93.5	103.0	99.6	155.6
2006 Q1	4.6	13.2	102.5	103.5	97.3	104.5	100.3	112.7	121.6	95.8	104.1	101.6	167.1
2005 Dec.	4.8	12.3	101.4	102.9	96.5	103.9	99.8	110.9	119.1	92.9	104.3	100.5	161.2
2006 Jan.	5.0	14.7	102.4	103.4	97.3	104.4	100.2	112.3	120.6	96.1	104.2	101.6	162.4
Feb.	4.4	13.6	102.3	103.4	97.2	104.4	100.1	113.0	122.1	95.5	104.3	101.5	172.2
Mar.	4.5	11.3	102.7	103.7	97.3	104.7	100.5	112.7	122.0	95.9	103.8	101.7	166.7
Apr.	4.1	11.2	102.5	103.4	96.7	105.0	100.0	113.6	123.7	94.9	104.0	101.8	171.8
May	.	.	.	.	.	.	.	.	.	.	.	.	.

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.)															
2002	1,083.4	25.3	37.1	205.7	112.1	27.1	64.0	21.4	184.1	29.9	33.1	140.5	59.5	43.4	100.3
2003	1,060.1	24.9	38.7	194.8	117.6	29.2	63.4	24.9	166.3	35.2	31.3	135.4	59.5	37.9	100.9
2004	1,147.4	25.7	41.8	203.9	128.0	35.6	66.1	31.8	173.8	40.3	33.1	149.9	63.8	40.3	113.3
2005	1,237.4	28.6	44.9	202.9	142.2	43.0	70.2	34.6	184.9	43.6	34.1	165.7	72.8	46.7	123.3
2004 Q4	291.7	6.7	10.7	51.3	32.8	9.2	17.1	7.7	43.7	10.0	8.2	37.9	15.9	10.5	30.2
2005 Q1	291.9	6.7	10.9	49.8	33.3	9.8	17.4	8.0	43.4	10.2	8.5	39.0	17.1	11.0	26.9
Q2	302.6	7.0	11.2	49.9	33.8	10.6	16.9	8.2	45.5	10.1	8.4	40.5	17.2	11.2	32.1
Q3	318.8	7.3	11.4	51.5	36.1	11.3	17.9	9.0	47.2	11.4	8.5	43.9	19.3	12.3	31.7
Q4	324.0	7.6	11.4	51.7	39.1	11.2	18.0	9.4	48.8	11.8	8.6	42.3	19.2	12.3	32.6
2006 Q1	332.2	7.5	11.6	52.6	40.9	12.1	17.8	9.8	50.4	12.5	8.8	43.7	19.0	13.3	32.3
2005 Dec.	110.4	2.5	3.9	17.4	13.6	3.7	6.2	3.4	16.7	4.2	3.0	14.4	6.7	4.0	10.7
2006 Jan.	110.2	2.5	3.8	17.7	13.5	4.0	6.1	3.2	16.9	4.0	3.0	14.4	6.2	4.6	10.3
Feb.	110.1	2.5	3.8	17.3	13.8	4.0	5.9	3.3	16.7	4.2	3.0	14.8	6.5	4.4	9.9
Mar.	111.9	2.5	3.9	17.6	13.6	4.1	5.9	3.3	16.8	4.2	2.8	14.5	6.2	4.3	12.2
Apr.	111.9	2.4	3.9	17.6	14.5	4.0	6.0	3.2	16.5	4.2	2.7	15.1	6.3	4.4	10.9
May	113.2	.	.	.	.	4.3	6.1	3.3	16.6	4.2	2.8	14.4	6.2	4.1	.
<i>% share of total exports</i>															
2005	100.0	2.3	3.6	16.4	11.5	3.5	5.7	2.8	14.9	3.5	2.8	13.4	5.9	3.8	10.0
Imports (c.i.f.)															
2002	984.4	23.0	35.6	149.7	93.5	42.0	52.1	17.7	125.6	61.7	52.7	142.8	67.8	39.4	80.8
2003	990.6	23.7	36.9	138.9	102.0	47.4	50.4	19.3	110.3	74.5	52.2	140.6	68.9	39.8	85.6
2004	1,075.2	25.3	39.6	144.0	107.1	56.4	53.4	22.8	113.8	92.1	53.9	162.9	72.8	45.1	86.0
2005	1,213.9	25.4	41.9	150.9	116.7	73.1	58.1	24.8	120.6	117.7	52.8	187.9	95.0	52.8	96.0
2004 Q4	278.9	6.5	10.2	36.7	27.3	15.9	13.8	6.1	28.8	25.2	13.4	42.8	19.8	11.6	20.7
2005 Q1	278.5	6.1	10.0	36.1	27.1	16.6	13.5	6.3	28.8	26.3	12.9	41.3	20.2	12.1	21.2
Q2	292.0	6.4	10.3	36.7	28.7	17.5	14.4	5.8	30.1	27.9	12.6	46.5	21.9	12.1	21.1
Q3	317.0	6.3	10.6	38.9	29.9	18.9	15.0	6.1	30.8	31.1	13.6	49.2	26.8	13.9	25.9
Q4	326.4	6.5	11.0	39.3	30.9	20.1	15.1	6.6	30.9	32.5	13.8	50.9	26.2	14.8	27.8
2006 Q1	336.0	6.7	11.3	40.7	32.3	23.7	15.0	6.8	31.7	33.4	13.8	52.8	26.7	15.5	25.5
2005 Dec.	112.4	2.2	3.7	13.3	10.6	7.0	5.1	2.4	10.5	11.5	4.8	17.3	8.8	5.1	10.1
2006 Jan.	111.0	2.3	3.8	13.3	10.5	7.7	5.1	2.2	10.6	11.2	4.6	18.3	8.6	5.1	7.8
Feb.	112.7	2.1	3.8	13.5	11.1	7.7	5.0	2.3	10.6	11.1	4.7	17.4	9.2	5.2	9.0
Mar.	112.2	2.3	3.8	13.9	10.6	8.3	5.0	2.4	10.4	11.1	4.4	17.2	9.0	5.2	8.7
Apr.	112.6	2.2	3.8	14.4	11.2	7.8	5.0	2.6	10.4	11.1	4.3	17.2	8.6	5.1	9.0
May	114.2	.	.	.	.	8.5	5.1	2.5	10.3	11.3	4.5	17.8	9.0	5.2	.
<i>% share of total imports</i>															
2005	100.0	2.1	3.5	12.5	9.6	6.0	4.8	2.1	10.0	9.7	4.4	15.5	7.8	4.3	7.9
Balance															
2002	99.0	2.3	1.5	56.0	18.6	-14.9	12.0	3.8	58.5	-31.8	-19.6	-2.4	-8.3	4.0	19.5
2003	69.4	1.1	1.7	56.0	15.6	-18.2	12.9	5.5	56.0	-39.3	-20.9	-5.2	-9.4	-1.8	15.3
2004	72.2	0.5	2.2	59.9	20.9	-20.8	12.6	9.0	59.9	-51.8	-20.8	-13.0	-9.0	-4.8	27.4
2005	23.5	3.2	2.9	52.0	25.5	-30.1	12.1	9.8	64.3	-74.1	-18.8	-22.2	-22.3	-6.1	27.3
2004 Q4	12.8	0.2	0.5	14.6	5.5	-6.7	3.3	1.5	14.9	-15.2	-5.2	-4.9	-3.9	-1.2	9.5
2005 Q1	13.5	0.6	0.9	13.7	6.1	-6.8	3.9	1.7	14.6	-16.0	-4.5	-2.4	-3.1	-1.1	5.7
Q2	10.7	0.6	0.9	13.2	5.1	-6.9	2.5	2.4	15.4	-17.8	-4.1	-6.0	-4.7	-0.9	11.0
Q3	1.7	1.0	0.8	12.6	6.2	-7.6	2.9	2.9	16.3	-19.7	-5.0	-5.3	-7.5	-1.6	5.8
Q4	-2.4	1.0	0.4	12.4	8.2	-8.8	2.9	2.8	18.0	-20.6	-5.1	-8.5	-7.0	-2.6	4.8
2006 Q1	-3.8	0.8	0.2	11.9	8.6	-11.7	2.8	3.0	18.7	-20.9	-5.0	-9.1	-7.7	-2.2	6.8
2005 Dec.	-1.9	0.3	0.2	4.2	3.1	-3.3	1.1	1.1	6.2	-7.3	-1.8	-2.9	-2.1	-1.1	0.6
2006 Jan.	-0.8	0.2	0.0	4.4	3.0	-3.7	1.0	1.0	6.3	-7.1	-1.6	-3.8	-2.3	-0.5	2.5
Feb.	-2.6	0.4	0.1	3.8	2.7	-3.7	0.9	1.0	6.0	-6.9	-1.7	-2.6	-2.7	-0.8	0.9
Mar.	-0.3	0.2	0.1	3.8	2.9	-4.2	0.9	0.9	6.4	-6.9	-1.6	-2.7	-2.7	-0.9	3.5
Apr.	-0.7	0.2	0.1	3.2	3.3	-3.8	1.0	0.7	6.1	-6.9	-1.6	-2.1	-2.3	-0.6	1.9
May	-0.9	.	.	.	.	-4.2	1.0	0.8	6.3	-7.2	-1.7	-3.4	-2.7	-1.0	.

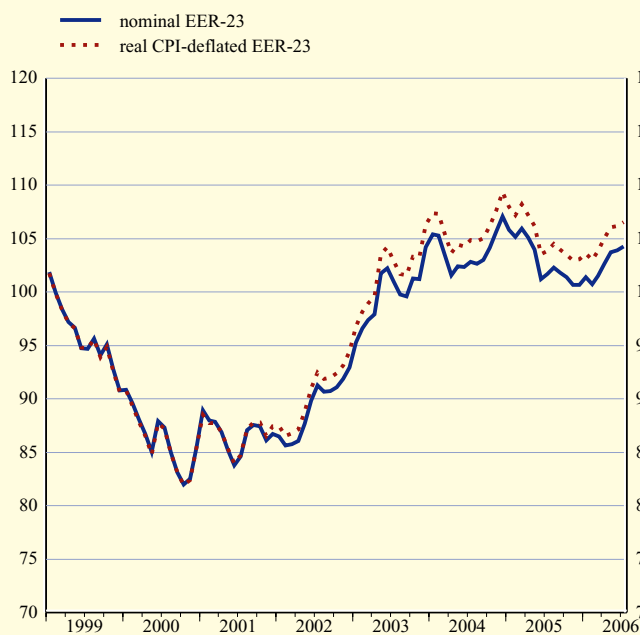
Sources: Eurostat and ECB calculations based on Eurostat data (balance and columns 5, 12 and 15).

EXCHANGE RATES

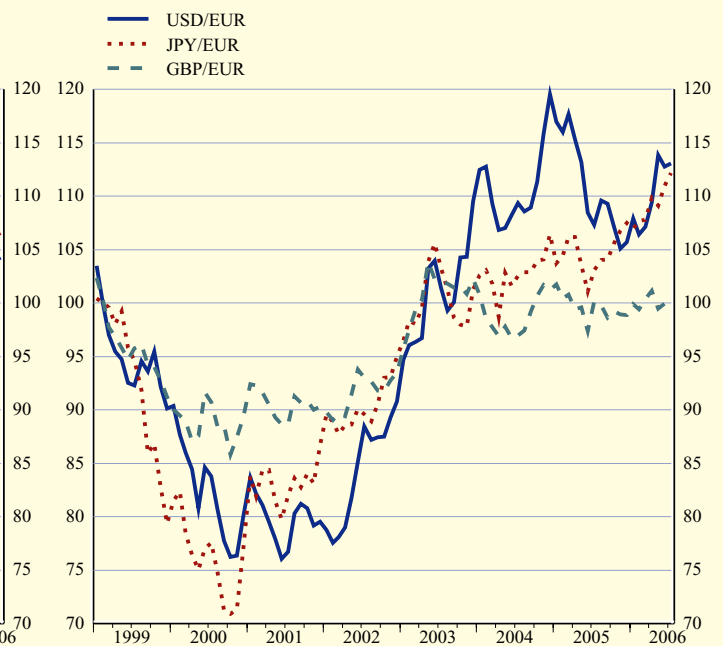
8.1 Effective exchange rates ¹⁾ (period averages; index 1999 Q1=100)

	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	
2003	99.9	101.7	102.2	101.2	96.0	99.3	106.6	101.6	
2004	103.8	105.9	105.2	104.9	100.6	103.4	111.0	105.4	
2005	102.9	105.2	103.6	104.2	98.5	101.4	109.5	103.5	
2005 Q2	103.4	105.7	104.2	104.6	99.0	102.1	110.1	104.1	
Q3	101.9	104.1	102.4	103.0	97.2	100.1	108.3	102.3	
Q4	100.9	103.2	101.1	102.4	96.2	99.3	107.2	101.2	
2006 Q1	101.2	103.5	102.1	102.5	96.5	99.5	107.2	101.0	
Q2	103.5	105.7	104.4	.	.	.	109.9	103.5	
2005 July	101.7	103.9	102.3	-	-	-	108.0	102.0	
Aug.	102.3	104.5	102.9	-	-	-	108.7	102.7	
Sep.	101.8	103.9	101.9	-	-	-	108.2	102.3	
Oct.	101.4	103.5	101.5	-	-	-	107.8	101.6	
Nov.	100.7	103.0	100.9	-	-	-	106.9	100.9	
Dec.	100.7	103.1	101.0	-	-	-	106.9	101.0	
2006 Jan.	101.4	103.6	101.9	-	-	-	107.5	101.3	
Feb.	100.7	103.0	101.7	-	-	-	106.6	100.5	
Mar.	101.5	103.9	102.6	-	-	-	107.4	101.3	
Apr.	102.7	105.0	103.7	-	-	-	108.6	102.3	
May	103.8	106.0	104.7	-	-	-	110.3	103.8	
June	103.9	106.2	104.7	-	-	-	110.9	104.2	
July	104.3	106.5	105.0	-	-	-	111.0	104.4	
	<i>% change versus previous month</i>								
2006 July	0.3	0.4	0.2	-	-	-	0.1	0.1	
	<i>% change versus previous year</i>								
2006 July	2.5	2.6	2.6	-	-	-	2.8	2.3	

C35 Effective exchange rates (monthly averages; index 1999 Q1=100)



C36 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 kroner 1	Swedish krona 2	Pound sterling 3	US dollar 4	Japanese yen 5	Swiss franc 6	South Korean won 7	Hong Kong dollar 8	Singapore dollar 9	Canadian dollar 10	Norwegian kroner 11	Australian dollar 12
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
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
2005 Q4	7.4586	9.4731	0.67996	1.1884	139.41	1.5472	1,231.69	9.2157	2.0065	1.3956	7.8785	1.5983
2006 Q1	7.4621	9.3525	0.68625	1.2023	140.51	1.5590	1,173.72	9.3273	1.9567	1.3894	8.0227	1.6274
Q2	7.4581	9.2979	0.68778	1.2582	143.81	1.5631	1,194.34	9.7618	1.9989	1.4108	7.8314	1.6838
2006 Jan.	7.4613	9.3111	0.68598	1.2103	139.82	1.5494	1,190.02	9.3851	1.9761	1.4025	8.0366	1.6152
Feb.	7.4641	9.3414	0.68297	1.1938	140.77	1.5580	1,157.96	9.2640	1.9448	1.3723	8.0593	1.6102
Mar.	7.4612	9.4017	0.68935	1.2020	140.96	1.5691	1,171.84	9.3270	1.9486	1.3919	7.9775	1.6540
Apr.	7.4618	9.3346	0.69463	1.2271	143.59	1.5748	1,168.67	9.5182	1.9643	1.4052	7.8413	1.6662
May	7.4565	9.3310	0.68330	1.2770	142.70	1.5564	1,202.04	9.9019	2.0133	1.4173	7.7988	1.6715
June	7.4566	9.2349	0.68666	1.2650	145.11	1.5601	1,207.64	9.8210	2.0129	1.4089	7.8559	1.7104
July	7.4602	9.2170	0.68782	1.2684	146.70	1.5687	1,205.89	9.8600	2.0083	1.4303	7.9386	1.6869
<i>% change versus previous month</i>												
2006 July	0.0	-0.2	0.2	0.3	1.1	0.5	-0.1	0.4	-0.2	1.5	1.1	-1.4
<i>% change versus previous year</i>												
2006 July	0.0	-2.2	0.0	5.4	8.9	0.7	-3.4	5.4	-0.9	-2.9	0.2	5.4
	Czech koruna 13	Estonian kroon 14	Cyprus pound 15	Latvian lats 16	Lithuanian litas 17	Hungarian forint 18	Maltese lira 19	Polish zloty 20	Slovenian tolar 21	Slovak koruna 22	Bulgarian lev 23	New Roma- nian leu ¹⁾ 24
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
2005	29.782	15.6466	0.57683	0.6962	3.4528	248.05	0.4299	4.0230	239.57	38.599	1.9558	3.6209
2005 Q4	29.304	15.6466	0.57339	0.6965	3.4528	251.84	0.4293	3.9152	239.51	38.494	1.9558	3.6379
2006 Q1	28.599	15.6466	0.57449	0.6961	3.4528	254.56	0.4293	3.8346	239.51	37.456	1.9558	3.5638
Q2	28.378	15.6466	0.57538	0.6960	3.4528	266.83	0.4293	3.9482	239.63	37.690	1.9558	3.5172
2006 Jan.	28.722	15.6466	0.57376	0.6960	3.4528	250.71	0.4293	3.8201	239.49	37.492	1.9558	3.6449
Feb.	28.407	15.6466	0.57436	0.6961	3.4528	251.57	0.4293	3.7941	239.49	37.390	1.9558	3.5393
Mar.	28.650	15.6466	0.57530	0.6961	3.4528	260.85	0.4293	3.8837	239.55	37.478	1.9558	3.5074
Apr.	28.501	15.6466	0.57613	0.6960	3.4528	265.47	0.4293	3.9177	239.60	37.374	1.9558	3.4892
May	28.271	15.6466	0.57510	0.6960	3.4528	262.37	0.4293	3.8954	239.63	37.578	1.9558	3.5072
June	28.386	15.6466	0.57504	0.6960	3.4528	272.39	0.4293	4.0261	239.65	38.062	1.9558	3.5501
July	28.448	15.6466	0.57500	0.6960	3.4528	277.49	0.4293	3.9962	239.65	38.377	1.9558	3.5715
<i>% change versus previous month</i>												
2006 July	0.2	0.0	0.0	0.0	0.0	1.9	0.0	-0.7	0.0	0.8	0.0	0.6
<i>% change versus previous year</i>												
2006 July	-5.7	0.0	0.2	0.0	0.0	12.6	0.0	-2.5	0.1	-1.3	0.0	-
	Chinese yuan renminbi ²⁾ 25	Croatian kuna ²⁾ 26	Icelandic krona 27	Indonesian rupiah ²⁾ 28	Malaysian ringgit ²⁾ 29	New Zealand dollar 30	Philippine peso ²⁾ 31	Russian rouble ²⁾ 32	South African rand 33	Thai baht ²⁾ 34	New Turkish lira ³⁾ 35	
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	
2005	10.1955	7.4008	78.23	12,072.83	4.7119	1.7660	68.494	35.1884	7.9183	50.068	1.6771	
2005 Q4	9.6057	7.3831	73.86	11,875.37	4.4881	1.7124	64.821	34.1294	7.7706	48.780	1.6132	
2006 Q1	9.6793	7.3426	78.43	11,178.36	4.4814	1.8128	62.292	33.8349	7.4067	47.273	1.6026	
Q2	10.0815	7.2786	92.72	11,479.67	4.5853	2.0172	65.819	34.1890	8.1745	47.981	1.8473	
2006 Jan.	9.7630	7.3772	74.58	11,472.89	4.5425	1.7616	63.590	34.3284	7.3811	47.965	1.6158	
Feb.	9.6117	7.3191	76.57	11,048.98	4.4487	1.7741	61.776	33.6802	7.3079	47.014	1.5830	
Mar.	9.6581	7.3300	83.74	11,009.15	4.4514	1.8956	61.499	33.4973	7.5171	46.836	1.6071	
Apr.	9.8361	7.3111	91.94	10,956.51	4.4918	1.9733	63.077	33.7987	7.4656	46.619	1.6381	
May	10.2353	7.2731	91.69	11,536.41	4.6107	2.0240	66.622	34.5386	8.0859	48.534	1.8400	
June	10.1285	7.2575	94.38	11,850.97	4.6364	2.0462	67.259	34.1587	8.8431	48.541	2.0258	
July	10.1347	7.2509	94.33	11,582.39	4.6527	2.0551	66.291	34.1393	8.9892	48.197	1.9712	
<i>% change versus previous month</i>												
2006 July	0.1	-0.1	0.0	-2.3	0.4	0.4	-1.4	-0.1	1.7	-0.7	-2.7	
<i>% change versus previous year</i>												
2006 July	2.4	-0.8	20.3	-1.9	2.1	15.9	-1.6	-1.2	11.3	-4.0	22.2	

Source: ECB.

1) Data prior to July 2005 refer to the Romanian leu; 1 new Romanian leu is equivalent to 10,000 old Romanian lei.

2) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 April 2005. Previous data are indicative.

3) Data prior to January 2005 refer to the Turkish lira; 1 new Turkish lira is equivalent to 1,000,000 old Turkish liras.

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													
2004	2.6	0.9	3.0	1.9	6.2	1.2	6.8	2.7	3.6	3.7	7.5	1.0	1.3
2005	1.6	1.7	4.1	2.0	6.9	2.7	3.5	2.5	2.2	2.5	2.8	0.8	2.1
2005 Q4	2.2	2.0	4.0	1.9	7.5	3.0	3.2	3.5	1.2	2.6	3.7	1.1	2.1
2006 Q1	2.4	2.0	4.4	2.3	7.0	3.3	2.4	2.5	0.9	2.3	4.2	1.2	2.0
2006 Q2	2.5	2.0	4.5	2.6	6.5	3.6	2.7	3.4	1.4	3.1	4.6	1.9	2.2
2006 Feb.	2.4	2.1	4.5	2.3	7.0	3.4	2.3	2.3	0.9	2.3	4.3	1.1	2.0
2006 Mar.	2.4	1.8	4.0	2.6	6.6	3.1	2.4	2.9	0.9	2.0	4.3	1.5	1.8
2006 Apr.	2.3	1.8	4.3	2.5	6.1	3.4	2.4	3.5	1.2	2.8	4.4	1.8	2.0
2006 May	2.8	2.1	4.6	2.5	7.1	3.6	2.9	3.5	1.5	3.4	4.8	1.9	2.2
2006 June	2.3	2.1	4.4	2.6	6.3	3.7	2.9	3.3	1.5	3.0	4.5	1.9	2.5
General government deficit (-)/surplus (+) as a % of GDP¹⁾													
2003	-6.6	1.0	2.4	-6.3	-1.2	-1.2	-6.4	-10.2	-4.7	-2.8	-3.7	0.1	-3.3
2004	-2.9	2.7	1.5	-4.1	-0.9	-1.5	-5.4	-5.1	-3.9	-2.3	-3.0	1.8	-3.3
2005	-2.6	4.9	1.6	-2.4	0.2	-0.5	-6.1	-3.3	-2.5	-1.8	-2.9	2.9	-3.6
General government gross debt as a % of GDP¹⁾													
2003	30.0	44.4	6.0	69.7	14.4	21.2	56.7	71.3	43.9	29.1	42.7	51.8	39.0
2004	30.6	42.6	5.4	71.7	14.6	19.5	57.1	76.2	41.9	29.5	41.6	50.5	40.8
2005	30.5	35.8	4.8	70.3	11.9	18.7	58.4	74.7	42.5	29.1	34.5	50.3	42.8
Long-term government bond yield as a % per annum, period average													
2006 Jan.	3.39	3.31	-	3.96	3.60	3.62	6.66	4.39	4.95	3.73	3.59	3.33	3.97
2006 Feb.	3.41	3.48	-	3.96	3.60	3.53	6.71	4.38	4.79	3.72	3.75	3.42	4.05
2006 Mar.	3.58	3.70	-	3.97	3.60	3.75	7.00	4.35	4.79	3.80	4.01	3.55	4.19
2006 Apr.	3.85	3.98	-	4.07	3.60	3.92	7.00	4.19	5.03	3.73	4.27	3.84	4.37
2006 May	3.93	4.02	-	4.07	3.60	4.13	6.85	4.24	5.27	3.73	4.50	3.89	4.49
2006 June	4.05	4.03	-	4.03	4.14	4.34	7.26	4.27	5.55	3.87	4.66	3.93	4.50
3-month interest rate as a % per annum, period average													
2006 Jan.	2.14	2.52	2.61	3.42	4.03	2.56	6.02	3.20	4.49	4.00	3.17	2.03	4.60
2006 Feb.	2.00	2.66	2.62	3.24	4.03	2.61	-	3.18	4.26	3.84	3.34	2.11	4.58
2006 Mar.	2.08	2.85	2.87	3.19	3.97	2.75	-	3.20	4.12	3.53	3.75	2.23	4.59
2006 Apr.	2.11	2.92	2.91	3.22	3.91	2.84	6.26	3.24	4.14	3.50	3.86	2.27	4.63
2006 May	2.12	2.98	2.92	3.22	4.48	2.90	-	3.24	4.15	3.50	3.96	2.31	4.70
2006 June	2.16	3.08	3.06	3.19	4.16	3.00	-	3.45	4.17	3.38	4.20	2.47	4.73
Real GDP													
2004	4.2	1.9	7.8	3.9	8.6	7.0	5.2	-0.5	5.3	4.2	5.4	3.7	3.1
2005	6.1	3.2	9.8	3.8	10.2	7.5	4.1	2.4	3.3	3.9	6.1	2.7	1.8
2005 Q4	6.9	3.3	11.5	3.6	10.6	8.2	4.2	2.0	4.7	5.0	7.4	3.1	1.8
2006 Q1	7.4	2.6	11.1	3.1	13.1	8.2	4.3	-1.3	4.6	4.7	6.3	3.9	2.3
2006 Q2	.	.	.	.	.	.	.	.	.	.	.	.	2.6
Current and capital accounts balance as a % of GDP													
2004	-6.6	2.4	-12.2	-4.9	-11.9	-6.4	-8.3	-6.0	-3.9	-2.5	-3.3	6.9	-1.5
2005	-1.9	3.0	-9.9	-5.3	-11.3	-5.6	-6.6	-7.8	-1.1	-1.5	-8.6	6.2	-2.0
2005 Q3	-4.1	4.6	-8.9	4.9	-11.1	-6.4	-7.7	6.6	-1.3	0.6	-4.7	6.8	-3.4
2005 Q4	-2.4	1.9	-8.5	-19.7	-13.8	-5.2	-5.4	-20.8	-1.2	-4.9	-14.9	5.5	-1.9
2006 Q1	0.4	-1.1	-13.4	-13.0	-12.8	-9.3	-6.1	-12.6	.	-2.2	-7.6	8.2	-2.6
Unit labour costs													
2004	1.8	0.3	2.9	0.8	6.6	0.7	5.2	1.8	-1.5	3.8	3.2	-0.6	2.1
2005	-0.6	1.1	3.8	1.5	6.0	3.8	.	-0.1	-0.4	.	1.1	1.4	.
2005 Q3	0.6	-0.7	4.1	-	-	2.9	-	-	-	-	1.1	0.6	.
2005 Q4	-1.3	1.4	5.6	-	-	6.8	-	-	-	-	1.2	2.6	.
2006 Q1	-0.6	2.2	5.1	-	-	7.0	-	-	-	-	3.7	-1.3	.
Standardised unemployment rate as a % of labour force (s.a.)													
2004	8.3	5.5	9.7	4.6	10.4	11.4	6.1	7.3	19.0	6.3	18.2	7.7	4.7
2005	7.9	4.8	7.9	5.3	8.9	8.2	7.2	7.3	17.7	6.5	16.3	7.8	4.7
2005 Q4	7.8	4.1	7.3	5.3	8.0	7.0	7.5	7.5	17.1	6.8	15.7	7.7	5.0
2006 Q1	7.7	4.2	5.6	5.4	8.0	6.5	7.5	8.1	16.9	6.4	15.1	7.8	5.1
2006 Q2	7.4	3.9	5.1	5.5	7.7	5.6	7.3	8.4	16.3	6.5	15.2	.	.
2006 Feb.	7.8	4.3	5.6	5.4	7.9	6.4	7.6	8.1	16.8	6.4	15.1	7.7	5.1
2006 Mar.	7.7	4.2	5.4	5.4	7.8	6.3	7.4	8.3	16.7	6.4	15.1	7.8	5.2
2006 Apr.	7.5	4.0	5.2	5.4	7.8	5.9	7.4	8.4	16.5	6.5	15.3	.	5.3
2006 May	7.4	3.9	5.0	5.6	7.7	5.6	7.3	8.3	16.3	6.5	15.3	.	.
2006 June	7.3	3.9	4.9	5.6	7.6	5.4	7.3	8.5	16.0	6.5	15.1	.	.

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

1) Ratios are computed using GDP excluding financial intermediation services indirectly measured (FISIM).

9.2 In the United States and Japan

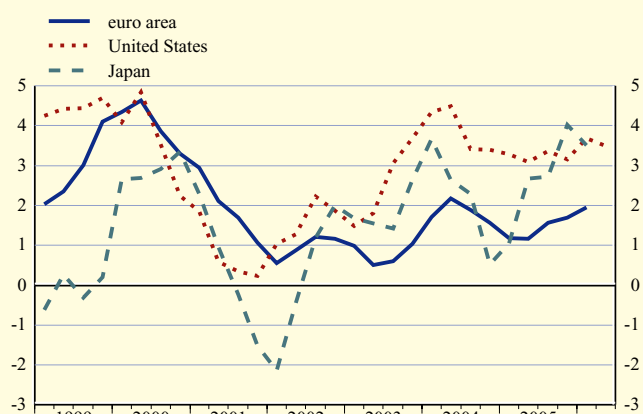
(annual percentage changes, unless otherwise indicated)

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											
2002	1.6	0.6	1.6	0.3	5.8	8.0	1.80	4.60	0.9456	-3.8	45.2
2003	2.3	2.5	2.5	0.7	6.0	6.4	1.22	4.00	1.1312	-5.0	47.9
2004	2.7	-3.1	3.9	5.0	5.5	5.0	1.62	4.26	1.2439	-4.7	48.6
2005	3.4	1.7	3.2	3.9	5.1	6.1	3.56	4.28	1.2441	-3.8	49.0
2005 Q2	2.9	3.0	3.1	3.4	5.1	5.0	3.28	4.16	1.2594	-3.5	48.6
Q3	3.8	2.2	3.4	3.1	5.0	5.9	3.77	4.21	1.2199	-4.4	48.6
Q4	3.7	-0.8	3.1	4.3	4.9	7.4	4.34	4.48	1.1884	-3.7	49.0
2006 Q1	3.6	-1.8	3.7	4.8	4.7	8.2	4.76	4.57	1.2023	-2.9	49.6
Q2	4.0	.	3.5	5.8	4.6	9.1	5.21	5.07	1.2582	.	.
2006 Mar.	3.4	-	-	5.1	4.7	8.4	4.92	4.72	1.2020	-	-
Apr.	3.5	-	-	5.9	4.7	8.6	5.07	4.99	1.2271	-	-
May	4.2	-	-	5.6	4.6	9.2	5.18	5.10	1.2770	-	-
June	4.3	-	-	5.9	4.6	9.4	5.38	5.10	1.2650	-	-
July	.	-	-	.	.	.	5.50	5.10	1.2684	-	-
Japan											
2002	-0.9	-3.2	0.1	-1.2	5.4	3.3	0.08	1.27	118.06	-8.4	143.9
2003	-0.3	-3.8	1.8	3.2	5.2	1.7	0.06	0.99	130.97	-7.8	151.3
2004	0.0	-5.2	2.3	5.5	4.7	1.9	0.05	1.50	134.44	-5.6	157.9
2005	-0.3	-0.5	2.6	1.1	4.4	1.9	0.06	1.39	136.85	.	.
2005 Q2	-0.1	0.9	2.7	0.3	4.4	1.7	0.05	1.28	135.42	.	.
Q3	-0.3	0.3	2.7	-0.2	4.3	1.8	0.06	1.36	135.62	.	.
Q4	-0.5	-2.1	4.0	3.0	4.5	2.0	0.06	1.53	139.41	.	.
2006 Q1	0.4	-1.6	3.5	3.2	4.2	1.7	0.08	1.58	140.51	.	.
Q2	0.7	.	.	4.1	4.1	1.4	0.21	1.90	143.81	.	.
2006 Mar.	0.3	-1.5	-	3.1	4.1	1.4	0.10	1.70	140.96	-	-
Apr.	0.4	-1.4	-	3.6	4.1	1.7	0.11	1.91	143.59	-	-
May	0.6	-	-	4.0	4.0	1.3	0.19	1.91	142.70	-	-
June	1.0	.	-	4.8	4.2	1.2	0.32	1.87	145.11	-	-
July	.	.	-	.	.	.	0.40	1.91	146.70	-	-

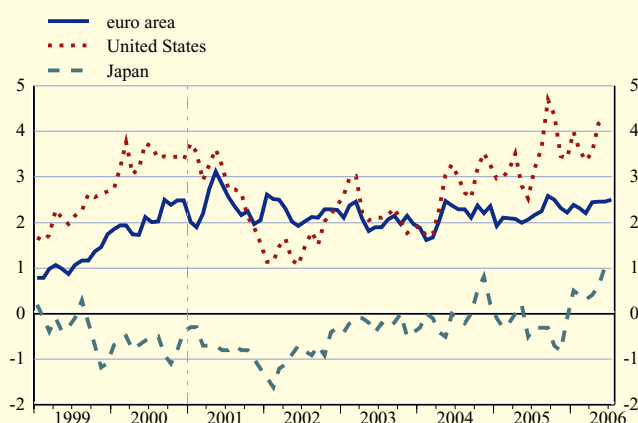
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 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).

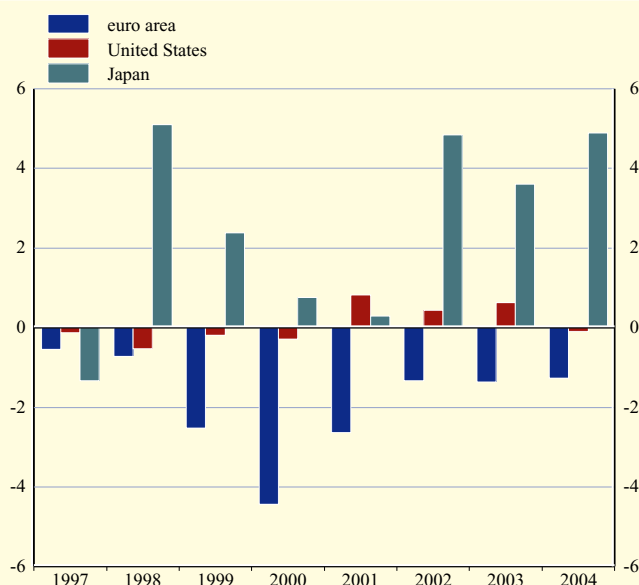
- 1) Data for the United States are seasonally adjusted.
- 2) Average-of-period values; M3 for US, M2+CDs for Japan.
- 3) For more information, see Sections 4.6 and 4.7.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).

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

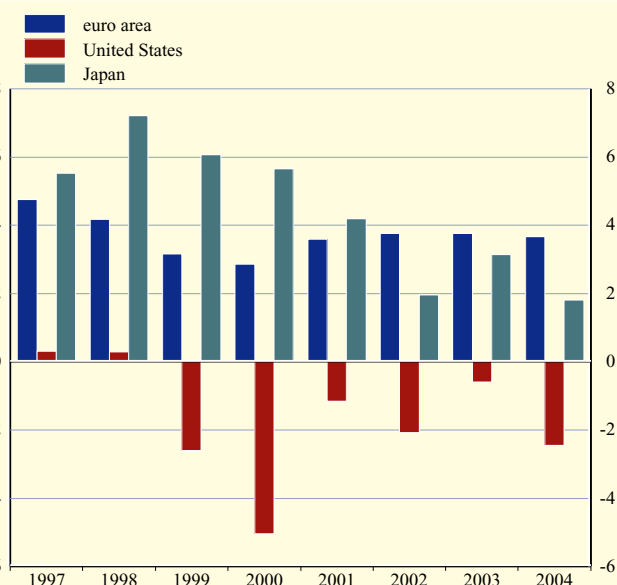
2. Saving, investment and financing

	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 expenditures 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													
2002	14.2	18.4	-4.4	7.0	7.0	1.2	7.7	0.8	-0.1	13.0	4.5	11.4	6.6
2003	13.4	18.5	-4.6	6.8	6.8	0.8	8.0	0.1	0.3	13.3	8.4	11.3	9.0
2004	13.4	19.6	-5.6	7.3	7.0	4.2	8.0	4.2	0.3	13.5	7.1	11.0	9.6
2005	13.4	20.1	-6.3	7.4	7.3	2.3	8.2	2.2	-0.6	13.7	4.6	9.5	9.5
2004 Q2	13.3	19.8	-5.6	7.4	7.0	3.0	8.1	2.7	-0.5	13.6	6.5	10.7	9.2
Q3	13.5	19.8	-5.5	7.3	7.1	4.1	8.4	4.0	-0.1	13.6	6.8	10.9	8.9
Q4	13.5	19.9	-6.2	7.5	7.2	4.1	7.3	5.1	0.8	13.6	8.2	11.4	10.7
2005 Q1	13.4	20.2	-6.4	7.6	7.2	2.5	7.7	3.1	0.3	13.7	4.8	10.0	8.4
Q2	13.2	19.8	-6.0	7.2	7.3	2.3	8.1	2.1	-0.1	13.9	4.6	9.4	10.1
Q3	13.6	19.9	-5.9	7.2	7.4	2.4	8.6	1.7	-1.7	13.8	5.1	9.9	10.4
Q4	13.2	20.5	-6.9	7.7	7.4	2.1	8.3	2.0	-1.0	13.5	4.0	8.8	9.0
2006 Q1	13.8	20.7	-6.7	7.8	7.5	2.1	8.5	2.1	-0.6	13.7	6.6	8.4	10.8
Japan													
2002	25.3	23.3	2.8	12.8	13.2	-1.7	16.0	-7.5	-0.9	4.9	-0.2	7.7	-2.1
2003	25.6	22.9	3.1	13.3	13.4	2.3	17.0	-5.4	0.2	4.7	0.3	7.1	-0.7
2004	25.5	22.9	3.6	13.3	13.6	4.2	17.7	-0.5	1.0	4.7	3.1	6.6	-1.0
2005	.	23.2	.	.	.	4.4	.	1.5	1.2	.	2.9	.	0.7
2004 Q2	21.4	20.2	3.6	.	.	-13.7	.	-11.2	0.6	.	7.9	.	-6.2
Q3	23.9	22.9	3.9	.	.	10.2	.	0.0	0.1	.	-1.3	.	1.9
Q4	26.1	21.4	3.0	.	.	11.7	.	14.0	2.6	.	9.7	.	-0.6
2005 Q1	31.5	25.4	3.7	.	.	10.3	.	-3.4	-1.7	.	-12.1	.	2.9
Q2	.	23.7	.	.	.	-15.3	.	-13.8	2.2	.	8.9	.	-6.3
Q3	.	23.5	.	.	.	6.3	.	6.2	0.8	.	-2.4	.	2.8
Q4	.	23.9	.	.	.	15.9	.	16.2	3.1	.	15.8	.	3.5
2006 Q1	.	23.7	.	.	.	9.2	.	-2.4	-2.2	.	-7.2	.	5.5

C39 Net lending of non-financial corporations
(as a percentage of GDP)



C40 Net lending of households¹⁾
(as a percentage of GDP)



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

1) Including non-profit institutions serving households.

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

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



LIST OF CHARTS

C1	Monetary aggregates	S12
C2	Counterparts	S12
C3	Components of monetary aggregates	S13
C4	Components of longer-term financial liabilities	S13
C5	Loans to financial intermediaries and non-financial corporations	S14
C6	Loans to households	S15
C7	Loans to government and non-euro area residents	S16
C8	Total deposits by sector (<i>financial intermediaries</i>)	S17
C9	Total deposits and deposits included in M3 by sector (<i>financial intermediaries</i>)	S17
C10	Total deposits by sector (<i>non-financial corporations and households</i>)	S18
C11	Total deposits and deposits included in M3 by sector (<i>non-financial corporations and households</i>)	S18
C12	Deposits by government and non-euro area residents	S19
C13	MFI holdings of securities	S20
C14	Total assets of investment funds	S24
C15	Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents	S30
C16	Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted	S32
C17	Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined	S33
C18	Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined	S34
C19	Annual growth rates for quoted shares issued by euro area residents	S35
C20	Gross issues of quoted shares by sector of the issuer	S36
C21	New deposits with agreed maturity	S38
C22	New loans at floating rate and up to 1 year initial rate fixation	S38
C23	Euro area money market rates	S39
C24	3-month money market rates	S39
C25	Euro area government bond yields	S40
C26	10-year government bond yields	S40
C27	Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225	S41
C28	Deficit, borrowing requirement and change in debt	S54
C29	Maastricht debt	S54
C30	B.o.p. current account balance	S55
C31	B.o.p. net direct and portfolio investment	S55
C32	B.o.p. goods	S56
C33	B.o.p. services	S56
C34	Main b.o.p. transactions underlying the developments in MFI net external assets	S60
C35	Effective exchange rates	S67
C36	Bilateral exchange rates	S67
C37	Real gross domestic product	S70
C38	Consumer price indices	S70
C39	Net lending of non-financial corporations	S71
C40	Net lending of households	S71



TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 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:

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

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

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

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

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

Finally, the three-month moving average (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:

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

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 STATISTICS¹

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:

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

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 notional stocks. If N_t^M represents the transactions (net

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.

issues) in month t and L_t the level outstanding at the end of the month t , the index I_t of notional stocks in month t is defined as:

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

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

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

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

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

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS⁴

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

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

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

$$p) \quad a_t = \left[\prod_{i=0}^5 \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

$$q) \quad a_t = \left(\frac{I_t}{I_{t-6}} - 1 \right) \times 100$$

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.

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

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, services, income and current transfers are pre-adjusted to take a working-day effect into account. For goods, services and income, the working-day adjustment is corrected for national public holidays. Data on goods credits are also pre-adjusted for Easter. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.



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 2 August 2006.

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, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of i) shares/units issued by money market funds located in the euro area and ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item “net external assets”.

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows 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 sector¹, as last amended by Regulation ECB/2003/10².

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

1 OJL 356, 30.12.1998, p. 7.

2 OJL 250, 2.10.2003, p. 19.

corporations (S.11 in the ESA 95), and households (S.14 in the ESA 95) including non-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.

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 other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of

securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks from which the seasonal effects have been removed. See the Technical notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of table 1 in Section 4.2, corresponds to the data on outstanding amounts for total and long-term debt securities issued by euro area residents in column 7 of Section 4.1. The outstanding amounts for total and long-term debt securities issued by MFIs in column 2 of table 1, Section 4.2 are broadly comparable with data for debt securities issued as shown on the liabilities side of the aggregated MFI balance sheet in column 8 of table 2, Section 2.1. The total net issues for total debt securities in column 1 of table 2 in Section 4.2 correspond to the data on total net issues by euro area residents in column 9 of Section 4.1. The residual difference between long-term debt securities and total fixed and variable rate long-term debt securities in table 1, Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an

institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.2 (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 issuer's own shares. Transactions include the quotation of an issuer on a stock exchange for the first time and the creation or deletion of new instruments. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes which do not arise from transactions.

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. The new MFI interest rate statistics replace the ten transitional statistical series on euro area retail interest rates that have been published in the ECB's Monthly Bulletin since January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered spanning from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999 synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. 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 hourly labour costs, 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 statistics³. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001⁴. 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.

3 OJ L 162, 5.6.1998, p. 1.

4 OJ L 86, 27.3.2001, p. 11.

The labour cost indices (Table 3 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index⁵ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁶. A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 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 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB 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 Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000⁷ amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to EDP B.9 as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002

5 OJL 69, 13.3.2003, p. 1.

6 OJL 169, 8.7.2003, p. 37.

7 OJL 172, 12.7.2000, p. 3.

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 2002⁸ on quarterly non-financial accounts for general government. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and 1222/2004 and data provided by the National Central Banks.

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)⁹, 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 2005), 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 annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

The 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.

⁸ OJ L 179, 9.7.2002, p. 1.

⁹ OJ L 354, 30.11.2004, p. 34.

Section 7.2 contains a monetary presentation of the b.o.p.: the b.o.p. transactions mirroring the transactions in the external counterpart of M3. The data follow the sign conventions of the b.o.p., except for the transactions in the external counterpart of M3 taken from money and banking statistics (column 12), where a positive sign denotes an increase of assets or a decrease of liabilities. In 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.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM¹



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, 4 MAY, 2 JUNE, 7 JULY, 4 AUGUST, 1 SEPTEMBER, 6 OCTOBER AND 3 NOVEMBER 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

¹ The chronology of monetary policy measures of the Eurosystem taken between 1999 and 2003 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, on pages 234 to 235 of the ECB's Annual Report 2002 and on pages 217 to 218 of the ECB's Annual Report 2003 respectively.

remain unchanged at 2.0%, 3.0% and 1.0% respectively.

1 DECEMBER 2005

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 0.25 percentage point to 2.25%, starting from the operation to be settled on 6 December 2005. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 0.25 percentage point, to 3.25% and 1.25% respectively, both with effect from 6 December 2005.

16 DECEMBER 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 2006 from €30 billion to €40 billion. This increased amount takes two aspects into consideration. First, the liquidity needs of the euro area banking system are expected to increase further in the year 2006. Second, the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. 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 2007.

12 JANUARY AND 2 FEBRUARY 2006

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 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.50%, starting from the operation to be settled on 8 March 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.50% and 1.50% respectively, both with effect from 8 March 2006.

6 APRIL AND 4 MAY 2006

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 JUNE 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 2.75%, starting from the operation to be settled on 15 June 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 3.75% and 1.75% respectively, both with effect from 15 June 2006.

6 JULY 2006

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.

3 AUGUST 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.0%, starting from the operation to be settled on 9 August 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.0% and 2.0%, both with effect from 9 August 2006.



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CONVERGENCE REPORT

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.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 (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by general government.

Central parity (or central rate): the exchange rate of each ERM II member currency vis-à-vis the euro, around which the ERM II fluctuation margins are defined.

Compensation per employee: 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 gross debt (deposits, loans and debt securities excluding financial derivatives) at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government.

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) 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-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104 (2) of the Treaty establishing the European Community to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a decline in the general price level, e.g. in the consumer price index.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at 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.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the European Central Bank and the national central banks of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is 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).

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 (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

Implied volatility: the expected volatility (i.e. standard deviation) in the rates of change of the price of an asset (e.g. a share or a bond). It can be derived from the asset's price, maturity date and exercise price of its options, as well as from a riskless rate of return, using an option pricing model such as the Black-Scholes model.

Index of negotiated wages: a measure of the direct outcome of collective bargaining in terms of basic pay (i.e. excluding bonuses) at the euro area level. It refers to the implied average change in monthly wages and salaries.

Industrial producer prices: factory-gate prices (transportation costs are not included) of all products sold by industry excluding construction on the domestic markets of the euro area countries, excluding imports.

Industrial production: the gross value added created by industry at constant prices.

Inflation: an increase in the general price level, e.g. in the consumer price index.

Inflation-indexed government bonds: debt securities issued by the general government, the coupon payments and principal of which are linked to a specific consumer price index.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights (SDRs) and the reserve positions in the IMF which are held by the Eurosystem.

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 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 labour productivity (defined as 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 graphical representation of 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.

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